



**The Young Men's Christian Association of  
Frederick County, Maryland, Inc.**

**Financial Statements  
and Supplementary Information**

December 31, 2021 and 2020



# **The Young Men's Christian Association of Frederick County, Maryland, Inc.**

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December 31, 2021 and 2020

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## Independent Auditor's Report

To the Board of Directors  
The Young Men's Christian Association  
of Frederick County, Maryland, Inc.  
Frederick, Maryland

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of The Young Men's Christian Association of Frederick County, Maryland, Inc. (the YMCA), which comprise the statement of financial position as of December 31, 2021 and 2020, the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the YMCA as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the YMCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

#### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

## **Supplementary Information**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022 on our consideration of the YMCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the YMCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the YMCA's internal control over financial reporting and compliance.

RKL LLP

June 15, 2022  
York, Pennsylvania

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Statement of Financial Position

	December 31,	
	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,459,294	\$ 75,143
Restricted cash	209,997	400,770
Accounts receivable	759,359	394,010
Promises to give	803,794	284,721
Prepaid expenses	113,242	101,110
<b>Total Current Assets</b>	<b>3,345,686</b>	<b>1,255,754</b>
<b>Property and Equipment, Net</b>	<b>34,071,053</b>	<b>28,766,340</b>
<b>Other Assets</b>		
Promises to give, net	1,636,913	243,112
Investments	3,998,158	4,494,908
Beneficial interest in trusts	1,372,437	1,199,852
Interest in net assets of a community foundation	281,633	247,513
<b>Total Other Assets</b>	<b>7,289,141</b>	<b>6,185,385</b>
<b>Total Assets</b>	<b>\$ 44,705,880</b>	<b>\$ 36,207,479</b>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Statement of Financial Position (continued)

	December 31,	
	2021	2020
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt, net	\$ 1,099,829	\$ (12,700)
Line of credit	350,000	-
Accounts payable	533,330	4,843,682
Accrued expenses	378,188	337,193
Deferred rent	144,217	147,993
Deferred revenue	713,096	191,345
<b>Total Current Liabilities</b>	<b>3,218,660</b>	<b>5,507,513</b>
<b>Long-Term Liabilities</b>		
Long-term debt, net	18,877,341	13,852,605
Interest rate swap liability	253,828	-
<b>Total Long-Term Liabilities</b>	<b>19,131,169</b>	<b>13,852,605</b>
<b>Total Liabilities</b>	<b>22,349,829</b>	<b>19,360,118</b>
<b>Net Assets</b>		
Without donor restrictions	15,376,579	12,043,861
With donor restrictions	6,979,472	4,803,500
<b>Total Net Assets</b>	<b>22,356,051</b>	<b>16,847,361</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 44,705,880</b>	<b>\$ 36,207,479</b>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Statement of Activities

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support</b>			
Contributions	\$ 351,352	\$ 4,074,930	\$ 4,426,282
Federal grant - Head Start	3,019,381	-	3,019,381
Child Care and Development Block Grant	1,037,832	-	1,037,832
Disaster grants	599,785	-	599,785
Other grants	486,368	85,000	571,368
In-kind contributions	532,862	-	532,862
Special events	194,024	-	194,024
United Way	6,034	-	6,034
<b>Total Support</b>	<b>6,227,638</b>	<b>4,159,930</b>	<b>10,387,568</b>
<b>Revenue</b>			
Program fees	4,460,390	-	4,460,390
Memberships	3,654,276	-	3,654,276
Interest and dividends, net	144,857	(68,286)	76,571
Miscellaneous income	61,876	-	61,876
Food and merchandise sales	26,134	-	26,134
Loss on disposal of property and equipment	-	-	-
<b>Total Revenue</b>	<b>8,347,533</b>	<b>(68,286)</b>	<b>8,279,247</b>
<b>Net Assets Released from Restrictions</b>	<b>2,437,829</b>	<b>(2,437,829)</b>	<b>-</b>
<b>Total Support and Revenue</b>	<b>17,013,000</b>	<b>1,653,815</b>	<b>18,666,815</b>
<b>Expenses</b>			
Program services			
Family services	4,466,629	-	4,466,629
Head Start	3,672,375	-	3,672,375
Membership services	3,498,709	-	3,498,709
Youth and community programs	1,754,429	-	1,754,429
Adult programs	798,438	-	798,438
<b>Total Program Services</b>	<b>14,190,580</b>	<b>-</b>	<b>14,190,580</b>
Supporting services			
Management and general	711,370	-	711,370
Fundraising	470,486	-	470,486
<b>Total Expenses</b>	<b>15,372,436</b>	<b>-</b>	<b>15,372,436</b>
<b>Excess of Support and Revenue over Expenses</b>	<b>1,640,564</b>	<b>1,653,815</b>	<b>3,294,379</b>
<b>Forgiveness of Long-Term Debt</b>	<b>1,765,977</b>	<b>-</b>	<b>1,765,977</b>
<b>Net Unrealized and Realized Gain on Investments</b>	<b>145,885</b>	<b>349,572</b>	<b>495,457</b>
<b>Change in Value of Beneficial Interest in Trusts</b>	<b>-</b>	<b>172,585</b>	<b>172,585</b>
<b>Change in Interest in Net Assets of a Community Foundation</b>	<b>34,120</b>	<b>-</b>	<b>34,120</b>
<b>Change in Fair Value of Interest Rate Swap Liability</b>	<b>(253,828)</b>	<b>-</b>	<b>(253,828)</b>
<b>Changes in Net Assets</b>	<b>\$ 3,332,718</b>	<b>\$ 2,175,972</b>	<b>\$ 5,508,690</b>



# The Young Men's Christian Association of Frederick County, Maryland, Inc.

Statement of Activities (continued)

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support</b>			
Contributions	\$ 291,630	\$ 1,413,753	\$ 1,705,383
Federal grant - Head Start	2,548,520	-	2,548,520
Child Care and Development Block Grant	426,664	-	426,664
Disaster grants	53,062	-	53,062
Other grants	493,081	-	493,081
In-kind contributions	436,917	-	436,917
Special events	176,938	-	176,938
United Way	30,053	-	30,053
<b>Total Support</b>	<u>4,456,865</u>	<u>1,413,753</u>	<u>5,870,618</u>
<b>Revenue</b>			
Program fees	3,468,979	-	3,468,979
Memberships	2,580,508	-	2,580,508
Interest and dividends, net	110,521	(6,618)	103,903
Miscellaneous income	125,267	-	125,267
Food and merchandise sales	12,449	-	12,449
Loss on disposal of property and equipment	(20,311)	-	(20,311)
<b>Total Revenue</b>	<u>6,277,413</u>	<u>(6,618)</u>	<u>6,270,795</u>
<b>Net Assets Released from Restrictions</b>	<u>2,046,055</u>	<u>(2,046,055)</u>	<u>-</u>
<b>Total Support and Revenue</b>	<u>12,780,333</u>	<u>(638,920)</u>	<u>12,141,413</u>
<b>Expenses</b>			
Program services			
Family services	4,167,414	-	4,167,414
Head Start	3,251,703	-	3,251,703
Membership services	2,508,791	-	2,508,791
Youth and community programs	1,343,138	-	1,343,138
Adult programs	495,825	-	495,825
<b>Total Program Services</b>	11,766,871	-	11,766,871
Supporting services			
Management and general	775,035	-	775,035
Fundraising	414,265	-	414,265
<b>Total Expenses</b>	<u>12,956,171</u>	<u>-</u>	<u>12,956,171</u>
<b>Deficiency of Support and Revenue over Expenses</b>	(175,838)	(638,920)	(814,758)
<b>Forgiveness of Long-Term Debt</b>	-	-	-
<b>Net Unrealized and Realized Gain on Investments</b>	37,921	199,653	237,574
<b>Change in Value of Beneficial Interest in Trusts</b>	-	56,846	56,846
<b>Change in Interest in Net Assets of a Community Foundation</b>	35,154	-	35,154
<b>Change in Fair Value of Interest Rate Swap</b>	-	-	-
<b>Changes in Net Assets</b>	<u>\$ (102,763)</u>	<u>\$ (382,421)</u>	<u>\$ (485,184)</u>

See accompanying notes.

## The Young Men's Christian Association of Frederick County, Maryland, Inc.

### Statement of Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Net Assets at December 31, 2019</b>	\$ 12,146,624	\$ 5,185,921	\$ 17,332,545
Changes in net assets	<u>(102,763)</u>	<u>(382,421)</u>	<u>(485,184)</u>
<b>Net Assets at December 31, 2020</b>	12,043,861	4,803,500	16,847,361
Changes in net assets	<u>3,332,718</u>	<u>2,175,972</u>	<u>5,508,690</u>
<b>Net Assets at December 31, 2021</b>	<u>\$ 15,376,579</u>	<u>\$ 6,979,472</u>	<u>\$ 22,356,051</u>

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2021								
	Program Services					Supporting Services			Total
	Family Services	Head Start	Membership Services	Youth and Community Programs	Adult Programs	Total Program Services	Management and General	Fundraising	
<b>Personnel Costs</b>									
Salaries and wages	\$ 2,411,590	\$ 1,560,826	\$ 1,209,181	\$ 963,312	\$ 473,930	\$ 6,618,839	\$ 137,736	\$ 180,383	\$ 6,936,958
Employee benefits	449,082	374,015	156,821	53,936	47,363	1,081,217	6,797	33,264	1,121,278
Payroll taxes	172,668	133,159	104,187	72,992	33,461	516,467	14,891	12,117	543,475
<b>Total Personnel Costs</b>	<b>3,033,340</b>	<b>2,068,000</b>	<b>1,470,189</b>	<b>1,090,240</b>	<b>554,754</b>	<b>8,216,523</b>	<b>159,424</b>	<b>225,764</b>	<b>8,601,711</b>
Occupancy	564,709	650,709	790,023	187,158	77,714	2,270,313	232,683	42,522	2,545,518
Depreciation	237,189	130,345	464,325	106,218	44,332	982,409	137,114	25,057	1,144,580
Contract fees	109,237	196,582	183,667	99,220	47,528	636,234	48,104	53,386	737,724
Equipment maintenance	69,065	216,361	135,203	30,929	28,842	480,400	39,924	7,296	527,620
Financing costs	194,259	13,909	182,751	33,888	14,144	438,951	43,746	9,647	492,344
Supplies	72,715	213,280	48,876	113,984	13,226	462,081	5,234	4,123	471,438
Dues	68,019	5,799	58,816	15,532	887	149,053	2,744	5,617	157,414
Transportation	13,475	92,049	13,147	31,298	1,106	151,075	3,418	1,167	155,660
Telephone	38,330	28,282	45,444	13,095	4,478	129,629	12,214	2,840	144,683
Printing and publications	23,698	4,356	48,200	10,976	4,989	92,219	13,700	2,560	108,479
Training and meetings	17,440	48,056	8,679	6,702	2,837	83,714	1,925	9,030	94,669
Other insurance	15,547	2,858	30,435	6,962	2,906	58,708	8,989	1,642	69,339
Fundraising	-	-	-	-	-	-	-	59,203	59,203
Bad debt expense	3,086	-	10,107	5,737	-	18,930	-	18,541	37,471
Miscellaneous	5,236	1,717	6,508	2,226	621	16,308	1,921	351	18,580
Postage	1,284	72	2,339	264	74	4,033	230	1,740	6,003
	<u>\$ 4,466,629</u>	<u>\$ 3,672,375</u>	<u>\$ 3,498,709</u>	<u>\$ 1,754,429</u>	<u>\$ 798,438</u>	<u>\$ 14,190,580</u>	<u>\$ 711,370</u>	<u>\$ 470,486</u>	<u>\$ 15,372,436</u>

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended December 31, 2020								
	Program Services					Supporting Services			Total
	Family Services	Head Start	Membership Services	Youth and Community Programs	Adult Programs	Total Program Services	Management and General	Fundraising	
<b>Personnel Costs</b>									
Salaries and wages	\$ 2,397,179	\$ 1,491,165	\$ 1,017,615	\$ 770,429	\$ 323,135	\$ 5,999,523	\$ 190,205	\$ 201,854	\$ 6,391,582
Employee benefits	511,422	374,897	154,449	69,693	28,416	1,138,877	21,277	37,646	1,197,800
Payroll taxes	244,071	129,038	126,694	72,396	24,309	596,508	21,437	14,521	632,466
<b>Total Personnel Costs</b>	<b>3,152,672</b>	<b>1,995,100</b>	<b>1,298,758</b>	<b>912,518</b>	<b>375,860</b>	<b>7,734,908</b>	<b>232,919</b>	<b>254,021</b>	<b>8,221,848</b>
Occupancy	432,227	587,492	534,748	159,083	47,779	1,761,329	181,910	36,133	1,979,372
Depreciation	151,112	112,156	268,994	67,547	24,279	624,088	93,433	18,812	736,333
Contract fees	96,361	168,640	142,368	53,040	24,847	485,256	153,805	20,031	659,092
Equipment maintenance	18,434	48,704	41,940	14,241	3,930	127,249	12,256	2,156	141,661
Financing costs	94,873	3,718	51,341	8,195	2,946	161,073	53,925	2,282	217,280
Supplies	62,340	154,383	11,427	66,367	5,056	299,573	2,721	1,090	303,384
Dues	56,229	9,678	42,142	11,768	387	120,204	1,702	3,636	125,542
Transportation	12,718	110,845	12,626	14,496	1,084	151,769	4,775	974	157,518
Telephone	34,507	26,809	35,609	14,032	2,411	113,368	10,617	2,919	126,904
Printing and publications	20,355	4,128	36,310	10,670	3,270	74,733	14,405	5,988	95,126
Training and meetings	13,587	25,323	5,008	4,282	1,538	49,738	1,829	6,278	57,845
Other insurance	13,550	2,748	24,120	6,057	2,177	48,652	9,587	1,687	59,926
Fundraising	-	-	-	-	-	-	-	50,624	50,624
Bad debt expense	6,193	-	-	-	-	6,193	-	6,638	12,831
Miscellaneous	1,218	1,452	1,918	582	168	5,338	739	70	6,147
Postage	1,038	527	1,482	260	93	3,400	412	926	4,738
	<u>\$ 4,167,414</u>	<u>\$ 3,251,703</u>	<u>\$ 2,508,791</u>	<u>\$ 1,343,138</u>	<u>\$ 495,825</u>	<u>\$ 11,766,871</u>	<u>\$ 775,035</u>	<u>\$ 414,265</u>	<u>\$ 12,956,171</u>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Statement of Cash Flows

	Years Ended December 31,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 5,508,690	\$ (485,184)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	1,144,580	736,333
Amortization of debt issuance costs	12,700	17,410
Bad debt expense	37,471	12,831
Loss on disposal of property and equipment	-	20,311
Net unrealized and realized gain on investments	(495,457)	(237,574)
Change in unamortized discount - promises to give	74,833	(23,491)
Restricted contributions - South County Family YMCA	(4,103,619)	(1,399,220)
Change in value of beneficial interest in trusts	(172,585)	(56,846)
Change in interest in net assets of a community foundation	(34,120)	(35,154)
Forgiveness of long-term debt	(1,765,977)	-
Change in fair value of interest rate swap liability	253,828	-
(Increase) decrease in assets		
Accounts receivable	(384,821)	(27,987)
Promises to give	38,278	31,928
Prepaid expenses	(12,132)	7,778
Increase (decrease) in liabilities		
Accounts payable	(171,868)	303,156
Accrued expenses	40,995	(56,530)
Deferred rent	(3,776)	(6,851)
Deferred revenue	521,751	(343,680)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>488,771</b>	<b>(1,542,770)</b>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(10,587,777)	(11,727,812)
Purchase of investments	(157,180)	(111,140)
Proceeds from beneficial interest in trusts	-	217,922
Proceeds from sale of investments	1,149,387	93,925
<b>Net Cash Used in Investing Activities</b>	<b>(9,595,570)</b>	<b>(11,527,105)</b>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Statement of Cash Flows (continued)

	Years Ended December 31,	
	2021	2020
<b>Cash Flows from Financing Activities</b>		
Net change in line of credit	\$ 350,000	\$ -
Proceeds from long-term debt	7,986,505	14,069,454
Principal repayments of long-term debt	(95,963)	(2,712,299)
Payment of debt issuance costs	-	(280,985)
Restricted contributions - South County Family YMCA	2,059,635	1,606,028
	<u>10,300,177</u>	<u>12,682,198</u>
<b>Net Cash Provided by Financing Activities</b>		
	<u>1,193,378</u>	(387,677)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		
	<u>475,913</u>	863,590
<b>Cash and Cash Equivalents at Beginning of Year</b>		
	<u>\$ 1,669,291</u>	<u>\$ 475,913</u>
<b>Cash and Cash Equivalents at End of Year</b>		
	<u>\$ 1,669,291</u>	<u>\$ 475,913</u>
<b>Cash and Cash Equivalents is Comprised of the Following on the Statement of Financial Position</b>		
Cash and cash equivalents	\$ 1,459,294	\$ 75,143
Restricted cash	209,997	400,770
	<u>\$ 1,669,291</u>	<u>\$ 475,913</u>
<b>Supplementary Cash Flows Information</b>		
Interest paid, excluding capitalized interest	<u>\$ 267,725</u>	<u>\$ 55,657</u>

### Supplementary Schedule of Noncash Investing and Financing Activities

#### In 2021

Accounts payable includes \$214,511 of property and equipment.

#### In 2020

Accounts payable includes \$4,352,995 of property and equipment.

# **The Young Men's Christian Association of Frederick County, Maryland, Inc.**

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## Notes to Financial Statements

December 31, 2021 and 2020

### **Note 1 - Nature of Operations**

The Young Men's Christian Association of Frederick County, Maryland, Inc. (the YMCA) is a not-for-profit charitable organization that was founded in 1858. It is an association of persons of all ages who are united in a common effort to put Christian principles into practice through programs that promote healthy lifestyles, strengthen the family, develop leadership in youth, build international understanding, and assist in community development in Frederick, Maryland. The YMCA's primary focus is to provide opportunities for healthy living, youth development, and social responsibility. The YMCA's primary sources of support and revenue are grants, contributions, program fees, and memberships.

### **Note 2 - Summary of Significant Accounting Policies**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

#### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Basis of Accounting**

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

#### **Cash and Cash Equivalents**

The YMCA considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### **Accounts Receivable**

Accounts receivable consist primarily of childcare fees and grants receivable. Childcare fees are generally recorded as receivables on a monthly basis. Reimbursable grants are recorded as receivables when the YMCA recognizes the related expenses.

Accounts receivable are stated at outstanding balances. The need for any provision for uncollectible accounts is based on management's evaluation of the collectability of receivables. All accounts receivable as of December 31, 2021 and 2020 are considered collectible, and therefore, no loss provision is deemed necessary. Accounts receivable are reviewed quarterly for troubled accounts, which are written off when management deems them uncollectible. Recoveries of receivables previously written off are recorded when received. A childcare account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 15 days. Interest is not charged on past due amounts.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Promises to Give**

Promises to give are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a donor's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due.

**Property and Equipment**

Property and equipment are stated at cost if purchased, or at the estimated fair market value at the date of the gift, if contributed. Depreciation is computed using the straight-line method over the estimated average useful lives of the assets as follows: buildings and improvements, five to forty years and furniture and equipment, three to seven years. Land is not depreciated. Construction in progress is stated at cost and represents costs incurred on projects which were not completed as of the date of the statement of financial position. These costs are not depreciated until the underlying assets are placed into service.

The YMCA's policy is to capitalize all property and equipment expenditures of \$5,000 or more.

Maintenance, repairs, and minor renewals that do not significantly improve or extend the lives of the respective assets are charged to operations when incurred. Additions, improvements, and major renewals are capitalized. Cost and accumulated depreciation of property and equipment sold or retired are removed from the accounts, and any resulting gain or loss is included in operations.

**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during 2021 and 2020.



**Note 2 - Summary of Significant Accounting Policies (continued)**

**Investments**

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Contributed investments are valued at market value on the date contributed. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation.

**Beneficial Interest in Trusts**

Beneficial interest in trusts consist of beneficial interests in charitable remainder trusts and beneficial interests in perpetual trusts.

For beneficial interests in charitable remainder trusts, donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. These trusts are created by donors independent of the YMCA and are neither in the possession nor under the control of the YMCA. The trusts are administered by outside fiscal agents as designated by the donor. Upon termination of the trusts, the YMCA will receive a portion of the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded in the statement of financial position at the fair value of the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Changes in net assets of trusts are recorded as gains or losses (change in value of beneficial interest in trusts) in the statement of activities. Net assets and changes in the net assets are recorded as net assets with donor restrictions, subject to the passage of time.

For beneficial interests in perpetual trusts, the YMCA is the beneficiary of several perpetual trusts held by a third party. As the trusts are administered by third party trustees, the YMCA does not determine return objectives and risk parameters or the strategies for achieving return objects. The YMCA does not control the investment or spending policies for the principal of the trusts, but is allowed to spend all of its allocated investment income for its operations. Under the terms of the trusts, the YMCA has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interests in perpetual trusts are recorded at fair value in the statement of financial position. Changes in net assets of perpetual trusts are recorded as gains or losses (change in value of beneficial interest in trusts) in the statement of activities. Net assets and changes in the net assets are recorded perpetually as net assets with donor restrictions. Distributions received from these trusts are recorded in interest and dividends, net in the statement of activities.

**Interest in Net Assets of a Community Foundation**

Interest in net assets of a community foundation is reported at fair value as determined by the community foundation.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Debt Issuance Costs**

Costs related to the issuance of long-term debt are capitalized and amortized to interest expense over the term of the related debt. Gross debt issuance costs amounted to \$336,512 as of December 31, 2021 and 2020, and accumulated amortization amounted to \$25,400 and \$12,700 as of December 31, 2021 and 2020, respectively. Total amortization recognized in interest expense amounted to \$12,700 and \$17,410 for the years ended December 31, 2021 and 2020, respectively.

**Derivatives and Hedging Activity**

The YMCA is a party to an interest rate swap agreement to hedge the exposure to changing rates with respect to certain variable rate debt. In accordance with the accounting standard on accounting for derivative instruments and hedging activities, all derivatives, whether designated in hedging relationships or not, are required to be recorded on the statement of financial position at fair value. The YMCA's interest rate swap is recorded at fair value as determined by a third party. Changes in the fair value of the swap are recorded in the statement of activities as a component of changes in net assets as change in fair value of interest rate swap.

**Net Assets**

The net assets of the YMCA and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and are available for general operating purposes. From time to time, the Board of Directors may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that are restricted for a specified purpose or passage of time or are restricted in perpetuity.

**Revenue Recognition**

**Contributions**

The YMCA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction expires, that is, when a stipulated time restriction or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is satisfied in the same year the contribution is received, the support is reported as revenue with donor restrictions and is then reclassified through the release of restrictions.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**

**Grants**

Grant revenue deemed to be a contribution is classified as support with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions, since the proceeds thereof are non-reciprocal, unconditional, and voluntary.

Grant revenue deemed to be in respect of exchange transactions is classified as support without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

**Memberships**

Memberships, which operate on a monthly basis, are recognized as revenue in the applicable period. Collected but unearned memberships are presented as deferred revenue and are fully recognized as revenue in the applicable period. The YMCA offers members discounted or free services, such as fitness classes, that are available during each month of membership. If additional performance obligations should occur, the revenue for these obligations is recognized when the product or service is provided. There are no remaining performance obligations at the end of each membership period.

**Program Fees**

Program fees includes childcare and various fitness and youth activities offered by the YMCA. Program fees are recognized at the time the service is provided. Any amounts collected but unearned would be classified as deferred revenue and recognized as income in the applicable period.

**Special Events**

Special event income includes some events with both an exchange element in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received, and a contribution element for the YMCA. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. Special event fees collected by the YMCA in advance are initially recorded as liabilities (deferred revenue) and recognized as special event income after delivery of the event.

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 2 - Summary of Significant Accounting Policies (continued)

#### Revenue Recognition (continued)

##### In-Kind Contributions

Contributed assets, including contributed property and equipment and materials, are reported in the accompanying financial statements at their fair market value as of the date the assets were received. The YMCA also recognizes the value of contributed services that meet the requirements for recognition. The YMCA records only the value of contributed services that require specialized skills that create or enhance a non-financial asset, are provided by individuals possessing those skills or licenses, and for which the YMCA would need to purchase if the services were not donated. Additionally, a substantial number of individual volunteers and businesses have donated significant amounts of time to the YMCA's program, administrative, and fundraising functions. These services do not meet the criteria for recognition as contributed services, and are not reflected in the accompanying financial statements.

In-kind contributions consist of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Head Start program		
Occupancy	\$ 342,208	\$ 362,625
Contributed services	<u>190,654</u>	<u>74,292</u>
	<u>\$ 532,862</u>	<u>\$ 436,917</u>

##### Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2021 and 2020, the YMCA incurred advertising costs of \$81,933 and \$61,806, respectively.

##### Functional Allocation of Expenses

The cost of providing the YMCA's various programs and supporting services are summarized on a functional basis in the statement of activities and the statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort or on the basis of square footage.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10 and 2020-05. The guidance in these ASUs supersedes the leasing guidance in Topic 840, *Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for privately held companies for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

The YMCA is currently evaluating the pending adoption of the new standards on the financial statements.

**Note 3 - Income Taxes**

The YMCA is a nonprofit entity described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. In addition, the YMCA was organized under the Maryland Nonprofit Corporation Law and is exempt from state income taxes. Revenue earned which is not related to the YMCA's exempt purpose, less applicable deductions, is subject to federal and state corporate income taxes. The YMCA had no unrelated business income tax for the years ended December 31, 2021 and 2020.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the YMCA, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the YMCA has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the YMCA is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2018.

## The Young Men's Christian Association of Frederick County, Maryland, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 4 - Concentrations and Credit Risk

The YMCA has a potential concentration of credit risk if they maintain deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation. The maximum deposit insurance amount for interest and non-interest bearing accounts is \$250,000, which is applied per depositor, per insured bank for each account ownership category. At times during the years ended December 31, 2021 and 2020, the YMCA's cash balances may have exceeded the federally insured limit of \$250,000.

Additionally, the YMCA invests in professionally managed investment portfolios that contain cash and cash equivalents, common stocks, fixed income funds and exchange traded funds (refer to Note 9). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in such risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

During the years ended December 31, 2021 and 2020, the YMCA had three and one donors that accounted for approximately 77% and 70% of its total contributions, respectively. Additionally, two and three donors accounted for approximately 92% and 55% of promises to give, net, respectively.

#### Note 5 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the statement of financial position, comprise the following as of December 31:

	<u>2021</u>	<u>2020</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 1,459,294	\$ 75,143
Restricted cash	209,997	400,770
Accounts receivable	759,359	394,010
Promises to give - current	803,794	284,721
Investments	3,998,158	4,494,908
Distributions from beneficial interest in trusts	840,161	-
	<u>8,070,763</u>	<u>5,649,552</u>
<b>Total Financial Assets</b>		

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 5 - Liquidity and Availability (continued)**

	<u>2021</u>	<u>2020</u>
<b>Amounts Not Available to be Used for General Expenditures Within One Year</b>		
Cash subject to donor restrictions	\$ (209,997)	\$ (400,770)
Promises to give subject to donor restrictions	(779,184)	(246,871)
Endowment investments	(2,956,331)	(2,675,045)
Board designated		
Investments held for scholarships	<u>(1,041,827)</u>	<u>(1,819,863)</u>
<b>Total Amounts Not Available to be Used for General Expenditures Within One Year</b>	<u><b>(4,987,339)</b></u>	<u><b>(5,142,549)</b></u>
<b>Financial Assets Available to be Used for General Expenditures Within One Year</b>		
	<u><b>\$ 3,083,424</b></u>	<u><b>\$ 507,003</b></u>

As part of the YMCA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The YMCA's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Income from donor-restricted endowment funds is restricted for specific purposes and is not available for general expenditures. The board-designated endowment is subject to an annual spending rate. Although the YMCA does not intend to spend from this board-designated fund other than the approved annual distribution, if any, these funds could be made available if necessary.

The YMCA also has a line of credit available to meet short-term obligations if needed (refer to Note 14).

**Note 6 - Accounts Receivable**

Accounts receivable consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Disaster grants	\$ 435,231	\$ -
Federal grant - Head Start	225,008	184,992
Other	46,836	95,334
Childcare fees	43,181	35,443
Other grant	<u>9,103</u>	<u>78,241</u>
	<u><b>\$ 759,359</b></u>	<u><b>\$ 394,010</b></u>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 7 - Promises to Give

Promises to give - Capital Campaign represents funds raised for construction of a new South County facility, which includes an aquatic center, group exercise studios, a wellness center, indoor track, and other program facilities.

Promises to give - Heritage Club represents multi-year gifts received for the board designated endowment fund.

Promises to give - Capital Campaign and promises to give - Heritage Club that were acquired during the years ended December 31, 2021 and prior, and are expected to be collected in more than one year, were discounted to present value using risk-adjusted rates of return ranging from 1.36% to 5.25%.

Promises to give consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Promises to give - Capital Campaign	\$ 2,461,049	\$ 417,065
Promises to give - Heritage Club	91,772	139,050
	<u>2,552,821</u>	556,115
Unamortized discount	(83,977)	(9,144)
Allowance for uncollectible promises to give	(28,137)	(19,138)
	<u>\$ 2,440,707</u>	<u>\$ 527,833</u>
Current portion	\$ 803,794	\$ 284,721
Noncurrent portion	1,636,913	243,112
	<u>\$ 2,440,707</u>	<u>\$ 527,833</u>

Due dates of promises to give, assuming no changes in current terms, consist of the following for the five years ending December 31 and thereafter:

2022	\$ 803,794
2023	743,580
2024	667,367
2025	65,080
2026	59,000
Thereafter	214,000
	<u>\$ 2,552,821</u>



**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 8 - Property and Equipment**

Property and equipment consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 34,568,032	\$ 12,399,562
Land *	6,272,826	6,272,826
Furniture and equipment	3,772,710	2,835,894
Construction in progress *	443,901	17,119,627
	<u>45,057,469</u>	38,627,909
Accumulated depreciation	<u>(10,986,416)</u>	(9,861,569)
	<u>\$ 34,071,053</u>	<u>\$ 28,766,340</u>

\* Not depreciated

As of December 31, 2021, construction in progress includes \$414,059 of costs related to the flood remediation project. As of December 31, 2020, construction in progress includes \$16,994,665 of costs related to the South County development project. During the year ended December 31, 2021 the South County development project was completed and the related assets were placed into service (refer to Note 23).

**Note 9 - Investments**

The cost, gross unrealized gains and losses, and fair value for investments consist of the following as of December 31:

	<u>2021</u>			
	<u>Cost</u>	<u>Gross Unrealized</u>		<u>Fair Value</u>
		<u>Gains</u>	<u>Losses</u>	
Scholarship fund	\$ 1,905,388	\$ 991,101	\$ (3,958)	\$ 2,892,531
Endowment fund	952,888	156,523	(3,784)	1,105,627
	<u>\$ 2,858,276</u>	<u>\$ 1,147,624</u>	<u>\$ (7,742)</u>	<u>\$ 3,998,158</u>
	<u>2020</u>			
Scholarship fund	\$ 1,903,495	\$ 720,548	\$ (12,798)	\$ 2,611,245
Endowment fund	1,696,275	208,192	(20,804)	1,883,663
	<u>\$ 3,599,770</u>	<u>\$ 928,740</u>	<u>\$ (33,602)</u>	<u>\$ 4,494,908</u>

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 9 - Investments (continued)**

Investments, by type, consist of the following as of December 31:

	2021			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<b>Cash and Cash Equivalents</b>	\$ 123,091	\$ -	\$ -	\$ 123,091
<b>Common Stocks</b>				
Healthcare	197,861	231,116	-	428,977
Technology	173,568	215,565	-	389,133
Financial services	130,473	137,145	-	267,618
Industrials	104,381	161,354	(2,506)	263,229
Consumer goods	153,276	108,130	(133)	261,273
Real estate	125,374	81,482	(167)	206,689
Basic materials	69,017	27,948	(685)	96,280
Communication services	38,925	27,142	-	66,067
Utilities	11,734	4,001	-	15,735
Energy	6,544	28	-	6,572
<b>Fixed Income Funds</b>				
Corporate bonds	790,659	37,101	(529)	827,231
Intermediate core-plus bonds	214,908	2,413	(494)	216,827
Preferred stock	153,746	1,197	(1,490)	153,453
Other	106,769	707	(1,561)	105,915
<b>Exchange Traded Funds</b>				
Large value	114,622	26,860	-	141,482
Large growth	92,617	29,967	-	122,584
Other	79,242	19,879	-	99,121
International	85,548	9,891	-	95,439
Mid-cap blend	43,591	16,175	(177)	59,589
Large blend	42,330	9,523	-	51,853
	<u>\$ 2,858,276</u>	<u>\$ 1,147,624</u>	<u>\$ (7,742)</u>	<u>\$ 3,998,158</u>

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 9 - Investments (continued)**

	2020			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
<b>Cash and Cash Equivalents</b>	\$ 171,992	\$ -	\$ -	\$ 171,992
<b>Common Stocks</b>				
Healthcare	228,966	152,300	(1,130)	380,136
Technology	186,898	172,491	(3,880)	355,509
Financial services	187,590	74,842	(10,107)	252,325
Industrials	202,004	146,996	(9,305)	339,695
Consumer goods	166,618	97,876	-	264,494
Real estate	109,166	25,672	(2,845)	131,993
Basic materials	29,150	4,835	-	33,985
Communication services	98,398	27,778	(2,903)	123,273
Utilities	11,734	2,000	-	13,734
Energy	11,991	-	(3,293)	8,698
<b>Fixed Income Funds</b>				
Corporate bonds	846,323	65,505	(74)	911,754
Intermediate core-plus bonds	369,497	19,357	-	388,854
Other	165,693	2,807	(65)	168,435
<b>Exchange Traded Funds</b>				
Large value	120,508	16,639	-	137,147
Large growth	163,038	30,595	-	193,633
Other	91,449	21,417	-	112,866
International	109,266	12,157	-	121,423
Mid-cap blend	86,362	20,453	-	106,815
Large blend	243,127	35,020	-	278,147
	<u>\$ 3,599,770</u>	<u>\$ 928,740</u>	<u>\$ (33,602)</u>	<u>\$ 4,494,908</u>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 9 - Investments (continued)

Long-term investments held as of December 31, 2021 and 2020 are comprised of investments in cash and cash equivalents, common stocks, fixed income funds, and exchange traded funds. As of December 31, 2021 and 2020, the YMCA has recorded total unrealized holding losses on fifteen and sixteen of these securities, respectively. Management believes that holding losses recorded on these investments are not a permanent impairment, but rather a temporary market decline. The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of December 31:

	2021					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Common Stocks	\$ 19,586	\$ (818)	\$ 40,866	\$ (2,673)	\$ 60,452	\$ (3,491)
Fixed Income Funds	301,881	(4,074)	-	-	301,881	(4,074)
Exchange Traded Funds	11,888	(177)	-	-	11,888	(177)
	<u>\$ 333,355</u>	<u>\$ (5,069)</u>	<u>\$ 40,866</u>	<u>\$ (2,673)</u>	<u>\$ 374,221</u>	<u>\$ (7,742)</u>
	2020					
Common Stocks	\$ 125,515	\$ (20,814)	\$ 75,432	\$ (12,649)	\$ 200,947	\$ (33,463)
Fixed Income Funds	22,015	(74)	184	(65)	22,199	(139)
	<u>\$ 147,530</u>	<u>\$ (20,888)</u>	<u>\$ 75,616</u>	<u>\$ (12,714)</u>	<u>\$ 223,146</u>	<u>\$ (33,602)</u>

### Note 10 - Beneficial Interest in Trusts

#### Charitable Remainder Trusts

During the year ended December 31, 1994, Mr. Alden E. Fisher made a gift to the YMCA in the amount of \$750,000 in the form of a charitable remainder trust. The trust requires an annual payment to certain beneficiaries for their lifetime at the lesser of 10.00% or the maximum allowed by the Internal Revenue Service. Under the terms of the trust, future distributions will be received by the YMCA only after obligations to the beneficiaries are satisfied. The present value of the trust is estimated based on the expected life span of the beneficiaries. The YMCA's beneficiary interest allocation was 75.00% as of December 31, 2021 and 2020. In April 2022, the YMCA was notified that the trust was terminated. The trust is expected to be paid out in full during the year ended December 31, 2022.

## The Young Men's Christian Association of Frederick County, Maryland, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 10 - Beneficial Interest in Trusts (continued)

The carrying value of beneficial interest in trusts is as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Charitable remainder trusts		
Alden E. Fisher	\$ 840,161	\$ 710,303
Perpetual trusts		
Benjamin Shuff	498,777	458,833
John and Katherine Cheatham	22,699	20,991
Raymond Zimmerman	10,800	9,725
	<u>\$ 1,372,437</u>	<u>\$ 1,199,852</u>

#### Note 11 - Interest in Net Assets of a Community Foundation

The YMCA is the beneficiary of an endowment fund of the Frederick County Community Foundation, a community foundation. As beneficiary, the YMCA is entitled to annual distributions from the fund, based upon the Frederick County Community Foundation's spending policy. The Frederick County Community Foundation maintains variance power only over distributions from the funds. The endowment fund is reflected in the statement of financial position as interest in net assets of a community foundation.

#### Note 12 - Fair Value of Financial Instruments

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

## **The Young Men's Christian Association of Frederick County, Maryland, Inc.**

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### Notes to Financial Statements

December 31, 2021 and 2020

#### **Note 12 - Fair Value of Financial Instruments (continued)**

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

The following valuation techniques were used to measure fair value of assets in the tables below on a recurring basis:

Cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of these investments.

Common stocks, fixed income funds, and exchange traded funds - Fair value of common stocks, fixed income funds, and exchange traded funds were based on quoted market prices for the identical securities.

Interest in net assets of a community foundation - Fair value of interest in net assets of a community foundation was based on the YMCA's ownership interest of the fund as determined by the community foundation. The fund assets were valued based on the performance of underlying investments as well as an administrative fee.

Beneficial interest in trusts - The beneficial interest in trusts are valued at fair value based on the YMCA's interest in the fair values of the underlying assets, which approximate the present value of estimated cash flows to be received from the trusts. The present value measured is utilized as the underlying assets of each individual trust are not in the control of the YMCA.

Interest rate swap liability - Fair value of the interest rate swap is based on quoted market prices when available, or externally developed valuation models using forward looking assumptions of interest rates and the resulting effect on the underlying cash flows of the interest rate swap. Adjustments are not made for nonperformance risk on behalf of either party.

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

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 12 - Fair Value of Financial Instruments (continued)**

For assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy are as follows as of December 31:

	2021			
	Total	Level 1	Level 2	Level 3
<b>Cash and Cash Equivalents</b>	\$ 123,091	\$ 123,091	\$ -	\$ -
<b>Common Stocks</b>				
Healthcare	428,977	428,977	-	-
Technology	389,133	389,133	-	-
Financial services	267,618	267,618	-	-
Industrials	263,229	263,229	-	-
Consumer goods	261,273	261,273	-	-
Real estate	206,689	206,689	-	-
Basic materials	96,280	96,280	-	-
Communication services	66,067	66,067	-	-
Utilities	15,735	15,735	-	-
Energy	6,572	6,572	-	-
<b>Fixed Income Funds</b>				
Corporate bonds	827,231	827,231	-	-
Intermediate core-plus bonds	216,827	216,827	-	-
Preferred stock	153,453	153,453	-	-
Other	105,915	105,915	-	-
<b>Exchange Traded Funds</b>				
Large value	141,482	141,482	-	-
Large growth	122,584	122,584	-	-
Other	99,121	99,121	-	-
International	95,439	95,439	-	-
Mid-cap blend	59,589	59,589	-	-
Large blend	51,853	51,853	-	-
	<u>\$ 3,998,158</u>	<u>\$ 3,998,158</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Interest in Net Assets of a Community Foundation</b>	<u>\$ 281,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,633</u>

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 12 - Fair Value of Financial Instruments (continued)**

	2021			
	Total	Level 1	Level 2	Level 3
<b>Beneficial Interest in Trusts</b>				
Charitable remainder trusts	\$ 840,161	\$ -	\$ -	\$ 840,161
Perpetual trusts	532,276	-	-	532,276
	<u>\$ 1,372,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,372,437</u>
<b>Interest Rate Swap Liability</b>	<u>\$ (253,828)</u>	<u>\$ -</u>	<u>\$ (253,828)</u>	<u>\$ -</u>
<b>2020</b>				
<b>Cash and Cash Equivalents</b>	\$ 171,992	\$ 171,992	\$ -	\$ -
<b>Common Stocks</b>				
Healthcare	380,136	380,136	-	-
Technology	355,509	355,509	-	-
Financial services	252,325	252,325	-	-
Industrials	339,695	339,695	-	-
Consumer goods	264,494	264,494	-	-
Real estate	131,993	131,993	-	-
Basic materials	33,985	33,985	-	-
Communication services	123,273	123,273	-	-
Utilities	13,734	13,734	-	-
Energy	8,698	8,698	-	-
<b>Fixed Income Funds</b>				
Corporate bonds	911,754	911,754	-	-
Intermediate core-plus bonds	388,854	388,854	-	-
Other	168,435	168,435	-	-
<b>Exchange Traded Funds</b>				
Large value	137,147	137,147	-	-
Large growth	193,633	193,633	-	-
Other	112,866	112,866	-	-
International	121,423	121,423	-	-
Mid-cap blend	106,815	106,815	-	-
Large blend	278,147	278,147	-	-
	<u>\$ 4,494,908</u>	<u>\$ 4,494,908</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Interest in Net Assets of a Community Foundation</b>	<u>\$ 247,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,513</u>



**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 12 - Fair Value of Financial Instruments (continued)**

	2021			
	Total	Level 1	Level 2	Level 3
<b>Beneficial Interest in Trusts</b>				
Charitable remainder trusts	\$ 710,303	\$ -	\$ -	\$ 710,303
Perpetual trusts	489,549	-	-	489,549
	<u>\$ 1,199,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,199,852</u>

**Changes in Fair Value Levels**

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

The YMCA evaluated the significance of transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the years ended December 31, 2021 and 2020, there were no transfers in or out of Level 3.

**Note 13 - Endowments**

The YMCA's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The YMCA's donor restricted endowment funds are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) that extends a donor's restriction to use of the funds, including the investment return, until the funds are appropriated for expenditure by the Board of Directors.

**Return Objectives and Risk Parameters**

The Board of Directors of the YMCA has adopted an investment policy to clearly articulate the views on investment objectives and risk tolerance for the endowment funds. The investment objectives are preservation of capital, to provide adequate liquidity and to maximize returns without exposure to undue risks. Over a rolling three year period, the funds will strive to achieve a blended weighted total return exceeding certain benchmarks.

The portfolio performance is measured against the following benchmarks:

<u>Investment Category</u>	<u>Applicable Benchmark</u>
Equities	S&P 500
Fixed income	Barclays
Cash and cash equivalents	90 day Treasury bills

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements

December 31, 2021 and 2020

**Note 13 - Endowments (continued)**

**Strategies Employed for Achieving Objectives**

The YMCA 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 overall asset allocation of endowment funds is reviewed periodically to ensure appropriate diversification, quality, and suitability. The following types of investments are prohibited: hedge funds, private equity, swaps, derivative securities, and venture capital. The YMCA maintains the following asset classifications in order to achieve the objectives listed above:

Investment Category	Allowable Range of Portfolio Weightings	
	Minimum	Maximum
Equities	50 %	70 %
Fixed income	20	40
Cash and cash equivalents	-	10

**Spending Policy**

The Board of Directors of the YMCA determines how much investment income will be spent annually in accordance with the Investment Policy Statement. At the Board of Directors discretion, funds may be used for capital, operations, or scholarship needs.

During the year ended December 31, 2021, the Board of Directors of the YMCA approved a special distribution in the amount of \$1,000,000 from the board designated endowment fund to be used for capital expenditures related to the South County development project (refer to Note 23).

**Underwater Endowment Funds**

The YMCA considers a donor restricted perpetual endowment fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The YMCA has no such underwater endowment funds at December 31, 2021 or 2020.

The following schedules represent the endowment net asset composition by type of endowment fund as of December 31:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Scholarship fund	\$ -	\$ 2,892,531	\$ 2,892,531
Endowment fund - scholarships	1,323,460	63,800	1,387,260
<b>Total Funds</b>	<b>\$ 1,323,460</b>	<b>\$ 2,956,331</b>	<b>\$ 4,279,791</b>

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Notes to Financial Statements  
December 31, 2021 and 2020

**Note 13 - Endowments (continued)**

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Scholarship fund	\$ -	\$ 2,611,245	\$ 2,611,245
Endowment fund - scholarships	2,067,376	63,800	2,131,176
<b>Total Funds</b>	<b>\$ 2,067,376</b>	<b>\$ 2,675,045</b>	<b>\$ 4,742,421</b>

The following schedules represent the changes in endowment net assets for the years ended December 31:

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets, Beginning of Year</b>	<b>\$ 2,067,376</b>	<b>\$ 2,675,045</b>	<b>\$ 4,742,421</b>
<b>Investment Return</b>			
Interest and dividends, net	14,314	41,548	55,862
Net gain (realized and unrealized)	180,005	349,572	529,577
<b>Contributions</b>	<b>61,765</b>	<b>-</b>	<b>61,765</b>
<b>Disbursements</b>	<b>(1,000,000)</b>	<b>(109,834)</b>	<b>(1,109,834)</b>
<b>Endowment Net Assets, End of Year</b>	<b>\$ 1,323,460</b>	<b>\$ 2,956,331</b>	<b>\$ 4,279,791</b>

	<b>2020</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment Net Assets, Beginning of Year</b>	<b>\$ 1,967,938</b>	<b>\$ 2,482,010</b>	<b>\$ 4,449,948</b>
<b>Investment Return</b>			
Interest and dividends, net	26,364	44,310	70,674
Net gain (realized and unrealized)	73,074	199,653	272,727
<b>Disbursements</b>	<b>-</b>	<b>(50,928)</b>	<b>(50,928)</b>
<b>Endowment Net Assets, End of Year</b>	<b>\$ 2,067,376</b>	<b>\$ 2,675,045</b>	<b>\$ 4,742,421</b>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 14 - Line of Credit

The YMCA has a revolving line of credit agreement, which provides for borrowings of up to \$925,000. Interest accrues monthly at the prime rate as published in the Wall Street Journal, minus 0.25%, which was 3.00% as of December 31, 2021 and 2020. The line of credit is secured by all non-real estate assets of the YMCA.

### Note 15 - Long-Term Debt

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

	<u>2021</u>	<u>2020</u>
Note payable to M&T Bank - Frederick County, Maryland Economic Development Revenue Bond - Series 2019; issued December 2019; authorized aggregated principal amount of \$18,000,000; secured by real property; interest at a variable rate equal to 80% of the one-month LIBOR, plus 1.45% (1.53% and 1.57% at December 31, 2021 and 2020, respectively); interest only payments due beginning December 2019 (effective interest rate was 1.63% and 1.80% for the years ended December 31, 2021 and 2020, respectively) through July 2022; commencing on August 1, 2022, and on the first day of each month thereafter, principal and interest shall be paid in monthly installments; additionally, three \$500,000 principal payments are built into the repayment of the loan, which are due January 1, 2022, January 1, 2023 and January 1, 2024; all outstanding principal and interest due at maturity in July 2047	<b>\$ 18,000,000</b>	\$ 12,397,740
Note payable to M&T Bank - Paycheck Protection Program; refer to information below	<b>1,592,742</b>	1,765,977
Note payable to Jules and Associates, Inc. - requires eight monthly principal and interest payments of \$18,000 followed by sixteen monthly principal and interest payments of \$43,701; interest fixed at 6.15%; collateralized by equipment purchased; matures June 2023	<b>695,540</b>	-
Unamortized debt issuance costs	<b>(311,112)</b>	(323,812)
	<b>19,977,170</b>	13,839,905
Current maturities	<b>(1,099,829)</b>	12,700
	<b><u>\$ 18,877,341</u></b>	<b><u>\$ 13,852,605</u></b>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 15 - Long-Term Debt (continued)

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 25). The YMCA applied for a loan under this Program and received from M&T Bank, a loan in the amount of \$1,765,977 on April 16, 2020. The loan was forgivable if the YMCA met certain criteria as established under the Program. The loan was unsecured and did not require personal guarantees. In April 2021, the YMCA was notified by M&T Bank that the loan had been forgiven by the Small Business Administration.

On January 6, 2021, the Small Business Administration and the Department of the Treasury released interim final rules related to the expansion and extension of the Program that was enacted on March 27, 2020 by the CARES Act. The YMCA applied for a second loan under this Program and received from M&T Bank a loan in the amount of \$1,592,742 on March 19, 2021. The loan is forgivable if the YMCA meets certain criteria as established under the Program. The YMCA will seek loan forgiveness in fiscal year 2022. The YMCA anticipates there may be further guidance issued by the Small Business Administration, the Department of the Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any of the loan amount not forgiven under the Program is expected to be due in March 2026 with interest at 1.0%. The loan is unsecured and does not require personal guarantees.

Aggregate maturities of long-term debt and estimated amortization of debt issuance costs, assuming no changes in current terms, consist of the following for the five years ending December 31 and thereafter:

	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>	<u>Net</u>
2022	\$ 1,112,529	\$ (12,700)	\$ 1,099,829
2023	2,786,141	(12,700)	2,773,441
2024	948,208	(12,700)	935,508
2025	465,000	(12,700)	452,300
2026	480,872	(12,700)	468,172
Thereafter	<u>14,495,532</u>	<u>(247,612)</u>	<u>14,247,920</u>
	<u>\$ 20,288,282</u>	<u>\$ (311,112)</u>	<u>\$ 19,977,170</u>

## The Young Men's Christian Association of Frederick County, Maryland, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 15 - Long-Term Debt (continued)

Total interest expense related to the YMCA's long-term debt and line of credit (refer to Note 14) amounted to \$302,171 and \$73,067 for the years ended December 31, 2021 and 2020, respectively.

The YMCA is subject to certain financial covenants in connection with its outstanding Maryland Economic Development Revenue Bond. As of December 31, 2021, the YMCA was in compliance with these financial covenants.

#### Note 16 - Interest Rate Swap Agreement

In order to achieve a fixed interest rate on the variable rate Maryland Economic Development Revenue Bond - Series 2019 as described in Note 15, the YMCA entered into an interest rate swap agreement dated February 18, 2020 and effective July 1, 2021, scheduled to mature on June 1, 2037. The agreement provides for the YMCA to pay a fixed rate of interest of 2.82% applied to the notional amount of the swap to the counterparty to the agreement and receive a variable rate equal to the U.S. LIBOR-BBA-Bloomberg applied to the notional amount of the swap from the counterparty over the term of the agreement. The notional amount of the swap amounted to \$14,000,000 at the beginning of the agreement and will decrease to \$6,534,163 at maturity.

#### Note 17 - Net Assets without Donor Restrictions

The YMCA's net assets without donor restrictions is comprised of undesignated and board designated amounts for the following purposes as of December 31:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 14,053,119	\$ 9,976,485
Board designated		
Endowment fund - Scholarships	<u>1,323,460</u>	<u>2,067,376</u>
	<u>\$ 15,376,579</u>	<u>\$ 12,043,861</u>

## The Young Men's Christian Association of Frederick County, Maryland, Inc.

### Notes to Financial Statements

December 31, 2021 and 2020

#### Note 18 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for a specified purpose		
Promises to give - South County YMCA	\$ 2,364,527	\$ 403,833
Investments - scholarships	1,876,286	1,595,000
Cash - other	149,188	60,642
Cash - South County YMCA	60,809	340,128
Subject to the passage of time		
Beneficial interest in charitable remainder trusts		
Alden E. Fisher	840,161	710,303
Promises to give - Heritage Club	76,180	124,000
Perpetual in nature		
Endowment investments		
Neely endowment - scholarships	779,891	779,891
Crozier endowment - scholarships	236,354	236,354
Rosenstock endowment	63,800	63,800
Beneficial interest in perpetual trusts		
Benjamin Shuff	498,777	458,833
John and Katherine Cheatham	22,699	20,991
Raymond Zimmerman	10,800	9,725
	<u>\$ 6,979,472</u>	<u>\$ 4,803,500</u>

#### Note 19 - Retirement Plan

The YMCA participates in the YMCA Retirement Fund Retirement Plan, which is a defined contribution, money purchase, church pension 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 YMCA Retirement Fund (the 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.

# **The Young Men's Christian Association of Frederick County, Maryland, Inc.**

## Notes to Financial Statements

December 31, 2021 and 2020

### **Note 19 - Retirement Plan (continued)**

In accordance with the YMCA's agreement, contributions for the YMCA Retirement Fund Retirement Plan are equal to a percentage of the participating employee's salary. Eligible employees are those who are at least 21 years of age, work a minimum of 1,000 hours per year and have a minimum of two years of service. For each of the years ended December 31, 2021 and 2020, the YMCA's contribution percentage was 10%. Employer contributions to the plan for the years ended December 31, 2021 and 2020 amounted to \$410,974 and \$425,009, respectively. Unpaid contributions amounted to \$46,929 and \$63,082 as of December 31, 2021 and 2020, respectively.

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

### **Note 20 - Self-Insurance**

The YMCA is self-insured for Maryland unemployment compensation. Rather than posting collateral security, the YMCA elected to furnish a surety bond to offset any future claims. The YMCA York has posted a surety bond in the amount of \$138,006, which is effective through September 30, 2023.

### **Note 21 - Operating Leases**

The YMCA leases equipment, buildings, and camp facilities under non-cancelable operating leases. The leases require monthly payments with various maturity dates. The YMCA is also responsible for common area maintenance fees and charges for certain building leases.

Several of the lease agreements require escalating rent payments each year. These leases are expensed using the straight-line basis over the life of the lease. Deferred rent represents the cumulative expense recognized on a straight-line basis in excess of the cumulative payments made.

Future minimum lease payments under operating leases, assuming no change in current terms, consist of the following for the five years ending December 31 and thereafter:

2022	\$	495,780
2023		483,446
2024		357,521
2025		333,025
2026		231,575
Thereafter		<u>193,481</u>
	\$	<u>2,094,828</u>



# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 21 - Operating Leases (continued)

Rent expense for facilities and equipment leases amounted to \$481,342 and \$551,818 for the years ended December 31, 2021 and 2020, respectively.

The YMCA also has various operating lease agreements with local schools and churches for Head start facilities, which require either no or significantly reduced rent payments. The fair market value of the facilities has been recorded by the YMCA in the statement of activities as an in-kind contribution (refer to Note 2). The leases renew annually, unless otherwise provided.

### Note 22 - Financial Assistance Provided

The YMCA provides financial assistance through contributions and fundraising to help defray the costs of membership and program and other fees for individuals with needs. Memberships and program fees are recorded net of such assistance in the statement of activities. Net memberships and program fees amounted to the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Program fees	\$ 4,659,247	\$ 3,554,520
Financial assistance provided	<u>(198,857)</u>	<u>(85,541)</u>
<b>Program Fees, Net</b>	<b><u>\$ 4,460,390</u></b>	<b><u>\$ 3,468,979</u></b>
Memberships	\$ 3,773,153	\$ 2,685,900
Financial assistance provided	<u>(118,877)</u>	<u>(105,392)</u>
<b>Memberships, Net</b>	<b><u>\$ 3,654,276</u></b>	<b><u>\$ 2,580,508</u></b>

### Note 23 - South County Development Project

During 2015, the YMCA began a capital campaign to build the South County YMCA. The South County YMCA will serve youth, families, and seniors in the fastest growing part of Frederick County.

The subsequent chart provides information regarding sources and uses of funds related to this project as of December 31:

	<u>2021</u>	<u>2020</u>
<b>Sources of Funds</b>		
Donated land, original value	\$ 8,600,000	\$ 8,600,000
Change in value of property	<u>(2,860,000)</u>	<u>(2,860,000)</u>
Promises to give, net	2,364,527	403,833
Cash received, prior years	3,769,190	2,163,162
Cash received, current year	<u>2,059,635</u>	<u>1,606,028</u>
<b>Total Source of Funds, End of Year</b>	<b><u>\$ 13,933,352</u></b>	<b><u>\$ 9,913,023</u></b>

# The Young Men's Christian Association of Frederick County, Maryland, Inc.

## Notes to Financial Statements

December 31, 2021 and 2020

### Note 23 - South County Development Project (continued)

	<u>2021</u>	<u>2020</u>
<b>Use of Funds, Beginning of Year</b>	<b>\$ 17,797,751</b>	<b>\$ 2,138,004</b>
Expenses	<b>263,583</b>	132,192
Capitalized costs	<b>5,427,310</b>	15,527,555
	<b>5,690,893</b>	15,659,747
<b>Use of Funds, End of Year</b>	<b>\$ 23,488,644</b>	<b>\$ 17,797,751</b>

A memorandum of understanding between the YMCA and Frederick County Maryland (the County) was entered into on February 28, 2017. The County has identified and determined there is a need for a competitive level swimming pool facility to provide year-round swimming to benefit the students and citizens of Frederick County. The County does not desire at this time to construct or operate an additional pool and recognizes that the YMCA has experience in developing a swimming pool facility. Therefore, the County has requested that the YMCA plan, develop, and construct County requested enhancements to the aquatics center; including the competitive level swimming pool. In the consideration thereof, the County will contribute a portion of the estimated capital funding in the amount of \$3,600,000. The County contribution is anticipated to be allocated and paid in six annual installments beginning in 2020. The contribution from the County has been deemed to be conditional upon the YMCA meeting the terms as outlined in the memorandum of understanding. During the year ended December 31, 2021, the YMCA determined the conditions as outlined in the memorandum of understanding have been substantially met and the portion of the County contribution not previously recognized as contribution revenue was recorded. During the years ended December 31, 2021 and 2020, the YMCA recorded contributions from the County in the amount of \$2,400,000 and \$1,200,000 related to this swimming pool facility, respectively.

In accordance with the terms of the memorandum of understanding, in November 2020, the County and the YMCA entered into a 20-year lease agreement with two additional five-year options with the agreement of the parties to a non-exclusive use of the enhanced aquatics facility by the County. The initial term of the agreement commenced on April 1, 2021 and shall end on March 31, 2041. The amount of user fees to be paid by the County to the YMCA for the use of the facilities is based on actual usage and is billed monthly.

### Note 24 - Commitments

As of December 31, 2021, the YMCA has contracts related to a flood mitigation project amounting to approximately \$987,000. As of December 31, 2021, the YMCA has incurred approximately \$306,000 of this total.

## **The Young Men's Christian Association of Frederick County, Maryland, Inc.**

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### Notes to Financial Statements

December 31, 2021 and 2020

#### **Note 25 - Contingencies**

The YMCA is involved in a legal proceeding arising from activities in the ordinary course of business. Although it is not possible to presently determine the final outcome of this matter, management believes the aggregate liability, if any, will not have a material adverse effect on the YMCA's financial statements.

#### **Note 26 - Risks and Uncertainties**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the YMCA operates. It is unknown how long these conditions will last and what the complete financial effect will be to the YMCA.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

#### **Note 27 - Subsequent Events**

The YMCA has evaluated subsequent events through June 15, 2022. This date is the date the financial statements were available to be issued. The following event subsequent to December 31, 2021 was noted:

In April 2022, the YMCA was notified by M&T Bank that the second Paycheck Protection Program Loan (refer to Note 15) has been forgiven by the Small Business Administration.

No other material events subsequent to December 31, 2021 were noted.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

To the Board of Directors  
The Young Men's Christian Association  
of Frederick County, Maryland, Inc.  
Frederick, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Young Men's Christian Association of Frederick County, Maryland, Inc. (the YMCA), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

RKL LLP

June 15, 2022  
York, Pennsylvania

## **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
The Young Men's Christian Association  
of Frederick County, Maryland, Inc.  
Frederick, Maryland

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited The Young Men's Christian Association of Frederick County, Maryland, Inc.'s (the YMCA) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the YMCA's major federal programs for the year ended December 31, 2021. The YMCA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

#### ***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

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

## **Report on Internal Control over Compliance**

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

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

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

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

RKL LLP

June 15, 2022  
York, Pennsylvania



**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Year Ended December 31, 2021		
	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Passed through Maryland State Department of Education			
Child and Adult Care Food Program	10.558	N/A	\$ 78,204
COVID-19 - Child and Adult Care Food Program	10.558	N/A	29,688
<b>Total U.S. Department of Agriculture</b>			<b>107,892</b>
<b>U.S. Department of the Treasury</b>			
Passed through Frederick County, Maryland			
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	50,000
<b>Total U.S. Department of the Treasury</b>			<b>50,000</b>
<b>U.S. Department of Health and Human Services</b>			
<b>Child Care and Development Fund Cluster</b>			
Passed through Maryland State Department of Education			
COVID-19 - Child Care and Development Block Grant	93.575	2001MDCCC5	277,635
COVID-19 - Child Care and Development Block Grant	93.575	2101MDCSC6	760,197
<b>Total Child Care and Development Fund Cluster</b>			<b>1,037,832</b>
<b>Head Start Cluster</b>			
Head Start	93.600	03CH010485-04	1,190,897
Head Start	93.600	03CH010485-05	1,801,590
COVID-19 - Head Start	93.600	03CH010485-04C3	21,534
COVID-19 - Head Start	93.600	03HE001224-01-01	5,360
<b>Total Head Start cluster</b>			<b>3,019,381</b>
<b>Total U.S. Department of Health and Human Services</b>			<b>4,057,213</b>
<b>U.S. Department of Homeland Security</b>			
Passed through Maryland Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4374-DR-MD (63616)	300,005
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4491-DR-MD (553043)	108,883
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4491-DR-MD (184109)	88,012
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4491-DR-MD (334009)	89,884
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4491-DR-MD (153176)	13,001
<b>Total U.S. Department of Homeland Security</b>			<b>599,785</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 4,814,890</b>

## **The Young Men's Christian Association of Frederick County, Maryland, Inc.**

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### Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

#### **Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of The Young Men's Christian Association of Frederick County, Maryland, Inc. (the YMCA) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the YMCA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the YMCA.

#### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **Note 3 - Indirect Cost Rate**

The YMCA has elected to use the ten-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes  no

Significant deficiency(ies) identified?

yes  none reported

Noncompliance material to financial statements noted?

yes  no

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified?

yes  no

Significant deficiency(ies) identified?

yes  none reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major federal programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care and Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

yes  no

**The Young Men's Christian Association of Frederick County, Maryland, Inc.**

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Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2021

**Section II - Financial Statement Findings**

No findings are reported.

**Section III - Federal Award Findings and Questioned Costs**

No findings are reported.