

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE VIRGINIA PENINSULAS**

FINANCIAL STATEMENTS

DECEMBER 31, 2021



ASSURANCE, TAX & ADVISORY SERVICES

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 – 4
Statements of Activities	5 – 8
Statements of Functional Expenses	9 – 10
Statements of Cash Flows	11
Notes to Financial Statements	12 – 32



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the 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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Young Men's Christian Association of the Virginia Peninsulas, as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Men's Christian Association of the Virginia Peninsulas' ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Young Men's Christian Association of the Virginia Peninsulas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Men's Christian Association of the Virginia Peninsulas' ability to continue as a going concern for a reasonable period of time.

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

PBMares, LLP

Newport News, Virginia
April 26, 2022

FINANCIAL STATEMENTS

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,234,032	\$ 1,264,751
Certificates of deposit	295,956	437,798
Investments	8,538,696	7,452,127
Unconditional promises to give, current portion	883,533	672,928
Prepaid expenses and other current assets	53,278	56,929
Refundable payroll tax credit	1,141,991	389,817
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Total current assets	14,147,486	10,274,350
Unconditional promises to give, net, less current portion	487,631	673,322
Deferred rent asset	17,146	29,996
Investments, endowment	4,757,261	4,269,000
Property and equipment, net	36,813,724	36,588,287
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Total assets	\$ 56,223,248	\$ 51,834,955

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF FINANCIAL POSITION (Continued)

December 31, 2021 and 2020

	2021	2020
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 554,797	\$ 255,114
Accrued expenses	164,674	109,167
Deferred revenues	84,016	94,036
Contract liabilities	284,760	125,636
Lines of credit	1,524,779	1,511,123
Current portion of long-term debt	1,402,253	1,396,966
	4,015,279	3,492,042
Long-Term Liabilities		
Long-term debt, net, less current portion	3,445,225	4,793,806
Charitable gift annuity obligation	45,929	48,582
Hedged interest rate swap	6,547	20,931
Deferred rent liability	21,570	250,236
	3,519,271	5,113,555
	7,534,550	8,605,597
Net Assets		
Without donor restrictions:		
Board designated	1,909,915	2,122,853
Board designated, quasi endowment	4,750,261	4,262,000
Undesignated	41,910,794	36,527,037
	48,570,970	42,911,890
With donor restrictions:		
Restricted by purpose	76,838	280,468
Restricted by time	33,890	30,000
Restricted in perpetuity	7,000	7,000
	117,728	317,468
	48,688,698	43,229,358
	\$ 56,223,248	\$ 51,834,955

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support:			
Public support:			
Contributions to center operations	\$ 2,129,291	\$ -	\$ 2,129,291
United Way	38,833	33,890	72,723
Donated facilities	1,412,881	-	1,412,881
Net assets released from restrictions	<u>2,055,132</u>	<u>(2,055,132)</u>	<u>-</u>
Total public support for operations	<u>5,636,137</u>	<u>(2,021,242)</u>	<u>3,614,895</u>
Revenue:			
Program fees, net	3,509,174	-	3,509,174
Membership dues, net	9,020,172	-	9,020,172
Government grants	-	1,815,399	1,815,399
Government grants - paycheck protection program	2,471,193	-	2,471,193
Government grants - employee retention tax credit	3,203,203	-	3,203,203
Building use fees	391,195	-	391,195
Sales to public	20,710	-	20,710
Miscellaneous income	41,294	-	41,294
Investment return - appropriated for spending	<u>95,003</u>	<u>-</u>	<u>95,003</u>
Total revenue for operations	<u>18,751,944</u>	<u>1,815,399</u>	<u>20,567,343</u>
Total operating revenues, gains and other support	<u>24,388,081</u>	<u>(205,843)</u>	<u>24,182,238</u>
Operating Expenses:			
Payments to the YMCA of the U.S.A.	224,920	-	224,920
Program services	17,027,069	-	17,027,069
Support services:			
Management and general	2,592,885	-	2,592,885
Fundraising	<u>568,473</u>	<u>-</u>	<u>568,473</u>
Total operating expenses	<u>20,413,347</u>	<u>-</u>	<u>20,413,347</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES (Continued)

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Governing Board Actions from Operations:			
Revenue designated by board from contingency fund	\$ 475,394	\$ -	\$ 475,394
Revenue designated by board to operating reserve	(43,823)	-	(43,823)
Revenue designated by board to capital projects	(644,509)	-	(644,509)
Contributions designated by board for quasi-endowment	(84,093)	-	(84,093)
	(297,031)	-	(297,031)
Total governing board actions from operations			
Operating revenues in excess (deficit) of operating expenses and governing board actions from operations	3,677,703	(205,843)	3,471,860
Other Changes:			
Investment return, net, in excess of amounts appropriated for spending	1,666,440	6,103	1,672,543
Governing board actions from operations	297,031	-	297,031
Change in split interest agreement	3,522	-	3,522
Change in fair value of hedged interest rate swap	14,384	-	14,384
	5,659,080	(199,740)	5,459,340
Change in net assets			
Net Assets			
Beginning of year	42,911,890	317,468	43,229,358
End of year	\$ 48,570,970	\$ 117,728	\$ 48,688,698

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 restriction:			
Net assets released from purpose restriction	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
Government grants - employee retention tax credit	389,817	-	389,817
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	12,506,214	1,240,659	13,746,873
Total operating revenues, gains and other support	17,735,956	(556,173)	17,179,783
Operating Expenses:			
Payments to the YMCA of the U.S.A.	160,575	-	160,575
Program services	16,532,736	-	16,532,736
Support services:			
Management and general	2,816,135	-	2,816,135
Fundraising	265,270	-	265,270
Total operating expenses	19,774,716	-	19,774,716

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 to contingency fund	\$ (2,236,202)	\$ -	\$ (2,236,202)
Revenue designated by board for 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)
	(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
	(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 FUNCTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and Wages	\$ 7,475,189	\$ 1,661,494	\$ 235,538	\$ 9,372,221
Employee Benefits	623,916	224,950	19,507	868,373
Payroll Taxes	621,346	132,999	20,165	774,510
Total salaries and related expenses	8,720,451	2,019,443	275,210	11,015,104
Occupancy	3,299,833	47,731	-	3,347,564
Contract Services	1,468,129	170,423	4,731	1,643,283
Supplies	480,842	36,081	283,643	800,566
Equipment	439,441	8,420	-	447,861
Interest	212,018	25,206	-	237,224
Bank, Finance, and Merchant Fees	199,636	-	-	199,636
Travel	118,992	28,704	292	147,988
Telephone	96,709	22,750	531	119,990
Printing and Public Relations	19,923	83,080	2,010	105,013
Miscellaneous	75,374	292	-	75,666
Conferences and Training	39,309	29,881	-	69,190
Dues	5,804	21,399	1,900	29,103
Postage	4,295	10,530	156	14,981
Total functional expenses before depreciation	15,180,756	2,503,940	568,473	18,253,169
Depreciation	1,846,313	88,945	-	1,935,258
Total functional expenses	\$ 17,027,069	\$ 2,592,885	\$ 568,473	\$ 20,188,427

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
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	715,746	207,023	19,823	942,592
Total salaries and related expenses	9,146,969	1,886,063	176,579	11,209,611
Occupancy	3,295,747	45,927	-	3,341,674
Contract Services	612,066	518,693	3,284	1,134,043
Supplies	600,156	62,147	81,122	743,425
Equipment	335,986	7,921	-	343,907
Interest	227,491	21,079	-	248,570
Bank, Finance, and Merchant Fees	182,302	-	-	182,302
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	14,617,893	2,724,432	265,270	17,607,595
Depreciation	1,914,843	91,703	-	2,006,546
Total functional expenses	\$ 16,532,736	\$ 2,816,135	\$ 265,270	\$ 19,614,141

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF CASH FLOWS Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 5,459,340	\$ (953,278)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Bad debt	-	11,750
Depreciation	1,935,258	2,006,546
Amortization of debt issuance costs	12,333	12,017
Realized and unrealized gain on investments	(489,204)	(1,430,722)
Change in split interest agreement	(3,522)	(5,154)
Change in fair value of hedged interest rate swap	(14,384)	(11,746)
Contributions restricted for capital projects	-	(92,639)
Change in:		
Unconditional promises to give	(24,914)	301,833
Prepaid expenses and other current assets	3,651	69,928
Refundable payroll tax credit	(752,174)	(389,817)
Deferred rent asset	12,850	15,410
Accounts payable	299,683	(168,155)
Accrued expenses	55,507	(277,755)
Deferred revenues	(10,020)	5,417
Contract liabilities	159,124	(16,498)
Deferred rent liability	(228,666)	95,735
Net cash provided by (used in) operating activities	6,414,862	(827,128)
Cash Flows from Investing Activities:		
Purchases of investments and certificates of deposit	(4,040,712)	(3,368,851)
Proceeds from sale of investments and certificates of deposit	3,100,450	5,688,401
Purchases of property and equipment	(2,160,695)	(2,457,773)
Net cash used in investing activities	(3,100,957)	(138,223)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(1,355,627)	(797,271)
Proceeds from contributions restricted for capital projects	-	92,639
Net proceeds on lines of credit	13,656	1,511,123
Charitable gift annuity obligation	(2,653)	(2,550)
Net cash provided by (used in) financing activities	(1,344,624)	803,941
Net change in cash and cash equivalents	1,969,281	(161,410)
Cash and Cash Equivalents		
Beginning of year	1,264,751	1,426,161
End of year	\$ 3,234,032	\$ 1,264,751
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 237,225	\$ 248,533

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

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 125 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.

The Y has been making an impact in communities for over 125 years, and it is here for good.

In 2021, the Y accomplished the below:

- Provided over 880 children with clothing and school supplies;
- Helped over 2,300 youth gain confidence and learn discipline through Youth Sports;
- Kept youth active through Summer Camp and provided a safe place for them to go after school and during virtual learning days;
- Helped over 300 Second Graders gain confidence around water through 2nd Grade Learn to Swim;
- Helped over 3,000 youth, teens, and adults participate in swim lessons;
- Started the Youth and Government program for teens;
- Aided over 100 teens to learn leadership skills and gain the confidence to be themselves in our Teen Leaders program;
- Assisted over 1,300 people begin their wellness journey with wellness orientations; and
- Supported over 1,500 people challenge their spirit, mind, and body with wellness challenges.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

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 accounting principles, generally accepted in the United States of America.

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 projects 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.

Credit Risk:

Deposit Insurance Risk: Financial instruments that potentially subject the Y to concentrations of investment risk consist principally of cash and certificates 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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 is 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. Donor restricted unconditional promises to give 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, 2021 and 2020.

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.

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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

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 receivable. 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 promises to give. Management has determined that government grants and contracts are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Derivative financial instrument - 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.

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 \$12,333 and \$12,017, respectively, for 2021 and 2020.

Volunteer services and in-kind contributions: The Y recognizes in-kind contributions as revenues and expenses in the period in which they are received if such services: (a) create or enhance nonfinancial assets; (b) require specialized skills; (c) are provided by individuals possessing those skills; and (d) would typically need to be purchased if not contributed. Contributions of assets other than cash are recorded at estimated fair value on the date of the gift. The total value of these items was \$64,376 and \$3,800 for the years ended December 31, 2021 and 2020, respectively.

The YMCA receives services from many volunteers who give significant amounts of their time to the programs of the YMCA. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services. In 2021 and 2020, 808 and 874 volunteers contributed a total of 4,856 and 16,850 hours in all aspects of the Y's operations.

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

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 \$105,012 and \$119,410 in 2021 and 2020, 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.

Reclassification of certain expenses and revenue: Certain expenses and revenue on the statement of activities and statement of functional expenses for the year ended December 31, 2020 have been reclassified with no effect on changes in net assets to be consistent with the classifications presented for the year ended December 31, 2021.

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 26, 2022, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require disclosure.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 3,234,032	\$ 1,264,751
Certificates of Deposit	295,956	437,798
Operating Investments	8,538,696	7,452,127
Unconditional Promises to Give - without donor restrictions	883,533	646,059
	<u>\$ 12,952,217</u>	<u>\$ 9,800,735</u>

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 \$1,839,192 and \$1,363,798 at December 31, 2021 and 2020, respectively.

Additionally, the Y had a quasi-endowment of approximately \$4.8 and \$4.3 million at December 31, 2021 and 2020, 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, approximately, which it could draw upon at December 31, 2021 and 2020. See Note 18 regarding balances on the lines of credit.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments and Fair Value Disclosures

Investments are summarized as follows:

	2021	2020
	Fair Value	Fair Value
Corporate and government bonds	\$ 1,462,898	\$ 1,222,879
Mutual funds	7,939,596	5,039,920
Common stock and securities	3,461,040	5,224,668
	12,863,534	11,487,467
Cash and cash equivalents	432,423	233,660
Certificates of deposit	295,956	437,798
	\$ 13,591,913	\$ 12,158,925

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).

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments and Fair Value Disclosures (Continued)

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, 2021 and 2020, and there are no assets or liabilities measured at fair value on a nonrecurring basis.

Corporate and government bond, common stock 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.

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 4. Investments and Fair Value Disclosures (Continued)

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, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 7,939,596	\$ -	\$ -	\$ 7,939,596
Corporate and government bonds	948,260	514,638	-	1,462,898
Common stock and securities	3,461,040	-	-	3,461,040
Unconditional promises to give	-	-	1,371,164	1,371,164
	<u>\$ 12,348,896</u>	<u>\$ 514,638</u>	<u>\$ 1,371,164</u>	<u>\$ 14,234,698</u>
Derivative financial instrument	\$ -	\$ (6,547)	\$ -	\$ (6,547)

	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
	<u>\$ 10,968,841</u>	<u>\$ 518,626</u>	<u>\$ 1,346,250</u>	<u>\$ 12,833,717</u>
Derivative financial instrument	\$ -	\$ (20,931)	\$ -	\$ (20,931)

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

	2021	2020
Balance, beginning of year	\$ 1,346,250	\$ 1,659,833
New Pledges	210,083	70,000
Pledge Collections	(182,791)	(414,908)
Pledges Written Off	-	(11,750)
Adjustment to Fair Value	(2,378)	43,075
	<u>\$ 1,371,164</u>	<u>\$ 1,346,250</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 5. Unconditional Promises to Give

Unconditional promises to give are as follows:

	<u>2021</u>	<u>2020</u>
Receivables due in less than one year	\$ 883,533	\$ 672,928
Receivables due in one to five years	484,187	562,320
Receivables due in five years or more	<u>30,575</u>	<u>135,755</u>
Total unconditional promises to give	1,398,295	1,371,003
Discount to net present value	<u>(27,131)</u>	<u>(24,753)</u>
	1,371,164	1,346,250
Current portion	<u>(883,533)</u>	<u>(672,928)</u>
	<u>\$ 487,631</u>	<u>\$ 673,322</u>

Unconditional promises to give expected to be collected in more than one year are recorded at fair value using a discount rate of 1.52% and .93% for 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Buildings and Improvements	\$ 52,150,964	\$ 50,128,711
Furnishings and Equipment	4,583,285	5,174,360
Leasehold Improvements	3,794,589	3,700,776
Land	1,414,076	1,414,076
Vehicles	559,875	559,875
Construction in Progress	<u>-</u>	<u>18,900</u>
	62,502,789	60,996,698
Accumulated Depreciation	<u>(25,689,065)</u>	<u>(24,408,411)</u>
	<u>\$ 36,813,724</u>	<u>\$ 36,588,287</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
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.	\$ 3,016,764	\$ 3,896,760

Revenue bond Series 2001B issued by the Poquoson Industrial Development Authority through 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% at December 31, 2020). Effective March 1, 2021, the interest rate 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, 2013, based on a 10-year amortization schedule, maturing March 1, 2023. Bank of America allowed for interest only payments from 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 encumbered must be maintained free of all liens, encumbrances and pledges. The bond also contains several financial covenants.	\$ 875,000	\$ 1,333,333
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YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt (Continued)

	<u>2021</u>	<u>2020</u>
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 Y 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.	<u>\$ 970,513</u>	<u>\$ 987,811</u>
	4,862,277	6,217,904
Unamortized Debt Issuance Costs	(14,799)	(27,132)
Current Portion	<u>(1,402,253)</u>	<u>(1,396,966)</u>
	<u>\$ 3,445,225</u>	<u>\$ 4,793,806</u>

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of long-term debt. Accumulated amortization was \$70,303 and \$57,970 as of December 31, 2021 and 2020, respectively.

Future principle maturities are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2022	\$ 1,402,253
2023	1,278,143
2024	903,967
2025	<u>1,277,914</u>
	4,862,277
Unamortized debt issuance costs	<u>(14,799)</u>
	<u>\$ 4,847,478</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

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 2021 and 2020 from variable rates of 0.99% and 1.03%, 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 Gain on Hedged Interest Rate Swap	Derivative Financial Instrument Liability as of December 31
2017	\$ 37,295	\$ 72,399
2018	28,141	44,258
2019	11,581	32,677
2020	11,746	20,931
2021	14,384	6,547

The effective notional amount of the Y's interest rate swap was \$235,488 and \$412,599 at December 31, 2021 and 2020, 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 \$45,929 and \$48,582 at December 31, 2021 and 2020, respectively. The discount rate used to calculate the liability was 2.6% for 2021 and 2020.

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 accounting principles generally accepted in the United States of America, 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 10. Endowment (Continued)

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, 2021 and 2020. 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.

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 4,750,261	\$ -	\$ 4,750,261
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	7,000	7,000
	\$ 4,750,261	\$ 7,000	\$ 4,757,261
	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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 10. Endowment (Continued)

Changes in the Endowment Fund net assets were as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund net assets, beginning of year	\$ 4,262,000	\$ 7,000	\$ 4,269,000
Investment return, net	499,171	-	499,171
Appropriation of endowment assets for expenditure	(95,003)	-	(95,003)
Contributions	84,093	-	84,093
Endowment Fund net assets, end of year	\$ 4,750,261	\$ 7,000	\$ 4,757,261
	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)
Other changes			
Contributions	145,524	-	145,524
Endowment Fund net assets, end of year	\$ 4,262,000	\$ 7,000	\$ 4,269,000

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specific purpose:		
Capital purchases	\$ 70,502	\$ 86,674
Program activities	6,336	193,794
	<u>76,838</u>	<u>280,468</u>
Subject to the passage of time:		
Unconditional promises to give	<u>33,890</u>	30,000
Not subject to appropriation or expenditure:		
Investment in perpetuity, original gift amount	<u>7,000</u>	7,000
	<u>\$ 117,728</u>	<u>\$ 317,468</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

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:

	<u>2021</u>	<u>2020</u>
Contingency Fund	\$ 1,839,192	\$ 1,363,798
Operating Reserve	70,723	114,546
Capital Development Fund	-	644,509
Quasi-Endowment	<u>4,750,261</u>	<u>4,262,000</u>
	<u>\$ 6,660,176</u>	<u>\$ 6,384,853</u>

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 Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the Y. For 2021 and 2020, contributions charged to retirement costs aggregated to \$502,851 and \$334,394, 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 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 2027 with renewal options for additional periods. As part of the leasing arrangement with the hospitals, the Y received \$375,144 and \$383,954 in 2021 and 2020, respectively.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 14. Building Use Fees (Continued)

Future minimum lease income is as follows:

Years Ending December 31,	Amount
2022	\$ 324,258
2023	294,137
2024	260,754
2025	247,978
2026	201,929
Thereafter	9,153
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	\$ 1,338,209
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Note 15. Leases

Operating Leases

The Y leases various facilities for \$1 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, 2021 and 2020 was \$1,412,881 and \$1,493,727, 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 2027 with renewal options for additional periods. Lease expense during 2021 and 2020 was \$728,370 and \$805,912, respectively.

Future minimum lease payments for the next five years are:

Years Ending December 31,	Amount
2022	\$ 499,522
2023	385,099
2024	255,669
2025	149,630
2026	104,955
Thereafter	7,986
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	\$ 1,402,861
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The Y leases land on which the Victory Family YMCA is located for \$1 annually from York County. The lease expires in December 2034 with the option to renew for additional successive five year terms thereafter.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 15. Leases (Continued)

The Y also leases land on which the Camp Kekoka facility is located for \$1 annually from the Alexandria Police Youth Camp. The lease expired in January 2022 with the option to renew for additional 15 year terms thereafter. The Y exercised its renewal option in 2021 for 15 years resulting in a new expiration date of January 2037.

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 \$217,500 covering services to be provided through May 31, 2023 payable as follows: \$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 \$175,000 covering services to be provided through December 2022. This technology provides recruitment, payroll, time and attendance, and human resource database services.

Note 17. Related Parties

The Y paid \$224,920 and \$160,575, respectively, in fees for 2021 and 2020 to the YMCA of the U.S.A. (approximately 1.00% of revenue after allowable deductions for certain types of revenue).

During 2021 and 2020, the Y paid approximately \$122,200 and \$182,473, 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, 2021 and 2020 of \$750,000. Prior to November 2021, the line bore interest at the LIBOR daily floating rate plus 1.25% (1.40% at December 31, 2020). As of November 2021, the line bears interest at the Bloomberg Short-Term Bank Yield rate plus 1.25% (1.33% at December 31, 2021). 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.

The Y has a line of credit agreement with Morgan Stanley of \$1,798,000. There were borrowings against the line at December 31, 2021 and 2020 of \$774,779 and \$761,123, respectively. Prior to April 2021, the line bore interest at the weekly periodic rate plus 1.25% (1.90% at December 31, 2020). The line was renewed April 9, 2021 with the following changes: a maturity date of April 8, 2024, fixed interest rate of 1.75% for the existing balance, interest of 3.11% for new borrowings, and interest only payments due each year starting April 8, 2022 of \$13,601. 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

NOTES TO FINANCIAL STATEMENTS

Note 19. Paycheck Protection Program (PPP)

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. A letter confirming all requirements for forgiveness were met was received from the SBA dated November 1, 2021. The YMCA is accounting for the loan as a contribution under ASC 958-605. The entire amount received has been recognized as revenue in government grants in the statement of activities for the period ending December 31, 2021.

Note 20. 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 after 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 provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter. The Y qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. For the years ended December 31, 2021 and 2020, respectively, the Y recognized \$1,141,991 and \$389,817 as a refundable payroll tax credit asset. For the years ended December 31, 2021 and 2020, respectively, the Y recognized \$3,203,203 and \$389,817 as government grant revenue.