THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC. D/B/A WATERTOWN FAMILY YMCA

FINANCIAL STATEMENTS

December 31, 2022

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D/B/A WATERTOWN FAMILY YMCA

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
D/B/A WATERTOWN FAMILY YMCA

Report on the Audit of the Financial Statements

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 "Watertown Family YMCA"), which comprise the statement of financial position as of December 31, 2022 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 present fairly, in all material respects, the financial position of Watertown Family YMCA, as of December 31, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 Watertown Family 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.

Management's Responsibility 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.

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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 Watertown Family YMCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 and *Government 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 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 and *Government 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 Watertown Family 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 Watertown Family 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2023, on our consideration of Watertown Family YMCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watertown Family YMCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watertown Family YMCA's internal control over financial reporting and compliance.

Bowers & Company

Watertown, New York
May 3, 2023

STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$	2,657,480
Restricted Cash		6,858,029
Investments - Operating		755,688
Grants and Contracts Receivable		1,442,040
Program Fee Receivable		40,086
Employee Retention Credit Receivable		482,169
Prepaid Expenses		212,711
Unconditional Promises to Give		565,897
Total Current Assets		13,014,100
NON-CURRENT ASSETS		
Cash and Cash Equivalents - Endowment		326,881
Unconditional Promises to Give, Net		811,844
Investments - Endowment		986,152
Assets Held By Northern New York Community Foundation		591,500
Right of Use Asset, Operating Lease		525,367
Property and Equipment, Net		15,729,038
Deferred Loss on Sale/Leaseback, Net		117,942
Total Non-Current Assets		19,088,724
TOTAL ASSETS	$	32,102,824
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$	2,861,453
Accrued Expenses		74,269
Deferred Revenue		533,201
Current Portion of Lease Liability		5,605
Current Portion of Long-Term Debt		3,797
Total Current Liabilities		3,478,325
LONG-TERM LIABILITIES		
Lease Liability, Net		525,532
Long-Term Debt, Net		7,827,524
Total Long-Term Liabilities		8,353,056
Total Liabilities		11,831,381
NET ASSETS		
Net Assets Without Donor Restrictions		18,895,033
Net Assets With Donor Restrictions		1,376,410
Total Net Assets		20,271,443
TOTAL LIABILITIES AND NET ASSETS	$	32,102,824

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Membership Dues	$ 1,349,266	$ -	$ 1,349,266
Contributions	1,114,859	709,235	1,824,094
Program Fee Income	2,424,525	-	2,424,525
Government and Other Contracts	7,288,224	-	7,288,224
Rental Income	62,103	-	62,103
Sales and Commissions	5,588	-	5,588
Interest and Dividends, Net of Fees	28,319	14,587	42,906
Net Realized and Unrealized Losses on Investments	(12,526)	(28,959)	(41,485)
Change in Assets Held by Northern New York Community Foundation	-	(98,558)	(98,558)
Miscellaneous Revenue	80,816	-	80,816
Net Assets Released from Restriction	2,482,779	(2,482,779)	-
Total Support and Revenue	14,823,953	(1,886,474)	12,937,479
EXPENSES			
Program Services			
Healthy Living	2,731,478	-	2,731,478
Youth Development	2,322,090	-	2,322,090
Management and General	477,594	-	477,594
Fundraising	71,022	-	71,022
Total Expenses	5,602,184	-	5,602,184
CHANGE IN NET ASSETS	9,221,769	(1,886,474)	7,335,295
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	9,673,264	3,262,884	12,936,148
NET ASSETS, END OF YEAR	$ 18,895,033	$ 1,376,410	$ 20,271,443

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services		Supporting Services		
	Healthy Living	Youth Development	Management and General	Fundraising	Total
Salaries and Wages	$ 1,310,787	$ 1,574,605	$ 223,834	$ 39,006	$ 3,148,232
Employee Benefits	192,432	215,524	42,435	7,667	458,058
Total Salaries, Wages, and Employee Benefits	1,503,219	1,790,129	266,269	46,673	3,606,290
Bank Service Charges	70,077	24,139	251	560	95,027
Conferences and Conventions	520	-	-	-	520
Contractual Services	168,488	223,499	74,066	13,164	479,217
Dues	33,232	32,400	7,120	-	72,752
Fundraising Expense	-	-	-	6,171	6,171
Insurance	78,738	7,101	37,235	-	123,074
Interest	-	-	200	-	200
Lease Expense	33,505	-	-	-	33,505
Miscellaneous	5,366	-	-	-	5,366
Occupancy	139,861	37,997	1,800	-	179,658
Postage and Shipping	-	-	-	27	27
Printing, Publications and Promotion	57,872	850	606	3,861	63,189
Supplies and Other Program Expense	167,749	141,783	3,431	525	313,488
Telephone	13,288	8,580	900	-	22,768
Travel and Employee Expense	26,283	13,398	7,707	41	47,429
Loss on Disposal of Equipment	-	-	10,324	-	10,324
Bad Debt Expense	145	-	64,279	-	64,424
Total Operating Expenses Before Depreciation and Amortization	2,298,343	2,279,876	474,188	71,022	5,123,429
Depreciation and Amortization Expense	433,135	42,214	3,406	-	478,755
TOTAL EXPENSES	$ 2,731,478	$ 2,322,090	$ 477,594	$ 71,022	$ 5,602,184

See notes to financial statements.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$	7,335,295
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation Expense		459,005
Amortization Expense		19,750
Loss on Disposal of Property and Equipment		10,324
Adjustment for Discount for Uncollectible Promises to Give, Net		28,669
Amortization of Right of Use Asset - Operating Lease		5,770
Bad Debt Expense		64,424
Realized Gain on Investments		(18,506)
Unrealized Loss on Investments		59,991
(Increase) Decrease in Operating Assets		
Grants and Contracts Receivable		(1,309,538)
Program Fee Receivable		(60,165)
Prepaid Expenses		(47,871)
Unconditional Promises to Give, Net		(112,617)
Increase (Decrease) in Operating Liabilities		
Accounts Payable		2,765,208
Accrued Expenses		(10,277)
Deferred Revenue		(145,329)
Net Cash Provided By Operating Activities		9,044,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments		(2,077,662)
Proceeds from Sale of Investments		890,938
Purchase of Property and Equipment		(9,717,469)
Net Cash Used In Investing Activities	$	(10,904,193)

STATEMENT OF CASH FLOWS - CONTINUED
Year Ended December 31, 2022

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	$	7,746,000
Payments for Unamortized Debt Issuance Costs		(57,828)
Payments on Long-Term Debt		(6,851)
Net Cash Provided By Investing Activities		7,681,321
Net Increase in Cash and Cash Equivalents		5,821,261
Cash and Cash Equivalents, Beginning of Year		4,021,129
Cash and Cash Equivalents, End of Year	$	9,842,390
Reconciliation of Cash and Cash Equivalents:		
Cash and Cash Equivalents	$	2,657,480
Restricted Cash		6,858,029
Cash and Cash Equivalents - Endowment		326,881
Total Cash and Cash Equivalents	$	9,842,390

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1 – NATURE OF OPERATIONS

The Young Men's Christian Association of Watertown, NY Inc., currently doing business as Watertown Family YMCA, (the "YMCA") is a non-profit organization, which originated in 1855 and was chartered in 1870. The YMCA's cause is to strengthen the community through healthy living and youth development. The YMCA operates health and wellness facilities and also 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.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the YMCA have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

The YMCA reports information regarding its financial position and activities according to two classes: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions: Are currently available for operating purposes subject only to the broad limits resulting from the nature of the YMCA or invested in property and equipment, net of accumulated depreciation. Net assets without donor restrictions generally result from receiving contributions that have no donor restrictions, providing services, government grants and contracts, and receiving interest from operating investments, less expenses incurred in providing program-related services and performing administrative functions. 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: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, 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.

Restricted Cash

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

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are composed of debt and equity securities and are valued at fair value. Realized and unrealized gains and losses on investments are reflected in the Statement of Activities.

Assets Held by Northern New York Community Foundation

The assets held with the Northern New York Community Foundation ("Community Foundation") are 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. Change in value of assets held by the Community Foundation are reflected in the Statement of Activities.

Grants and Contracts Receivable

Grants and contracts receivable represent amounts that have been billed under grant agreements and contracts but not collected as of the date of the financial statements. Grants and contracts receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2022, management has determined based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after that date. The YMCA uses the allowance method to determine the uncollectible amounts for unconditional promises to give. See Note 6, Unconditional Promises to Give, Net for details.

Other Receivables

At December 31, 2022, management considered all other receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. Accounts receivable are charged to expense when they are determined to be uncollectible.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Expenses

Prepaid expenses are amortized over the period of benefit on a straight-line basis.

Property and Equipment

Property and Equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and Improvements	15-40
Leasehold Improvements	7-40
Furniture, Fixtures, and Equipment	5-7
Software	7

Additions and betterments of $2,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Deferred Revenue

Income from certain grants and program services are deferred and recognized over the periods to which the expenses relate.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, grants and contracts receivable, and other receivables approximate fair value. Unconditional promises to give to be received in less than one-year are recorded at net realizable value because of the short maturity of those financial instruments. The net carrying amounts of investments are recorded at fair value. Unconditional promises to give receivable in more than one-year approximate fair value because they have been discounted to an appropriate interest rate.

The carrying amount of long-term debt approximates fair value because it bears interest at a rate that approximates current market rates for notes which similar maturities and credit quality.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

In accordance with ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), the YMCA recognizes revenue when control of the promised goods or service is transferred to the YMCA's outside parties in an amount that reflects the consideration the YMCA expects to be entitled to in exchange for those goods or services. The Standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

The YMCA has multiple revenue sources that are accounted for as exchange transactions, including membership dues, program fee income, and sales and commissions.

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 period of time.

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.

In accordance with ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), the YMCA has revenue sources that are accounted for and recognized as nonreciprocal transactions at the time of transaction, including contributions.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets released from restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition – Continued

Donor restricted endowment contributions and investments are permanently restricted by the donor. Generally, the donors of these assets permit the YMCA to use all or part of the income earned on related investments for general or specific purposes.

Tax Status

The YMCA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the YMCA's tax-exempt purpose is subject to taxation as unrelated business income. 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).

Open Tax Years

The YMCA's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed. Based on its analysis, the YMCA determined that there were no uncertain tax positions, and that the YMCA should prevail upon examination by the taxing authorities.

Functional Allocation of Expenses

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

Contributed Services

During the year ended December 31, 2022, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks to assist the YMCA, but these services do not meet the criteria for recognition as contributed services.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Non-Cash Donations

The YMCA receives non-cash donations from various local businesses and supporters. Individual items are reported at fair value as support and revenue with an offsetting expense amount only when the amount is determinable and considered to be material. As of December 31, 2022, non-cash donations were not deemed to be material.

Concentration of Credit Risk from Deposits in Excess of Insured Limits

The YMCA maintains cash in demand deposits and time deposits with multiple federally insured banks. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation ("FDIC"). At times, the balances in these accounts may be in excess of these limits. At December 31, 2022 the YMCA's deposits in excess of federally insured limits totaled approximately $6,590,000.

Concentration of Credit Risk from Cash Deposits and Investments Held in Brokerage Accounts

RBC Wealth Management – Securities in accounts are protected up to $500,000 by the Securities Investor Protection Corporation ("SIPC"). RBC Capital Markets Corporation has purchased additional coverage per SIPC qualified account. Cash deposits in RBC Wealth Management are deposited in Program Banks on the business day following the statement date and are covered by SIPC until such time as they are deposited in Program Banks. Deposits at Program Banks are covered up to $250,000 at each Program Bank. At December 31, 2022 there were no deposits in Program Banks in excess of FDIC insurance.

Leases

The YMCA leases facilities, parking lot space, and various types of office equipment. The YMCA determines if an arrangement is a lease at inception. If material to the financial statements, operating leases are included in right of use ("ROU") asset – operating leases, current portion of operating lease liability, and long-term operating lease liability on the Statement of Financial Position.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases – Continued

ROU assets represent the YMCA's right to use an underlying asset for the lease term and lease liabilities represent the YMCA's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the YMCA's leases do not provide an implicit rate, the YMCA has elected to use a risk-free rate (incremental borrowing rate) based on the information available at the commencement date in determining the present value of lease payments. The ROU asset also includes any lease payments made and excludes lease incentives. The YMCA's lease terms may include options to extend or terminate the lease when it is reasonably certain that the YMCA will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. See Note 16 for additional information.

Low-Value Leases

The YMCA has evaluated low-value assets such as small equipment (e.g., copiers, printers, and postage meters) on a lease-by-lease basis. The YMCA has decided that for the leases with low value, the lease payments associated with those leases will be recognized as an expense on a monthly basis over the lease term. This is not in conformity with accounting principles generally accepted in the United States of America which requires the lease to be accounted for under ASC 842. The overall effect of this departure is immaterial to the YMCA's financial statements for the year ended December 31, 2022. Total lease expense for low-value assets was $17,737 for the year ended December 31, 2022.

Statement of Cash Flows

Supplemental disclosures of noncash investing and financing activities at December 31, 2022 are as follows:

Cash Paid During the Year for Interest	$ 200
Right of Use Assets - Operating Leases in Exchange for Operating Lease Liability	$ 536,505

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently Adopted Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the Statement of Financial Position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The YMCA adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022 using a modified retrospective approach, with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, the YMCA recognized on January 1, 2022 a lease liability of $536,505, which represents the present value of the remaining operating lease payments of $921,360 discounted using the risk-free-rate of 4.31%, and a right of use asset of $536,505. There was no cumulative effect adjustment to the opening balance of net assets required.

The standard had a material impact on the Statement of Financial Position but did not have an impact on the Statement of Activities, nor Statement of Cash Flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Date of Management's Review

Management has evaluated subsequent events and transactions that occurred between December 31, 2022 and May 3, 2023, the date which the financial statements were available to be issued, and has determined that there are no additional adjustments and/or disclosures necessary.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2022, consist of the following:

Cash on Hand	$	1,180
Checking Accounts		1,292,295
Savings Accounts		959,933
Money Market Funds - Board Designated		404,072
Total Cash and Cash Equivalents	$	2,657,480
Construction Accounts	$	6,696,001
Savings Account - Campaign		81,283
Money Market Funds - Restricted		80,745
Total Restricted Cash	$	6,858,029
Money Market Funds - Endowment	$	326,881
Total Cash and Cash Equivalents - Endowment	$	326,881

NOTE 4 – INVESTMENTS

Investments as of December 31, 2022, are summarized as follows:

		Cost		Fair Value
Operating Funds:				
U.S. Equities	$	19,071	$	19,660
Fixed Income Funds		734,444		736,028
Total Operating Funds		753,515		755,688
Endowment Funds:				
U.S. and International Equities		447,785		488,952
Fixed Income Funds		432,422		417,667
Other Investments		80,354		79,533
Total Endowment Funds		960,561		986,152
Total Operating and Endowment Funds	$	1,714,076	$	1,741,840

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5 – ASSETS HELD BY COMMUNITY FOUNDATION

The YMCA has transferred assets to the Northern New York Community Foundation, which is holding them as an agency fund (the "Fund") for the benefit of the YMCA. The YMCA has granted the Community Foundation variance power which gives the Community Foundation's governing board the power to use the Fund for other purposes in certain circumstances. Distributions from the Fund shall be in accordance with the spending policy established by the Board of Directors of the Community Foundation. Distributions may be made at least annually, or more frequently, as the parties may from time to time agree. The distributions from the fund were $-0- for the year ended December 31, 2022. The YMCA reports its interest in the Fund 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. Changes in the value of the Fund are reported as change in value of investments held by the Northern New York Community Foundation on the Statement of Activities.

Investments held by the Community Foundation consisted of $591,500 in the YMCA Endowment Fund as of December 31, 2022.

In addition to the investments held by the Community Foundation, the YMCA is the beneficiary of certain funds established by the Community Foundation. The YMCA's fair value of their share as of December 31, 2022 was $99,816. These funds are considered assets of the Community Foundation and, therefore, are not included in the accompanying Statement of Financial Position. The YMCA may request disbursements from the funds. However, such disbursements require approval by the Community Foundation's Board of Directors. The distributions from the fund were $-0- for the year ended December 31, 2022.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6 – UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give as of December 31, 2022, are as follows:

Restricted for Capital Campaign	$	1,437,660
Less: Discount		(59,919)
Unconditional Promises to Give, Net	$	1,377,741

Unconditional promises to give are expected to be collected as follows during the years ending December 31:

2023	$	565,897
2024		390,594
2025		316,169
2026		105,000
2027		60,000
	$	1,437,660

Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of 4%. No allowance for uncollectible amounts has been established as management considers all pledges receivable to be fully collectible.

NOTE 7 – EMPLOYEE RETENTION CREDIT

Originally introduced under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Employee Retention Credit (ERC) is a fully refundable tax credit aimed at encouraging businesses impacted by COVID-19 to keep employees on their payroll. Under the CARES Act, the ERC applied to qualified wages paid after March 12, 2020, and before January 1, 2021, and the credit equaled 50% of the qualified wages paid to each employee, capped at $5,000 for all qualified wages paid per employee during each quarter of 2020. Under the Taxpayer Certainty and Disaster Tax Relief Act of 2020, the ERC applied to qualified wages paid after January 1, 2021, and the credit equaled 70% of the qualified wages paid to each employee, capped at $7,000 for all qualified wages paid per employee during each quarter of 2021 through September 30, 2021.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 7 – EMPLOYEE RETENTION CREDIT - Continued

The YMCA claimed a refundable credit of approximately $482,000 on wages paid through March 31, 2021, which had been included in other revenues in the Statement of Activities for the year ended December 31, 2021 and remains on the Statement of Financial Position as of December 31, 2022 as employee retention credit receivable. The YMCA did not qualify for any credit beyond March 31, 2021.

NOTE 8 – PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31, 2022:

Land	$	131,000
Buildings and Improvements		4,186,371
Leasehold Improvements		5,942,110
Furniture, Fixtures and Equipment		1,349,893
Software		75,521
Work in Progress - Aquatic Center		10,921,384
Total Property and Equipment		22,606,279
Less: Accumulated Depreciation and Amortization		(6,877,241)
Property and Equipment, Net	$	15,729,038

Depreciation expense was $459,005 for the year ended December 31, 2022. Amortization expense was $19,750 for the year ended December 31, 2022.

NOTE 9 – DEFERRED LOSS ON SALE/LEASEBACK

In 1985, the YMCA gave title to their building to Bugbee Housing Development Fund Company so that it could obtain financing through HUD for the construction of low-income housing. The YMCA leases the building back from Bugbee Housing 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 9 – DEFERRED LOSS ON SALE/LEASEBACK - Continued

Related amortization expense was $2,220 for the year ended December 31, 2022.

The following shows the net deferred loss on sale/leaseback at December 31, 2022:

Deferred Loss on Sale/Leaseback	$	386,714
Less: Accumulated Amortization		(268,772)
Deferred Loss on Sale/Leaseback, Net	$	117,942

NOTE 10 – DEFERRED REVENUE

The following table provides information about significant changes in deferred revenue for the year ended December 31, 2022:

Deferred Revenue, Beginning of Year	$	678,530
Revenue Recognized that was Included in Deferred Revenue at the Beginning of the Year:		
Army Youth Programs in Your Neighborhood ("AYPYN")		(133,159)
Child Care Stabilization Grants		(291,144)
Membership Dues		(42,291)
Program Fee Income		(187,864)
Other		(2,951)
Increase in Deferred Revenues due to Cash Received During the Year:		
Army Youth Programs in Your Neighborhood ("AYPYN")		116,118
Child Care Stabilization Grants		155,017
Membership Dues		43,812
Program Fee Income		195,449
Other		1,684
Total Deferred Revenue, End of Year	$	533,201

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 11 – LINE OF CREDIT

During the year ended December 31, 2022, the YMCA opened a revolving line note with M&T Bank. The agreement allows for borrowings up to $500,000. The interest rate is variable per annum equal to the greater of (1) two percentage points above the rate of interest announced by the Bank each day as its prime rate of interest, or (2) 3.25% (the base rate floor). There was no outstanding balance as of December 31, 2022.

NOTE 12 – LONG-TERM DEBT, NET

Long-term debt at December 31, 2022 consists of the following:

Small Business Administration loan, which includes interest at 2.75%. The loan is secured by all tangible and intangible property of the YMCA. The loan matures in May 2050.	$	143,149
Note payable to M&T Bank, construction-to-permanent loan, which includes interest at 5.31%. The note is secured by all property, furniture, and equipment at the Aquatics Center facility. During construction period, the note is interest only payments. During the permanent loan period, monthly installments will be made of $43,013. Final payment is due April 2054.		7,746,000
		7,889,149
Less: Unamortized Debt Issuance Costs		(57,828)
Long-Term Debt, Net of Unamortized Debt Issuance Costs	$	7,831,321

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 12 – LONG-TERM DEBT, NET – Continued

Scheduled long-term debt maturities are as follows for the years ending December 31:

2023	$	3,797
2024		84,391
2025		116,427
2026		122,655
2027		129,219
Thereafter		7,432,660
	$	7,889,149

The YMCA has two additional notes with M&T Bank for the current construction project, both of which have no outstanding balances as of December 31, 2022.

The YMCA obtained a multiple disbursement term note effective November 18, 2022 with M&T Bank with an amortization of period of 3 years, with final maturity date of October 1, 2025. The note shall be up to a principal amount of $3,666,000. The interest rate is variable per annum equal to the greater of (1) two percentage points above the rate of interest announced by the Bank each day as its prime rate of interest, or (2) 3.25% (the base rate floor).

The YMCA obtained a multiple disbursement term note effective November 18, 2022 with M&T Bank with a final maturity date of October 1, 2027. The note shall be up to a principal amount of $1,500,000. The interest rate is variable per annum equal to the greater of (1) two percentage points above the rate of interest announced by the Bank each day as its prime rate of interest, or (2) 3.25% (the base rate floor).

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 13 – NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors has designated net assets of the YMCA for particular purposes. In accordance with generally accepted accounting principles, net assets associated with these board-designated amounts are classified as net assets without donor restrictions. A portion of the YMCA's cash and cash equivalents and investments are set aside to fund these designations. Income on those investments support the YMCA's budget without restriction or designation.

Net assets without donor restriction – board designated amounts consist of the following as of December 31, 2022:

Unemployment	$	101,019
Capital		1,011,215
Blue Sharks		30,525
Total Board Designated Net Assets	$	1,142,759

Net assets without donor restriction at December 31, 2022 consist of the following:

Board Designated Net Assets	$	1,142,759
Designated for Property and Equipment, Net		15,729,038
Unrestricted		2,023,236
Total Net Assets Without Donor Restrictions	$	18,895,033

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2022 consist of the following:

Restricted for Investment in Property and Equipment	$	386,066
Endowment, Held in Perpetuity		990,344
Total Net Assets with Donor Restrictions	$	1,376,410

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 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. At present, the YMCA offers a safe harbor match for employee contributions up to a maximum of 6% of employee gross earnings. Contributions to the Plan for the year ended December 31, 2022 was $24,580.

NOTE 16 – OPERATING LEASES

Ground Lease

The YMCA has an operating lease with the City of Watertown for the property in which the Fairgrounds facility is located. This lease commenced on July 9, 2009 and will expire on December 31, 2034. It has an option to renew for an additional 15 years upon approval by the State Legislature. For the first year, monthly lease expense is $2,000 and is payable in quarterly installments. For each of the next four calendar years, semi-annual lease payments are required in the aggregate of $12,000. Commencing in 2014 and every five years there-after, the lease payments will increase by 7.5%. Rent expense was $27,735 for the year ended December 31, 2022.

Other information related to the ground lease recognized under ASC 842 for the year ended December 31, 2022 are as follows:

Weighted Average Remaining Lease Term	
Operating Lease	26 Years
Weighted Average Discount Rate	
Operating Lease	4.31%

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 16 – OPERATING LEASES – Continued

Future minimum lease payments under the non-cancellable lease are as follows for the years ending December 31:

2023	$	27,735
2024		29,815
2025		29,815
2026		29,815
2027		29,815
Thereafter		746,630
Total Future Minimum Lease Payments		893,625
Less Imputed Interest		(362,488)
Total	$	531,137

NOTE 17 – ENDOWMENT

The YMCA's endowment consists of various donor-specified funds and are subject to donor restrictions. The Deline endowment stipulates that the original principal of the gift is to be held and invested indefinitely and income from the fund is to be expended for membership scholarships. The purpose and history of the remaining endowment balance is unknown.

As of December 31, 2022, the Board of Directors has designated $914,190 of net assets without donor restrictions as a general endowment fund to support the mission of the YMCA. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

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 the 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 17 – ENDOWMENT – Continued

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. In accordance with that standard, the YMCA considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the YMCA, and (7) the YMCA's investment policy.

The changes in endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board Designated Endowment Net Assets, Beginning of Year	$ -	$ -	$ -
Contributions	914,190	-	914,190
Board Designated Endowment Net Assets, End of Year	914,190	-	914,190
Net Assets Restricted by Donor with Original Amount to be Maintained in Perpetuity, Beginning of Year	-	1,124,863	1,124,863
Investment Income, Net of Fees	-	(15,227)	(15,227)
Appropriated for Expenditure	-	(20,734)	(20,734)
Net Depreciation	-	(98,558)	(98,558)
Net Assets Restricted by Donor with Original Amount to be Maintained in Perpetuity, End of Year	-	990,344	990,344
Endowment Net Assets, End of Year	$ 914,190	$ 990,344	$ 1,904,534

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 17 – ENDOWMENTS - Continued

Investment Return Objectives, Risk Parameters and Strategies

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, 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.

Spending Policy

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. 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 aggregate amount of the deficiencies at December 31, 2022 was $-0-.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 18 – FAIR VALUE MEASUREMENTS

The YMCA utilizes fair value measurements to determine fair value disclosures. Fair value is 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. Fair value is best determined based on quoted market prices. In cases where quoted market prices are not readily available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The YMCA uses a three-tier value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value, as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the YMCA has the ability to access.

Level 2 — Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.

Level 3 — Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

The following table presents the YMCA's investments at December 31, 2022 that are measured at fair value on a recurring basis. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. There were no transfers between the levels during each year.

	Fair Value	Level 1	Level 2	Level 3
Investments	$ 1,741,840	$ 1,741,840	$ -	$ -
Assets Held by Northern New York Community Foundation	591,500	-	591,500	-
Total Investments	$ 2,333,340	$ 1,741,840	$ 591,500	$ -

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 19 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The YMCA monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of it excess operating cash. The following table reflects the YMCA's financial assets as of December 31, 2022 reduced by amounts that are not available to meet general expenditures within one year. The Board designations can be drawn upon if the Board approves the action.

Financial Assets:	
Cash and Cash Equivalents	$ 2,657,480
Restricted Cash	6,858,029
Investments - Operating	755,688
Grants and Contracts Receivable	1,442,040
Program Fee Receivable	40,086
Employee Retention Credit Receivable	482,169
Unconditional Promises to Give, Current Portion	565,897
Cash and Cash Equivalents - Endowment	326,881
Investments - Endowment	986,152
Assets Held by the Community Foundation	591,500
Financial Assets, at Year-End	14,705,922
Less Those Unavailable for General Expenditure Within One Year, Due To:	
Purpose Restrictions	(386,066)
Perpetual Endowments	(990,344)
Board Designated Reserves	(2,056,949)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 11,272,563

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 income, and revenue from government grants and contracts. The Statement of Cash Flows identifies the sources and uses of the YMCA's cash and shows positive cash generated by operations of $9,044,133 for fiscal year ending December 31, 2022.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 20 – COMMITMENTS AND CONTINGENCIES

Downtown Community and Aquatic Center Funding

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's funding from the Department of Defense Office of Local Defense Community Cooperation as part of the Defense Community Infrastructure Pilot Program to support the new Downtown Community & Aquatic Center project in the amount of $9,000,000. The YMCA has also 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.

These grants and funding sources are subject to audit by the corresponding oversight agencies as to allowable costs paid with governmental funds as to the share of the costs contributed by the YMCA. The YMCA could be liable for as much as the full amount of governmental funds expended for the year if, under audit, the oversight agencies were to determine that all costs charged to the project were disallowed.

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 $59,000 for the year ended December 31, 2022.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 21 – RESTATEMENT OF NET ASSETS

Total net assets as of January 1, 2022 have been restated to properly reflect the value of certain assets held with the Northern New York Community Foundation. The prior year financial statements included assets held with the Northern New York Community Foundation of $116,225 which are not the YMCA's asset. The YMCA is only the beneficiary on these funds, see additional information in Note 5. The restatement had the following effect on beginning net assets:

Net Assets, as Previously Stated, January 1, 2022	$	13,052,373
Correction of Northern New York Community Foundation Account Reporting		(116,225)
Net Assets, As Restated, January 1, 2022	$	12,936,148

Beginning of year net assets have also been reclassified in the amount of $312,773 from net assets without donor restriction to net assets with donor restriction to correctly report the opening balance of net assets restricted for investment in property and equipment. The reclassification did not have any effect on total beginning net assets.

FEDERAL AWARD PROGRAM INFORMATION

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

TO THE BOARD OF DIRECTORS
THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
D/B/A WATERTOWN FAMILY YMCA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Young Men's Christian Association Of Watertown, NY Inc. d/b/a Watertown Family YMCA (a nonprofit organization) (the "Watertown Family YMCA"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2023.

Report on Internal Control over Financial Statements

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Bowers & Company

Watertown, New York
May 3, 2023

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

TO THE BOARD OF DIRECTORS
THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.
D/B/A WATERTOWN FAMILY YMCA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Watertown Family YMCA's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Watertown Family YMCA's major federal programs for the year ended December 31, 2022. Watertown Family YMCA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Watertown Family YMCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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We are required to be independent of Watertown Family YMCA and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Watertown Family YMCA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Watertown Family YMCA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Watertown Family YMCA's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Watertown Family YMCA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Watertown Family YMCA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Watertown Family YMCA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Watertown Family YMCA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Bowers & Company

Watertown, New York
May 3, 2023

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

	Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S Department of Defense			
Passed Through: Jefferson County Industrial Development Agency			
Community Investment	12.600	HQ00052010069	$ 5,658,434
Total U.S. Department of Defense			5,658,434
Total Federal Awards			$ 5,658,434

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Watertown Family YMCA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Watertown Family YMCA.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source of the data presented. The Watertown Family YMCA has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2022

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA were prepared in accordance with GAAP.

2. No significant deficiencies relating to the audit of the financial statements of The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA were disclosed during the audit. No material weaknesses are reported.

3. No instances of noncompliance material to the financial statements of The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses were reported.

5. The auditor's report on compliance for the major federal award programs The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA expresses an unmodified opinion on the major federal programs.

6. The programs tested as major programs include:

Community Investment	12.600

7. The threshold used for distinguishing between Type A and B programs was $750,000.

8. The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA was determined not to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings to report.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings to report.

BOWERS & COMPANY
CPAs PLLC
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

May 3, 2023

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

We have audited the financial statements of The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA for the year ended December 31, 2022, and have issued our report thereon dated May 3, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown Family YMCA are described in Note 2 to the financial statements. As described in Note 2, the YMCA changed accounting policies related to leases by adopting FASB Accounting Standards Update No. 2016-02, *Leases (ASC Topic 842)* in 2022. We noted no transactions entered into by the YMCA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the depreciation and amortization of fixed assets is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the estimated useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of present value of right to use leased assets and lease liability is based on the discount rate or implicit rate within the agreements in accordance with FASB ASC 842, *Leases*.

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The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 3, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the YMCA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the YMCA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Watertown Family YMCA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Attached Material Misstatements:

Adjusting Journal Entries JE # 2
To recognize Voucher #5 in 2022

1-07-00-6330-000	A/R - General Receivables	1,152,296.00	
1-07-00-1080-000	Capital Campaign-Govt Grants		1,152,296.00
Total		**1,152,296.00**	**1,152,296.00**

Adjusting Journal Entries JE # 6
To accrue Purcell application 7, as for services through 12/20/22

1-00-00-6945-000	New Downtown YMCA	1,388,038.00	
1-00-00-7110-000	Accounts Payable		1,388,038.00
Total		**1,388,038.00**	**1,388,038.00**

Adjusting Journal Entries JE # 8
To adjust accumulated depreciation to actual

1-00-00-6911-000	A/D-Building-FYMCA	727,806.00	
1-02-00-4010-000	Depreciation Expense	13,076.00	
1-02-00-4050-000	Amortization Expense	2,233.00	
1-03-00-4010-000	Depreciation Expense	8,207.00	
1-03-00-4050-000	Amortization Expense	1,359.00	
1-04-00-4010-000	Depreciation Expense	1,795.00	
1-04-00-4050-000	Amortization Expense	246.00	
1-05-00-4050-000	Amortization Expense	1,604.00	
1-08-00-0110-000	Contributions	560.00	
1-08-00-4010-000	Depreciation Expense	2,045.00	
1-09-00-4050-000	Amortization Expense	75.00	
1-11-00-4050-000	Amortization Expense	126.00	
1-00-00-6913-000	A/D-Leasehold Impr-FYMCA		738,909.00
1-00-00-6916-000	A/D-Building-Daycare		2,043.00
1-00-00-6922-000	A/D-FFE-CYMCA		784.00
1-00-00-6924-000	A/D-Leasehold Impr-CYMCA		1,019.00
1-00-00-6939-000	A/D-FFE-DYMCA/FYMCA		2,010.00
1-00-00-6959-000	A/D-Leasehold Impr-DYMCA		7,605.00
1-00-00-6965-000	A/D - Software		317.00
1-00-00-6967-000	A/D - Technology		5,886.00
1-01-00-1690-000	Miscellaneous Revenue		559.00
Total		**759,132.00**	**759,132.00**

Adjusting Journal Entries JE # 9
to record ROU lease asset and liability in accordance with new lease standard

1-00-00-6999-000	ROU Lease Asset	536,505.00	
1-00-00-7000-00	LT Lease Liability		536,505.00
Total		**536,505.00**	**536,505.00**

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To the Board of Directors and Management
The Young Men's Christian Association of Watertown, NY Inc.
d/b/a Watertown Family YMCA
119 Washington Street
Watertown, NY 13601

In planning and performing our audit of the financial statements of The Young Men's Christian Association of Watertown, NY Inc. d/b/a Watertown Family YMCA ("YMCA") for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United Stated of America, we considered the YMCA's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and recommendations regarding the matters. This letter does not affect our report dated May 3, 2023 on the financial statements of Watertown Family YMCA.

Investigate Old Outstanding Checks

We noted several uncleared checks of immaterial amounts on the operating checking account outstanding checklist that were one to three years old.

Recommendation

To aid in the preparation of bank reconciliations and to reflect accurate cash balances in the financial statements, we recommend that the lists of outstanding checks be reviewed regularly and that all checks outstanding more than one year should be investigated and written off.

Policy Manual

The YMCA operates with adequate internal controls in place, but it was noted that certain procedures and policies have not been updated in recent years or have never been adopted into a formal written policy. One instance is the capitalization threshold, which was approved by a board resolution in 2016, but never adopted into a formal written capitalization policy.

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Recommendation

We recommend that all organization policies are reviewed, and written policies be updated or adopted to reflect current processes and ensure that all required and recommended not for profit policies are in place. Other written policies which are currently not in place should be developed and approved the board of directors, such as a written procurement policy, and other financial procedure manuals and policies.

Federal Awards Internal Control Policies and Procedures (Uniform Guidance)

The YMCA currently has effective procedural controls in place over the management of federal award programs but does not have the required written policies. Under the Office of Management and Budget (OMB) Uniform Guidance internal controls over federal awards are required to be documented in writing in the YMCA's policies and management should evaluate and document the results of ongoing monitoring to identify internal control issues. The written internal controls should specifically address each of the applicable compliance requirements of the Federal Award Programs. The YMCA does not have written financial policies and procedures for the management of federal grants or specific to the compliance requirements of the program.

Recommendation

We recommend that the YMCA develop and adopt their own written federal award internal control policies and procedures to include applicable provisions required under the Uniform Guidance.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various YMCA personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of Watertown Family YMCA's management and board of directors, and is not intended to be, and should not be, used by anyone other than specified parties.

Sincerely,

Bowers & Company

Watertown, New York
May 3, 2023