YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

FINANCIAL STATEMENTS

DECEMBER 31, 2020

PBMares[SM]

ASSURANCE, TAX & ADVISORY SERVICES

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Young Men's Christian Association of the Virginia Peninsulas

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of the Virginia Peninsulas, a nonprofit organization, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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 the Virginia Peninsulas, 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.

PBMares, LLP

Newport News, Virginia
April 27, 2021

FINANCIAL STATEMENTS

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

		2020		2019
ASSETS				
Current Assets				
Cash and cash equivalents	**$**	**1,264,751**	$	1,426,161
Certificates of deposit		**437,798**		876,729
Investments		**7,452,127**		8,679,775
Unconditional promises to give, current portion		**672,928**		726,706
Prepaid expenses and other current assets		**56,929**		126,857
Refundable payroll tax credit		**389,817**		-
Total current assets		**10,274,350**		11,836,228
Unconditional promises to give, net, less current portion		**673,322**		933,127
Deferred rent asset		**29,996**		45,406
Investments, endowment		**4,269,000**		3,486,095
Property and equipment, net		**36,588,287**		36,137,060
Total assets	**$**	**51,834,955**	$	52,437,916

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF FINANCIAL POSITION (Continued)
December 31, 2020 and 2019

	2020	2019
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 255,114**	$ 423,269
Accrued expenses	**109,167**	386,922
Deferred revenues	**94,036**	88,619
Contract liabilities	**125,636**	142,134
Lines of credit	**1,511,123**	-
Current portion of long-term debt	**1,396,966**	1,608,883
Total current liabilities	**3,492,042**	2,649,827
Long-Term Liabilities		
Long-term debt, net, less current portion	**4,793,806**	5,367,143
Charitable gift annuity obligation	**48,582**	51,132
Hedged interest rate swap	**20,931**	32,677
Deferred rent liability	**250,236**	154,501
Total long-term liabilities	**5,113,555**	5,605,453
Total liabilities	**8,605,597**	8,255,280
Net Assets		
Without donor restrictions:		
Board designated	**2,122,853**	4,681,390
Board designated, quasi endowment	**4,262,000**	3,479,095
Undesignated	**36,527,037**	35,251,403
Total without donor restrictions	**42,911,890**	43,411,888
With donor restrictions:		
Restricted by purpose	**280,468**	553,727
Restricted by time	**30,000**	210,021
Restricted in perpetuity	**7,000**	7,000
Total with donor restrictions	**317,468**	770,748
Total net assets	**43,229,358**	44,182,636
Total liabilities and net assets	**$ 51,834,955**	$ 52,437,916

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support:			
Public support:			
Contributions to center operations	$ 1,679,192	$ 184,716	$ 1,863,908
United Way	45,275	30,000	75,275
Donated facilities	1,493,727	-	1,493,727
Net assets released from restrictions	2,011,548	(2,011,548)	-
Total public support for operations	5,229,742	(1,796,832)	3,432,910
Revenue:			
Program fees, net	2,291,219	-	2,291,219
Membership dues, net	9,149,191	-	9,149,191
Government grants	-	1,240,659	1,240,659
Building use fees	430,021	-	430,021
Sales to public	18,703	-	18,703
Miscellaneous income	108,685	-	108,685
Investment return - appropriated for spending	118,578	-	118,578
Total revenue for operations	12,116,397	1,240,659	13,357,056
Total operating revenues, gains and other support	17,346,139	(556,173)	16,789,966
Operating Expenses:			
Payments to the YMCA of the U.S.A.	160,575	-	160,575
Program services	16,236,733	-	16,236,733
Support services:			
Management and general	2,730,519	-	2,730,519
Fundraising	257,072	-	257,072
Total operating expenses	19,384,899	-	19,384,899

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES (Continued)
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Governing Board Actions from Operations:			
Revenue designated by board from contingency fund	$ (2,236,202)	$ -	$ (2,236,202)
Revenue designated by board to operating reserve	(37,743)	-	(37,743)
Revenue designated by board to capital projects	(284,592)	-	(284,592)
Contributions designated by board for quasi-endowment	(145,524)	-	(145,524)
Total governing board actions from operations	(2,704,061)	-	(2,704,061)
Operating revenues in deficit of operating expenses and governing board actions from operations	(4,742,821)	(556,173)	(5,298,994)
Other Changes:			
Investment return, net, in excess of amounts appropriated for spending	1,521,862	10,254	1,532,116
Contributions to capital campaigns	-	92,639	92,639
Governing board actions from operations	2,704,061	-	2,704,061
Change in split interest agreement	5,154	-	5,154
Change in fair value of hedged interest rate swap	11,746	-	11,746
Change in net assets	(499,998)	(453,280)	(953,278)
Net Assets			
Beginning of year	43,411,888	770,748	44,182,636
End of year	$ 42,911,890	$ 317,468	$ 43,229,358

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support:			
Public support:			
Contributions to center operations	$ 2,177,989	$ 9,591	$ 2,187,580
United Way	56,061	36,271	92,332
Donated facilities	1,569,368	-	1,569,368
Net assets released from restriction:			
Net assets released from purpose restriction	2,251,062	(2,251,062)	-
Total public support for operations	6,054,480	(2,205,200)	3,849,280
Revenue:			
Program fees, net	5,264,733	-	5,264,733
Membership dues, net	12,207,782	-	12,207,782
Government grants	609,752	173,750	783,502
Building use fees	508,203	-	508,203
Sales to public	32,567	-	32,567
Miscellaneous income	220,764	-	220,764
Investment return - appropriated for spending	356,008	-	356,008
Total revenue for operations	19,199,809	173,750	19,373,559
Total operating revenues, gains and other support	25,254,289	(2,031,450)	23,222,839
Operating Expenses:			
Payments to the YMCA of the U.S.A.	261,983	-	261,983
Program services	19,655,155	-	19,655,155
Support services:			
Management and general	3,079,152	-	3,079,152
Fundraising	340,127	-	340,127
Total operating expenses	23,336,417	-	23,336,417

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES (Continued)
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Governing Board Actions from Operations:			
Revenue designated by board for capital development	$ 563,167	$ -	$ 563,167
Revenue designated by board for operating reserve	(743,548)	-	(743,548)
Contributions designated by board for quasi-endowment	(54,608)	-	(54,608)
Total governing board actions from operations	(234,989)	-	(234,989)
Operating revenues in excess (deficit) of operating expenses and governing board actions from operations	1,682,883	(2,031,450)	(348,567)
Other Changes:			
Investment return, net, in excess of amounts appropriated for spending	1,904,960	14,245	1,919,205
Contributions to capital campaigns	-	569,929	569,929
Governing board actions from operations	234,989	-	234,989
Change in split interest agreement	11,700	-	11,700
Change in fair value of hedged interest rate swap	11,581	-	11,581
Change in net assets	3,846,113	(1,447,276)	2,398,837
Net Assets			
Beginning of year	39,565,775	2,218,024	41,783,799
End of year	$ 43,411,888	$ 770,748	$ 44,182,636

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries and Wages	$ 7,845,918	$ 1,529,922	$ 144,035	$ 9,519,875
Employee Benefits	585,305	149,118	12,721	747,144
Payroll Taxes	419,743	121,407	11,625	552,775
Total salaries and related expenses	8,850,966	1,800,447	168,381	10,819,794
Occupancy	3,295,747	45,927	-	3,341,674
Contract Services	656,039	518,693	3,284	1,178,016
Supplies	600,156	62,147	81,122	743,425
Interest and Bank Charges	365,820	21,079	-	386,899
Equipment	335,986	7,921	-	343,907
Telephone	99,762	21,731	653	122,146
Printing and Public Relations	13,508	105,901	-	119,409
Travel	57,517	19,756	691	77,964
Conferences and Training	16,720	10,685	-	27,405
Dues	2,568	12,367	2,834	17,769
Postage	5,796	11,832	-	17,628
Bad Debt	11,750	-	-	11,750
Miscellaneous	9,555	330	107	9,992
Total functional expenses before depreciation	14,321,890	2,638,816	257,072	17,217,778
Depreciation	1,914,843	91,703	-	2,006,546
Total functional expenses	$ 16,236,733	$ 2,730,519	$ 257,072	$ 19,224,324

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 9,354,251	$ 1,608,981	$ 86,280	$ 11,049,512
Employee Benefits	811,373	232,122	13,767	1,057,262
Payroll Taxes	806,759	127,703	8,188	942,650
Total salaries and related expenses	10,972,383	1,968,806	108,235	13,049,424
Occupancy	3,535,604	46,604	-	3,582,208
Contract Services	993,450	524,969	14,691	1,533,110
Supplies	1,043,933	127,765	206,240	1,377,938
Interest and Bank Charges	450,987	-	-	450,987
Conferences and Training	157,901	89,290	4,811	252,002
Travel	176,665	58,170	2,283	237,118
Equipment	220,471	11,891	-	232,362
Printing and Public Relations	67,176	122,756	420	190,352
Telephone	118,493	13,013	672	132,178
Dues	9,351	17,609	2,775	29,735
Miscellaneous	17,402	245	-	17,647
Postage	7,282	10,001	-	17,283
Bad Debt	3,000	-	-	3,000
Total functional expenses before depreciation	17,774,098	2,991,119	340,127	21,105,344
Depreciation	1,881,057	88,033	-	1,969,090
Total functional expenses	$ 19,655,155	$ 3,079,152	$ 340,127	$ 23,074,434

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	**$ (953,278)**	$ 2,398,837
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt	**11,750**	3,000
Depreciation	**2,006,546**	1,969,090
Amortization of debt issuance costs	**12,017**	11,709
Realized and unrealized gain on investments	**(1,430,722)**	(1,651,505)
Change in split interest agreement	**(5,154)**	(11,700)
Change in fair value of hedged interest rate swap	**(11,746)**	(11,581)
Loss on disposal of assets	**-**	729
Contributions restricted for capital projects	**(92,639)**	(569,929)
Change in:		
Unconditional promises to give	**301,833**	88,876
Prepaid expenses and other current assets	**69,928**	(14,153)
Refundable payroll tax credit	**(389,817)**	-
Deferred rent asset	**15,410**	(2,140)
Accounts payable	**(168,155)**	(32,237)
Accrued expenses	**(277,755)**	88,078
Deferred revenues	**5,417**	(81,163)
Contract liabilities	**(16,498)**	45,924
Deferred rent liability	**95,735**	28,846
Net cash provided by (used in) operating activities	**(827,128)**	2,260,681
Cash Flows from Investing Activities:		
Purchases of investments and certificates of deposit	**(3,368,851)**	(3,004,812)
Proceeds from sale of investments and certificates of deposit	**5,688,401**	3,678,252
Acquisition of property and equipment	**(2,457,773)**	(3,772,250)
Net cash used in investing activities	**(138,223)**	(3,098,810)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	**(797,271)**	(1,615,763)
Proceeds from contributions restricted for capital projects	**92,639**	569,929
Net proceeds on line of credit	**1,511,123**	-
Charitable gift annuity obligation	**(2,550)**	(2,545)
Net cash provided by (used in) financing activities	**803,941**	(1,048,379)
Net change in cash and cash equivalents	**(161,410)**	(1,886,508)
Cash and Cash Equivalents		
Beginning of year	**1,426,161**	3,312,669
End of year	**$ 1,264,751**	$ 1,426,161
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 248,533**	$ 264,743
Supplemental Disclosure of Noncash Investing Activities		
Long-term debt incurred to purchase equipment	**-**	1,000,000

Note 1. Organization and Nature of Activities

Young Men's Christian Association of the Virginia Peninsulas (the "Y") is a volunteer-led public charity that includes men, women and children of all ages, abilities, incomes, races and relations in the Virginia Peninsula region. Its mission is to put Christian principles into practice through programs that build healthy spirit, mind and body for all. Its programs strengthen families and communities focusing on the values of caring, honesty, respect, responsibility and faith.

Every day, the Y works side by side with its neighbors in its community to make sure that everyone, regardless of age, income or background, has the opportunity to learn, grow and thrive.

Organization Focus:

Youth Development: *Nurturing the potential of every child and teen*
The Y believes that all kids deserve the opportunity to discover who they are and what they can achieve. That's why, through the Y, hundreds of youth today are cultivating the values, skills and relationships that lead to positive behaviors, better health and educational achievement.

Healthy Living: *Improving health and well-being*
The Y is the leading voice on health and well-being. With a mission centered on balance, the Y brings families closer together, encourages good health, and fosters connections through fitness, sports, fun and shared interests. As a result, youth, adults and families are receiving the support, guidance and resources needed to achieve greater health and well-being for their spirit, mind and body.

Social Responsibility: *Giving back and providing support to our neighbors*
The Y has been listening and responding to our communities' most critical social needs for 124 years. Whether developing skills or emotional well-being through global services, or preventing chronic disease and building healthier communities through collaborations with policymakers, the Y fosters the care and respect all people need and deserve. Through volunteers, donors, leaders and partners, the Y is empowering people to be healthy, confident, connected and secure.

Although the Y had to close its doors in March due to the pandemic, the Y continued to strengthen communities by collecting food, keeping in touch with seniors, offering emergency child care, and hosting blood drives. The Y has been making an impact in communities for 124 years, and it is here for good.

During the shutdown, the Y:

- Partnered with local food banks collecting over 11,900 pounds of food and $5,700 in donations;
- Hosted more than 15 blood drives where it collected over 575 units of blood;
- Provided over 1,700 children with clothing and school supplies;
- Called over 9,700 seniors to check on their welfare;
- Provided emergency child care for frontline workers and working families;
- Kept youth active through Summer Camp;
- Started Kindergarten through 5th Grade Student Support for virtual learners;
- Virtually hosted nearly 100 youth for Teen Leaders Club where many participated in service projects; and

Note 1. Organization and Nature of Activities (Continued)

- Offered virtual group exercise classes, outdoor group exercise classes, and reconfigured work out options to accommodate safe distancing.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The accompanying financial statements of the Y have been prepared on the accrual basis of accounting as required by U.S. generally accepted accounting principles.

Financial statement presentation: The Y reports its financial position and activities according to two classes of net assets as follows:

Net assets without donor restrictions are net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, contingency fund, capital development and board-designated quasi-endowment.

Net assets with donor restrictions are net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or is otherwise met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Measure of operations: Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term debt such as contributions for capital and endowment campaigns, amounts designated by board to operating reserve, investment returns in excess of amounts designated for current operations, changes in split interest agreement, and changes in the fair value of interest rate swap.

Cash and cash equivalents and certificates of deposit: The Y considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents included as part of an investment account are accounted for as investments in the statements of financial position. Certificates of deposit with original maturities over three months are classified as certificates of deposit in the statements of financial position. Cash equivalents and certificates of deposit are stated at cost because that approximates market value.

Investments: Investments are composed of bonds, mutual funds and securities and are carried at fair value. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Note 2. Summary of Significant Accounting Policies (Continued)

Credit Risk:

Deposit Insurance Risk: Financial instruments that potentially subject the Y to concentrations of investment risk consist principally of cash and certifications of deposit with various banks and various investment securities. For bank held instruments, the Y places its temporary cash and certificates of deposit with high credit quality financial institutions. Cash and certificates of deposit accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time, the Y could have cash deposits with financial institutions that exceed FDIC insured levels. Investment securities are not insured by the FDIC and are subject to investment risk.

Contribution Risk: The Y solicits pledges from individuals, businesses and various agencies concentrated in the Virginia Peninsula region. Financial instruments that potentially subject the Y to credit risk include unconditional promises to give. To mitigate risk, management regularly reviews the individual accounts for delinquencies. Donors are then contacted and if necessary, the payment plan in revised. Volunteers lead the campaigns and usually solicit from a personal circle of family and friends, which has a positive impact on the collection rate.

***Unconditional promises to give*:** Unconditional promises to give are recognized by the Y when a donor makes a promise to give that is in substance, unconditional. Unconditional promises to give that are restricted by the donor or time restricted are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Unconditional promises to give due beyond twelve months of the date of the statements of financial position are reflected as long-term promises to give and are recorded at fair value, using risk-free interest rates applicable to the years in which the promises are to be received. Unconditional promises to give subject to the passage of time are reported in net assets with donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Management has determined that unconditional promises to give are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Conditional promises to give: Conditional promises to give are recognized only when the barriers to entitlement are overcome. Intentions to give are not recognized as revenue unless they are legally enforceable. Conditional promises to give totaled $150,000 at December 31, 2020 and 2019.

Property and equipment: Property and equipment are carried at cost. The Y reports gifts of land, buildings and equipment at fair value at the date of donation. These gifts are recorded as support without donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Unless there are explicit donor stipulations about how long those long-lived assets must be maintained, the Y reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Repairs and maintenance are expensed as incurred.

Note 2. Summary of Significant Accounting Policies (Continued)

Depreciation is calculated by the straight-line method over the following estimated useful lives:

Building and improvements	5 - 40 years
Furnishings and equipment	5 - 10 years
Leasehold improvements	15 - 39 years
Vehicles	5 years

Impairment of long-lived assets: The Y reviews long-lived assets to be held and used for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets are compared to the asset's carrying amount to determine if a write down to market or discounted cash flow value is required. The Y reports long-lived assets to be disposed of at the lower of carrying amount or fair value less costs to sell. Management has determined that there has been no impairment of long-lived assets.

Revenue recognition: The Y has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees and residence program and related services, and government grants.

Because the Y's performance obligations relate to contracts with a duration of less than one year, the Y has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Membership dues, program income contract liabilities and deferred revenue: Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time and may cancel with 30 days' notice. Members generally pay a onetime joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The Y offers a variety of programs including family, child care, day camp, teen, scholastic, fitness, aquatics, health, immigration, and international services. Fee-based programs are available to the public. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees. Membership dues and program fees are recognized ratably over the period the membership or program service is provided on a straight-line basis in an amount that reflects the consideration the Y expects to be entitled to in exchange for those services. Substantially all of the Y's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Membership joining fees are ratably recognized over a one-year period from the membership start date.

Note 2. Summary of Significant Accounting Policies (Continued)

Membership dues and program fees paid to the Y in advance represent contract liabilities and are recorded as contract liabilities. Amounts billed but unpaid are contract assets and are recorded as accounts receivables. Membership vouchers and gift certificates are recorded as deferred revenue until earned.

Government grants: The Y receives grant and contract funding from various federal, state, and local governments to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, curriculum, staffing and other requirements. These program services range from child care after school programs, day camp, family programs, programs for seniors, and immigration and health and welfare related programs. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions.

Cash received on government grants and contracts prior to incurring allowable expenses are recorded as advances upon receipt. All contributions are recorded in contributions receivable. Management has determined that government grants and contracts are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Derivative financial instrument policy - interest rate swap: The Y uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts are reported at fair value. The unrealized gain or loss on the instrument is included in the statements of activities. The Y documents its risk management strategy and hedge effectiveness at the inception of, and during the term of, each hedge. The Y's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

Deferred rent income and expense: The Y has certain leases as either a lessor or a lessee that contain annual escalation clauses. Accounting principles generally accepted in the United States of America require rental payments and receipts to be recognized as rental expense or revenue on a straight-line basis over the lease term. The difference between the escalating payments or receipts and the straight-line basis is recorded as deferred rent income or expense on the statements of financial position.

Income taxes: The Y is classified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code for federal income tax purposes. Contributions to the Y qualify as charitable contribution deductions to the extent provided by law.

FASB ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Y's management has evaluated the impact of the guidance to its financial statements. The Y's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed.

The Y's policy is to classify income tax related interest and penalties, if any, in general and administrative expenses.

Note 2. Summary of Significant Accounting Policies (Continued)

Debt issuance costs: Debt issuance costs related to obtaining financing of $85,102 are amortized over the term of the note and included as a component of interest expense in the statements of activities. The unamortized portion is reported as a direct reduction of the obligation to which such costs relate. Amortization expense was $12,017 and $11,709, respectively, for 2020 and 2019.

Volunteer services and in-kind contributions: The Y recognizes in-kind contributions as revenues and expenses in the period in which they are received. Donated materials are valued by the donor at fair value on the date of the gift. The total value of these items was $3,800 and $157,106 for the years ended December 31, 2020 and 2019, respectively. In 2020 and 2019, 874 and 2,582 volunteers contributed a total of 16,850 and 44,463 hours in all aspects of the Y's operations, and the Y engaged 228 and 223 leaders and policy makers, respectively.

The Y leases some facilities on an annual basis at rates below fair market value. See Note 15 for additional disclosure of these leases.

Functional allocation of expenses: The Y recognizes its expenses on a functional basis among its various programs and supporting services. Expenses that relate to a specific program or supporting service are recorded directly to those programs and services. Expenses relating to more than one function are allocated to programs and supporting services on the basis of time and expenses incurred. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Y.

Advertising: Printing and public relation costs are expensed as incurred and were $119,410 and $190,351 in 2020 and 2019, respectively.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, support and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates and assumptions.

Payroll expense: The Y employs a biweekly payroll cycle. In 2020, there were 27 pay periods versus the normal 26 pay periods. The Y elected to pay the typical amount to employees for the 27th payday.

Note 2. Summary of Significant Accounting Policies (Continued)

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Lessors will apply guidance that aligns with ASC 606 in recognizing revenue for leases. ASU 2018-20 further amends Topic 842 for lessors to report certain costs as revenue and expenses. ASU 2019-01 further amends Topic 842 in regards to determining fair value of the underlying asset by lessors that are not manufacturers or dealers, presentation on the statement of cash flows, and transition disclosures. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Y is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Subsequent events: In preparing these financial statements, the Y has evaluated events and transactions for potential recognition or disclosure through April 27, 2021, the date the financial statements were available to be issued.

The Y met the criteria to apply for a U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loan and received a loan of approximately $2.5 million on March 23, 2021. Should the requirements for forgiveness not be met, loan payments, including interest at 1%, would be due beginning in July 23, 2022.

The Morgan Stanley line of credit mentioned in Note 18 was renewed April 9, 2021 with the following changes: a maturity date of April 8, 2024, fixed interest rate of 1.75%, and interest only payments due each year starting April 8, 2022 of $13,600.80.

Note 3. Liquidity and Availability

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and Cash Equivalents	**$ 1,264,751**	$ 1,426,161
Certificates of Deposit	**437,798**	876,729
Operating Investments	**7,452,127**	8,679,775
Unconditional Promises to Give - without donor restrictions	**646,059**	451,874
	$ 9,800,735	$ 11,434,539

Note 3. Liquidity and Availability (Continued)

As part of the Y's liquidity management plan, management invests cash in excess of daily requirements in short-term investments, certificates of deposit and money market funds. The Board designates a portion of surplus to its contingency reserve. In 2019, the Board redefined and rebalanced the Y's reserve funds, to include a specified contingency reserve. The balance of the contingency reserve was $1,363,798 and $3,600,000 at December 31, 2020 and 2019, respectively.

Additionally, the Y had a quasi-endowment of approximately $4.3 and $3.5 million at December 31, 2020 and 2019, respectively. Although the Y does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its quasi-endowment could be made available if necessary.

To help manage unanticipated liquidity needs, the Y had available capacity on committed lines of credit in the amount of $2.3 million and $3.8 million, approximately, which it could draw upon at December 31, 2020 and 2019, respectively. See Note 18 regarding balances on the lines of credit.

Note 4. Investments and Fair Value Disclosures

Investments are summarized as follows:

	2020 Fair Value	2019 Fair Value
Corporate and government bonds	**$ 1,222,879**	$ 2,260,431
Mutual funds	**5,039,920**	4,084,155
Common stock and securities	**5,224,668**	5,374,979
	11,487,467	11,719,565
Cash and cash equivalents	**233,660**	446,305
Certificates of deposit	**437,798**	876,729
	$ 12,158,925	$ 13,042,599

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 Measurements: Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Note 4. Investments and Fair Value Disclosures (Continued)

The three levels of the fair value hierarchy are described below:

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2020 and 2019, and there are no assets or liabilities measured at fair value on a nonrecurring basis.

Corporate and government bonds and securities: valued at prices obtained from an independent pricing service when such prices are available.

Mutual funds: valued at closing net asset value (or unit value) of the units held by the Y at year end based on information reported by brokers.

Unconditional promises to give: reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future promise to be received using a discount rate.

The Y's financial instruments consist primarily of cash and cash equivalents, certificates of deposits and investments, accounts payable, long-term debt and interest rate swap agreements.

The carrying amount of cash and cash equivalents, certificates of deposit and accounts payable approximate their fair value due to the short-term nature of such instruments.

The carrying amount of the long-term debt approximates fair value, since interest rates are considered market-based and are generally adjusted periodically.

Note 4. Investments and Fair Value Disclosures (Continued)

The Y uses a lending institution's proprietary models, which consider past, present and future assumptions regarding market conditions, to estimate the fair value of the liability for interest rate swap agreements.

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

The following sets forth by level, within the fair value hierarchy, the Y's assets at fair value on a recurring basis:

	Assets (Liabilities) at Fair Value as of December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	**$ 5,039,920**	**$ -**	**$ -**	**$ 5,039,920**
Corporate and government bonds	**704,253**	**518,626**	**-**	**1,222,879**
Common stock and securities	**5,224,668**	**-**	**-**	**5,224,668**
Unconditional promises to give	**-**	**-**	**1,346,250**	**1,346,250**
	$ 10,968,841	**$ 518,626**	**$ 1,346,250**	**$ 12,833,717**
Derivative financial instrument	**$ -**	**$ (20,931)**	**$ -**	**$ (20,931)**

	Assets (Liabilities) at Fair Value as of December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 4,084,155	$ -	$ -	$ 4,084,155
Corporate and government bonds	1,292,488	967,943	-	2,260,431
Common stock and securities	5,370,932	-	4,047	5,374,979
Unconditional promises to give	-	-	1,659,833	1,659,833
	$ 10,747,575	$ 967,943	$ 1,663,880	$ 13,379,398
Derivative financial instrument	$ -	$ (32,677)	$ -	$ (32,677)

Note 4. Investments and Fair Value Disclosures (Continued)

The table below sets forth a summary of changes in the fair value of the Y's Level 3 unconditional promises to give:

	2020	2019
Balance, beginning of year	**$ 1,659,833**	$ 1,751,709
New Pledges	**70,000**	743,814
Pledge Collections	**(414,908)**	(895,471)
Pledges Written Off	**(11,750)**	(3,000)
Adjustment to Fair Value	**43,075**	62,781
	$ 1,346,250	$ 1,659,833

The table below sets forth a summary of changes in the fair value of the Y's Level 3 securities including transfers into Level 3 because of a lack of observable market:

	2020	2019
Fair value, beginning of year	**$ 4,047**	$ -
Transfers into Level 3	**-**	3,849
Contributions and earnings	**-**	1,645
Sales	**(4,047)**	(1,447)
Fair value, end of year	**$ -**	$ 4,047

Note 5. Unconditional Promises to Give

Unconditional promises to give are as follows:

	2020	2019
Receivables due in less than one year	$ 672,928	$ 726,706
Receivables due in one to five years	562,320	804,020
Receivables due in five years or more	135,755	196,935
Total unconditional promises to give	1,371,003	1,727,661
Discount to net present value	(24,753)	(67,828)
	1,346,250	1,659,833
Current portion	(672,928)	(726,706)
	$ 673,322	$ 933,127

Unconditional promises to give expected to be collected in more than one year are recorded at fair value using a discount rate of .93% and 1.92% for 2020 and 2019, respectively. These rates are based upon the ten year Treasury bond rate.

Note 6. Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Buildings and Improvements	$ 50,128,711	$ 47,697,340
Furnishings and Equipment	5,174,360	5,531,668
Leasehold Improvements	3,700,776	3,681,817
Land	1,414,076	1,397,676
Vehicles	559,875	559,875
Construction in Progress	18,900	103,020
	60,996,698	58,971,396
Accumulated Depreciation	(24,408,411)	(22,834,336)
	$ 36,588,287	$ 36,137,060

Note 7. Long-Term Debt

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

	2020	2019
Revenue bond Series 2015 issued by the Middlesex County Economic Development Authority through Towne Bank. A principal amount of $73,333 plus interest is due monthly beginning December 1, 2015. The original bond was based on a 10 year amortization schedule maturing November 1, 2025; however, the maturity date changed to June 1, 2025 in fiscal year 2020 as a result of Towne Bank's response to the coronavirus for the benefit of the Y. Towne Bank allowed for interest only payments from April 1, 2020 to November 1, 2020. Interest is stated at a fixed interest rate per annum with a provision to adjust the stated rate in the event of a change in the maximum Federal corporate tax rate. The interest rate is 3.16%. The bond is unsecured, however, any assets of the Y not already encumbered must be maintained free and clear of all liens, encumbrances and pledges. The bond also contains several financial covenants.	**$ 3,896,760**	$ 4,190,092
Revenue bond Series 2001B issued by the Poquoson Industrial Development Authority through the Bank of America. Interest only through March 1, 2013, payable monthly at a floating rate per annum equal to 65% of the 30-day London Interbank Offered Rate plus 93 basis points (1.07% and 2.71% at December 31, 2020 and 2019, respectively. Effective March 1, 2021, the interest rate has been changed to a fixed rate of 0%. A fixed rate of 5.23% has been locked in on an original notional amount of $1,500,000 of the loan with an interest rate swap. Principal payments of $41,667 plus interest are due monthly beginning April 1, 2020 to August 1, 2020 in response to the coronavirus for the benefit of the Y. The bank reserves a right to demand repayment on the 12th and 15th anniversary date. The bond is unsecured. However, any assets of the Y not already incumbered must maintain all liens, encumbrances and pledges. The bond also contains several financial covenants.	**$ 1,333,333**	$ 1,625,000

Note 7. Long-Term Debt (Continued)

		2020		2019
Revenue bond Series 2010A issued by the Virginia Small Business Financing Authority through The Old Point National Bank (agreement dated August 19, 2010). Principal amount may not exceed $5,080,000 and must be advanced prior to August 1, 2012. Interest accrues at a variable rate of one month London Interbank Offered Rate plus 225 basis points (4.03% at December 31, 2019), provided, however, that such variable interest rate is at no time less than 2.50% per annum and at no time greater than 5.00% per annum. Accrued interest on this bond is payable monthly in arrears commencing September 1, 2010, and on the first day of each calendar month thereafter until the entire unpaid principal balance of this bond is paid. The principal amount of this bond is payable in monthly installments of $21,167 plus interest commencing September 1, 2012. The bond is unsecured. However, the Y has a negative pledge agreement with the bank and any assets of the Y not already encumbered must be maintained free and clear of all liens, encumbrances and pledges. The bond also contains several financial covenants. The bond was refinanced on August 19, 2019 with a remaining principal balance of $287,682. From the date of the agreement, the interest rate will be a fixed rate of 4.000%. Borrower will pay this loan in monthly payments of $21,075 for principal and interest. Borrower's first payment was due September 19, 2019 and all subsequent payments are due on the 19th of each month after that. The Borrower's final payment was due October 19, 2020 and was for all principal, accrued interest, and all other applicable fees, costs and charges, if any, not yet paid.		**-**		206,983
Loan agreement issued by Chesapeake Bank (agreement dated August 15, 2019) in the amount of $1,000,000. Interest on the unpaid principal balance of this note accrues at a rate of 3.875%. The original note was based on a 6 year amortization schedule maturing on August 15, 2025; however, the maturity date changed to November 15, 2025 during 2020 as a result of Chesapeake Bank's response to the coronavirus for the benefit of the Y. Chesapeake Bank allowed for interest only payments from April 15, 2020 to February 15, 2021. The borrower agrees to pay the note in 72 payments with 71 payments of $5,000 beginning on September 15, 2019 for principal and interest, and on the 15th day of each month thereafter. A single "balloon payment" of the entire unpaid balance of principal and interest will be due November 15, 2025. The loan is unsecured.	**$**	**987,811**	$	993,099
		6,217,904		7,015,174
Unamortized Debt Issuance Costs		**(27,132)**		(39,148)
Current Portion		**(2,908,089)**		(1,608,883)
	$	**3,282,683**	$	5,367,143

Note 7. Long-Term Debt (Continued)

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of long-term debt. Accumulated amortization was $57,970 and $45,954 as of December 31, 2020 and 2019, respectively.

Future principle maturities are as follows:

Years Ending December 31,	Amount
2021	$ 1,396,966
2022	1,402,253
2023	1,236,476
2024	903,967
2025	1,278,242
	6,217,904
Unamortized debt issuance costs	(27,132)
	$ 6,190,772

Note 8. Hedged Interest Rate Swap

In 2001, the Y entered into an interest rate swap agreement, maturing March 2023, with a bank covering the issued bond. Under the terms of the agreement, the parties, in effect, pay each other's interest cost on a notional amount of the underlying debt. The agreement has had the effect of increasing the average effective cost of the Y's borrowings on bonds in 2020 and 2019 from variable rates of 1.03% and 2.04%, respectively, to a fixed rate of 5.23%.

As required by ASC Topic 815, *Derivative Instruments and Hedging*, the Y is required to record an asset or liability in conjunction with its derivative instruments based on its fair value. Over the past five years, the unrealized gain on hedged interest rate swap and derivative financial instrument liability is as follows:

Year	Unrealized Loss on Hedged Interest Rate Swap	Derivative Financial Instrument Liability as of December 31
2016	$ 39,784	$ 109,694
2017	37,295	72,399
2018	28,141	44,258
2019	11,581	32,677
2020	11,746	20,931

Note 8. Hedged Interest Rate Swap (Continued)

The effective notional amount of the Y's interest rate swap was $412,599 and $580,179 at December 31, 2020 and 2019, respectively.

Note 9. Charitable Gift Annuity

During 2018, the Y received a charitable gift annuity which was recognized at fair value. Upon the donor's death, the remaining assets of the annuity are then available for use by the Y in accordance with the donor's intent. The liability to the beneficiary was $48,582 at December 31, 2020 and $51,132 at December 31, 2019. The discount rate used to calculate the liability was 2.6% for 2020 and 2019.

Note 10. Endowment

The Endowment Fund of Young Men's Christian Association of the Virginia Peninsulas (Endowment Fund) was established to support the Y's mission. The Endowment Fund builds long-term stability for the future of the Y by providing an additional source of income to meet an increasing demand for local programs and services.

The Endowment Fund includes both donor-restricted 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, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Y is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board of Directors of the Y has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Y 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 direction of the applicable donor gift instrument. The Y has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no underwater endowment funds at December 31, 2020 and 2019. Additionally, in accordance with SPMIFA, the Y considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Y and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Y, and (7) the Y's investment policies.

Note 10. Endowment (Continued)

Endowment Fund net asset composition and type of fund is as follows:

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment funds	**$ 4,262,000**	**$ -**	**$ 4,262,000**
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	**-**	**7,000**	**7,000**
	$ 4,262,000	**$ 7,000**	**$ 4,269,000**

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment funds	$ 3,479,095	$ -	$ 3,479,095
Donor-restricted endowment funds:			
Originial donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	7,000	7,000
	$ 3,479,095	$ 7,000	$ 3,486,095

Note 10. Endowment (Continued)

Changes in the Endowment Fund net assets were as follows:

	2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Fund net assets, beginning of year	**$ 3,479,095**	**$ 7,000**	**$ 3,486,095**
Investment return, net	**755,959**	**-**	**755,959**
Appropriation of endowment assets for expenditure	**(118,578)**	**-**	**(118,578)**
Contributions	**145,524**	**-**	**145,524**
Endowment Fund net assets, end of year	**$ 4,262,000**	**$ 7,000**	**$ 4,269,000**

	2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment fund net assets, beginning of year	$ 3,068,888	$ 7,000	$ 3,075,888
Investment return, net	686,607	-	686,607
Appropriation of endowment assets for expenditure	(331,008)	-	(331,008)
Other changes			
Transfers to board-designated endowment funds	54,608	-	54,608
Endowment Fund net assets, end of year	$ 3,479,095	$ 7,000	$ 3,486,095

Return Objectives, Risk Parameters and Strategies. The Y has adopted investment and spending policies approved by the Board of Directors for endowment assets that attempt to promote fund growth over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The Endowment Fund goal is to annually achieve a total rate of return of at least 3% in excess of the rate of inflation. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total Endowment Fund.

Note 10. Endowment (Continued)

Spending Policy. The Y's Board of Directors governs the use of the Endowment Fund and identifies the mission related programs and services for which the funds will be used. The amount appropriated for expenditure is at the Board of Directors' discretion and determined annually. Current mission related programs and services supported are:

- Second grade Learn to Swim programs;
- Annual land lease payment for the R.F. Wilkinson Center;
- Support of youth programming at the Northern Neck location;
- Support of operations at the Fort Monroe location;
- Nicole R. White Memorial Scholarship; and
- Various administrative and meeting costs related to the Endowment Fund

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions available for the following purposes are as follows:

	2020	2019
Subject to expenditure for specific purpose:		
Capital purchases	**$ 86,674**	$ 544,649
Program activities	**193,794**	9,078
	280,468	553,727
Subject to the passage of time:		
Unconditional promises to give	**30,000**	210,021
Not subject to appropriation or expenditure:		
Investment in perpetuity, original gift amount	**7,000**	7,000
	$ 317,468	$ 770,748

Note 12. Net Assets without Donor Restrictions – Board Designated

The Y's Board of Directors has designated net assets without donor restrictions for operating shortfalls and emergency maintenance, capital improvements, and the quasi-endowment. In addition to operating surpluses, branches budget 5% of annual operations to support these purposes. The endowment assets are invested in a manner to provide a rate of return over inflation sufficient to support the mission of the Y. The balances were as follows:

	2020	2019
Contingency Fund	**$ 1,363,798**	$ 3,600,000
Operating Reserve	**114,546**	152,289
Capital Development Fund	**644,509**	929,101
Quasi-Endowment	**4,262,000**	3,479,095
	$ 6,384,853	$ 8,160,485

Note 13. Pension Plan

The Y participates in the YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both Plans are sponsored by the Young Men's Christian Association Retirement Fund (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 Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the Y's agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the Y. For 2020 and 2019, contributions charged to retirement costs aggregated to $334,394 and $661,451, respectively, of which all contributions were paid in full.

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

Note 14. Building Use Fees

Building use fees consist of amounts received pursuant to strategic alliances the Y has with hospitals at five branches and fees paid by various groups and organizations to use the Y's facilities for events and meetings. The hospital leases expire at various times through 2026 with renewal options for additional periods. As part of the leasing arrangement with the hospitals, the Y received $383,954 and $383,704 in 2020 and 2019, respectively.

Future minimum lease income is as follows:

Years Ending December 31,	Amount
2021	$ 286,990
2022	119,044
2023	79,770
2024	52,775
2025	52,775
Thereafter	35,183
	$ 626,537

Note 15. Leases

Operating Leases

The Y leases various facilities for $1.00 annually per location for recreational activities and administrative offices. The fair value of in-kind rentals recognized in the statements of activities for the years ended December 31, 2020 and 2019 was $1,493,727 and $1,569,368, respectively. The leases expire at various times.

The Y leases equipment and office and facility space under long-term noncancelable operating leases. The leases expire at various times through 2024 with renewal options for additional periods. Lease expense during 2020 and 2019, was $805,912 and $513,496, respectively.

Future minimum lease payments for the next five years are:

Years Ending December 31,	Amount
2021	$ 908,295
2022	412,445
2023	283,861
2024	174,221
2025	50,560
Thereafter	24,000
	$ 1,853,382

Note 15. Leases (Continued)

The Y leases land on which the Victory Family YMCA is located for $1.00 annually from York County. The lease expires in December 2034 with the option to renew for additional successive five year terms thereafter.

The Y also leases land on which the Camp Kekoka facility is located for $1.00 annually from the Alexandria Police Youth Camp. The lease expires in January 2022 with the option to renew for additional 15 year terms thereafter.

No amounts have been recognized in the accompanying financial statements for the fair value of the two aforementioned leases, due to the lack of marketability of the land leased to the Y.

Note 16. Commitments and Contingencies

The Y has outstanding information technology commitments of approximately $362,500 covering services to be provided through May 31, 2023 payable as follows: $145,000 during 2021, $145,000 during 2022, and $72,500 during 2023. This technology houses the Y's CRM database and provides on-line access to membership enrollment, account maintenance, program registration, and contribution functionality.

The Y has outstanding Human Resource Information System (HRIS) commitments of approximately $350,000 covering services to be provided through December 2022 payable as follows: $175,000 during 2021 and $175,000 during 2022. This technology provides recruitment, payroll, time and attendance, and human resource database services.

The Y has outstanding commitments of approximately $1,480,638 covering construction and architectural services to be provided through December 2021.

Note 17. Related Parties

The Y paid $160,575 and $261,983, respectively, in fees for 2020 and 2019 to the YMCA of the U.S.A. (approximately 1.00% of revenue after allowable deductions for certain types of revenue).

During 2020 and 2019, the Y paid approximately $182,473 and $88,170, respectively, to a company owned by a board member for architectural services, and this amount is included in property and equipment, net, on the statements of financial position.

Note 18. Lines of Credit

The Y has a line of credit agreement with Bank of America of $2,000,000. There were borrowings against the line at December 31, 2020 and 2019 of $750,000 and $0, respectively. The line bears interest at the LIBOR daily floating rate plus 1.25% (1.40% and 2.79% at December 31, 2020 and 2019, respectively). The line is reviewed annually and is due on demand. The line of credit is collateralized by all of the Y's assets held at Bank of America.

Note 18. Lines of Credit (Continued)

The Y has a line of credit agreement with Morgan Stanley of $1,798,000. There were borrowings against the line at December 31, 2020 and 2019 of $761,123 and $0, respectively. The line bears interest at the weekly periodic rate plus 1.25% (1.90% and 4.80% at December 31, 2020 and 2019, respectively). The line is reviewed annually and is due on demand. The line of credit is collateralized by all of the Y's assets held at Morgan Stanley.

Note 19. Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Y operates. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Y. During the year ended December 31, 2020, the Y drew approximately $1,500,000 on its lines of credit since the pandemic began.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act is a relief package intended to assist many aspects of the American economy. One provision of the CARES Act served to aid the Y's liquidity position—the employee retention credit. The employee retention credit provides employers a refundable federal tax credit equal to 50% of the first $10,000 of qualified wages and benefits paid to employees while they were not performing services after March 12, 2020 and before January 1, 2021. Contributions to qualified medical plans also constitute creditable amounts. The credit is available to offset all federal employment withholdings owed in a particular quarter including both the employer and employee share of social security, Medicare taxes and withholdings for federal income taxes. For the year ended December 31, 2020, the Y recognized $389,817 as a refundable payroll tax credit asset and a reduction of payroll expenses in connection with the employee retention credit program.