

**Young Men's Christian Association
of Central Kentucky, Inc.**

Financial Statements

Years Ended December 31, 2020 and 2019

Young Men's Christian Association of Central Kentucky, Inc.
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Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of Central Kentucky, Inc.

We have audited the accompanying financial statements of the Young Men's Christian Association of Central Kentucky, Inc. (the "Association"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

MCM CPAs & Advisors LLP

P 859.514.7800

F 859.514.7805

1000 Vine Center

333 West Vine Street

Lexington, KY 40507

www.mcmcpa.com

888.587.1719

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Central Kentucky, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

YMC CPA & ADVISORS LLP

Lexington, Kentucky

May 26, 2021

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Assets		
Cash and cash equivalents	\$ 1,722,391	\$ 1,134,435
Restricted cash accounts	711,223	398,501
Accounts receivable, net	139,504	257,887
Pledges receivable, net	584,362	924,082
Prepaid expenses	186,053	111,208
Investments	7,623,008	7,918,646
Other assets	5,000	5,000
Property and equipment, net	<u>37,402,218</u>	<u>38,777,226</u>
Total assets	<u>\$ 48,373,759</u>	<u>\$ 49,526,985</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 378,360	\$ 330,943
Accrued expenses	281,087	613,079
Other liabilities	338,702	3,501
Deferred income	277,382	413,344
Capital lease obligations	687,666	945,543
Payroll Protection Program loan	1,614,800	-
Notes payable, net	<u>16,210,037</u>	<u>16,954,135</u>
Total liabilities	19,788,034	19,260,545
Net assets		
Net assets without donor restrictions		
Undesignated	19,007,787	21,029,750
Board designated funds for debt service	701,575	1,250,000
Board designated funds for capital maintenance	1,301,724	1,185,947
Board designated endowment	<u>3,203,248</u>	<u>2,640,364</u>
	24,214,334	26,106,061
Net assets with donor restrictions		
Restricted by purpose or time	1,248,985	1,202,444
Restricted in perpetuity	<u>3,122,406</u>	<u>2,957,935</u>
	<u>4,371,391</u>	<u>4,160,379</u>
Total net assets	<u>28,585,725</u>	<u>30,266,440</u>
Total liabilities and net assets	<u>\$ 48,373,759</u>	<u>\$ 49,526,985</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Totals
Support and revenues			
Public support-contributions	\$ 1,304,882	\$ 847,765	\$ 2,152,647
United Way allocations	91,486	-	91,486
Foundation and government grants	173,972	1,100,821	1,274,793
Membership dues	5,252,618	-	5,252,618
Rental revenues	12,338	-	12,338
Program fees	2,976,638	-	2,976,638
Sale of supplies and services	6,241	-	6,241
Investment income, net	441,444	2,262	443,706
Change in value of beneficial trusts	-	164,471	164,471
Miscellaneous income	180,354	-	180,354
	<u>10,439,973</u>	<u>2,115,319</u>	<u>12,555,292</u>
Net assets released from restrictions	<u>1,904,307</u>	<u>(1,904,307)</u>	<u>-</u>
Total support and revenues	12,344,280	211,012	12,555,292
Expenses			
Program and membership services			
Youth development	7,337,210	-	7,337,210
Healthy living	4,547,208	-	4,547,208
Social responsibility	257,060	-	257,060
Total program and membership services	<u>12,141,478</u>	<u>-</u>	<u>12,141,478</u>
Supporting services			
Management and general	1,831,194	-	1,831,194
Fundraising	263,335	-	263,335
Total support services	<u>2,094,529</u>	<u>-</u>	<u>2,094,529</u>
Total expenses	<u>14,236,007</u>	<u>-</u>	<u>14,236,007</u>
Change in net assets	(1,891,727)	211,012	(1,680,715)
Net assets, beginning of year	<u>26,106,061</u>	<u>4,160,379</u>	<u>30,266,440</u>
Net assets, end of year	<u>\$ 24,214,334</u>	<u>\$ 4,371,391</u>	<u>\$ 28,585,725</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Totals
Support and revenues			
Public support-contributions	\$ 268,685	\$ 1,365,363	\$ 1,634,048
United Way allocations	87,573	-	87,573
Foundation and government grants	149,974	86,120	236,094
Membership dues	9,721,584	-	9,721,584
Rental revenues	22,575	-	22,575
Program fees	5,272,142	-	5,272,142
Sale of supplies and services	9,343	-	9,343
Investment income, net	716,169	25,483	741,652
Change in value of beneficial trusts	-	270,773	270,773
Special events	13,898	-	13,898
Miscellaneous income	142,605	-	142,605
	<u>16,404,548</u>	<u>1,747,739</u>	<u>18,152,287</u>
Net assets released from restrictions	<u>1,422,908</u>	<u>(1,422,908)</u>	<u>-</u>
Total support and revenues	17,827,456	324,831	18,152,287
Expenses			
Program and membership services			
Youth development	7,172,737	-	7,172,737
Healthy living	6,557,175	-	6,557,175
Social responsibility	349,744	-	349,744
Total program and membership services	<u>14,079,656</u>	<u>-</u>	<u>14,079,656</u>
Supporting services			
Management and general	2,176,373	-	2,176,373
Fundraising	135,745	-	135,745
Total support services	<u>2,312,118</u>	<u>-</u>	<u>2,312,118</u>
Total expenses	<u>16,391,774</u>	<u>-</u>	<u>16,391,774</u>
Change in net assets before contribution recorded from Frankfort transaction	1,435,682	324,831	1,760,513
Contribution recorded from Frankfort transaction	<u>3,175,700</u>	<u>-</u>	<u>3,175,700</u>
Change in net assets	4,611,382	324,831	4,936,213
Net assets, beginning of year	<u>21,494,679</u>	<u>3,835,548</u>	<u>25,330,227</u>
Net assets, end of year	<u>\$ 26,106,061</u>	<u>\$ 4,160,379</u>	<u>\$ 30,266,440</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Youth development	Healthy living	Social responsibility	Management and general	Fundraising	Total expenses
Salaries and wages	\$ 3,725,034	\$ 2,167,512	\$ 73,182	\$ 680,537	\$ 186,428	\$ 6,832,693
Building occupancy	1,305,909	719,915	40,280	-	-	2,066,104
Depreciation and amortization	777,796	915,003	27,059	33,331	-	1,753,189
Employee benefits	396,892	172,644	10,617	119,884	28,693	728,730
Financing costs	-	-	-	535,048	-	535,048
Payroll taxes	274,695	163,014	5,071	43,827	13,267	499,874
Equipment expenses	106,064	69,456	1,914	282,045	6,116	465,595
Supplies/other program costs	234,018	27,221	51,247	5,610	-	318,096
Advertising and publicity	115,063	66,352	4,290	786	6,542	193,033
Insurance expense	116,623	68,946	3,891	1,290	-	190,750
Association dues and memberships	100,227	55,368	3,125	9,393	2,110	170,223
Credit card fees	79,169	49,063	2,774	21,402	-	152,408
Contracted labor and professional fees	22,406	17,705	11,393	78,975	15,199	145,678
Telephone and communication	41,970	12,367	693	1,341	377	56,748
Miscellaneous expense	6,256	32,536	200	5,855	-	44,847
Employee expenses	20,834	7,206	693	6,121	105	34,959
Conferences, conventions, and meetings	13,886	2,757	781	3,072	3,358	23,854
Scholarships and awards	-	-	19,842	-	-	19,842
Postage and shipping	368	143	8	2,677	1,140	4,336
Total expenses	\$ 7,337,210	\$ 4,547,208	\$ 257,060	\$ 1,831,194	\$ 263,335	\$ 14,236,007

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Youth development	Healthy living	Social responsibility	Management and general	Fundraising	Total expenses
Salaries and wages	\$ 3,186,122	\$ 3,240,824	\$ 94,555	\$ 834,198	\$ 67,528	\$ 7,423,227
Building occupancy	1,321,213	1,009,333	53,832	-	-	2,384,378
Depreciation and amortization	656,794	991,017	31,842	32,585	-	1,712,238
Employee benefits	348,686	269,878	17,538	151,481	13,386	800,969
Financing costs	-	-	-	569,599	-	569,599
Payroll taxes	236,436	243,914	7,432	57,150	4,830	549,762
Equipment expenses	304,034	94,882	3,211	257,000	9,924	669,051
Supplies/other program costs	431,233	68,323	64,360	9,621	18,582	592,119
Advertising and publicity	113,322	96,526	5,311	1,548	6,916	223,623
Insurance expense	114,865	100,948	5,264	1,421	-	222,498
Association dues and memberships	129,150	107,126	5,714	9,014	-	251,004
Credit card fees	101,855	93,113	4,966	34,231	-	234,165
Contracted labor and professional fees	43,137	56,527	2,068	112,926	7,290	221,948
Telephone and communication	29,954	17,990	1,203	6,141	-	55,288
Miscellaneous expense	86,129	133,215	1,578	18,529	-	239,451
Employee expenses	24,697	12,263	1,080	47,996	690	86,726
Conferences, conventions, and meetings	32,361	9,719	7,041	30,200	4,283	83,604
Scholarships and awards	-	-	42,132	-	-	42,132
Postage and shipping	12,749	11,577	617	2,733	2,316	29,992
Total expenses	\$ 7,172,737	\$ 6,557,175	\$ 349,744	\$ 2,176,373	\$ 135,745	\$ 16,391,774

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (1,680,715)	\$ 4,936,213
Adjustments		
Depreciation and amortization	1,753,189	1,712,238
Unrealized and realized gains on investment	(614,978)	(1,021,868)
Loss on disposal of property and equipment	687	26,015
Bad debts	58,375	230,198
Contribution recorded during acquisition of Frankfort	-	(3,175,700)
Changes in		
Accounts receivable	118,383	146,889
Pledges receivable	269,304	(309,700)
Prepaid expenses	(74,845)	109,166
Accounts payable	47,417	(666,057)
Accrued expenses and other current liabilities	3,209	(158,418)
Deferred income	(135,962)	83,745
	<u>(255,936)</u>	<u>1,912,721</u>
Net cash (used in) provided by operating activities	(255,936)	1,912,721
Cash flows from investing activities		
Cash acquired during acquisition of Frankfort	-	204,494
Proceeds from sales or maturities of investments	1,373,113	310,518
Acquisition of investments	(78,487)	(1,500,000)
Contributions of investments	(392,818)	(178,756)
Purchases of property and equipment	(369,163)	(482,287)
Proceeds from sale of equipment	750	13,150
	<u>533,395</u>	<u>(1,632,881)</u>
Net cash provided by (used in) investing activities	533,395	(1,632,881)
Cash flows from financing activities		
Principal payments on long-term debt	(754,553)	(739,475)
Proceeds received from PPP loan	1,614,800	-
Proceeds from contributions restricted for endowment	8,808	50,000
Proceeds from contributions restricted for purchases of property and equipment	12,041	12,041
Principal payments on capital leases	(257,877)	(412,057)
	<u>623,219</u>	<u>(1,089,491)</u>
Net cash provided by (used in) financing activities	623,219	(1,089,491)
Net increase (decrease) in cash, cash equivalents, and restricted cash	900,678	(809,651)
Cash, cash equivalents, and restricted cash, beginning of year	<u>1,532,936</u>	<u>2,342,587</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,433,614</u>	<u>\$ 1,532,936</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 540,209	\$ 555,856
Supplemental disclosure of investing and financing transactions		
Equipment purchased through capital leases	-	426,525
Non-cash contribution from Frankfort transaction	-	2,971,206

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,722,391	\$ 1,134,435
Restricted cash	<u>711,223</u>	<u>398,501</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 2,433,614</u>	<u>\$ 1,532,936</u>

Amounts included in restricted cash represent cash received with donor-imposed restrictions that limit the use of these funds by either purpose or time.

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements
Years Ended December 31, 2020 and 2019

Note A - Nature of Organization and Operations

The Young Men's Christian Association of Central Kentucky, Inc. (the "Association" or "YMCA") is a Not-for-Profit organization serving Central Kentucky, whose goals are to put Christian principles into action through programs and membership services that build a healthy spirit, mind, and body for all people in the community. Financial assistance is available for those in need for both membership and programs. Programs which assist in meeting the Association's goals include:

Healthy Living

Membership Services: The Association is primarily a membership organization offering memberships to youths, teens, adults, households, and seniors within its community. Memberships offer the opportunity to pursue health and well-being either individually, or as a part of an organized group in areas of cardiovascular, muscle strengthening, aquatics, and socialization with others. Many activities are included with membership, while many other fee-based programs are offered at a discount to members.

Health and Fitness Programs: The YMCA offers more than 300 classes across our locations each week as part of a general YMCA membership. These classes and programs enable members and non-members alike to improve physical fitness through a variety of interests including personal fitness programs, weight management programs, group participation yoga, cycling, and water aerobics, along with various other programs. Additionally, the YMCA offers an array of fee-based offerings including Pilates Reformer, personal training, and martial arts.

Youth Development

Before and After School Child Care: This program offers before/after school childcare at public school sites within the community as well as at each branch location. This program fosters growth and development of children with their parents and family. Instruction and activities within this program help kids develop moral and ethical behavior, self-esteem, and leadership, while providing a safe and supportive environment for working parents.

Childcare Centers: The YMCA has the Crayon Club, a Frankfort, KY based center that provides full service daycare for children ages 6 weeks through 5 years old. The children are involved in learning activities, arts and crafts, games, motor skill development, and environmental education. The YMCA also manages a corporate childcare center in Lexington, KY where employees of various partners can bring their children, ages 6 weeks through pre-K.

Youth-camps: Various programs are offered to participants including all-day camps for youth during the school year, all-day and part day summer camps, sports camps, and horseback camps. The Association also offers summer day camp activities in natural surroundings at its Bar-Y camp in Versailles, KY.

Youth/Teen Programs: Programs include youth instructional sports designed to enhance the skills of the respective sport and to promote the development of health and fitness, cooperation, safety, and respect for others. Such programs include basketball, T-ball, football, soccer, volleyball, cheerleading, and YMCA youth sports leagues that emphasize equal participation for all versus winning and losing. Teen focused programs include leadership coaching through the Black Achievers program and youth advisory councils.

The YMCA is also a partner with Fayette County Public Schools and the Building Educated Leaders for Life to provide the Power Scholars Academy program designed to help advance student's academic achievement through a full day summer experience that combines small group, rigorous literacy, and math instruction, with hands on enrichment activities, field strips and service projects.

Aquatics: Swim lessons are offered to all ages and include progressive learn-to-swim programs, water fitness activities, swim teams, and specialized aquatic activities such as scuba diving, CPR, and life guarding certification.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note A - Nature of Organization and Operations (Continued)

Youth Development (Continued)

Arts and Humanities Programs: Instructional sessions are offered in various art forms including dance (tap and ballet).

Social Responsibility

Community Services: The Association is committed to working with local and regional nonprofit agencies in support of stronger communities. Program and events such as arts and humanities, neighborhood events, back to school rallies, nonprofit use of YMCA facilities, city-wide events, and more emphasize the commitment to community partners.

The previously mentioned Black Achievers program provides students in the 7th through 12th grades exposure to present educational and future career opportunities. These students are connected with adult mentors who encourage students throughout their high school years and guide them on career development. Assistance is provided for students in applying for college and the association works with colleges and universities to secure scholarships for graduating seniors.

In addition, the YMCA offers diabetes prevention program to help people reduce their risk of developing type 2 diabetes. This small-group activity helps people with prediabetes eat healthier, increase their physical activity, and lose weight, which can delay or even prevent the onset of type 2 diabetes.

The YMCA has partnered with LIVESTRONG® to provide a safe, supportive environment for cancer survivors to continue their healing and achieve their whole-person health goals.

The YMCA works with the Toyota Bluegrass Miracle League to provide opportunities for children and adults with disabilities to play baseball, regardless of their abilities. Each year the YMCA hosts an annual Christmas Ball for the special needs community in Frankfort, KY.

Operational Modifications During COVID Pandemic

When a national emergency was declared in March 2020, the YMCA quickly modified operations to provide childcare services for health care and other essential employees. All branch locations closed on Saturday, March 15. Three locations reopened on March 17, 2020 as Limited Duration Childcare Centers offering Emergency Childcare.

Normal YMCA operations were suspended until June 1, 2020. At that time, our facilities reopened for members and summer programs, but at dramatically reduced capacity and under strict CDC protocols. When local schools did not reopen in the fall of 2020, the YMCA shifted again to provide support for virtual learning during all-day YMCA Academies for families who could not provide support at home during the school day. The YMCA also supported students who needed homework help by opening three learning labs to provide academic support and enrichment opportunities for students in grades K-12. The YMCA continues to be focused on serving our community, especially when it comes to nurturing the potential of every child.

The Power Scholars and Black Achievers programs were offered during the pandemic, but due to restrictions these programs were held virtually via Zoom.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note A - Nature of Organization and Operations (Continued)

Operational Modifications During COVID Pandemic (Continued)

While branch locations were closed due to the pandemic, the YMCA supported health and fitness by offering virtual classes. In June our branches re-opened with limited capacity and in compliance with healthy at work restrictions. The virtual classes continued even after the branches re-opened. In addition, the YMCA offered outdoor fitness classes.

The Aquatics program offerings also were modified during the pandemic. We offered lap swimming in compliance with healthy at work standards. The YMCA offered training for the swim team and participated in virtual swim meets.

While heavily impacted financially by the pandemic, the YMCA was proactive in modifying operations and programs to focus on the needs of the community.

Frankfort Purchase

On January 1, 2019, the Association signed an agreement to purchase the Young Men's Christian Association of Frankfort, Kentucky (Frankfort) for \$1, taking ownership of all assets and assuming responsibility for all remaining liabilities. Frankfort's activities and programs will continue to be operated by the Association in future years. Management relied on third party and historic book value to record the transaction.

Note B - Summary of Significant Accounting Policies

1. Basis of Accounting: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") is the sole source of authoritative GAAP.
2. Revenue Recognition: The Association recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Revenue from contracts with customers, disaggregated by type, during the years ended December 31, 2020 and 2019 is depicted on the face of the statements of activities.

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Deferred membership dues, beginning of year	\$ 413,344	\$ 323,819
Revenue recognized that was included in deferred membership dues, beginning of year	(413,344)	(323,819)
Increase in deferred revenue due to cash received during the period	<u>277,382</u>	<u>413,344</u>
Deferred membership dues, end of year	<u>\$ 277,382</u>	<u>\$ 413,344</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

2. Revenue Recognition (Continued): The Association's contract liabilities are comprised of membership dues and program fees received in advance of the performance of services.
3. Accounting Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
4. Cash and Cash Equivalents: The Association considers all cash and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.
5. Pledges Receivable: Pledges receivable due in subsequent years are recorded at the present value of the net realizable value, using an applicable interest rate to discount the amount.
6. Accounts Receivable: Accounts receivable consists mainly of third-party billings related to memberships and grants.
7. Allowance for Doubtful Accounts: The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses based on prior year experience and knowledge of the donor or member's financial condition. Amounts are charged against the allowance when management determines that collection is doubtful. The allowance for doubtful accounts was \$48,493 and \$215,672 as of December 31, 2020 and 2019, respectively and relates to both pledges receivable and accounts receivable.
8. Investments: Investments are reported at fair value. Unrealized gains and losses are calculated as the difference between fair value and cost. Realized and unrealized gains and losses are reported in the statements of activities. Investments are exposed to various risks such as interest rate, market risk and credit risk. Due to the level of uncertainty related to changes in these factors, it is at least reasonably possible that changes in these risks could materially affect the fair value of investment.
9. Property and Equipment: The Association reports gifts of land, buildings, and equipment as unrestricted support unless the donor specifies how the donated assets must be used. Gifts of long-lived assets with stipulations on use are reported as restricted support.

Property and equipment is stated at cost or fair-market value at date of receipt, if donated. The Association capitalizes property and equipment with a useful life of more than one year and a cost greater than \$1,500. Maintenance and repairs are expensed when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	40 years
Building and land improvements	15 years
Furniture and equipment	7 years
Vehicles	10 years

10. Contributions: Contributions are recognized when the donor makes an unconditional promise to contribute. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are not included as contributions until the conditions are substantially met.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

11. Donor-imposed Restrictions: The Association records and reports its assets, liabilities, net assets, revenues, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. The Association reports information regarding its financial position and activities according to the following net asset classifications:
 - *Net Assets Without Donor Restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the board of directors. From time to time the Board designates a portion of these net assets for specific purposes which make them unavailable for use at management's discretion.
 - *Net Assets with Donor Restrictions*: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.
12. Advertising: Advertising costs are expensed as incurred. Advertising expense amounts to \$193,033 and \$223,623 for the years ended December 31, 2020 and 2019, respectively.
13. Functional Allocation of Expenses: Expenses are reported by functional area in the accompanying statements of functional expense. Expenses which directly and solely benefit a program are charged entirely to that program, while expenses benefiting multiple programs are allocated between program services and support services. Administrative costs like Association and branch management, advertising, insurance, and dues are allocated to each functional area based on the proportion of each program area's direct pre-allocated expenses to total direct program expenses. In a similar manner, facility expenses like depreciation and other building occupancy costs are also allocated to each functional area based on the percentage of each program area's direct pre-allocated expenses to total direct program expenses.
14. Income Taxes: The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. The Association recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.
15. Financing Costs: Financing costs are netted with long-term debt in the financial statements (see Note I). The Association incurred certain financing fees in the amount of \$209,110 which are being amortized over the twenty-year term of the loan. Accumulated amortization is \$55,763 and \$45,307 as of December 31, 2020 and 2019, respectively.

Future amortization expense for the years ending December 31 is as follows:

2021	\$ 10,456
2022	10,456
2023	10,456
2024	10,456
2025	10,456
Thereafter	<u>101,067</u>
	<u>\$ 153,347</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note B - Summary of Significant Accounting Policies (Continued)

16. Subsequent Events: Subsequent events for the Association have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued.
17. New Pronouncements: In February 2016, the ("FASB") issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the calendar year ending December 31, 2022.

In June 2016, the ("FASB") issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective the calendar year ending December 31, 2023.

In September 2020, the ("FASB") issued ASU No. 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires contributed nonfinancial assets to be shown separate from contributions of cash and other financial assets and provides for qualitative disclosure regarding valuation techniques, categories of contributed nonfinancial assets, and their use. This standard will be effective for year ending December 31, 2022.

The Association is currently in the process of evaluating the impact of the adoption of ASU 2016-02, ASU 2016-13, and ASU 2020-07 on the financial statements.

Effective January 1, 2020, the Organization adopted Accounting Standards Codification 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The standard was applied prospectively as of the effective date with no material impact.

18. Reclassifications: Certain reclassifications have been made to the 2019 financial statements to conform with the 2020 presentation. These reclassifications had no impact on the net income or net assets.

Note C - Liquidity and Availability of Resources

The Association's endowment funds consist of donor-restricted endowments that are not available for general expenditure. The Association also has board designated net assets without donor restrictions that, while the Association does not intend to spend for purposes other than those identified, the amounts could be made available for current operations, if necessary.

In addition, as part of its liquidity management, the Association invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and money market accounts. As more fully described in Note H, the Association has a \$250,000 line of credit also available to meet liquidity needs.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note C - Liquidity and Availability of Resources (Continued)

The Association's assets available within one year of the statements of financial position date for general expenditures as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial asset at year-end		
Cash and cash equivalents	\$ 1,722,391	\$ 1,134,435
Restricted cash accounts	711,223	398,501
Accounts receivable	139,504	257,887
Pledges receivable, net	584,362	924,082
Investments	4,996,234	5,426,709
Funds held in trust by others	<u>2,626,774</u>	<u>2,491,937</u>
Total financial assets	10,780,488	10,633,551
Less amounts not available to be used within one year due to		
Restricted by donors for use in future periods	131,632	416,902
Restricted by donors in perpetuity	3,122,406	2,957,935
Board designated funds for capital maintenance	1,301,724	1,185,947
Board designated funds for debt service	701,575	1,250,000
Board designated endowment	<u>3,203,248</u>	<u>2,640,365</u>
Total financial assets not available to be used within one year	<u>8,460,585</u>	<u>8,451,149</u>
Total financial assets available to meet general expenditures within one year	<u><u>\$ 2,319,903</u></u>	<u><u>\$ 2,182,402</u></u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note D - Pledges Receivable

Pledges receivable are unconditional promises to give related to the Association's Capital Campaign and Annual Giving Campaign as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 374,770	\$ 430,016
Receivable in one to five years	360,000	819,998
	<u>734,770</u>	<u>1,250,014</u>
Total pledges receivable	734,770	1,250,014
Less allowance for doubtful accounts	(39,794)	(181,138)
Less discounts to net present value	<u>(110,614)</u>	<u>(144,794)</u>
Net pledges receivable	<u>\$ 584,362</u>	<u>\$ 924,082</u>

The discount rate used on promises to give is 5%.

Note E - Investments and Fair Value Accounting

Investments as of December 31, 2020 consist of the following:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation/ (depreciation)</u>
Equities	\$ 3,331,563	\$ 4,583,462	\$ 1,251,899
Fixed income	2,379,418	2,516,168	136,750
Cash equivalents	180,134	180,134	-
Alternative strategies	<u>294,677</u>	<u>343,244</u>	<u>48,567</u>
	<u>\$ 6,185,792</u>	<u>\$ 7,623,008</u>	<u>\$ 1,437,216</u>
Investments		\$ 4,996,234	
Perpetual trusts held by third parties		<u>2,626,774</u>	
		<u>\$ 7,623,008</u>	

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note E - Investments and Fair Value Accounting (Continued)

Investments as of December 31, 2019 consist of the following:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
Equities	\$ 3,081,633	\$ 3,770,118	\$ 688,485
Fixed income	2,320,851	2,379,518	58,667
Cash equivalents	1,388,742	1,388,930	188
Alternative strategies	<u>323,909</u>	<u>380,080</u>	<u>56,171</u>
	<u>\$ 7,115,135</u>	<u>\$ 7,918,646</u>	<u>\$ 803,511</u>
Investments		\$ 5,426,709	
Perpetual trusts held by third parties		<u>2,491,937</u>	
		<u>\$ 7,918,646</u>	

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note E - Investments and Fair Value Accounting (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Interest and dividend income			
YMCA maintenance reserve	\$ 22,022	\$ 1,915	\$ 23,937
YMCA endowment	52,911	5,003	57,914
Savings	12,782	-	12,782
YMCA stock gift fund	-	-	-
Stoll trust	-	25,500	25,500
Mitchell trust	-	10,015	10,015
Coolidge trust	-	20,506	20,506
Cooper trust	-	3,160	3,160
Other	-	1,996	1,996
	<u>87,715</u>	<u>68,095</u>	<u>155,810</u>
Distributions			
Stoll trust	-	(33,442)	(33,442)
Mitchell trust	-	(19,308)	(19,308)
Coolidge trust	-	(38,400)	(38,400)
Cooper trust	-	(6,919)	(6,919)
	<u>-</u>	<u>(98,069)</u>	<u>(98,069)</u>
Realized gains (losses)			
YMCA maintenance reserve	4,903	426	5,329
YMCA endowment	(2,321)	127	(2,194)
YMCA stock gift fund	-	(162)	(162)
Stoll trust	-	(12,702)	(12,702)
Mitchell trust	-	5,536	5,536
Coolidge trust	-	(13,318)	(13,318)
Cooper trust	-	9,719	9,719
	<u>2,582</u>	<u>(10,374)</u>	<u>(7,792)</u>
Unrealized gains (losses)			
YMCA maintenance reserve	97,920	8,515	106,435
YMCA endowment	284,281	25,869	310,150
Stoll trust	-	117,592	117,592
Mitchell trust	-	33,714	33,714
Coolidge trust	-	51,686	51,686
Cooper trust	-	3,828	3,828
Other	-	(635)	(635)
	<u>382,201</u>	<u>240,569</u>	<u>622,770</u>
Investment income before fees	472,498	200,221	672,719
Less investment fees	(31,054)	(33,488)	(64,542)
Investment income, net	<u>\$ 441,444</u>	<u>\$ 166,733</u>	<u>\$ 608,177</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note E - Investments and Fair Value Accounting (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Interest and dividend income			
YMCA maintenance reserve	\$ 26,098	\$ 1,865	\$ 27,963
YMCA endowment	55,510	1,364	56,874
Savings	19,683	-	19,683
YMCA stock gift fund	-	2	2
Stoll trust	-	29,694	29,694
Mitchell trust	-	11,715	11,715
Coolidge trust	-	23,048	23,048
Cooper trust	-	3,035	3,035
Other	-	994	994
	<u>101,291</u>	<u>71,717</u>	<u>173,008</u>
Distributions			
Stoll trust	-	(48,378)	(48,378)
Mitchell trust	-	(18,893)	(18,893)
Coolidge trust	-	(59,768)	(59,768)
Cooper trust	-	(7,103)	(7,103)
Other	-	(4)	(4)
	<u>-</u>	<u>(134,146)</u>	<u>(134,146)</u>
Realized gains (losses)			
YMCA maintenance reserve	2,718	319	3,037
YMCA endowment	28,783	1,913	30,696
YMCA stock gift fund	-	(374)	(374)
Stoll trust	-	14,314	14,314
Mitchell trust	-	(676)	(676)
Coolidge trust	-	30	30
Cooper trust	-	3,166	3,166
	<u>31,501</u>	<u>18,692</u>	<u>50,193</u>
Unrealized losses			
YMCA maintenance reserve	197,847	12,644	210,491
YMCA endowment	414,393	13,540	427,933
YMCA stock gift fund	-	(23)	(23)
Stoll trust	-	146,478	146,478
Mitchell trust	-	66,572	66,572
Coolidge trust	-	88,537	88,537
Cooper trust	-	20,136	20,136
Other	-	11,551	11,551
	<u>612,240</u>	<u>359,435</u>	<u>971,675</u>
Investment income before fees	745,032	315,698	1,060,730
Less investment fees	<u>(28,863)</u>	<u>(19,442)</u>	<u>(48,305)</u>
Investment income, net	<u>\$ 716,169</u>	<u>\$ 296,256</u>	<u>\$ 1,012,425</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note E - Investments and Fair Value Accounting (Continued)

The fair value provisions of the ASC define fair value, provide a framework for measuring fair value, and expand disclosures required for fair value measurements. They also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. Level 1 includes equities. Equities are valued using quoted market prices. Cash equivalents are valued at the net asset value of the units held.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 includes fixed income and alternative strategies. Fixed income securities are valued using pricing information obtained from a reputable third-party service provider who may utilize valuation techniques that use current market-based or independently sourced parameters, such as bid prices, dealer-quoted prices, or benchmark yield curves. Alternate strategies consist of hedge funds which are valued at the Net Asset Value of the month preceding the investment period according to the methodology outlined in the operating agreement for each individual hedge fund.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Association's own assumptions.

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equities	\$ 3,226,649	\$ -	\$ -	\$ 3,226,649
Fixed income	-	1,529,170	-	1,529,170
Cash equivalents	143,694	-	-	143,694
Alternative strategies	-	96,721	-	96,721
	<u>3,370,343</u>	<u>1,625,891</u>	-	<u>4,996,234</u>
Perpetual trusts held by third parties				
Equities	1,356,813	-	-	1,356,813
Fixed income	-	986,998	-	986,998
Cash equivalents	36,440	-	-	36,440
Alternative strategies	-	246,523	-	246,523
	<u>1,393,253</u>	<u>1,233,521</u>	-	<u>2,626,774</u>
	<u>\$ 4,763,596</u>	<u>\$ 2,859,412</u>	<u>\$ -</u>	<u>\$ 7,623,008</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note E - Investments and Fair Value Accounting (Continued)

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equities	\$ 2,475,755	\$ -	\$ -	\$ 2,475,755
Fixed income	-	1,360,882	-	1,360,882
Cash equivalents	1,353,007	-	-	1,353,007
Alternative strategies	-	237,065	-	237,065
	<u>3,828,762</u>	<u>1,597,947</u>	<u>-</u>	<u>5,426,709</u>
Perpetual trusts held by third parties				
Equities	1,294,363	-	-	1,294,363
Fixed income	-	1,018,636	-	1,018,636
Cash equivalents	35,923	-	-	35,923
Alternative strategies	-	143,015	-	143,015
	<u>1,330,286</u>	<u>1,161,651</u>	<u>-</u>	<u>2,491,937</u>
	<u>\$ 5,159,048</u>	<u>\$ 2,759,598</u>	<u>\$ -</u>	<u>\$ 7,918,646</u>

Note F - Split-interest Agreements

Four donors have established trusts under which the Association receives benefits that are shared with other beneficiaries. Under the terms of these trusts, the Association has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but they never receive the assets held in trust. The value of these trusts has been determined by taking the Association's share of the income received annually and multiplying that percentage by the market value of the trust assets. A brief description of the perpetual trusts held by third parties is as follows:

- Stoll Trust: The Association receives 1/3 of the income earned. The income can be used for general operations.
- Mitchell Trust: The Association receives 1/13 of the income earned. The income can be used for general operations.
- Coolidge Trust: The Association receives 100% of the income earned. The income can be used for the benefit of the Jessamine County branch.
- Cooper Trust: The Association receives 50% of the income earned. The income can be used for general operations.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note G - Property and Equipment, net

Property and equipment as of December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 9,697,718	\$ 9,475,323
Buildings and building improvements	41,132,391	41,015,822
Furniture and equipment, Including capital leases	3,893,024	3,827,175
Vehicles	6,290	6,290
Construction-in-progress	<u>145,217</u>	<u>182,779</u>
Total property and equipment	54,874,640	54,507,389
Less: accumulated depreciation	<u>(17,472,422)</u>	<u>(15,730,163)</u>
Net property and equipment	<u>\$ 37,402,218</u>	<u>\$ 38,777,226</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$1,742,734 and \$1,701,783, respectively.

Note H - Line of Credit

In 2013, the Association secured a \$250,000 line of credit with a local bank. The line of credit bears interest at the bank's prime rate (3.25% at December 31, 2020). There was no outstanding balance on the line of credit as of December 31, 2020 or 2019.

Note I - Notes Payable

Long-term Debt

On August 31, 2015, Scott County, Kentucky ("the Issuer") issued Cultural and Recreational Revenue and Revenue Refunding Bonds, Series 2015, in two series. The Series 2015B bonds were issued in the aggregate principal amount of \$3,000,000. The bonds were issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. The proceeds were used to repay the Variable Rate Demand Industrial Development Revenue Bonds Series 1999 bonds. Interest on the bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the fixed rate of 2.95% until August 31, 2030 then at either a floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2035. These bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The outstanding balance at December 31, 2020 and 2019 was \$2,376,876 and \$2,495,328, respectively.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note I - Notes Payable (Continued)

Long-term Debt (Continued)

In addition to the 2015B series, a Series 2015A was also issued on August 31, 2015 in the aggregate principal amount of \$16,000,000 to finance the costs of (i) the construction and equipping of a new facility to be located at 2681 Old Rosebud Road in Lexington, also known as the Whitaker Family YMCA and (ii) the expansion and renovation of the existing facility located at 381 West Loudon Avenue in Lexington known as YMCA North. The bonds were also issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. Interest on the bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the rate of 2.95% until August 31, 2030 and at either the floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2037. These bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The outstanding balance as of December 31, 2020 and 2019 was \$13,986,508 and \$14,622,610, respectively. This bond began amortization on November 30, 2017.

Total outstanding debt related to both bond issues was \$16,363,384 and \$17,857,413 as of December 31, 2020 and 2019, respectively. The long-term debt is recorded net of unamortized issuance costs of \$153,347 and \$163,803 for the years ended December 31, 2020 and 2019, respectively (see Note B15).

Paycheck Protection Program Loan

In April 2020, the Association received a Paycheck Protection Program ("PPP") loan under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in the amount of \$1,614,800. The loan bears interest at 1.00%, is unsecured, and is for a term of two years with a maturity date of April 2022. Under the CARES Act, subject to limitations, as defined, the loan may partially or fully be forgiven depending on actual payroll and other qualified costs for a specified period following receipt of the loan proceeds.

The Association is accounting for the loan proceeds as a financial liability (debt in accordance with ASC Topic 470, *Debt*). As such, the Association will continue to record the proceeds from the loan as a financial liability until either (1) the loan is partially or fully forgiven and the Association has been legally released by the U.S. Small Business Administration ("SBA") or (2) the Association pays off the loan. To the extent the loan is not forgiven, the loan requires monthly payments of principal and interest of \$90,423 beginning in September 2021. Management has applied for forgiveness; however, no assurance can be provided that the loan will be partially or fully forgiven. In accordance with the related PPP loan guidelines, the SBA reserves the right to audit any PPP loan at any time during the loan process, including after the loan is partially or fully forgiven and the Association has been legally released.

Debt service requirements at December 31, 2020 are as follows:

	<u>Notes payable</u>	<u>PPP loan</u>
2021	\$ 784,879	\$ 806,055
2022	807,523	808,745
2023	833,045	-
2024	858,080	-
2025	884,196	-
Thereafter	12,195,661	-
Bond issuance costs	<u>(153,347)</u>	<u>-</u>
	<u>\$ 16,210,037</u>	<u>\$ 1,614,800</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note J - Operating Lease Obligations

The Association leases office equipment, cardiovascular fitness equipment and vehicles from non-related parties under operating lease agreements that expire at various dates through 2021. Lease expense for the years ended December 31, 2020 and 2019 was \$20,656 and \$37,657, respectively.

The Association has future minimum operating lease and service agreement payments of \$3,747 as of December 31, 2020, for leases that expire in 2021.

Note K - Capital Lease Obligations

The Association has entered into leases for fitness equipment, copiers, and buses from non-related parties under capital lease agreements that expire at various dates through 2022. The lease terms vary from 3 to 5 years with total monthly payments of \$31,781 and \$33,790 for the years ended December 31, 2020 and 2019, respectively, with interest rates ranging from 2.09% to 4.80%, as of December 31, 2020 and as of December 31, 2019.

The cost of the leased equipment included in property and equipment at December 31, 2020 and 2019 is \$2,104,939. Amortization of assets under capital leases is included in depreciation expense in the accompanying financial statements. Accumulated depreciation on capital lease equipment as of December 31, 2020 and 2019 is \$1,522,868 and \$1,098,931, respectively.

The present value of minimum capital lease obligations as of December 31, 2020 are as follows:

2021	\$ 496,888
2022	262,773
2023	<u>944</u>
Total minimum obligations	760,605
Less amounts representing interest	<u>(72,939)</u>
Present value of minimum obligations	687,666
Less current portion	<u>(496,888)</u>
Non-current obligations	<u><u>\$ 190,778</u></u>

Note L - Endowment

The Association's endowment consists of a fund established to support operations. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note L - Endowment (Continued)

The Association's Board of Directors serve as stewards of the endowment funds in accordance with their interpretation of the Uniform Prudent Management of Institutional Funds Act and applicable laws, and within the provisions of the Association's constitution and by-laws. The Association's Board of Directors has interpreted the Commonwealth of Kentucky's relevant trust laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Association classifies as permanently restricted net assets (a) the original value of donor-restricted gifts to the permanent endowment, (b) the original value of subsequent donor-restricted gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Association has adopted investment and spending policies for endowment assets that attempt to optimize total return while retaining sufficient liquidity to meet projected cash requirements to allow for growth of capital and income, and to preserve the principal of the fund.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Association maintains an Investment Policy designed to safeguard its assets while maximizing total returns. The Association's Board, through its Finance Committee, selects and monitors an Investment Advisor who determines the appropriate asset allocation and selects investments within the guidelines of the Investment Policy.

The Association's practice is to appropriate a portion of the fund's income for distribution during the year to be made available for expenditure. The Board establishes the annual distribution amount to be consistent with the Association's objective to preserve the principal of endowment assets held in perpetuity.

Endowment net asset composition by type of fund as of December 31, 2020:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Donor-restricted in perpetuity	\$ -	\$ 3,122,406	\$ 3,122,406
Board designated	<u>3,203,248</u>	<u>-</u>	<u>3,203,248</u>
Total funds	<u>\$ 3,203,248</u>	<u>\$ 3,122,406</u>	<u>\$ 6,325,654</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note L - Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2020:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 2,640,364	\$ 2,957,935	\$ 5,598,299
Investment income, net	30,924	31,010	61,934
Net appreciation (realized and unrealized)	<u>281,960</u>	<u>222,764</u>	<u>504,724</u>
Total investment return	312,884	253,774	566,658
Contributions	250,000	8,766	258,766
Distributions	<u>-</u>	<u>(98,069)</u>	<u>(98,069)</u>
Endowment net assets, end of the year	<u>\$ 3,203,248</u>	<u>\$ 3,122,406</u>	<u>\$ 6,325,654</u>

Endowment net asset composition by type of fund as of December 31, 2019:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Donor-restricted in perpetuity	\$ -	\$ 2,957,935	\$ 2,957,935
Board designated	<u>2,640,364</u>	<u>-</u>	<u>2,640,364</u>
Total funds	<u>\$ 2,640,364</u>	<u>\$ 2,957,935</u>	<u>\$ 5,598,299</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note L - Endowment (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2019:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 2,161,640	\$ 2,687,162	\$ 4,848,802
Investment income, net	35,548	50,905	86,453
Net depreciation (realized and unrealized)	<u>443,176</u>	<u>354,010</u>	<u>797,186</u>
Total investment return	478,724	404,915	883,639
Contributions	-	50,000	50,000
Distributions	<u>-</u>	<u>(184,142)</u>	<u>(184,142)</u>
Endowment net assets, end of the year	<u>\$ 2,640,364</u>	<u>\$ 2,957,935</u>	<u>\$ 5,598,299</u>

Note M - Net Assets Restricted by Purpose or Time

Net assets with donor restriction subject to expenditure for specified purpose:

	<u>2020</u>	<u>2019</u>
Annual Giving campaign	\$ 212,858	\$ 394,089
Grants	629,357	363,737
Scholarship programs	113,007	116,574
Scott and Jessamine Counties	36,645	36,645
Capital campaign	<u>257,118</u>	<u>291,399</u>
	<u>\$ 1,248,985</u>	<u>\$ 1,202,444</u>

Note N - Defined Contribution Plans

The Association participates in the YMCA Retirement Fund, which is a defined contribution, money purchase, church plan (the Retirement Plan) that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and the YMCA Retirement Fund Tax-Deferred Savings Plan (the Savings Plan) which is a retirement income account plan as defined in section 403(b)(9) of the Code. Both Plans are sponsored by the Young Men's Christian Association Retirement Fund (the Fund). The Fund is a Not-for-Profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and the Tax-deferred Savings Plan have no unfunded benefit obligations.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note N - Defined Contribution Plans (Continued)

The Retirement Plan calls for contributions to the Fund at an amount equal to 12% of the participating employees' salary, with the Association contributing 7% and the employee contributing 5%. Under a special annual agreement, the Association can increase the amount of its contribution rate, thereby reducing the required contribution rate from its eligible employees. Employee contributions as well as any excess contribution rate paid by the Association on behalf of the employee contribution percentage are vested immediately to the employee. Employees who are 21 years of age and over are eligible to participate in the Retirement Plan on the first day of the month after two years of service, defined as completion of 1,000 hours of compensated employment within a 12-month period. Both employee and employer contributions to the Retirement Plan become immediately vested to the employee upon entrance of the Retirement Plan.

The Association elected to contribute 12% for the year ended December 31, 2019, thereby making the required employee contribution rate to be 0%. During May of 2020, the Association's contribution was reduced from 12% to 1%. The Association contributed \$167,352 and \$438,819 for the years ended December 31, 2020 and 2019, respectively, of which none was unpaid as of year-end.

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

Note O - Related Party Transactions

For the years ended December 31, 2020 and 2019, \$151,547 and \$229,597, respectively, was paid to the YMCA of the U.S.A for support services.

The Kentucky West Virginia Alliance of YMCAs (the "Alliance"), a 501(c)(4) organization, was created in November 2018 to support the growth and development of YMCAs in Kentucky and West Virginia. The purpose of the Alliance is to provide the following functions to the Alliance members: 1) Build organization capacity of Alliance Member YMCAs, 2) Build strong networks to provide opportunities for peer-to-peer learning and support, 3) Develop Alliance infrastructure, 4) Form collaborations to advance the strategic goals of the Alliance and 5) Advocate and advance the state alliance legislative priorities. The Alliance will provide services in the areas of board development, strategic planning, relationship building, facilitating management agreements, shared services and mergers and advocacy.

The Y-USA awarded a two-year grant in the amount of \$581,667 to provide funding for the Alliance through 2020. The Alliance will receive additional funding from monthly assessments paid by member YMCAs. These monthly dues are based on annual revenues. The YMCA of Central Kentucky provides accounting, payroll and office support for the Alliance and received \$11,849 and \$25,000 as an administrative fee for the director's office space as well as administrative services during the years ended December 31, 2020 and 2019, respectively.

Note P - Commitments and Contingencies

The Association has an operating lease, that is renewed annually, with the Commonwealth of Kentucky to lease land in Frankfort, Kentucky for \$300 per year. The Association recorded an in-kind contribution of \$24,000 for the estimated fair rental value of the property and a corresponding lease expense for each of the years ended December 31, 2020 and 2019.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2020 and 2019

Note Q - Risks and Uncertainties

During 2020, the outbreak of the novel coronavirus disease 2019 ("COVID-19") was declared a United States and global pandemic. The Association's operations have generally been impacted by the outbreak of COVID-19. Since the situation surrounding the pandemic is on-going, the Association's operations could ultimately be adversely impacted by the outbreak of COVID-19. The duration, nature, and extent of the ultimate direct or indirect impact on the Association's financial condition, liquidity, and/or future results of operations, if any, cannot be reasonably estimated at this time. As a result of the initial uncertainty surrounding the COVID-19 pandemic, the Association applied for, and in April 2020 received a PPP loan under the CARES Act (see Note I).