

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION
OF GREENSBORO ENDOWMENT FUND, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2018)



**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Officers and Executive Committee
December 31, 2019**

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC.

Chairperson:	Phil Barnhill
Chair-elect:	Todd Rangel
Past Chair:	James Smith
Secretary:	Luanne Arrington
Treasurer:	Rick Lusk
Vice Chair:	Lynn Harvey-Akan
Vice Chair:	Adrienne McKinney
President and Chief Executive Officer:	Rhonda Anderson

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO
ENDOWMENT FUND, INC.**

Chairperson:	Dennis Stearns
Member at Large:	Adrienne McKinney
Member at Large:	Candace Cummings
Member at Large:	Dupont Kirven
Member at Large:	Ford Bowers
Member at Large:	Jared Lashley
Member at Large:	Jim Lurz
Member at Large:	Rick Lusk
Member at Large:	Todd Rangel

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Table of Contents**

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
<i>Consolidated Financial Statements</i>	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 20



Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of Greensboro, Inc.
Greensboro, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc. (collectively the "Association"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated financial statements.

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc.'s December 31, 2018 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects with the audited consolidated financial statements from which it has been derived.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 13, 2020

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Financial Position
December 31, 2019
(With Comparative Totals as of December 31, 2018)**

	<u>Assets</u>	
	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and cash equivalents	\$ 5,965,923	\$ 5,927,520
Funds held for others	3,983	3,983
Investments	8,497,822	7,877,343
Current portion of unconditional promises to give, net	303,981	304,455
Other receivables	137,895	105,946
Prepaid expenses and other assets	293,649	279,565
Total Current Assets	<u>15,203,253</u>	<u>14,498,812</u>
Other Assets:		
Unconditional promises to give, less current portion	230,170	527,668
Property and equipment, net of accumulated depreciation	39,618,685	40,541,247
Rental real estate property, net of accumulated depreciation	303,200	317,600
Fair value of interest rate swap receivable	-	32,423
Deposit on fixed assets	3,682	-
Total Other Assets	<u>40,155,737</u>	<u>41,418,938</u>
Total Assets	<u>\$ 55,358,990</u>	<u>\$ 55,917,750</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Current maturities of long-term debt	\$ 1,522,590	\$ 1,587,590
Current maturities of obligations under capitalized leases	200,194	296,404
Accounts payable and accrued expenses	355,301	367,944
Deferred revenue	376,159	276,095
Funds held for others	3,983	3,983
Total Current Liabilities	<u>2,458,227</u>	<u>2,532,016</u>
Other Liabilities:		
Long-term debt, less current maturities	9,920,350	12,409,732
Obligations under capitalized leases, less current maturities	184,183	164,581
Fair value of interest rate swap payable	113,756	-
Total Other Liabilities	<u>10,218,289</u>	<u>12,574,313</u>
Total Liabilities	<u>12,676,516</u>	<u>15,106,329</u>
Net Assets:		
Assets without donor restrictions:		
Undesignated	34,805,950	34,276,917
Designated for reserves	3,602,745	2,902,268
Assets with donor restrictions	4,273,779	3,632,236
Total Net Assets	<u>42,682,474</u>	<u>40,811,421</u>
Total Liabilities and Net Assets	<u>\$ 55,358,990</u>	<u>\$ 55,917,750</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.**
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support - Contributions:				
The United Way	\$ 84,534	\$ 79,470	\$ 164,004	\$ 223,208
Government grants	122,347	-	122,347	106,555
Annual support	780,118	-	780,118	763,261
Contributions and private grants	153,756	1,035,478	1,189,234	818,265
Total Public Support	<u>1,140,755</u>	<u>1,114,948</u>	<u>2,255,703</u>	<u>1,911,289</u>
Revenue:				
Membership dues	9,945,138	-	9,945,138	9,581,364
Program and service fees	5,958,730	-	5,958,730	5,743,614
Vending and other food related	22,127	-	22,127	31,892
Rental of real estate and facilities, net	266,735	-	266,735	278,732
Merchandise sales	45,511	-	45,511	35,834
Investment income, net	586,803	60,076	646,879	1,104,326
Gain on sale of property and equipment	33,562	-	33,562	6,450
Other events	46,233	-	46,233	45,305
Miscellaneous	36,899	-	36,899	39,213
Unrealized gain (loss) on investments, net	596,169	338,296	934,465	(1,538,853)
Total Revenue	<u>17,537,907</u>	<u>398,372</u>	<u>17,936,279</u>	<u>15,327,877</u>
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	348,788	(348,788)	-	-
Satisfaction of time restrictions	109,512	(109,512)	-	-
Satisfaction of property acquisition restrictions	413,477	(413,477)	-	-
Total Net Assets Released from Restrictions	<u>871,777</u>	<u>(871,777)</u>	<u>-</u>	<u>-</u>
Total Public Support, Revenue, and Net Assets Released from Restrictions	<u>19,550,439</u>	<u>641,543</u>	<u>20,191,982</u>	<u>17,239,166</u>
Functional Expenses:				
Program Services:				
Adult	6,855,542	-	6,855,542	6,796,027
Child care	4,478,985	-	4,478,985	4,234,482
Youth	4,333,079	-	4,333,079	4,367,946
Total Program Services	<u>15,667,606</u>	<u>-</u>	<u>15,667,606</u>	<u>15,398,455</u>
Supporting Services:				
Management and general	1,984,820	-	1,984,820	1,589,539
Fund-raising	288,632	-	288,632	359,134
Total Supporting Services	<u>2,273,452</u>	<u>-</u>	<u>2,273,452</u>	<u>1,948,673</u>
Total Functional Expenses	<u>17,941,058</u>	<u>-</u>	<u>17,941,058</u>	<u>17,347,128</u>
Other Expenses:				
Payments to affiliated organizations	233,692	-	233,692	226,811
Total Expenses	<u>18,174,750</u>	<u>-</u>	<u>18,174,750</u>	<u>17,573,939</u>
Change in net assets from operating activities	1,375,689	641,543	2,017,232	(334,773)
Change in fair value of interest rate swap agreement	(146,179)	-	(146,179)	93,208
Changes in net assets	1,229,510	641,543	1,871,053	(241,565)
Net assets, beginning	<u>37,179,185</u>	<u>3,632,236</u>	<u>40,811,421</u>	<u>41,052,986</u>
Net assets, ending	<u>\$ 38,408,695</u>	<u>\$ 4,273,779</u>	<u>\$ 42,682,474</u>	<u>\$ 40,811,421</u>

See Notes to Consolidated Financial Statements

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.**
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)

	2019							2018 TOTAL	
	Program Services				Supporting Services				
	Adult Programs	Child Care	Youth Programs	Total	Management and General	Fund- Raising	Total		
Salaries and wages	\$ 2,853,937	\$ 1,756,269	\$ 1,791,678	\$ 6,401,884	\$ 679,846	\$ 114,822	\$ 794,668	\$ 7,196,552	\$ 6,960,939
Employee benefits	392,268	241,395	246,262	879,925	93,443	14,344	107,787	987,712	957,917
Payroll taxes	209,902	129,170	131,775	470,847	50,001	11,080	61,081	531,928	542,250
Total Salaries and Related Expenses	3,456,107	2,126,834	2,169,715	7,752,656	823,290	140,246	963,536	8,716,192	8,461,106
Professional fees	58,987	36,153	38,056	133,196	57,084	42,099	99,183	232,379	289,541
Supplies	405,644	249,628	254,661	909,933	96,630	95,978	192,608	1,102,541	1,001,597
Telephone	23,947	14,737	15,034	53,718	5,705	-	5,705	59,423	62,710
Postage and shipping	6,764	4,163	4,247	15,174	1,611	-	1,611	16,785	14,002
Occupancy	74,860	46,067	46,996	167,923	17,832	-	17,832	185,755	180,453
Printing and publication	83,061	51,114	52,145	186,320	19,786	-	19,786	206,106	215,876
Travel	37,422	23,029	23,493	83,944	8,914	-	8,914	92,858	84,610
Conferences, conventions and meetings	40,241	24,764	25,263	90,268	9,586	10,309	19,895	110,163	98,126
Interest and amortization	188,672	116,107	118,448	423,227	44,945	-	44,945	468,172	556,747
Bank service charges	82,303	50,648	51,669	184,620	19,606	-	19,606	204,226	184,957
Rental	72,092	44,364	45,259	161,715	17,173	-	17,173	178,888	220,633
Repairs and maintenance	136,284	83,868	85,559	305,711	32,465	-	32,465	338,176	332,761
Other events	12,872	7,921	8,081	28,874	3,066	-	3,066	31,940	138,073
Insurance	88,559	54,498	55,597	198,654	21,096	-	21,096	219,750	231,636
Depreciation	803,544	494,489	504,458	1,802,491	191,415	-	191,415	1,993,906	1,979,933
Utilities	435,333	267,897	273,298	976,528	103,702	-	103,702	1,080,230	1,091,735
Contracted services	532,509	327,697	334,304	1,194,510	126,850	-	126,850	1,321,360	1,206,242
Bad debt expense	-	-	-	-	344,662	-	344,662	344,662	34,165
Food and beverage	129,995	79,297	81,442	290,734	34,254	-	34,254	324,988	301,724
Scholarships	164,732	362,410	131,786	658,928	-	-	-	658,928	611,522
Dues	13,231	8,141	8,305	29,677	3,151	-	3,151	32,828	32,005
Training	8,383	5,159	5,263	18,805	1,997	-	1,997	20,802	16,974
Total Functional Expenses	\$ 6,855,542	\$ 4,478,985	\$ 4,333,079	\$ 15,667,606	\$ 1,984,820	\$ 288,632	\$ 2,273,452	\$ 17,941,058	\$ 17,347,128

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Cash Flows
Year Ended December 31, 2019
(With Comparative Totals for the Year Ended December 31, 2018)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ 1,871,053	\$ (241,565)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Allowance for uncollectible accounts	(25,929)	4,969
Discount on unconditional promises to give	(19,751)	(89,366)
Depreciation	2,008,306	1,994,333
Amortization	16,576	16,576
Gain on sale of property and equipment	(33,562)	(6,450)
Investment income reinvested	(251,662)	(253,709)
Gain on sale of investments, net	(250,470)	(530,499)
Unrealized (gain) loss on investments, net	(934,465)	1,538,853
Change in fair value of interest rate swap	146,179	(93,208)
(Increase) decrease in:		
Unconditional promises to give	343,652	27,658
Other receivables	(31,949)	52,061
Prepaid expenses and other assets	(14,084)	(81,547)
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,467)	(101,318)
Deferred revenue	100,064	(76,550)
Net cash provided by operating activities	<u>2,903,491</u>	<u>2,160,238</u>
Cash flows from investing activities:		
Purchase and construction of property and equipment	(756,241)	(524,501)
Proceeds from sale of property and equipment	50,325	6,450
Proceeds from sale of investments	1,695,555	3,681,503
Net investment cash transactions in endowment fund	(27,435)	(45,849)
Purchase of investments	(852,002)	(2,913,402)
Net cash provided by investing activities	<u>110,202</u>	<u>204,201</u>
Cash flows from financing activities:		
Payments on capitalized leases	(404,332)	(397,739)
Payments on long-term debt	(2,570,958)	(1,957,195)
Net cash used in financing activities	<u>(2,975,290)</u>	<u>(2,354,934)</u>
Net increase in cash and cash equivalents	38,403	9,505
Cash and cash equivalents, beginning	<u>5,927,520</u>	<u>5,918,015</u>
Cash and cash equivalents, ending	<u>\$ 5,965,923</u>	<u>\$ 5,927,520</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Young Men's Christian Association of Greensboro, Inc. ("YMCA") is a not for profit organization incorporated in 1910 to establish, equip, maintain, conduct and operate various YMCA branches and to perform any acts reasonably incidental thereto in the greater Greensboro, Eden and Reidsville, North Carolina areas.

The Young Men's Christian Association of Greensboro Endowment Fund, Inc. ("Endowment Fund") was incorporated in 1994 as a support organization for the benefit of the YMCA to hold and invest permanently restricted net assets. This corporation states in its articles of incorporation that it is organized for and at all times shall operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the YMCA. The articles also state that the Endowment Fund shall be operated, supervised, or controlled by the YMCA, and that the Directors of the Endowment Fund shall be elected or appointed by the Board of Directors of the YMCA. Because of the oversight authority of the YMCA Board over the actions of the Endowment Fund, the two entities have been consolidated for financial statement presentation purposes.

The consolidated financial statements include the accounts of the YMCA and the Endowment Fund. All material intercompany transactions have been eliminated. The consolidated entities will be referred to as the "Association" for purposes of these consolidated financial statements.

A summary of the Association's significant accounting policies follow:

Financial Statement Presentation

The Association reports information regarding its financial position and activities using two classes of net assets, as follows:

Without donor restrictions: All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

With donor restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Comparative Financial Information

The financial statements include certain prior period summarized comparative information in totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of reporting the consolidated statements of cash flows, the Association considers all highly liquid investments, except those held by the Endowment Fund, purchased with maturities of three months or less to be cash equivalents.

Funds Held for Others

The Association administers various organizational funds. The funds are established by assets received as transfers from other organizations/clubs which specifies itself as the beneficiary of the fund.

Investments

Investments in marketable securities with readily determinable values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Receivables

The Association records unconditional promises to give and other receivables at total unpaid balance, which approximates estimated fair value, less any allowance for doubtful accounts. The Association determines past due status of individual receivables based on the contractual terms of the original grant agreement or pledge commitment. The Association estimates its allowance for doubtful accounts based on a combination of factors, including historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of receivables. Receivables that management believes to be ultimately not collectible are written off upon such determination.

Property and Equipment

The Association generally capitalizes expenditures of \$2,500 or more for property and equipment whose life exceeds one year. Property and equipment are stated at cost or, in the case of donated assets, at estimated fair value at date of donation.

Depreciation, including amortization of capital lease assets, is provided for using the straight-line method over the shorter of its estimated useful lives of the assets or its related lease term.

Bond Issuance Costs

Bond issuance costs are being amortized on a straight-line basis over 20 years which approximates the effective interest rate method. Accumulated amortization amounted to \$157,471. Estimated amortization for each of the next four years is \$16,576. Bond issuance costs have been netted against long term debt in accordance with ASU 2015-03, "Interest Imputation of Interest".

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising, printing and publication costs are expensed as incurred. During the year, costs related to these activities totaled \$206,106.

Revenue Recognition

The Association derives its revenues primarily from membership dues or program and service fees. Membership contracts consist of month-to-month or annual basis and they can cancel their membership at any time with a 30 day notice. Membership dues revenue is recognized on a monthly basis in which the Association provides access to the facilities. Membership dues paid under an annual contract will be recorded as deferred revenue and amortized each month as the revenue is earned. Program and service fee revenues consist of camps, sporting leagues, after school care, training sessions, etc., which are recognized upon completion of the related performance obligation and at an amount that represents the consideration paid to the participant. The Association does not have a significant financing component as events are typically paid for in advance and are recognized as deferred revenue prior to completion of the performance obligation.

Due to the nature of the Association's business, there is typically no significant variable consideration, such as discounts, allowances, and returns. However, if variable consideration is deemed significant, variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk adjusted rate. Conditional contributions are recognized as revenues when the conditions have been met by the Association. Contributions are considered to be without donor restrictions unless specifically restricted by the donee for a specific period of time or purpose. Grants received by the Association are being accounted for as contributions since they do not include exchange transaction elements associated with those grants.

Endowment Fund

The Endowment Fund consists of various fixed income funds, equity funds, and cash equivalents established for a variety of purposes. The endowment consists of donor-restricted endowment funds as well as board designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Endowment Fund 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 Association must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet funding requirements while assuming a moderate level of investment risk.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

To satisfy its long-term rate-of-return objectives, the Endowment Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment portfolio is invested across multiple asset classes with emphasis on equities and fixed income as well as alternative investments, real estate and a low level of exposure to money market cash instruments.

The Endowment Fund has a policy for appropriating for distribution each year approximately 5% of its endowment funds average market value plus or minus 1.5% over the 3 year trailing average market value of the Endowment Fund. In establishing this policy, the Endowment Fund considered the long-term expected return of the endowment. Accordingly, over the long-term the Endowment Fund expects the current spending policy to preserve the purchasing power of the endowment funds over time, and to provide a reasonably stable and predictive revenue stream for use in connection with the charitable purposes of the Association. The Board of Directors annually adopts a spending rate.

Donated Services and Materials

The Association occasionally benefits from the services of volunteers in various programs. The services donated are not identical to services the donor would usually charge a fee to provide; therefore, a monetary amount cannot be assigned to the value of these services. Significant donated materials are recorded at their fair value as a contribution and related purchase.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through April 13, 2020, the date the consolidated financial statements were available to be issued.

Tax Status

The Association is classified as a public charity and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements. Contributions to the Association are tax deductible by the donor.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status (Continued)

It is the Association's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the consolidated financial statements. No material uncertain tax positions were identified for 2019. Currently, the statute of limitations remains open subsequent to and including 2016; however, no examinations are in process or anticipated. Any changes in the amount of a tax provision will be recognized in the period the change occurs.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of activities or net assets.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give amounts to be received in future periods are discounted to a present value using an interest rate of 5.0%.

Unconditional promises to give are as follows:

Amounts receivable less than one year	\$ 303,982
Amounts receivable in one to five years	286,827
Total unconditional promises to give	<u>590,809</u>
Less - discount to present value for future pledges	(19,751)
Less - allowance for uncollectible pledges	(36,907)
	<u><u>\$ 534,151</u></u>

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair values, the Association uses various methods including market, income and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Inputs — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 Inputs — Observable prices that are based on inputs not quoted on active markets, but corroborated by market data, discounted cash flow models or similar techniques.

Level 3 Inputs — Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The following summarizes the fair value measurements:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset:				
Investments (See Note 4 for major categories)	<u>\$ 8,497,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,497,822</u>
Derivative - Interest rate swap agreement	<u>\$ -</u>	<u>\$ (113,756)</u>	<u>\$ -</u>	<u>\$ (113,756)</u>

NOTE 4 - INVESTMENTS

A breakdown of the investments held are as follows:

<u>Description</u>	<u>Reported Value</u>	<u>Cost</u>
Restricted cash	\$ 113,263	\$ 113,263
Equity securities	8,384,559	6,617,975
	<u>\$ 8,497,822</u>	<u>\$ 6,731,238</u>

Investment income consists of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Income:			
Dividends	\$ 116,839	\$ 46,458	\$ 163,297
Capital gain distribution	175,568	48,347	223,915
Other interest	18,940	1,826	20,766
Capital gains on sales of securities	275,779	(25,309)	250,470
	<u>587,126</u>	<u>71,322</u>	<u>658,448</u>
Expenses: Investment fees	323	11,246	11,569
	<u>\$ 586,803</u>	<u>\$ 60,076</u>	<u>\$ 646,879</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 5 - RENTAL REAL ESTATE PROPERTY

The Association owns and leases five residential properties that are leased on an annual basis. An unrelated management company is responsible for leasing and managing the properties. Property held for investment consists of the following:

Land	\$ 44,000
Houses	396,000
	<u>440,000</u>
Less accumulated depreciation	136,800
	<u>\$ 303,200</u>

The following summarizes the revenue and expenses at year end:

Rental income	\$ 31,645
Expenses:	
Real estate taxes	6,182
Repairs and maintenance	10,381
Insurance	984
Depreciation	14,400
	<u>31,947</u>
Net loss	<u>\$ (302)</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land and improvements	\$ 6,039,998
Buildings	48,882,818
Equipment	4,238,454
Software costs	128,920
Furniture, fixtures and office equipment	656,367
Transportation vehicles	318,934
Leasehold improvements	1,277,156
	<u>61,542,647</u>
Less accumulated depreciation	21,923,962
	<u>\$ 39,618,685</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

Unsecured bank qualified loan payable to a financial institution calling for 240 equal monthly principal installments through the maturity date of November 2030. Interest is payable monthly at 82.646% of the 1-month LIBOR rate plus 1.4615% (the 1-month LIBOR rate was 1.76%).

\$ 9,732,949

Unsecured nonbank qualified loan payable to a financial institution. The bond accrues interest at 82.646% of the 1-month LIBOR plus 1.8231% per annum (the 1-month LIBOR rate was 1.76%). The Association pays monthly principal payments ranging from \$13,417 to \$20,238 with the final payment due November 2034.

1,884,038

11,616,987

Less bond issuance cost, net of accumulated amortization

174,047

11,442,940

Less current maturities

1,522,590

\$ 9,920,350

The provisions of the bank qualified loan contains various financial covenants related to minimum levels of liquidity and net assets that the Association must maintain. The covenant also includes provisions related to borrowing leverage and other liquidity ratios. The Association was in compliance with all covenant provisions.

Future maturities of long-term debt, net of bond issuance cost, for each of the next five years and thereafter are as follows:

2020	\$ 1,522,590
2021	1,552,754
2022	1,557,590
2023	1,562,584
2024	1,568,000
Thereafter	3,679,422
	<u>\$ 11,442,940</u>

NOTE 8 - DERIVATIVES

To reduce the impact of changes in interest rates on its variable rate bonds payable, the Association has entered into an interest rate swap agreement. Under the agreement, interest is payable at a fixed rate of 2.755% based on the outstanding balance of the bank qualified loan payable, and is effective through November 18, 2022. The annual gain or loss on the fair value of the swap agreement is reported as revenue or expense in the consolidated statement of activities and changes in net assets. The interest rate swap agreement had a notional principal amount of \$9,732,949.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 8 - DERIVATIVES (Continued)

As a result of the Federal tax rate decrease effective January 1, 2018 and the YMCA electing not to amend the existing swap, the bond documents allowed the bank to adjust the LIBOR rate on the YMCA's debt. The unsecured bank qualified loan rate increased to 68% of LIBOR plus 1.2025% plus the Corporate Tax Rate Factor of 1.21538. Consequently, due to the change in the rate owed to the bank, the swap is no longer perfectly hedged.

The fair value of the interest rate swap agreement was derived from proprietary models as of a given date, supplied by the bank. The valuation is calculated on a mid market basis and does not include bid/offered spread that would be reflected in an actual price quotation. This model relies on certain assumptions regarding past, present, and future market conditions.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The Association has ten capital lease agreements with varying expiration dates through 2024. Capitalized costs of \$1,057,917 are included in equipment and the related accumulated depreciation is \$601,697 as of December 31, 2019. The leases are payable to financial institutions in monthly installments totaling \$29,852, including interest at approximately 4.81%. The capital leases are secured by the equipment leased.

Future minimum capital lease payments are as follows:

2020	\$ 200,194
2021	138,211
2022	56,798
2023	8,347
2024	<u>2,660</u>
	406,210
Amount representing interest	<u>(21,833)</u>
Present value of lease obligations	<u>\$ 384,377</u>

NOTE 10 - OPERATING LEASES

The Association leases office space, land and use of other program facilities under various operating lease agreements with varying expiration dates through 2025. The Association also rents equipment on an as needed basis for program use. Total rental expense was \$367,211.

Future minimum lease payments for these operating leases are as follows:

2020	\$ 187,894
2021	201,565
2022	206,105
2023	210,776
2024	215,581
Thereafter	<u>30,444</u>
	<u>\$ 1,052,365</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 10 - OPERATING LEASES (Continued)

The Association also leases its facilities to various organizations and individuals on a regular basis. Except as described below, these leasing transactions are normally short-term and on a case-by-case or month-to-month basis.

The Association rented portions of its Ragsdale facility under a non-cancelable lease agreement. The facility has a cost of \$6,289,325 and accumulated depreciation of \$2,417,735. Depreciation expense was \$163,582 for the year. The agreement calls for monthly rents of \$8,500 through February 2024. Rental income for the year totaled \$267,037.

Future minimum rental income to be received under the sub-rental agreements is as follows:

2020	\$	102,000
2021		102,000
2022		102,000
2023		102,000
2024		17,000
	\$	<u>425,000</u>

NOTE 11 - DESIGNATED NET ASSETS

The Board of Directors has designated certain amounts of net assets without donor restrictions to be used for future activities, repairs and maintenance, and other purposes on a branch-by-branch basis. These reserves are funded by designated cash balances. The Board retains the right to undesignate these funds as they deem appropriate. The reserve cash balances was \$1,483,925.

The Board of Directors has also designated \$2,118,820 of net assets without donor restrictions to be set aside for future operations. These reserves have been funded by purchasing investments with a market value designed for this amount. The Board retains the right to undesignate these funds as they deem appropriate.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, consist of the following:

Subject to spending policy and appropriation:	
Investment in perpetuity (including amounts above original gift amount of \$1,680,588), which, once appropriated, is expendable to support the operations of the YMCA	<u>\$ 2,415,249</u>
Subject to the passage of time:	
For periods after December 31, 2019	<u>503,896</u>
Subject to expenditures for specified purpose:	
Building or equipment, improvements or repairs	1,039,024
Scholarships	120,703
Programs	<u>167,777</u>
	<u>1,327,504</u>
Subject to expenditure when a specified event occurs:	
Paid-up life insurance policy that will provide proceeds upon death of insured for operations of the YMCA	<u>27,130</u>
	<u>\$ 4,273,779</u>

NOTE 13 - ENDOWMENT NET ASSETS

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association 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 purpose of the Association 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 investment; (6) other resources of the Association; and (7) the investment policies of the Association.

The Association's endowment is held with an investment bank and investment firms. Under the endowment agreement, the principal balance in the fund is permanently restricted to ensure that resources would be available to provide for future operations.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 13 - ENDOWMENT NET ASSETS (Continued)

The Association has the following donor-restricted endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	\$ -	\$ 2,116,729	\$ 2,116,729
Investment return:			
Investment income	-	91,625	91,625
Net appreciation (realized and unrealized)	-	312,987	312,987
Investment fees	-	(11,246)	(11,246)
Total investment return	-	393,366	393,366
Appropriations	96,146	(96,146)	-
Expenditures	(96,146)	-	(96,146)
Contributions	-	1,373	1,373
End of year	<u>\$ -</u>	<u>\$ 2,415,322</u>	<u>\$ 2,415,322</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies of this kind during the year.

NOTE 14 - COMMUNITY POOL

The Association, the City of Reidsville (the "City"), and Reidsville Community Pool Association ("RCPA") have entered into an agreement, whereas, the Association will operate and manage a community pool adjacent to the Association's Reidsville facility for the benefit of residents of the greater Reidsville area. Under the agreement, the Association receives a fee for the management of the pool. The management fee is intended to be a reimbursement for the cost of administrative overhead directly attributable to aquatic activities, and shall be based on a formula agreed upon by all parties. The agreement calls for the fee to be waived if the City continues to make its annual contribution for pool activities.

The agreement also calls for three percent of user fees to be deposited into a repair account and matched equally by both the Association and the City. Accumulated funds greater than \$30,000 in this account may be disbursed at the discretion of RCPA for aquatic programs or services. Operating surpluses are to be deposited in the repair account or may be specifically designated by RCPA for other public purposes. At year end, the accumulated fund amounted to \$21,740.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 14 - COMMUNITY POOL (Continued)

The following summarizes the revenue and expenses for the pool for the year:

Revenue:	
User fees	\$ 29,315
City of Reidsville contribution	35,162
Pool rental	4,109
Other	4,880
Total revenue	<u>73,466</u>
Expenses:	
Payroll (including payroll taxes and benefits)	89,680
Permits	150
Supplies	8,252
Utilities	30,427
Maintenance	1,017
Other	7,523
Total expenses	<u>137,049</u>
Operating deficit	<u><u>\$ (63,583)</u></u>

NOTE 15 - PENSION PLAN

The Association is a participant in a multi-employer National YMCA Retirement Fund Plan (the "Fund Plan") for all eligible employees. Employees are eligible if they are at least 21 years old and have worked at least 1,000 hours in any 2 twelve-month periods beginning on the employee's hire date. The Association has a two-year waiting period for enrollment and immediate vesting schedule. The Association's contributions to the Fund Plan are computed as a percentage of covered employees' annual salaries and the Association is not liable for any other amounts. Total retirement costs for the year totaled \$483,758.

NOTE 16 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the year, the Association paid interest of \$468,172.

During the year, the Association entered into the following non-cash investing transactions:

Property and equipment acquired through capital lease obligations	<u>\$ 327,724</u>
Purchase of property and equipment with accounts payable	<u><u>\$ 7,824</u></u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 17 - CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits. In addition, all of the Association's borrowings are concentrated with a single financial institution.

The Association's investments potentially subject it to market risk and concentrations of credit risk. The Association maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Association's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Association retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Association invests.

NOTE 18 - ASSETS LIQUIDITY

The following reflects the Association's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. Amounts not available include amounts set aside for reserves that could be drawn upon if the governing board approves that action.

Financial assets, at year end	\$ 14,899,540
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with purpose or time restrictions	3,746,837
Assets held on behalf of others	3,982
Board designations for reserves	<u>3,602,745</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 7,545,976</u></u>

NOTE 19 - SUBSEQUENT EVENTS

Subsequent to year end, the Association purchased property for Camp Weaver at a contract price of \$250,000.

Additionally, the COVID-19 outbreak in the United States has caused business disruption through mandated closings of all YMCA of Greensboro locations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Association expects the matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.