



**FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY**

EVERYONE COUNTS

**YMCA of Northwest North Carolina
2019 Financial Statements and Report of
Independent Certified Public Accountants**



YMCA of Northwest North Carolina

FINANCIAL STATEMENTS
December 31, 2019 and 2018

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4 - 5
STATEMENTS OF FUNCTIONAL EXPENSES	6 - 7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9 - 24

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of YMCA OF NORTHWEST NORTH CAROLINA ("YMCA"), which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA OF NORTHWEST NORTH CAROLINA as of December 31, 2019 and 2018, 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.

Butler & Burke, LLP

Winston-Salem, NC
August 11, 2020

YMCA of NORTHWEST NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,220,005	\$ 6,228,240
Restricted cash	-	23,679
Accounts receivable		
Members and participants	111,313	135,408
Pledges receivable, net	199,088	120,445
Grants and contracts	57,430	104,441
United Way	114,709	153,648
Refundable sales tax	346,142	424,107
Other accounts receivable	392,503	400,422
Prepaid expenses	449,609	421,175
Total current assets	<u>7,890,799</u>	<u>8,011,565</u>
Investments, at fair value	2,489,658	2,121,306
Beneficial interest in trust	111,940	103,804
Long-term pledges receivable, less current portion, net	221,223	129,712
Property, plant and equipment, net	<u>39,286,032</u>	<u>37,817,200</u>
Total assets	<u>\$ 49,999,652</u>	<u>\$ 48,183,587</u>
LIABILITIES & NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 807,310	\$ 652,181
Accrued expenses	515,019	584,731
Deferred revenue	1,301,037	1,411,541
Other current liabilities	49,938	200,320
Current portion of capital leases	71,642	-
Current portion of bonds and notes payable	1,316,428	983,094
Total current liabilities	<u>4,061,374</u>	<u>3,831,867</u>
Long-term capital leases, less current portion	411,351	-
Long-term bonds and notes payable, less current portion	<u>7,110,915</u>	<u>7,190,843</u>
Total liabilities	<u>11,583,640</u>	<u>11,022,710</u>
Net assets		
Without donor restrictions		
Undesignated	3,321,634	3,560,754
Board-designated	1,069,590	789,428
Invested in property, plant, and equipment, net of related debt	<u>30,375,696</u>	<u>29,643,263</u>
Total without donor restrictions	<u>34,766,920</u>	<u>33,993,445</u>
With donor restrictions		
Restricted by purpose or time	2,141,764	1,731,750
Restricted in perpetuity	<u>1,507,328</u>	<u>1,435,682</u>
Total with donor restrictions	<u>3,649,092</u>	<u>3,167,432</u>
Total net assets	<u>38,416,012</u>	<u>37,160,877</u>
Total liabilities and net assets	<u>\$ 49,999,652</u>	<u>\$ 48,183,587</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, 2019
(With summarized financial information for the year ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
Operating activities				
Public support				
Contributions	\$ 2,470,828	\$ -	\$ 2,470,828	\$ 2,339,985
United Way allocations	339,513	114,709	454,222	543,765
Corporate and foundation grants	764,505	-	764,505	708,582
Special events, net	243,556	-	243,556	239,960
Sales to public, net	52,057	-	52,057	51,112
Net assets released from restrictions	157,276	(157,276)	-	-
Total public support	4,027,735	(42,567)	3,985,168	3,883,404
Revenue				
Government grants and contracts	714,968	-	714,968	634,263
Membership fees, net	20,423,151	-	20,423,151	20,185,129
Program fees, net	8,578,838	-	8,578,838	8,186,838
Allocation of investment earnings	84,979	3,628	88,607	60,821
Interest income	10,142	-	10,142	12,814
Total revenue	29,812,078	3,628	29,815,706	29,079,865
Total public support and revenue	33,839,813	(38,939)	33,800,874	32,963,269
Expenses				
Program expenses				
Youth development	7,418,368	-	7,418,368	7,223,138
Healthy living	20,865,120	-	20,865,120	20,496,187
Social responsibility	655,764	-	655,764	612,827
Total program services	28,939,252	-	28,939,252	28,332,152
Support services				
Management and general	3,422,471	-	3,422,471	3,361,034
Fundraising	1,167,891	-	1,167,891	1,089,513
Total support services	4,590,362	-	4,590,362	4,450,547
Total expenses	33,529,614	-	33,529,614	32,782,699
Changes in net assets from operations	310,199	(38,939)	271,260	180,570
Non-operating activities				
Loss on sale of property	(44,038)	-	(44,038)	(12,727)
Net realized and unrealized gain (loss) on investments in excess of designation for current operations	200,542	9,134	209,676	(280,639)
Investment income, net	67,240	9,911	77,151	72,326
Change in beneficial interest in trust	12,381	-	12,381	(5,825)
Contributions for endowment	-	35,919	35,919	12,069
Contributions for capital assets	-	692,786	692,786	327,587
Casualty gain	-	-	-	395,119
Net assets released from restrictions	227,151	(227,151)	-	-
Total non-operating activities	463,276	520,599	983,875	507,910
Change in net assets	773,475	481,660	1,255,135	688,480
Net assets at beginning of year	33,993,445	3,167,432	37,160,877	36,472,397
Net assets at end of year	\$ 34,766,920	\$ 3,649,092	\$ 38,416,012	\$ 37,160,877

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2018
Operating activities			
Public support			
Contributions	\$ 2,339,985	\$ -	\$ 2,339,985
United Way allocations	390,117	153,648	543,765
Corporate and foundation grants	708,582	-	708,582
Special events, net	239,960	-	239,960
Sales to public, net	51,112	-	51,112
Net assets released from restrictions	182,782	(182,782)	-
Total public support	<u>3,912,538</u>	<u>(29,134)</u>	<u>3,883,404</u>
Revenue			
Government grants and contracts	634,263	-	634,263
Membership fees, net	20,185,129	-	20,185,129
Program fees, net	8,186,838	-	8,186,838
Allocation of investment earnings	58,999	1,822	60,821
Interest income	12,814	-	12,814
Total revenue	<u>29,078,043</u>	<u>1,822</u>	<u>29,079,865</u>
Total public support and revenue	<u>32,990,581</u>	<u>(27,312)</u>	<u>32,963,269</u>
Expenses			
Program expenses			
Youth development	7,223,138	-	7,223,138
Healthy living	20,496,187	-	20,496,187
Social responsibility	612,827	-	612,827
Total program services	<u>28,332,152</u>	<u>-</u>	<u>28,332,152</u>
Support services			
Management and general	3,361,034	-	3,361,034
Fundraising	1,089,513	-	1,089,513
Total support services	<u>4,450,547</u>	<u>-</u>	<u>4,450,547</u>
Total expenses	<u>32,782,699</u>	<u>-</u>	<u>32,782,699</u>
Changes in net assets from operations	<u>207,882</u>	<u>(27,312)</u>	<u>180,570</u>
Non-operating activities			
Loss on sale of property	(12,727)	-	(12,727)
Net realized and unrealized loss on investments in excess of designation for current operations	(272,091)	(8,548)	(280,639)
Investment income, net	68,479	3,847	72,326
Change in beneficial interest in trust	(5,825)	-	(5,825)
Contributions for endowment	6,367	5,702	12,069
Contributions for capital assets	-	327,587	327,587
Casualty gain	395,119	-	395,119
Net assets released from restrictions	1,102,116	(1,102,116)	-
Total non-operating activities	<u>1,281,438</u>	<u>(773,528)</u>	<u>507,910</u>
Change in net assets	1,489,320	(800,840)	688,480
Net assets at beginning of year	<u>32,504,125</u>	<u>3,968,272</u>	<u>36,472,397</u>
Net assets at end of year	<u>\$ 33,993,445</u>	<u>\$ 3,167,432</u>	<u>\$ 37,160,877</u>

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSE
Year Ended December 31, 2019

	Program Services			Support Services			Total	
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Support Services	2019
Personnel costs								
Salaries	\$ 3,677,942	\$ 8,824,041	\$ 260,469	\$ 12,762,452	\$ 1,782,765	\$ 693,684	\$ 2,476,449	\$ 15,238,901
Employee health and retirement benefits	295,289	1,299,199	47,323	1,641,811	397,285	81,254	478,539	2,120,350
Payroll taxes	314,371	737,116	22,056	1,073,543	124,093	34,672	158,765	1,232,308
Total personnel costs	<u>4,287,602</u>	<u>10,860,356</u>	<u>329,848</u>	<u>15,477,806</u>	<u>2,304,143</u>	<u>809,610</u>	<u>3,113,753</u>	<u>18,591,559</u>
Non-personnel costs								
Professional fees and contract services	107,919	418,362	11,001	537,282	506,872	33,674	540,546	1,077,828
Office services - supplies, telephone, postage	1,008,097	935,652	32,228	1,975,977	42,815	147,900	190,715	2,166,692
Occupancy, equipment expense and maintenance	1,065,749	5,261,267	149,298	6,476,314	83,780	5,777	89,557	6,565,871
Information technology	87,333	443,477	15,490	546,300	274,138	31,080	305,218	851,518
Marketing	83,197	364,735	10,938	458,870	-	113,075	113,075	571,945
Travel and transportation expense	173,876	130,770	3,424	308,070	81,515	9,286	90,801	398,871
Conferences, meetings and training	12,965	82,554	5,783	101,302	73,377	1,295	74,672	175,974
National and world support	61,867	323,234	27,136	412,237	4,149	-	4,149	416,386
Interest and bond fees	54,748	237,498	8,209	300,455	-	-	-	300,455
Insurance	33,593	87,868	3,025	124,486	12,892	515	13,407	137,893
Miscellaneous	50,715	24,456	797	75,968	14,191	6,108	20,299	96,267
Depreciation	390,707	1,694,891	58,587	2,144,185	24,599	9,571	34,170	2,178,355
Total non-personnel costs	<u>3,130,766</u>	<u>10,004,764</u>	<u>325,916</u>	<u>13,461,446</u>	<u>1,118,328</u>	<u>358,281</u>	<u>1,476,609</u>	<u>14,938,055</u>
Total expenses	<u>\$ 7,418,368</u>	<u>\$ 20,865,120</u>	<u>\$ 655,764</u>	<u>\$ 28,939,252</u>	<u>\$ 3,422,471</u>	<u>\$ 1,167,891</u>	<u>\$ 4,590,362</u>	<u>\$ 33,529,614</u>

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSE
Year Ended December 31, 2018

	Program Services			Support Services			Total	
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Support Services	2018
Personnel costs								
Salaries	\$ 3,534,021	\$ 8,480,601	\$ 246,315	\$ 12,260,937	\$ 1,772,128	\$ 686,962	\$ 2,459,090	\$ 14,720,027
Employee health and retirement benefits	304,887	1,348,263	50,898	1,704,048	420,217	82,815	503,032	2,207,080
Payroll taxes	305,034	715,997	20,921	1,041,952	122,297	32,707	155,004	1,196,956
Total personnel costs	<u>4,143,942</u>	<u>10,544,861</u>	<u>318,134</u>	<u>15,006,937</u>	<u>2,314,642</u>	<u>802,484</u>	<u>3,117,126</u>	<u>18,124,063</u>
Non-personnel costs								
Professional fees and contract services	103,631	443,392	10,675	557,698	497,685	16,393	514,078	1,071,776
Office services - supplies, telephone, postage	944,758	891,104	25,680	1,861,542	45,548	54,129	99,677	1,961,219
Occupancy, equipment expense and maintenance	1,145,945	5,460,060	142,591	6,748,596	84,923	6,535	91,458	6,840,054
Information technology	102,904	415,676	10,978	529,558	275,464	35,370	310,834	840,392
Marketing	70,026	293,150	7,914	371,090	-	102,387	102,387	473,477
Travel and transportation expense	134,222	132,097	3,904	270,223	47,074	39,852	86,926	357,149
Conferences, meetings and training	12,211	81,552	2,438	96,201	41,856	17,226	59,082	155,283
National and world support	66,769	323,823	27,390	417,982	4,584	-	4,584	422,566
Interest and bond fees	51,891	224,721	7,430	284,042	-	-	-	284,042
Insurance	32,498	84,782	2,791	120,071	12,815	540	13,355	133,426
Miscellaneous	48,967	18,680	586	68,233	11,819	5,051	16,870	85,103
Depreciation	365,374	1,582,289	52,316	1,999,979	24,624	9,546	34,170	2,034,149
Total non-personnel costs	<u>3,079,196</u>	<u>9,951,326</u>	<u>294,693</u>	<u>13,325,215</u>	<u>1,046,392</u>	<u>287,029</u>	<u>1,333,421</u>	<u>14,658,636</u>
Total expenses	<u>\$ 7,223,138</u>	<u>\$ 20,496,187</u>	<u>\$ 612,827</u>	<u>\$ 28,332,152</u>	<u>\$ 3,361,034</u>	<u>\$ 1,089,513</u>	<u>\$ 4,450,547</u>	<u>\$ 32,782,699</u>

See accompanying notes to the financial statements.

YMCA OF NORTHWEST NORTH CAROLINA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,255,135	\$ 688,480
Adjustments to reconcile net assets to net cash from operations:		
Depreciation	2,178,355	2,034,149
Amortization of cost of bond issuance	14,425	14,425
Net realized and unrealized (gain) loss on investments	(298,283)	219,818
Contributions restricted for endowment	(35,919)	(5,702)
Contributions restricted for capital assets	(494,860)	(327,587)
Change in discount on pledges receivable	4,031	(3,432)
Change in allowance for uncollectible pledges	20,646	(62,912)
Loss on sale of property, plant and equipment	44,038	12,727
Change in operating assets and liabilities:		
Capital campaign pledges receivable	(201,957)	639,210
United Way receivable	38,939	27,312
Refundable sales tax receivable	110,745	(284,178)
Other accounts receivable	86,152	(119,298)
Prepaid expenses	(28,434)	(20,820)
Accounts payable and accrued expenses	85,417	(534,400)
Deferred revenue	(110,504)	165,598
Other liabilities	(150,382)	(46,435)
Beneficial interest in trust	(8,136)	5,825
Net cash from operating activities	2,509,408	2,402,780
Cash flows from investing activities		
Proceeds from sale of equipment	-	16,508
Purchase of property and equipment	(3,214,213)	(2,885,840)
Redemption (purchase) of certificates of deposit	23,679	(115)
Net investment purchases	(70,069)	(50,844)
Net cash from investing activities	(3,260,603)	(2,920,291)
Cash flows from financing activities		
Contributions restricted for endowment	35,919	5,702
Contributions restricted for capital assets	494,860	327,587
Proceeds from bonds and notes payable	2,000,000	-
Payments on bonds and notes payable	(1,761,019)	(1,427,686)
Payments on capital leases	(26,800)	-
Net cash from financing activities	742,960	(1,094,397)
Net change in cash	(8,235)	(1,611,908)
Cash and cash equivalents, beginning of year	6,228,240	7,840,148
Cash and cash equivalents, end of year	\$ 6,220,005	\$ 6,228,240
Supplemental Information		
Property obtained under capital lease	\$ 509,793	\$ -
Interest Paid	\$ 247,688	\$ 270,406

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 Learning Academies, Safety Around Water 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, 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.

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, 2019 and 2018 were approximately \$597,774 and \$508,258, 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. Additionally, no provision for income taxes is reflected in these 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, 2019 and 2018

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 17). 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, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. 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 equivalent	\$ 6,220,005
Accounts receivable	1,221,185
Distributions from beneficial interests in assets held by others	4,316
Endowment spending-rate appropriations	<u>95,172</u>
	<u>\$ 7,540,678</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 \$1,069,590 is subject to an annual spending rate of 4 percent as described in Note 11. 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, 2019 and 2018

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, 2019 and 2018. 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, 2019, are summarized below:

	2019			
	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 167,584	\$ -	\$ -	\$ 167,584
Fixed income securities	728,347	-	-	728,347
Mutual Funds				
Domestic equities	829,812	-	-	829,812
International equities	431,373	-	-	431,373
Alternative investments	168,207	-	-	168,207
Real assets	164,335	-	-	164,335
Total investments	<u>\$ 2,489,658</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,489,658</u>
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,940</u>	<u>\$ 111,940</u>

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value at December 31, 2018, are summarized below:

	2018			
	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 158,809	\$ -	\$ -	\$ 158,809
Fixed income securities	652,479	-	-	652,479
Mutual Funds				
Domestic equities	650,197	-	-	650,197
International equities	338,543	-	-	338,543
Alternative investments	156,254	-	-	156,254
Real assets	165,024	-	-	165,024
Total investments	\$ 2,121,306	\$ -	\$ -	\$ 2,121,306
Beneficial interest in assets held by others	\$ -	\$ -	\$ 103,804	\$ 103,804

The following table illustrates the activity of Level 3 assets during the years ended December 31, 2019 and 2018:

	2019	2018
Fair value, beginning of year	\$ 103,804	\$ 109,629
Unrealized gains (losses)	13,362	(546)
Distributions and fees	(5,226)	(5,279)
Fair value, end of year	\$ 111,940	\$ 103,804

There were no changes during the years ended December 31, 2019 and 2018 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, 2019. 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, 2019 and 2018

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:

	2019
Amounts due in:	
Less than one year	\$ 217,972
One to five years	260,535
Total pledges receivable	478,507
Less unamortized discount	(13,258)
Less allowance for uncollectible pledges receivable	(44,938)
Pledges receivable, net	420,311
Less current portion	(199,088)
Long term pledges receivable, net	\$ 221,223

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at December 31, 2019 and 2018, were as follows:

	2019	2018
Land and land improvements	\$ 11,184,147	\$ 10,952,654
Land held for sale	160,000	160,000
Buildings and building improvements	60,372,153	57,332,254
Leasehold improvements	1,828,624	1,795,655
Equipment and furniture	6,753,165	6,108,301
Construction in progress	66,808	623,589
Vehicles	319,553	322,145
Total investment in property, plant, and equipment	80,684,450	77,294,598
Less accumulated depreciation	(41,398,418)	(39,477,398)
Net investment in property, plant, and equipment	\$ 39,286,032	\$ 37,817,200

Depreciation expense for the years ended December 31, 2019 and 2018 was \$2,178,355 and \$2,034,149, respectively.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 7 - NOTES PAYABLE

Notes payable as of December 31, 2019 and 2018 are as follows:

	2019	2018
<p>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</p>	\$ 800,000	\$ 1,200,000
<p>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</p>	2,250,000	2,750,000
<p>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</p>	1,486,269	1,642,719
<p>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</p>	2,046,156	2,261,540
<p>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</p>	311,680	467,532

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 7 - NOTES PAYABLE (Continued)

	2019	2018
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	1,666,667	-
	8,560,772	8,321,791
Unamortized loan costs	(133,429)	(147,854)
	\$ 8,427,343	\$ 8,173,937

Future annual maturities of the notes are as follows:

2020	\$ 1,316,428
2021	1,872,256
2022	1,705,167
2023	705,168
2024	1,288,498
Thereafter	1,673,255
	8,560,772
Less unamortized loan costs	(133,429)
Total	\$ 8,427,343

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 both December 31, 2019 and 2018.

NOTE 8 - REVOLVING LINE 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. There were no borrowings against the line of credit as of December 31, 2019 and 2018. The line of credit expires on August 1, 2020, and is renewable bi-annually at the discretion of the bank.

The line of credit agreement contains certain financial and nonfinancial covenants. Management has an ongoing analysis of covenant compliance. At December 31, 2019, the YMCA was in compliance with financial covenants.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 9 - BOARD DESIGNATED NET ASSETS

Board designated net assets as of December 31, 2019 and 2018, consisted of the following:

	2019	2018
Endowment	\$ 1,069,590	\$ 789,428
Total board designated net assets	\$ 1,069,590	\$ 789,428

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018, consisted of the following:

	2019	2018
Net assets with donor restrictions:		
Restricted for		
Programs	\$ 114,709	\$ 153,648
Capital expenditure	2,027,055	1,578,102
Endowments restricted in perpetuity	1,507,328	1,435,682
Total net assets with donor restrictions	\$ 3,649,092	\$ 3,167,432

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, 2019 and 2018, are as follows:

	2019	2018
Programs	\$ 157,276	\$ 182,782
Capital Expenditure	227,151	1,102,116
Total donor restricted net assets released from restrictions	\$ 384,427	\$ 1,284,898

NOTE 11 - 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, 2019 and 2018

NOTE 11 - 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, 2019 and 2018, 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, 2019:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Restricted in perpetuity	\$ -	\$ 1,496,286	\$ 1,496,286
Accumulated investment gain on amounts to be retained in perpetuity	-	11,042	11,042
Board-designated	<u>1,069,590</u>	<u>-</u>	<u>1,069,590</u>
Total funds	<u>\$ 1,069,590</u>	<u>\$ 1,507,328</u>	<u>\$ 2,576,918</u>

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Restricted in perpetuity	\$ -	\$ 1,436,603	\$ 1,436,603
Accumulated investment loss on amounts to be retained in perpetuity	-	(921)	(921)
Board-designated	<u>789,428</u>	<u>-</u>	<u>789,428</u>
Total funds	<u>\$ 789,428</u>	<u>\$ 1,435,682</u>	<u>\$ 2,225,110</u>

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 11 - ENDOWMENT (Continued)

Changes in endowment net assets for the years ended December 31, 2019 and 2018:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets as of January 1, 2018	\$ 992,498	\$ 1,436,447	\$ 2,428,945
Investment return:			
Investment income	67,396	2,081	69,477
Net realized and unrealized loss	<u>(217,834)</u>	<u>(6,726)</u>	<u>(224,560)</u>
Total investment return	<u>(150,438)</u>	<u>(4,645)</u>	<u>(155,083)</u>
Endowment contributions	6,367	5,702	12,069
Appropriation of endowment assets for expenditure	<u>(58,999)</u>	<u>(1,822)</u>	<u>(60,821)</u>
Endowment net assets as of December 31, 2018	789,428	1,435,682	2,225,110
Investment return:			
Investment income	66,258	2,829	69,087
Net realized and unrealized gain	<u>298,883</u>	<u>12,762</u>	<u>311,645</u>
Total investment return	<u>365,141</u>	<u>15,591</u>	<u>380,732</u>
Endowment contributions	-	35,919	35,919
Transfer from certificate of deposit	-	23,764	23,764
Appropriation of endowment assets for expenditure	<u>(84,979)</u>	<u>(3,628)</u>	<u>(88,607)</u>
Endowment net assets as of December 31, 2019	<u>\$ 1,069,590</u>	<u>\$ 1,507,328</u>	<u>\$ 2,576,918</u>

YMCA OF NORTHWEST NORTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS
 Years Ended December 31, 2019 and 2018

NOTE 11 - 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, 2019 and 2018.

NOTE 12 - 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:

	2019	2018
Special event revenue	\$ 500,343	\$ 505,983
Special event direct expenses	(256,787)	(266,023)
Special event revenue, net	\$ 243,556	\$ 239,960

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 13 - 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:

	2019	2018
Membership dues	\$ 21,578,779	\$ 21,395,677
Less financial assistance provided	(1,155,628)	(1,210,548)
Membership dues, net	\$ 20,423,151	\$ 20,185,129
Program fees	\$ 9,615,843	\$ 9,227,961
Less financial assistance provided	(1,037,005)	(1,041,123)
Program fees, net	\$ 8,578,838	\$ 8,186,838

NOTE 14 - 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 \$994,830 and \$999,282 for the years ended December 31, 2019 and 2018, respectively, of which \$71,360 was unpaid at December 31, 2019.

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 15 - RELATED PARTIES

The YMCA pays dues to YMCA of the USA. Dues paid to YMCA of the U.S.A. for the year ended December 31, 2019 and 2018, were \$407,352 and \$400,936, respectively.

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 16 – 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 \$976,867 and \$1,078,449 for the years ended December 31, 2019 and 2018, respectively.

Estimated remaining minimum future payments under facility operating leases are:

2020		\$ 895,192
2021		720,498
2022		596,989
2023		573,080
2024		573,080
Thereafter		<u>272,655</u>
		<u>\$ 3,631,494</u>

Leased Equipment: YMCA has entered into many operating leases covering cardiovascular, strength and environmental equipment. Rent expense for the leased equipment was approximately \$1,056,821 and \$1,107,492 for the years ended December 31, 2019 and 2018, respectively

Estimated remaining minimum future payments under equipment operating leases are:

2020		\$ 1,112,698
2021		753,643
2022		288,230
2023		136,735
2024		38,904
Thereafter		<u>1,613</u>
		<u>\$ 2,331,823</u>

NOTE 17 - 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 year ended December 31, 2019.

Following is a summary of property held under a capital lease as of December 31, 2019:

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		\$ 246,326
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>236,667</u>
		<u>\$ 482,993</u>

YMCA OF NORTHWEST NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

NOTE 17 - CAPITAL LEASE OBLIGATIONS (Continued)

The aggregate annual capital lease obligations as of December 31, 2019 are as follows:

2020	\$ 100,848
2021	100,848
2022	100,848
2023	100,848
2024	100,848
Thereafter	<u>75,636</u>
Total minimum lease payments	579,876
Less amount representing interest	<u>(96,883)</u>
Present value of minimum lease payments	\$ <u>482,993</u>

As of December 31, 2019, the capitalized cost of assets under the capital lease obligation was \$477,013. The related accumulated depreciation for those leased assets was \$23,851.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

In 2019, the YMCA received approximately \$536,000 in financial awards from the various federal and state agencies. The disbursement of funds received under such programs generally requires compliance with terms and conditions specified in federal and state regulations and are subject to audit and possible disallowance of certain expenditures. The YMCA has not had any significant disallowance of financial awards in the past and management expects such amounts, if any, to be immaterial.

In the normal course of business, various legal actions and claims are pending or may be instituted or asserted in the future against the YMCA. Management believes the YMCA does not have any significant claims or other litigation which the ultimate resolution would have a material financial impact.

NOTE 19 - SUBSEQUENT EVENT

A novel strain of coronavirus (COVID-19) was first identified in December 2019, and subsequently declared a pandemic by the World Health Organization during the first quarter of 2020. The outbreak of COVID-19 has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of COVID-19. Nevertheless, COVID-19 presents material uncertainty to the YMCA, its performance, and its financial results.

Due to executive orders issued by state and local governments, the YMCA has been unable to return to full operations. It has reopened in limited capacities and provided necessary services including food distribution, emergency child care, blood drives and calls to seniors regarding their well-being, all of which has allowed the YMCA to retain members, program participants and donors. It is unknown when full operations can commence and the YMCA anticipates operating at diminished levels versus those prior to COVID-19.