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YMCA of Northwest North Carolina
2021 Financial Statements and Report of
Independent Certified Public Accountants



FINANCIAL STATEMENTS
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
YMCA OF NORTHWEST NORTH CAROLINA
Winston-Salem, NC

Opinion

We have audited the accompanying financial statements of YMCA of Northwest North Carolina (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above presented fairly, in all material respects, the financial position of YMCA of Northwest North Carolina 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of YMCA of Northwest North Carolina 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 misstatement, whether due to fraud or error.

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

(Continued)

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

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

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2022, on our consideration of YMCA of Northwest North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering YMCA of Northwest North Carolina's internal control over financial reporting and compliance.

Butler & Burke, LLP

Winston-Salem, North Carolina
June 6, 2022

YMCA of NORTHWEST NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,044,963	\$ 4,343,843
Accounts receivable		
Members and participants	125,154	84,370
Pledges receivable, net	195,439	259,964
Grants and contracts	1,193,330	210,467
United Way	3,514	3,009
Refundable sales tax	266,218	350,823
Other accounts receivable	356,330	157,596
Prepaid expenses	210,745	285,517
Total current assets	<u>11,395,693</u>	<u>5,695,589</u>
Investments, at fair value	3,465,262	2,692,936
Beneficial interest in trust	126,436	113,355
Long-term pledges receivable, less current portion	160,802	287,135
Property, plant and equipment, net	<u>45,448,180</u>	<u>47,208,903</u>
Total assets	<u>\$ 60,596,373</u>	<u>\$ 55,997,918</u>
LIABILITIES & NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 415,094	\$ 201,154
Accrued expenses	792,443	502,750
Deferred revenue	1,220,773	1,141,530
Other current liabilities	10,629	16,974
Line of credit	-	800,000
Loan payable	3,497,090	-
Current portion of capital leases	81,531	76,427
Current portion of bonds and notes payable	<u>847,400</u>	<u>1,872,256</u>
Total current liabilities	<u>6,864,960</u>	<u>4,611,091</u>
Long-term capital leases, less current portion	253,394	334,924
Long-term bonds and notes payable, less current portion	<u>14,965,965</u>	<u>14,653,085</u>
Total liabilities	<u>22,084,319</u>	<u>19,599,100</u>
Net assets		
Without donor restrictions		
Undesignated	3,238,158	1,452,974
Board-designated	2,038,935	1,262,732
Invested in property, plant, and equipment, net of related debt	<u>29,299,890</u>	<u>30,272,211</u>
Total without donor restrictions	<u>34,576,983</u>	<u>32,987,917</u>
With donor restrictions		
Restricted by purpose or time	2,382,306	1,867,340
Restricted in perpetuity	<u>1,552,765</u>	<u>1,543,561</u>
Total with donor restrictions	<u>3,935,071</u>	<u>3,410,901</u>
Total net assets	<u>38,512,054</u>	<u>36,398,818</u>
Total liabilities and net assets	<u>\$ 60,596,373</u>	<u>\$ 55,997,918</u>

See accompanying notes to the financial statements.

YMCA of NORTHWEST NORTH CAROLINA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2021
(With summarized financial information for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
Operating activities				
Public support				
Contributions	\$ 2,038,039	\$ -	\$ 2,038,039	\$ 2,535,034
United Way allocations	347,146	3,514	350,660	309,518
Corporate and foundation grants	475,069	-	475,069	239,803
Special events, net	244,648	-	244,648	116,842
Sales to public, net	27,042	-	27,042	42,554
Net assets released from restrictions	6,815	(6,815)	-	-
Total public support	3,138,759	(3,301)	3,135,458	3,243,751
Revenue				
Government grants and contracts	3,358,967	-	3,358,967	944,977
Membership fees, net	12,012,825	-	12,012,825	12,235,404
Program fees, net	6,250,335	-	6,250,335	3,646,810
Allocation of investment earnings	88,127	3,806	91,933	95,172
Interest income	15,283	-	15,283	8,283
Total revenue	21,725,537	3,806	21,729,343	16,930,646
Total public support and revenue	24,864,296	505	24,864,801	20,174,397
Expenses				
Program services				
Youth development	5,297,915	-	5,297,915	4,313,962
Healthy living	14,591,447	-	14,591,447	14,429,744
Social responsibility	497,246	-	497,246	356,910
Total program services	20,386,608	-	20,386,608	19,100,616
Supporting services				
Management and general	3,105,623	-	3,105,623	3,163,467
Fundraising	868,577	-	868,577	1,031,355
Total supporting services	3,974,200	-	3,974,200	4,194,822
Total expenses	24,360,808	-	24,360,808	23,295,438
Changes in net assets from operations	503,488	505	503,993	(3,121,041)
Non-operating activities				
Gain on sale of property	17,800	-	17,800	369,436
Net realized and unrealized gain on investments in excess of designation for current operations	20,756	1,699	22,455	107,600
Investment income, net	115,902	5,050	120,952	69,403
Change in beneficial interest in trust	17,389	-	17,389	5,731
Contributions for endowment	622,155	2,550	624,705	49,663
Contributions for capital assets	-	805,942	805,942	502,014
Net assets released from restrictions	291,576	(291,576)	-	-
Total non-operating activities	1,085,578	523,665	1,609,243	1,103,847
Changes in net assets	1,589,066	524,170	2,113,236	(2,017,194)
Net assets at beginning of year	32,987,917	3,410,901	36,398,818	38,416,012
Net assets at end of year	\$ 34,576,983	\$ 3,935,071	\$ 38,512,054	\$ 36,398,818

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020
Operating activities			
Public support			
Contributions	\$ 2,535,034	\$ -	\$ 2,535,034
United Way allocations	306,509	3,009	309,518
Corporate and foundation grants	239,803	-	239,803
Special events, net	116,842	-	116,842
Sales to public, net	42,554	-	42,554
Net assets released from restrictions	119,493	(119,493)	-
Total public support	<u>3,360,235</u>	<u>(116,484)</u>	<u>3,243,751</u>
Revenue			
Government grants and contracts	944,977	-	944,977
Membership fees, net	12,235,404	-	12,235,404
Program fees, net	3,646,810	-	3,646,810
Allocation of investment earnings	90,388	4,784	95,172
Interest income	8,283	-	8,283
Total revenue	<u>16,925,862</u>	<u>4,784</u>	<u>16,930,646</u>
Total public support and revenue	<u>20,286,097</u>	<u>(111,700)</u>	<u>20,174,397</u>
Expenses			
Program services			
Youth development	4,313,962	-	4,313,962
Healthy living	14,429,744	-	14,429,744
Social responsibility	356,910	-	356,910
Total program services	<u>19,100,616</u>	<u>-</u>	<u>19,100,616</u>
Supporting services			
Management and general	3,163,467	-	3,163,467
Fundraising	1,031,355	-	1,031,355
Total supporting services	<u>4,194,822</u>	<u>-</u>	<u>4,194,822</u>
Total expenses	<u>23,295,438</u>	<u>-</u>	<u>23,295,438</u>
Changes in net assets from operations	<u>(3,009,341)</u>	<u>(111,700)</u>	<u>(3,121,041)</u>
Non-operating activities			
Gain on sale of property	369,436	-	369,436
Net realized and unrealized gain on investments in excess of designation for current operations	101,851	5,749	107,600
Investment income, net	63,097	6,306	69,403
Change in beneficial interest in trust	5,731	-	5,731
Contributions for endowment	22,463	27,200	49,663
Contributions for capital assets	-	502,014	502,014
Net assets released from restrictions	667,760	(667,760)	-
Total non-operating activities	<u>1,230,338</u>	<u>(126,491)</u>	<u>1,103,847</u>
Changes in net assets	(1,779,003)	(238,191)	(2,017,194)
Net assets at beginning of year	<u>34,766,920</u>	<u>3,649,092</u>	<u>38,416,012</u>
Net assets at end of year	<u>\$ 32,987,917</u>	<u>\$ 3,410,901</u>	<u>\$ 36,398,818</u>

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services			Supporting Services			Total	
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Supporting Services	December 31, 2021
Personnel costs								
Salaries	\$ 2,717,498	\$ 5,651,513	\$ 207,019	\$ 8,576,030	\$ 1,932,596	\$ 470,154	\$ 2,402,750	\$ 10,978,780
Employee health and retirement benefits	174,724	660,194	35,241	870,159	229,838	43,393	273,231	1,143,390
Payroll taxes	226,714	485,220	17,316	729,250	118,589	21,635	140,224	869,474
Total personnel costs	<u>3,118,936</u>	<u>6,796,927</u>	<u>259,576</u>	<u>10,175,439</u>	<u>2,281,023</u>	<u>535,182</u>	<u>2,816,205</u>	<u>12,991,644</u>
Non-personnel costs								
Professional fees and contract services	43,160	250,178	11,142	304,480	348,667	81,115	429,782	734,262
Office services - supplies, telephone, postage	520,994	486,839	40,071	1,047,904	29,963	138,585	168,548	1,216,452
Occupancy, equipment expense and maintenance	673,740	3,635,379	84,830	4,393,949	93,518	12,661	106,179	4,500,128
Information technology	143,435	470,408	12,067	625,910	226,212	44,014	270,226	896,136
Marketing	44,414	175,814	4,593	224,821	-	38,070	38,070	262,891
Travel and transportation expense	92,653	130,237	1,943	224,833	13,539	5,473	19,012	243,845
Conferences, meetings and training	2,362	38,248	1,798	42,408	47,103	-	47,103	89,511
National and world support	41,925	228,144	11,908	281,977	6,000	-	6,000	287,977
Interest and bond fees	106,733	441,038	12,856	560,627	10,211	-	10,211	570,838
Insurance	35,067	99,364	2,892	137,323	14,308	-	14,308	151,631
Miscellaneous	32,002	10,423	271	42,696	8,394	6,985	15,379	58,075
Depreciation	442,494	1,828,448	53,299	2,324,241	26,685	6,492	33,177	2,357,418
Total non-personnel costs	<u>2,178,979</u>	<u>7,794,520</u>	<u>237,670</u>	<u>10,211,169</u>	<u>824,600</u>	<u>333,395</u>	<u>1,157,995</u>	<u>11,369,164</u>
Total expenses	<u>\$ 5,297,915</u>	<u>\$ 14,591,447</u>	<u>\$ 497,246</u>	<u>\$ 20,386,608</u>	<u>\$ 3,105,623</u>	<u>\$ 868,577</u>	<u>\$ 3,974,200</u>	<u>\$ 24,360,808</u>

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Program Services			Supporting Services			Total	
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Supporting Services	December 31, 2020
Personnel costs								
Salaries	\$ 2,056,234	\$ 5,223,929	\$ 149,660	\$ 7,429,823	\$ 1,902,389	\$ 561,105	\$ 2,463,494	\$ 9,893,317
Employee health and retirement benefits	184,424	800,179	27,747	1,012,350	345,573	114,932	460,505	1,472,855
Payroll taxes	185,407	491,651	13,504	690,562	124,391	25,101	149,492	840,054
Total personnel costs	<u>2,426,065</u>	<u>6,515,759</u>	<u>190,911</u>	<u>9,132,735</u>	<u>2,372,353</u>	<u>701,138</u>	<u>3,073,491</u>	<u>12,206,226</u>
Non-personnel costs								
Professional fees and contract services	44,414	304,447	6,324	355,185	327,609	90,900	418,509	773,694
Office services - supplies, telephone, postage	367,608	406,863	25,611	800,082	26,030	106,561	132,591	932,673
Occupancy, equipment expense and maintenance	732,214	4,223,658	67,450	5,023,322	83,595	15,685	99,280	5,122,602
Information technology	100,639	386,476	4,862	491,977	265,172	40,462	305,634	797,611
Marketing	35,243	171,672	2,289	209,204	-	58,978	58,978	268,182
Travel and transportation expense	71,689	79,610	1,107	152,406	20,755	2,723	23,478	175,884
Conferences, meetings and training	3,806	47,295	737	51,838	16,743	-	16,743	68,581
National and world support	27,276	183,985	24,490	235,751	-	-	-	235,751
Interest and bond fees	52,892	239,396	3,761	296,049	2,577	-	2,577	298,626
Insurance	23,877	77,380	1,212	102,469	12,927	662	13,589	116,058
Miscellaneous	34,915	12,957	190	48,062	10,086	6,689	16,775	64,837
Depreciation	393,324	1,780,246	27,966	2,201,536	25,620	7,557	33,177	2,234,713
Total non-personnel costs	<u>1,887,897</u>	<u>7,913,985</u>	<u>165,999</u>	<u>9,967,881</u>	<u>791,114</u>	<u>330,217</u>	<u>1,121,331</u>	<u>11,089,212</u>
Total expenses	<u>\$ 4,313,962</u>	<u>\$ 14,429,744</u>	<u>\$ 356,910</u>	<u>\$ 19,100,616</u>	<u>\$ 3,163,467</u>	<u>\$ 1,031,355</u>	<u>\$ 4,194,822</u>	<u>\$ 23,295,438</u>

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 2,113,236	\$ (2,017,194)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	2,357,418	2,234,713
Amortization of cost of bond issuance	22,629	14,425
Net realized and unrealized gain on investments	(114,388)	(202,772)
Contributions restricted for endowment	(2,550)	(27,200)
Contributions restricted for capital assets	(992,929)	(398,181)
Change in discount on pledges receivable	(5,103)	(3,571)
Change in allowance for uncollectible pledges	(19,209)	10,026
Gain on sale of property, plant and equipment	(17,800)	(369,436)
Change in operating assets and liabilities:		
Capital campaign pledges receivable	192,090	(100,262)
United Way receivable	(505)	111,700
Refundable sales tax receivable	84,605	(4,681)
Other accounts receivable	(1,199,302)	75,833
Prepaid expenses	74,772	164,092
Accounts payable and accrued expenses	503,633	(618,425)
Deferred revenue	79,243	(159,507)
Other liabilities	(6,345)	(32,964)
Beneficial interest in trust	(13,081)	(1,415)
Net cash from operating activities	<u>3,056,414</u>	<u>(1,324,819)</u>
Cash flows from investing activities		
Proceeds from sale of equipment	17,800	473,536
Purchase of property and equipment	(596,695)	(10,261,684)
Net investment purchases	<u>(657,938)</u>	<u>(506)</u>
Net cash from investing activities	<u>(1,236,833)</u>	<u>(9,788,654)</u>
Cash flows from financing activities		
Contributions restricted for endowment	2,550	27,200
Contributions restricted for capital assets	992,929	398,181
Proceeds from operating line of credit	-	800,000
Proceeds from loan payable	3,497,090	-
Proceeds from bonds and notes payable	11,737,000	9,400,000
Payments on bonds and note payable	(12,307,514)	(1,316,428)
Payments on operating line of credit	(800,000)	-
Payments on capital leases	(76,426)	(71,642)
Cost of bond issuance	(164,090)	-
Net cash from financing activities	<u>2,881,539</u>	<u>9,237,311</u>
Net change in cash	4,701,120	(1,876,162)
Cash and cash equivalents, beginning of year	<u>4,343,843</u>	<u>6,220,005</u>
Cash and cash equivalents, end of year	<u>\$ 9,044,963</u>	<u>\$ 4,343,843</u>
Supplemental Information		
Interest paid	<u>\$ 466,801</u>	<u>\$ 298,625</u>

See accompanying notes to the financial statements.

NOTE 1 - NATURE OF OPERATIONS

Description of Organization: YMCA of Northwest North Carolina's (YMCA) mission is to advance our cause of strengthening community through youth development, healthy living and social responsibility. The YMCA is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation's health and well-being and providing opportunities to give back and support neighbors, the YMCA enables youth, adults, families and communities to be healthy, confident, connected and secure.

Program Activities:

Youth Development – Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills and relationships that lead to positive behaviors, better health and educational achievement. Our YMCA programs, such as After School Academies, Camping, Youth Sports, Youth and Government, Summer Exploration Academies, and Black and Latino Achievers offer a range of experiences that enrich cognitive, social, physical and emotional growth.

Healthy Living – The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun and shared interests. As a result, people in our community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This support is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment. Programs addressing these issues include diabetes prevention, group exercise classes, health screenings, uFit sessions, Safety Around Water, Adventure Guides, LiveSTRONG at the Y, Active Older Adults, and many more.

Social Responsibility – Our YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community's most critical social needs. YMCA programs, such as our literacy initiative, English as a second language, outdoor education, and partnerships with under-served communities are examples of how we deliver training, resources and support that empower our neighbors to effect change, bridge gaps and overcome obstacles. We engage YMCA members, participants and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

As part of our mission our programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. We provide financial assistance through our Open Doors Program to people who otherwise may not have been able to afford to participate.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation: The YMCA records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets 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.

YMCA reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Operating Activities: Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investment such as contributions for endowment and facilities and equipment, and investment returns in excess of amounts designated for current operations.

Accounting 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 and liabilities and disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition: Membership dues and program fees are recognized as revenue ratably over the period of membership or the duration of the program.

Contributions and Pledges: The YMCA records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The YMCA recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Contributed Services: The YMCA recognizes revenue from contributed services that create or enhance non-financial assets or require specialized skills. The recognized value of these services is based on rates commensurate with the type of services performed. The YMCA receives a significant amount of skilled contributed time which does not meet the recognition criteria. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. Additionally, the YMCA receives services from a large number of 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.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses: Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on program revenue or other bases, as determined by management. Although the methods of allocation used are considered reasonable and appropriate, other methods could be used that would produce different results.

Advertising: The YMCA expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2021 and 2020 were approximately \$287,061 and \$290,268, respectively.

Income Taxes: The YMCA has received a favorable determination letter from the Internal Revenue Service stating that it are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income.

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Interest and penalties would be recognized as tax expense; however, there is no interest or penalties recognized in the statements of activities.

The YMCA is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The YMCA is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds \$1,000. The YMCA's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Cash and Cash Equivalents: The YMCA considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash allocated to the investment portfolio as part of the YMCA's investment strategy is reported as investments.

Concentration of Credit Risk: The YMCA maintains cash balances at certain financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The YMCA has not experienced any losses in such accounts. The YMCA monitors the financial stability of financial institutions regularly and management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts.

Unamortized Loan Costs: Loan costs are capitalized when paid and are amortized over the life of the loan. These are included in long-term notes payable.

Accounts Receivable: Accounts receivable consists primarily of receivables from program registrants. An allowance is determined by management based on historical collections, specific participants' circumstances, and economic conditions. Member receivables are written off when management has exhausted collections efforts and deems the accounts uncollectible. The YMCA does not accrue interest on unpaid accounts receivable.

Investments: Investments are reported at fair value and are based primarily on quoted market prices or estimated fair value.

Deferred Revenue: Membership dues and program fees that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which they apply.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment: Investment in property, plant, and equipment is stated at cost less accumulated depreciation or at fair value if donated. Buildings and building improvements are depreciated using the straight-line method over 10 to 40 years based upon useful lives. Equipment and furniture and vehicles are depreciated using the straight-line method over 3 to 10 years. Only major replacements and improvements with a cost in excess of \$2,500 are capitalized and included in investment in property, plant, and equipment.

Impairment of Long-lived Assets: The carrying value of the YMCA's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The YMCA considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value.

Capital Lease Obligations

Leases that transfer substantially all of the benefits and risks of ownership to the YMCA are accounted for as capital leases. The lease payments are reported as capital lease obligations in the accompanying statements of financial position (Note 18). The leased assets are capitalized and the related amortization is included in depreciation expense.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2021. Management has performed their analysis through the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 9,044,963
Accounts receivable	2,136,471
Distributions from beneficial interests in assets held by others	16,098
Endowment spending-rate appropriations	<u>89,796</u>
	<u>\$ 11,287,328</u>

YMCA endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

YMCA's board-designated endowment of \$2,038,935 is subject to an annual spending rate of 4 percent as described in Note 10. Although management does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The YMCA also maintains a line of credit in the amount of \$2,000,000, which could be drawn upon in the event of an unanticipated liquidity need.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

The FASB defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the YMCA's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The standard establishes a fair value hierarchy which requires the YMCA to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the YMCA has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect the YMCA's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Equity and fixed income funds within the beneficial interest in assets held by the Winston-Salem Foundation (the Foundation) endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Foundation, the YMCA had irrevocably assigned the monies to the Foundation and is only able to redeem accumulated income that the Foundation has transferred to the grantable funds account within the endowments. Therefore, the YMCA considers the measurement of its beneficial interest in assets held by the Foundation to be a Level 3 measurement within the fair value hierarchy.

The following tables by level within the fair value hierarchy set forth the YMCA's assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2021 and 2020. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The YMCA's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Assets measured at fair value at December 31, 2021, are summarized below:

	2021			Total Fair Value
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 764,569	\$ -	\$ -	\$ 764,569
Fixed income securities	850,459	-	-	850,459
Mutal funds				
Domestic equities	1,183,085	-	-	1,183,085
International equities	354,342	-	-	354,342
Alternative investments	182,217	-	-	182,217
Real assets	130,590	-	-	130,590
Total investments	<u>\$ 3,465,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,465,262</u>
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,436</u>	<u>\$ 126,436</u>

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value at December 31, 2020, are summarized below:

	2020			Total Fair Value
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 148,067	\$ -	\$ -	\$ 148,067
Fixed income securities	818,406	-	-	818,406
Mutal funds				
Domestic equities	1,026,902	-	-	1,026,902
International equities	422,036	-	-	422,036
Alternative investments	173,354	-	-	173,354
Real assets	104,171	-	-	104,171
Total investments	\$ 2,692,936	\$ -	\$ -	\$ 2,692,936
Beneficial interest in assets held by others	\$ -	\$ -	\$ 113,355	\$ 113,355

The following table illustrates the activity of Level 3 assets during the years ended December 31, 2021 and 2020:

	2021	2020
Fair value, beginning of year	\$ 113,355	\$ 111,940
Unrealized gains	18,577	6,771
Distributions and fees	(5,496)	(5,356)
Fair value, end of year	\$ 126,436	\$ 113,355

There were no changes during the years ended December 31, 2021 and 2020 to the YMCA's valuation techniques used to measure asset and liability fair values on a recurring basis.

Disclosures about the fair value of all financial instruments, whether or not recognized, for financial statement purposes are required under U.S. generally accepted accounting principles. Disclosures about the fair value of financial instruments are based on pertinent information available to management as of December 31, 2021. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments.

Management estimates that the fair value of United Way pledge receivable, refundable sales tax receivable, other receivables, payables, and accrued expense approximate their carrying values due to the short maturity of these instruments. The fair value of long-term debt approximates carrying values since these instruments either bear interest at variable rates based on current market interest rates or at fixed rates which approximate current market interest rates.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 5 - PLEDGES RECEIVABLE

Pledges receivable represent amounts due from donors for multiyear unconditional pledges. Pledges receivable are shown net of a discount on future collections and an allowance for uncollectible amounts. Payments on the pledges are expected to be received as follows:

	2021
Amounts due in:	
Less than one year	\$ 211,373
One to five years	185,207
Total pledges receivable	396,580
Less unamortized discount	(4,584)
Less allowance for uncollectible pledges receivable	(35,755)
Pledges receivable, net	356,241
Less current portion	(195,439)
Long-term pledges receivable, net	\$ 160,802

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at December 31, 2021 and 2020, is as follows:

	2021	2020
Land and land improvements	\$ 16,764,844	\$ 16,643,011
Land held for sale	160,000	160,000
Buildings and building improvements	65,081,621	64,444,768
Leasehold improvements	17,443	172,045
Equipment and furniture	7,048,964	6,775,050
Construction in progress	150,975	603,243
Vehicles	281,878	299,978
Total investment in property, plant, and equipment	89,505,725	89,098,095
Less accumulated depreciation	(44,057,545)	(41,889,192)
Net investment in property, plant, and equipment	\$ 45,448,180	\$ 47,208,903

Depreciation expense for the years ended December 31, 2021 and 2020 was \$2,357,418 and \$2,234,713, respectively.

YMCA OF NORTHWEST NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2021 and 2020

NOTE 7 - LOAN PAYABLE

On March 31, 2021, the YMCA received loan proceeds in the amount of \$3,497,090 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period.

The YMCA accounted for the PPP loan in accordance with ASC 470, *Debt*, and subsequently derecognized the debt when the debt was forgiven in March 2022 in accordance with ASC 405-20, *Liabilities: Extinguishments of Liabilities*. The amount forgiven will be presented in the statement of activities for the year ended December 31, 2022 as a gain upon debt extinguishment.

NOTE 8 - NOTES PAYABLE

Notes payable as of December 31, 2021 and 2020 are as follows:

	2021	2020
2.27% fixed rate 15 year tax exempt Recreational Facilities Refunding Bonds through Public Finance Authority of Wisconsin; total issuance for Series 2014-A bonds was \$3,000,000; secured by facilities in Forsyth County and matures April 1, 2021 (7 year maturity); interest due monthly and principal payments due semi-annually on April 1 and October 1	\$ -	\$ 600,000
2.71% fixed rate 15 year tax exempt Recreational Facilities Refunding Bonds through Public Finance Authority of Wisconsin; total issuance for Series 2014-B bonds was \$5,000,000; secured by facilities in Forsyth County and matures April 1, 2024 (10 year maturity); interest due monthly and principal payments due semi-annually on April 1 and October 1	1,566,665	1,916,666
3.23% fixed rate 15 year tax exempt Recreational Facilities Refunding and Revenue Bonds through Public Finance Authority of Wisconsin for refinancing of notes payable and to pay certain costs incurred in relation to the issuance of the bonds; total issuance for Series 2014-C bonds was \$2,346,744; secured by facilities in Forsyth County and matures April 1, 2029 (15 year maturity); interest due monthly and principal payments due semi-annually on April 1 and October 1	1,165,546	1,329,819

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 8 - NOTES PAYABLE (Continued)

	2021	2020
3.23% fixed rate 15 year tax exempt draw-down Recreational Facilities Revenue Bonds through Public Finance Authority of Wisconsin for capital improvements of facilities in Alexander, Davie, Forsyth, Stokes, Wilkes and Yadkin Counties to be completed by 2017; total available through the issuance for Series 2014-D bonds is \$2,800,000; secured by facilities in Forsyth County and matures April 1, 2029 (15 year maturity); interest payments due monthly and principal payments due semi-annually on April 1 and October 1 commencing October 1, 2017	1,604,619	1,830,772
3.34% fixed rate 7 year note payable to financial institution for the refinancing of notes payable and a revolving line of credit; total borrowed was \$1,168,866 with interest due monthly and principal payments due semi-annually on April 1 and October 1; matures April 1, 2021	-	233,754
3.44% fixed rate 5 year note payable to financial institution for the pool addition to Jerry Long Family YMCA with interest due monthly and principal payments due semi-annually on April 1 and October 1; matures August 1, 2022	-	1,333,333
2.74% fixed rate 5 year note payable to financial institution for the purchase of the Robinhood Road Family YMCA and adjacent parcels, interest due monthly and principal payments due semi-annually on April 1 and October 1 beginning April 1, 2022; matures October 1, 2026	-	9,400,000
2.65% fixed rate 15 year tax exempt Recreational Facilities Refunding Bond through Public Finance Authority of Wisconsin for refinancing of notes payable; secured by facilities in Forsyth County and matures April 1, 2037; interest and principal due monthly	10,753,000	-
3.65% fixed rate 15 year taxable note payable to financial institution for refinancing of notes payable with interest and principal payments monthly; matures April 1, 2037	984,000	-
Unamortized loan costs	16,073,830 (260,465)	16,644,344 (119,004)
Total notes payable	\$15,813,365	\$ 16,525,340

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 8 - NOTES PAYABLE (Continued)

Future annual maturities of the notes are as follows:

2022	\$ 847,400
2023	1,427,874
2024	2,078,658
2025	1,098,250
2026	1,098,983
Thereafter	<u>9,522,665</u>
	16,073,830
Less unamortized loan costs	<u>(260,465)</u>
Total	<u>\$15,813,365</u>

On April 1, 2014, all outstanding bonds and notes payable, including the line of credit, were refinanced with a local financial institution through both tax exempt bonds and a taxable note described above, all of which are secured by the Jerry Long Family YMCA, William G. White Jr. Family YMCA, the Kernersville Family YMCA, and the Winston Lake Family YMCA. Various restrictive covenants existed for the outstanding bond issue. The YMCA was in compliance with these covenants at December 31, 2021 and 2020.

On April 6, 2021, all outstanding notes payable (not including outstanding balance on the line of credit, see Note 9) and the Series 2014-A bond were refinanced. Any eligible amounts from previous taxable notes were refunded by proceeds from a newly issued Series 2021A tax-exempt bond. Remaining amounts were refinanced through a new taxable note. The same restrictive covenants apply to the newly refinanced debt.

NOTE 9 - REVOLVING LINES OF CREDIT

The YMCA has an unsecured available \$2,000,000 line of credit with First Citizens. Interest rates on the borrowings are determined using the one-month LIBOR plus 1.25%, with interest payable monthly. The line of credit expires on August 1, 2022, and is renewable bi-annually at the discretion of the bank. Borrowings against the line of credit as of December 31, 2021 and 2020 were \$0 and \$800,000, respectively.

In 2020, the YMCA arranged for an additional unsecured available \$2,000,000 line of credit with First Citizens. Interest rates on the borrowings are determined using the one-month LIBOR plus 1.25%, with interest payable monthly. The line of credit expired on October 6, 2021 and was not renewable. There were no borrowings against the line of credit as of December 31, 2020.

The line of credit agreements contain certain financial and nonfinancial covenants. The YMCA was in compliance with these covenants at December 31, 2021 and 2020.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 10 - BOARD DESIGNATED NET ASSETS

Board designated net assets as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Endowment	\$ 2,038,935	\$ 1,262,732
Total board designated net assets	\$ 2,038,935	\$ 1,262,732

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2021 and 2020, consisted of the following:

	2021	2020
Net assets with donor restrictions:		
Restricted for		
Programs	\$ 3,514	\$ 3,009
Capital expenditure	2,378,792	1,864,331
Endowments restricted in perpetuity	1,552,765	1,543,561
Total net assets with donor restrictions	\$ 3,935,071	\$ 3,410,901

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor. Those amounts released from restrictions during the years ended December 31, 2021 and 2020, are as follows:

	2021	2020
Programs	\$ 6,815	\$ 119,493
Capital expenditure	291,576	667,760
Total donor restricted net assets released from restrictions	\$ 298,391	\$ 787,253

NOTE 12 - ENDOWMENT

The YMCA's endowment consists of funds established by donors to provide annual funding for specific activities and general operations. The YMCA's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments for the following purposes:

- Youth Development
- Healthy Living
- Social responsibility

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.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 12 - ENDOWMENT (Continued)

The Purpose of the Endowment: The Endowment Fund is intended to provide for the operation and special programs of the YMCA. In so doing, the Endowment Fund provides a secure, long-term source of funds to establish or maintain programs that are consistent with the aim of the YMCA.

Interpretation of Relevant Law: The State of North Carolina has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Trustees of the YMCA has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At December 31, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, YMCA retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts, including promises to give at fair value) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the YMCA 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 organization 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 organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Restricted in perpetuity	\$ -	\$ 1,526,036	\$ 1,526,036
Accumulated investment gain on amounts to be retained in perpetuity	-	26,729	26,279
Board-designated	<u>2,038,935</u>	<u>-</u>	<u>2,038,935</u>
Total funds	<u>\$ 2,038,935</u>	<u>\$ 1,552,765</u>	<u>\$ 3,591,700</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Restricted in perpetuity	\$ -	\$ 1,523,486	\$ 1,523,486
Accumulated investment gain on amounts to be retained in perpetuity	-	20,075	20,075
Board-designated	<u>1,262,732</u>	<u>-</u>	<u>1,262,732</u>
Total funds	<u>\$ 1,262,732</u>	<u>\$ 1,543,561</u>	<u>\$ 2,806,293</u>

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 12 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended December 31, 2021 and 2020:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets as of January 1, 2020	\$ 1,069,590	\$ 1,507,328	\$ 2,576,918
Investment return:			
Investment income	62,056	3,284	65,340
Net realized and unrealized gain	<u>199,010</u>	<u>10,533</u>	<u>209,543</u>
Total investment return	<u>261,066</u>	<u>13,817</u>	<u>274,883</u>
Endowment contributions	22,463	27,200	49,663
Appropriation of endowment assets for expenditure	<u>(90,387)</u>	<u>(4,784)</u>	<u>(95,171)</u>
Endowment net assets as of December 31, 2020	1,262,732	1,543,561	2,806,293
Investment return:			
Investment income	114,714	4,955	119,669
Net realized and unrealized gain	<u>127,461</u>	<u>5,505</u>	<u>132,966</u>
Total investment return	<u>242,175</u>	<u>10,460</u>	<u>252,635</u>
Endowment contributions	622,155	2,550	624,705
Appropriation of endowment assets for expenditure	<u>(88,127)</u>	<u>(3,806)</u>	<u>(91,933)</u>
Endowment net assets as of December 31, 2021	<u>\$ 2,038,935</u>	<u>\$ 1,552,765</u>	<u>\$ 3,591,700</u>

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 12 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters: The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Investment Objective: Strategies Employed for Achieving Objectives: Endowments Funds are invested in a diversified portfolio, consisting primarily of fixed income and equity mutual funds and other investments, which may reflect varying rates of return. The intended overall rate of return of the portfolio is a reasonable "real" rate, consistent with the risk levels established by the Investment Committee. The objective is that the minimum acceptable rate of return over a full market cycle of 3 to 5 years is one that equals or exceeds the assumed spending rate plus the rate of inflation.

Spending Policy and How the Investment Objectives Relate to Spending Policy: As required by UPMIFA, appropriations from the endowment funds are subject to specific limitations, if any, contained in an applicable gift instrument. Remaining annual appropriations will be the amount of interest and dividends earned in the previous 12 months as of June 30 each year, but will be limited to no greater than 4% of the 3-year trailing average of the June 30s market value of the fund. Calculations of the appropriations from the fund will be made as part of the annual budgeting process so that amounts to be used in the operations of the YMCA for the following fiscal year will be known when the operating budget is prepared. This spending policy will be reviewed annually by the Investment Committee and investment managers will be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process. The Spending Policy is implemented with the intent not only to provide funds for the YMCA's immediate aims but also to preserve and grow assets to meet future spending needs.

Funds with Deficiencies: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of this nature that are in excess of related accumulated gains are reported in net assets with donor restrictions. There were no such amounts as of December 31, 2021 and 2020.

NOTE 13 - SPECIAL EVENTS

As part of its fundraising efforts, the YMCA holds periodic special events. Revenue for special events is recognized in the period in which the event is held. Direct expenses associated with special events are netted against such revenue as follows:

	2021	2020
Special event revenue	\$ 403,695	\$ 162,316
Special event direct expenses	(159,047)	(45,474)
Special event revenue, net	\$ 244,648	\$ 116,842

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 14 - FINANCIAL ASSISTANCE PROVIDED

The YMCA provide financial assistance, through contributions and other fundraising, to help defray the costs of membership and program and other fees for individuals with need. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were as follows for the years ended December 31:

	2021	2020
Membership dues	\$ 12,619,663	\$ 12,846,698
Less financial assistance provided	(606,839)	(611,294)
Membership dues, net	\$ 12,012,824	\$ 12,235,404
Program fees	\$ 6,800,904	\$ 4,033,391
Less financial assistance provided	(550,569)	(386,581)
Program fees, net	\$ 6,250,335	\$ 3,646,810

NOTE 15 - DEFINED CONTRIBUTION PLANS

The YMCA 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 our agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA. Total contributions charged to retirement costs aggregated \$178,765 and \$382,374 for the years ended December 31, 2021 and 2020, respectively, of which \$17,847 was unpaid at December 31, 2021.

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 to this plan.

NOTE 16 - RELATED PARTIES

The YMCA pays dues to YMCA of the USA. Dues paid to YMCA of the USA for the years ended December 31, 2021 and 2020, were \$276,759 and \$234,280, respectively.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 17 – OPERATING LEASE COMMITMENTS

Leased Facilities: The YMCA entered into non-cancelable operating lease agreements for office and program space. Some of the leases are subject to escalation for increased operating expenses and real estate taxes. Rental expense is recognized on a straight-line basis. Rent expense for leased facilities was approximately \$177,498 and \$792,554 for the years ended December 31, 2021 and 2020, respectively.

Estimated remaining minimum future payments under facility operating leases are:

2022		\$ 123,066
2023		86,700
2024		75,450
2025		48,725
2026		22,000
Thereafter		<u>22,000</u>
		<u>\$ 377,941</u>

Leased Equipment: YMCA has entered into many operating leases covering cardiovascular, strength and environmental equipment. Rent expense for the leased equipment was approximately \$810,417 and \$1,108,670 for the years ended December 31, 2021 and 2020, respectively

Estimated remaining minimum future payments under equipment operating leases are:

2022		\$ 811,433
2023		649,200
2024		551,368
2025		131,458
2026		<u>12,180</u>
		<u>\$ 2,155,639</u>

NOTE 18 - CAPITAL LEASE OBLIGATIONS

The YMCA is the lessee of certain equipment under a capital lease expiring September 1, 2025. The asset and liability under the capital lease is initially recorded at the present value of the minimum lease payments, and depreciated over the life of the lease. Amortization of the assets under the capital lease is included in depreciation expense for the years ended December 31, 2021 and 2020.

Following is a summary of property held under a capital lease as of December 31, 2021:

AAON 60 ton HVAC unit for pool area of Kernersville Family YMCA, payable in monthly installments of \$4,286, final payment due September 1, 2025		\$ 170,812
AAON 60 ton HVAC unit for pool area of Wilkes Family YMCA, payable in monthly installments of \$4,118, final payment due September 1, 2025		<u>164,113</u>
		<u>\$ 334,925</u>

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 18 - CAPITAL LEASE OBLIGATIONS (Continued)

The aggregate annual capital lease obligations as of December 31, 2021 are as follows:

2022	\$	100,848
2023		100,848
2024		100,848
2025		<u>75,636</u>
Total minimum lease payments		378,180
Less amount representing interest		<u>(43,255)</u>
Present value of minimum lease payments	\$	<u>334,925</u>

As of December 31, 2021, the capitalized cost of assets under the capital lease obligations was \$477,013. The related accumulated depreciation for those leased assets was \$122,254.

YMCA OF NORTHWEST NORTH CAROLINA
SCHEDULE OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2021

Grantor/Program Title	Federal CFDA Number	Grant Receipts	Expenditures	
			Federal	State
U.S. Department of Agriculture passed through the N.C. Department of Health & Human Services Division of Women's and Children's Health Child and Adult Care Food Program - William G. White, Winston Lake, Kernersville, Davie Wilkes, Fulton and Statesville Family YMCA's	10.558	\$ 35,818	\$ 35,818	\$ -
U.S. Department of Education passed through the N.C. Department of Public Instruction for 21st Century Community Learning Centers - Wilkes Family YMCA Branch*	84.287A	289,795	289,795	-
U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC) Moving for Better Balance Winston Salem State University	93.761	3,703	3,703	-
CARES Act Coronavirus Relief Fund passed through the N.C. Department of Public Instruction to the YMCA of the Triangle For Remote Learning sites within the YMCA of Northwest North Carolina	21.019	5,848	5,848	-
CARES Act Coronavirus Relief Fund passed through the N.C. Department of Public Instruction to the YMCA of the Triangle For Learning Loss and Enrichment Programming within the YMCA of Northwest North Carolina*	21.019	159,312	159,312	-
CARES Act Coronavirus Relief Fund passed through the Stokes County School System to the YMCA of Northwest North Carolina For After School Tutoring	21.019	10,490	10,490	-
CARES Act Coronavirus Relief Fund passed through the Winston Salem Forsyth County School System to the YMCA of Northwest North Carolina for After School Tutoring	21.019	57,853	57,853	-
CARES Act Coronavirus Relief Fund passed through the Winston Salem Forsyth County School System to the YMCA of Northwest North Carolina for After School Tutoring (ESSER funds)	21.019	7,679	7,679	-
N.C. Department of Public Instruction YMCA Camp Hanes Milk Money Program		1,509	-	1,509
N.C. Community College System YMCA Literacy Initiative Program		64,531	-	64,531
		<u>\$ 636,538</u>	<u>\$ 570,498</u>	<u>\$ 66,040</u>

Schedule is on accrual basis of accounting

* Denotes a program having a direct and material effect on the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
SCHEDULE OF FEDERAL AND STATE AWARDS
For the Year Ended December 31, 2021

NOTE A: BASIS OF PRESENTATION

The schedule of federal and state awards is presented on the accrual basis. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: INDIRECT COST RATE

YMCA has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The Board of Directors
YMCA OF NORTHWEST NORTH CAROLINA
Winston-Salem, North Carolina

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of YMCA OF NORTHWEST NORTH CAROLINA ("YMCA"), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Butler & Burke LLP

Winston-Salem, North Carolina
June 6, 2022

The Board of Directors
YMCA OF NORTHWEST NORTH CAROLINA
Winston-Salem, North Carolina

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited YMCA OF NORTHWEST NORTH CAROLINA's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of YMCA OF NORTHWEST NORTH CAROLINA's major federal programs for the year ended December 31, 2021. YMCA OF NORTHWEST NORTH CAROLINA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, YMCA OF NORTHWEST NORTH CAROLINA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of YMCA OF NORTHWEST NORTH CAROLINA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not have a legal determination of YMCA OF NORTHWEST NORTH CAROLINA's compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding YMCA OF NORTHWEST NORTH CAROLINA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of YMCA OF NORTHWEST NORTH CAROLINA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of YMCA OF NORTHWEST NORTH CAROLINA's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Butler & Burke LLP

Winston-Salem, North Carolina
June 6, 2022

YMCA OF NORTHWEST NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2021

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of YMCA OF NORTHWEST NORTH CAROLINA.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the financial statements of YMCA OF NORTHWEST NORTH CAROLINA were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for each major federal award program for YMCA OF NORTHWEST NORTH CAROLINA expresses an unmodified opinion.
6. There were no audit findings relative to each major federal award program for YMCA OF NORTHWEST NORTH CAROLINA.
7. The program tested as a major program was: 21st Century Community Learning Centers CFDA# 84.287A.
8. The threshold for distinguishing types A and B programs was \$750,000.
9. YMCA of Northwest North Carolina did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONS COSTS – MAJOR AWARDS PROGRAMS AUDIT

None