ADVISORS for WHAT'S NEXT

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

Financial Statements and Supplementary Information

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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Responsibilities of Management for the Financial Statements (continued)

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 25, 2024 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 25, 2024
York, Pennsylvania

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

Statement of Financial Position

	December 31, 2023	December 31, 2022
Assets		
Current Assets		
Cash and cash equivalents	**$ 4,748,881**	$ 3,031,477
Restricted cash	**109,564**	104,719
Accounts receivable	**1,150,956**	704,370
Promises to give	**693,792**	835,837
Prepaid expenses	**204,028**	134,689
Total Current Assets	**6,907,221**	4,811,092
Property and Equipment, Net	**32,923,168**	32,902,141
Other Assets		
Promises to give, net	**328,878**	941,338
Investments	**3,765,802**	3,368,776
Beneficial interest in trusts	**446,529**	409,250
Interest in net assets of a community foundation	**267,766**	238,511
Interest rate swap asset	**1,596,128**	1,763,092
Right-of-use assets, finance leases	**208,097**	-
Right-of-use assets, operating leases	**1,330,129**	1,432,443
Total Other Assets	**7,943,329**	8,153,410
Total Assets	**$ 47,773,718**	$ 45,866,643

	December 31, 2023	December 31, 2022
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt, net	**$ 935,508**	$ 922,159
Current portion of finance lease liability	**46,679**	-
Current portion of operating lease liability	**397,275**	385,377
Accounts payable	**491,197**	418,271
Accrued expenses	**518,860**	515,415
Deferred revenue	**822,273**	469,894
Total Current Liabilities	**3,211,792**	2,711,116
Long-Term Liabilities		
Long-term debt, net	**12,168,391**	13,103,899
Finance lease liability	**162,282**	-
Operating lease liability	**956,025**	1,060,660
Total Long-Term Liabilities	**13,286,698**	14,164,559
Total Liabilities	**16,498,490**	16,875,675
Net Assets		
Without donor restrictions	**27,019,294**	24,265,828
With donor restrictions	**4,255,934**	4,725,140
Total Net Assets	**31,275,228**	28,990,968
Total Liabilities and Net Assets	**$ 47,773,718**	$ 45,866,643

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

Statement of Activities

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Federal grant - Head Start	$ 2,680,734	$ -	$ 2,680,734
Other grants	2,080,496	129,750	2,210,246
Employee Retention Tax Credits	1,146,636	-	1,146,636
In-kind contributions	584,405	-	584,405
Contributions	226,753	117,277	344,030
Special events	176,631	-	176,631
Disaster grants	111,033	-	111,033
Child Care and Development Block Grant	-	-	-
Total Support	7,006,688	247,027	7,253,715
Revenue			
Memberships	7,233,339	-	7,233,339
Program fees	6,320,721	-	6,320,721
Interest and dividends, net	206,785	42,632	249,417
Miscellaneous income	179,986	-	179,986
Food and merchandise sales	28,661	-	28,661
Total Revenue	13,969,492	42,632	14,012,124
Net Assets Released from Restrictions	996,687	(996,687)	-
Total Support and Revenue	21,972,867	(707,028)	21,265,839
Expenses			
Program services			
Membership services	4,724,125	-	4,724,125
Family services	4,668,358	-	4,668,358
Head Start	3,730,631	-	3,730,631
Youth and community programs	2,855,681	-	2,855,681
Adult programs	1,238,016	-	1,238,016
Total Program Services	17,216,811	-	17,216,811
Supporting services			
Management and general	1,500,118	-	1,500,118
Fundraising	430,359	-	430,359
Total Expenses	19,147,288	-	19,147,288
Excess (Deficit) of Support and Revenue over Expenses	2,825,579	(707,028)	2,118,551
Forgiveness of Long-Term Debt	-	-	-
Net Unrealized and Realized Gain on Investments	83,252	200,543	283,795
Change in Value of Beneficial Interest in Trusts	-	37,279	37,279
Change in Interest in Net Assets of a Community Foundation	29,255	-	29,255
Loss on Sale of Property and Equipment	(17,656)	-	(17,656)
Change in Fair Value of Interest Rate Swap	(166,964)	-	(166,964)
Changes in Net Assets	$ 2,753,466	$ (469,206)	$ 2,284,260

See accompanying notes.

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support			
Federal grant - Head Start	$ 2,806,173	$ -	$ 2,806,173
Other grants	1,812,038	156,280	1,968,318
Employee Retention Tax Credits	-	-	-
In-kind contributions	621,242	-	621,242
Contributions	274,373	94,773	369,146
Special events	199,641	-	199,641
Disaster grants	788,936	-	788,936
Child Care and Development Block Grant	593,223	-	593,223
Total Support	7,095,626	251,053	7,346,679
Revenue			
Memberships	6,094,353	-	6,094,353
Program fees	5,653,618	-	5,653,618
Interest and dividends, net	162,142	(79,363)	82,779
Miscellaneous income	90,437	-	90,437
Food and merchandise sales	26,007	-	26,007
Total Revenue	12,026,557	(79,363)	11,947,194
Net Assets Released from Restrictions	1,860,024	(1,860,024)	-
Total Support and Revenue	20,982,207	(1,688,334)	19,293,873
Expenses			
Program services			
Membership services	4,474,641	-	4,474,641
Family services	4,236,921	-	4,236,921
Head Start	3,801,740	-	3,801,740
Youth and community programs	2,477,663	-	2,477,663
Adult programs	1,110,787	-	1,110,787
Total Program Services	16,101,752	-	16,101,752
Supporting services			
Management and general	806,092	-	806,092
Fundraising	431,267	-	431,267
Total Expenses	17,339,111	-	17,339,111
Excess (Deficit) of Support and Revenue over Expenses	3,643,096	(1,688,334)	1,954,762
Forgiveness of Long-Term Debt	1,592,742	-	1,592,742
Net Unrealized and Realized Loss on Investments	(160,907)	(442,972)	(603,879)
Change in Value of Beneficial Interest in Trusts	-	(123,026)	(123,026)
Change in Interest in Net Assets of a Community Foundation	(43,122)	-	(43,122)
Gain on Sale of Property and Equipment	1,840,520	-	1,840,520
Change in Fair Value of Interest Rate Swap	2,016,920	-	2,016,920
Changes in Net Assets	$ 8,889,249	$ (2,254,332)	$ 6,634,917

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

Statement of Changes in Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets at December 31, 2021	$ 15,376,579	$ 6,979,472	$ 22,356,051
Changes in net assets	8,889,249	(2,254,332)	6,634,917
Net Assets at December 31, 2022	24,265,828	4,725,140	28,990,968
Changes in net assets	**2,753,466**	**(469,206)**	**2,284,260**
Net Assets at December 31, 2023	**$ 27,019,294**	**$ 4,255,934**	**$ 31,275,228**

See accompanying notes.

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

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2023								
	Program Services						Supporting Services		
	Membership Services	Family Services	Head Start	Youth and Community Programs	Adult Programs	Total Program Services	Management and General	Fundraising	Total
Personnel Costs									
Salaries and wages	$ 1,527,773	$ 2,451,482	$ 1,642,200	$ 1,693,134	$ 798,882	$ 8,113,471	$ 292,041	$ 193,794	$ 8,599,306
Employee benefits	262,836	485,879	399,164	96,261	61,541	1,305,681	52,597	38,084	1,396,362
Payroll taxes	144,968	193,019	150,339	133,772	62,656	684,754	35,842	14,559	735,155
Total Personnel Costs	1,935,577	3,130,380	2,191,703	1,923,167	923,079	10,103,906	380,480	246,437	10,730,823
Occupancy	1,026,942	641,433	811,491	238,977	103,995	2,822,838	479,175	26,193	3,328,206
Depreciation and amortization	551,125	179,154	162,478	119,836	53,182	1,065,775	257,395	14,070	1,337,240
Contract fees	258,899	110,284	148,427	125,154	69,562	712,326	106,795	8,251	827,372
Financing costs	378,307	185,448	20,185	44,965	19,955	648,860	96,581	11,295	756,736
Supplies	56,768	137,798	159,823	211,343	27,162	592,894	9,701	10,569	613,164
Equipment maintenance and rent	148,266	47,521	55,354	42,474	14,977	308,592	68,273	3,732	380,597
Dues	120,473	67,045	7,439	33,998	870	229,825	4,215	10,823	244,863
Transportation	10,641	14,241	95,263	44,073	1,716	165,934	4,415	875	171,224
Telephone	58,534	40,978	15,990	18,444	6,480	140,426	26,007	2,622	169,055
Training and meetings	31,576	32,540	50,778	17,298	5,039	137,231	13,087	18,647	168,965
Printing and publications	76,889	23,358	7,014	15,644	7,563	130,468	33,559	3,312	167,339
Provision for credit losses	24,454	43,091	-	8,303	-	75,848	-	5,675	81,523
Fundraising	-	-	-	-	-	-	-	66,404	66,404
Other insurance	29,126	9,468	2,843	6,333	2,811	50,581	13,602	744	64,927
Miscellaneous	14,603	4,976	1,653	5,183	1,437	27,852	5,926	660	34,438
Postage	1,945	643	190	489	188	3,455	907	50	4,412
	$ 4,724,125	$ 4,668,358	$ 3,730,631	$ 2,855,681	$ 1,238,016	$ 17,216,811	$ 1,500,118	$ 430,359	$ 19,147,288

See accompanying notes.

	Year Ended December 31, 2022								
	Program Services						Supporting Services		
	Membership Services	Family Services	Head Start	Youth and Community Programs	Adult Programs	Total Program Services	Management and General	Fundraising	Total
Personnel Costs									
Salaries and wages	$ 1,355,431	$ 2,148,078	$ 1,612,160	$ 1,415,057	$ 669,429	$ 7,200,155	$ 147,379	$ 186,547	$ 7,534,081
Employee benefits	182,267	452,481	430,236	81,779	43,827	1,190,590	11,938	38,695	1,241,223
Payroll taxes	134,715	172,627	164,837	112,254	52,995	637,428	18,891	14,122	670,441
Total Personnel Costs	1,672,413	2,773,186	2,207,233	1,609,090	766,251	9,028,173	178,208	239,364	9,445,745
Occupancy	981,784	600,203	700,466	222,290	97,491	2,602,234	245,729	25,606	2,873,569
Depreciation and amortization	593,983	193,950	191,675	128,745	57,115	1,165,468	149,021	15,529	1,330,018
Contract fees	279,884	110,408	300,067	113,371	68,388	872,118	64,312	13,741	950,171
Financing costs	427,709	187,255	28,918	61,273	27,182	732,337	70,921	9,885	813,143
Supplies	88,268	119,841	197,037	163,861	28,955	597,962	16,428	2,318	616,708
Equipment maintenance and rent	122,089	39,865	28,441	75,653	37,743	303,791	30,628	3,192	337,611
Dues	92,709	70,185	7,270	24,371	860	195,395	2,246	7,215	204,856
Transportation	13,538	12,292	95,233	22,941	1,925	145,929	3,103	721	149,753
Telephone	55,858	35,273	20,722	15,563	6,097	133,513	13,297	2,461	149,271
Training and meetings	18,058	23,320	13,245	13,504	6,430	74,557	3,205	20,606	98,368
Printing and publications	72,151	22,999	7,205	15,610	7,589	125,554	17,671	1,897	145,122
Provision for credit losses	8,377	32,160	-	1,086	-	41,623	-	20,820	62,443
Fundraising	-	-	-	-	-	-	-	65,407	65,407
Other insurance	33,078	10,801	3,384	7,170	3,181	57,614	8,297	865	66,776
Miscellaneous	14,421	4,812	811	3,023	1,549	24,616	2,945	1,387	28,948
Postage	321	371	33	112	31	868	81	253	1,202
	$ 4,474,641	$ 4,236,921	$ 3,801,740	$ 2,477,663	$ 1,110,787	$ 16,101,752	$ 806,092	$ 431,267	$ 17,339,111

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

Statement of Cash Flows

	Years Ended December 31, 2023	2022
Cash Flows from Operating Activities		
Changes in net assets	**$ 2,284,260**	$ 6,634,917
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	**1,337,240**	1,330,018
Amortization of debt issuance costs	**12,700**	12,700
Provision for credit losses	**81,523**	62,443
(Gain) loss on sale of property and equipment	**17,656**	(1,840,520)
Net unrealized and realized (gain) loss on investments	**(283,795)**	603,879
Change in unamortized discount - promises to give	**(16,593)**	(30,594)
Restricted contributions - Natelli Family YMCA	**-**	(500)
Change in value of beneficial interest in trusts	**(37,279)**	123,026
Change in interest in net assets of a community foundation	**(29,255)**	43,122
Forgiveness of long-term debt	**-**	(1,592,742)
Change in fair value of interest rate swap	**166,964**	(2,016,920)
Amortization of right-of-use assets, operating leases included in rent expense	**426,518**	383,670
(Increase) decrease in assets		
Accounts receivable	**(556,684)**	(2,839)
Promises to give	**(696)**	(13,304)
Prepaid expenses	**(69,339)**	(21,447)
Increase (decrease) in liabilities		
Accounts payable	**(37,352)**	49,096
Accrued expenses	**3,445**	137,227
Deferred rent	**-**	(144,217)
Deferred revenue	**352,379**	(243,202)
Operating lease liability	**(416,941)**	(370,076)
Net Cash Provided by Operating Activities	**3,234,751**	3,103,737
Cash Flows from Investing Activities		
Capital expenditures	**(1,254,714)**	(1,484,741)
Purchase of investments	**(149,843)**	(131,172)
Proceeds from beneficial interest in trusts	**-**	840,161
Proceeds from sale of property and equipment	**-**	3,000,000
Proceeds from sale of investments	**36,612**	156,675
Net Cash Provided by (Used in) Investing Activities	**(1,367,945)**	2,380,923

See accompanying notes.

	Years Ended December 31, 2023	2022
Cash Flows from Financing Activities		
Net change in line of credit	**$ -**	$ (350,000)
Principal repayments of finance lease liability	**(10,067)**	-
Principal repayments of long-term debt	**(934,859)**	(4,371,070)
Restricted contributions - Natelli Family YMCA	**800,369**	703,315
Net Cash Used in Financing Activities	**(144,557)**	(4,017,755)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	**1,722,249**	1,466,905
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	**3,136,196**	1,669,291
Cash, Cash Equivalents, and Restricted Cash at End of Year	**$ 4,858,445**	$ 3,136,196
Cash, Cash Equivalents, and Restricted Cash is Comprised of the Following on the Statement of Financial Position		
Cash and cash equivalents	**$ 4,748,881**	$ 3,031,477
Restricted cash	**109,564**	104,719
	$ 4,858,445	$ 3,136,196
Supplementary Cash Flows Information		
Interest paid, excluding capitalized interest	**$ 413,238**	$ 506,734

Supplementary Schedule of Noncash Investing and Financing Activities

In 2023

Accounts payable includes $160,634 of property and equipment.

Equipment valued at $219,028 was financed by a finance lease.

A right-of-use asset, operating and operating lease liability of $324,204 was recorded during the year ended December 31, 2023.

In 2022

A right-of-use asset and corresponding operating lease liability of $1,745,518 was recorded for property leases in conjunction with the adoption of Accounting Standards Codification Topic 842, *Leases.* Additionally, a right-of-use asset, operating and operating lease liability of $70,595 was recorded during the year ended December 31, 2022.

Accounts payable includes $50,356 of property and equipment.

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, at the time the service is provided. Reimbursable grants are recorded as receivables when the YMCA recognizes the related expenses.

Accounts receivable are stated at amounts management expects to collect on balances outstanding at year-end. If collection becomes doubtful, an allowance for credit losses will be established, or the accounts will be charged to revenue when that determination is made by management. Management regularly evaluates individual accounts based on past experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts receivable are recorded to revenue when received. At December 31, 2023 and 2022, the YMCA considers all accounts receivable to be fully collectible and no credit losses are expected. As such, at December 31, 2023 and 2022, no allowance for credit losses was recorded.

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. Property and equipment are depreciated or amortized using the straight-line method over the estimated average useful lives of the assets or the lease term, whichever is shorter, 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 2023 and 2022.

Right-of-Use Assets and Liabilities

The YMCA records leases in accordance with Accounting Standards Codification (ASC) Topic 842, *Leases*, effective as of January 1, 2022, which requires that most leases be recognized on the statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

Note 2 - Summary of Significant Accounting Policies (continued)

Right-of-Use Assets and Liabilities (continued)

The YMCA determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the YMCA obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The YMCA also considers whether its service arrangements include the right to control the use of an asset.

The YMCA made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the YMCA made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

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 consists of 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

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, 2023 and 2022, and accumulated amortization amounted to $50,800 and $38,100 as of December 31, 2023 and 2022, respectively. Total amortization of debt issuance costs recognized in interest expense amounted to $12,700 for each of the years ended December 31, 2023 and 2022.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions (continued)

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.

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 include 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Donated or Contributed Investments, Services, or Materials

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, the YMCA incurred advertising costs of $131,814 and $121,173, 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.

Change in Accounting Principles

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The YMCA adopted ASU 2016-13 as of January 1, 2023. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the YMCA that are subject to the guidance in FASB ASC 326 are accounts receivable. The YMCA implemented the provisions of this standard. Management determined the ASU did not have a material impact on the YMCA's 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, 2023 and 2022.

Note 3 - Income Taxes (continued)

U.S. GAAP requires 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, 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, 2023 and 2022, 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, exchange traded funds, and government securities (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.

As of December 31, 2023 and 2022, two donors accounted for approximately 93% and 90% 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:

	2023	**2022**
Financial Assets		
Cash and cash equivalents	**$ 4,748,881**	$ 3,031,477
Restricted cash	**109,564**	104,719
Accounts receivable	**1,150,956**	704,370
Promises to give - current	**693,792**	835,837
Investments	**3,765,802**	3,368,776
Total Financial Assets	**10,468,995**	8,045,179

Note 5 - Liquidity and Availability (continued)

	2023	2022
Amounts Not Available to be Used for General Expenditures Within One Year		
Cash subject to donor restrictions	**$ (109,564)**	$ (104,719)
Promises to give subject to donor restrictions	**(665,990)**	(808,234)
Endowment investments	**(2,677,171)**	(2,433,996)
Board designated		
Investments held for scholarships	**(1,088,631)**	(934,780)
Total Amounts Not Available to be Used for General Expenditures Within One Year	**(4,541,356)**	(4,281,729)
Financial Assets Available to be Used for General Expenditures Within One Year	**$ 5,927,639**	$ 3,763,450

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:

	2023	2022
State of Maryland - building improvements	**$ 750,000**	$ -
Federal grant - Head Start	**140,802**	285,656
Other	**130,492**	169,733
Childcare fees	**129,662**	78,812
Disaster grants	**-**	170,169
	$ 1,150,956	$ 704,370

Note 7 - Promises to Give

Promises to give - Capital Campaign represents funds raised for construction of the Natelli Family YMCA 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 pledged for the YMCA's endowment fund. Any donor who pledges a gift of at least $10,000 to the endowment fund is considered a member of the Heritage Club and has up to 10 years to fulfill their pledge. Many donors choose to leave their gift unrestricted to allow the board of directors to direct the gift to the area of greatest need. Unrestricted funds are invested in 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, 2023 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 2.52% to 4.95%.

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

	2023	2022
Promises to give - Capital Campaign	$ 965,990	$ 1,758,234
Promises to give - Heritage Club	114,772	105,076
	1,080,762	1,863,310
Unamortized discount	(36,790)	(53,383)
Allowance for credit losses	(21,302)	(32,752)
	$ 1,022,670	$ 1,777,175
Current portion	$ 693,792	$ 835,837
Noncurrent portion	328,878	941,338
	$ 1,022,670	$ 1,777,175

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:

2024	$ 693,792
2025	68,000
2026	65,000
2027	64,000
2028	61,000
Thereafter	128,970
	$ 1,080,762

Note 8 - Property and Equipment

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

	2023	2022
Buildings and improvements	$ 35,867,778	$ 35,830,968
Land *	5,113,346	5,113,346
Furniture and equipment	4,720,134	4,143,710
Construction in progress *	750,882	48,155
	46,452,140	45,136,179
Accumulated depreciation	(13,528,972)	(12,234,038)
	$ 32,923,168	$ 32,902,141

* Not depreciated

As of December 31, 2023, construction in progress included approximately $709,000 of costs related to a lobby renovation project. The YMCA has contracts related to this project amounting to approximately $645,000. As of December 31, 2023, the YMCA has incurred approximately $613,000 of this total.

Note 9 - Investments

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

	2023			
		Gross Unrealized		
	Cost	Gains	Losses	Fair Value
Scholarship fund	$ 1,963,300	$ 732,926	$ (82,855)	$ 2,613,371
Endowment fund	1,121,694	66,368	(35,631)	1,152,431
	$ 3,084,994	$ 799,294	$ (118,486)	$ 3,765,802
	2022			
Scholarship fund	$ 1,897,999	$ 593,562	$ (121,365)	$ 2,370,196
Endowment fund	1,053,436	19,059	(73,915)	998,580
	$ 2,951,435	$ 612,621	$ (195,280)	$ 3,368,776

Note 9 - Investments (continued)

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

	2023			
		Gross Unrealized		
	Cost	Gains	Losses	Fair Value
Cash and Cash Equivalents	$ 206,673	$ -	$ -	$ 206,673
Common Stocks				
Healthcare	171,490	168,021	(6,974)	332,537
Consumer goods	206,246	96,213	(4,969)	297,490
Technology	133,198	147,885	-	281,083
Financial services	133,497	113,268	(159)	246,606
Industrials	102,681	121,835	(514)	224,002
Real estate	103,660	54,780	(9,843)	148,597
Basic materials	71,816	23,467	(4,856)	90,427
Energy	40,737	5,021	(626)	45,132
Communication services	17,508	21,952	-	39,460
Utilities	42,086	2,822	(6,074)	38,834
Fixed Income Funds				
Corporate bonds	880,925	564	(42,932)	838,557
Intermediate core-plus bonds	223,718	561	(13,881)	210,398
Other	128,250	11	(7,375)	120,886
Preferred stock	79,280	-	(19,424)	59,856
Exchange Traded Funds				
International	151,054	6,485	(441)	157,098
Large value	128,185	8,208	(418)	135,975
Large growth	105,905	14,465	-	120,370
Large blend	56,490	8,516	-	65,006
Other	54,908	3,053	-	57,961
Mid-cap blend	46,687	2,167	-	48,854
	$ 3,084,994	$ 799,294	$ (118,486)	$ 3,765,802

Note 9 - Investments (continued)

	2022			
		Gross Unrealized		
	Cost	Gains	Losses	Fair Value
Cash and Cash Equivalents	$ 90,210	$ -	$ -	$ 90,210
Common Stocks				
Healthcare	170,837	185,854	(4,265)	352,426
Consumer goods	213,112	98,542	(6,037)	305,617
Technology	148,823	91,197	(15,088)	224,932
Financial services	135,354	90,464	(237)	225,581
Industrials	80,306	82,096	-	162,402
Real estate	114,733	28,718	(10,771)	132,680
Basic materials	76,163	19,012	(4,450)	90,725
Energy	18,927	3,793	-	22,720
Communication services	17,508	7,336	-	24,844
Utilities	42,086	4,387	-	46,473
Fixed Income Funds				
Corporate bonds	874,009	-	(71,423)	802,586
Intermediate core-plus bonds	173,845	-	(16,936)	156,909
Other	117,767	-	(12,303)	105,464
Preferred stock	79,280	-	(23,658)	55,622
Ultrashort bond	205,029	-	(45)	204,984
Exchange Traded Funds				
International	71,543	-	(6,004)	65,539
Large value	61,761	953	(2,830)	59,884
Large growth	63,566	-	(9,676)	53,890
Large blend	67,989	104	(3,239)	64,854
Other	42,878	-	(4,233)	38,645
Mid-cap blend	36,713	-	(4,085)	32,628
Government Securities	48,996	165	-	49,161
	$ 2,951,435	$ 612,621	$ (195,280)	$ 3,368,776

Note 9 - Investments (continued)

Long-term investments held as of December 31, 2023 and 2022 are comprised of investments in cash and cash equivalents, common stocks, fixed income funds, exchange traded funds, and government securities. As of December 31, 2023 and 2022, the YMCA has recorded total unrealized holding losses on forty-five and seventy-eight 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 tables show 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:

	2023					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Common stocks	$ 97,459	$ (12,303)	$ 89,309	$ (21,712)	$ 186,768	$ (34,015)
Fixed income funds	22,408	(697)	1,059,155	(82,915)	1,081,563	(83,612)
Exchange traded funds	-	-	61,076	(859)	61,076	(859)
	$ 119,867	$ (13,000)	$ 1,209,540	$ (105,486)	$ 1,329,407	$ (118,486)

	2022					
Common stocks	$ 172,756	$ (33,696)	$ 40,262	$ (7,152)	$ 213,018	$ (40,848)
Fixed income funds	1,117,092	(95,901)	208,475	(28,464)	1,325,567	(124,365)
Exchange traded funds	306,599	(30,067)	-	-	306,599	(30,067)
	$ 1,596,447	$ (159,664)	$ 248,737	$ (35,616)	$ 1,845,184	$ (195,280)

Note 10 - Beneficial Interest in Trusts

The YMCA is named as beneficiary under three perpetual trusts. The YMCA's beneficiary interest allocation ranges from 6.17% to 100.00% as of December 31, 2023 and 2022. The carrying value of beneficial interest in trusts is as follows as of December 31:

	2023	2022
Benjamin Shuff	$ 417,197	$ 382,780
John and Katherine Cheatham	19,699	17,998
Raymond Zimmerman	9,633	8,472
	$ 446,529	$ 409,250

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).

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

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 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.

Interest rate swap asset - 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.

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:

	2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalents	$ 206,673	$ 206,673	$ -	$ -
Common Stocks				
Healthcare	332,537	332,537	-	-
Consumer goods	297,490	297,490	-	-
Technology	281,083	281,083	-	-
Financial services	246,606	246,606	-	-
Industrials	224,002	224,002	-	-
Real estate	148,597	148,597	-	-
Basic materials	90,427	90,427	-	-
Energy	45,132	45,132	-	-
Communication services	39,460	39,460	-	-
Utilities	38,834	38,834	-	-
Fixed Income Funds				
Corporate bonds	838,557	838,557	-	-
Intermediate core-plus bonds	210,398	210,398	-	-
Other	120,886	120,886	-	-
Preferred stock	59,856	59,856	-	-
Exchange Traded Funds				
International	157,098	157,098	-	-
Large value	135,975	135,975	-	-
Large growth	120,370	120,370	-	-
Large blend	65,006	65,006	-	-
Other	57,961	57,961	-	-
Mid-cap blend	48,854	48,854	-	-
	$ 3,765,802	$ 3,765,802	$ -	$ -
Beneficial Interest in Trusts	$ 446,529	$ -	$ -	$ 446,529
Interest in Net Assets of a Community Foundation	$ 267,766	$ -	$ -	$ 267,766
Interest Rate Swap Asset	$ 1,596,128	$ -	$ 1,596,128	$ -

Note 12 - Fair Value of Financial Instruments (continued)

	2022			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash and Cash Equivalents	$ 90,210	$ 90,210	$ -	$ -
Common Stocks				
Healthcare	352,426	352,426	-	-
Consumer goods	305,617	305,617	-	-
Technology	224,932	224,932	-	-
Financial services	225,581	225,581	-	-
Industrials	162,402	162,402	-	-
Real estate	132,680	132,680	-	-
Basic materials	90,725	90,725	-	-
Energy	22,720	22,720	-	-
Communication services	24,844	24,844	-	-
Utilities	46,473	46,473	-	-
Fixed Income Funds				
Corporate bonds	802,586	802,586	-	-
Intermediate core-plus bonds	156,909	156,909	-	-
Other	105,464	105,464	-	-
Preferred stock	55,622	55,622	-	-
Ultrashort bond	204,984	204,984	-	-
Exchange Traded Funds				
International	65,539	65,539	-	-
Large value	59,884	59,884	-	-
Large growth	53,890	53,890	-	-
Large blend	64,854	64,854	-	-
Other	38,645	38,645	-	-
Mid-cap blend	32,628	32,628	-	-
Government Securities	49,161	49,161	-	-
	$ 3,368,776	$ 3,368,776	$ -	$ -
Beneficial Interest in Trusts	$ 409,250	$ -	$ -	$ 409,250
Interest in Net Assets of a Community Foundation	$ 238,511	$ -	$ -	$ 238,511
Interest Rate Swap Asset	$ 1,763,092	$ -	$ 1,763,092	$ -

Note 12 - Fair Value of Financial Instruments (continued)

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, 2023 and 2022, there were no transfers in or out of Level 3.

During the year ended December 31, 2022, beneficial interest in trusts with a fair market value of $840,161 were terminated and assets were paid out in full.

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:

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

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.

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, 2023 or 2022.

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Scholarship fund	$ -	$ 2,613,371	$ 2,613,371
Endowment fund - scholarships	1,356,397	63,800	1,420,197
	$ 1,356,397	$ 2,677,171	$ 4,033,568

	2022		
Scholarship fund	$ -	$ 2,370,196	$ 2,370,196
Endowment fund - scholarships	1,173,291	63,800	1,237,091
	$ 1,173,291	$ 2,433,996	$ 3,607,287

Note 13 - Endowments (continued)

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

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets, Beginning of Year	**$ 1,173,291**	**$ 2,433,996**	**$ 3,607,287**
Investment Return			
Interest and dividends, net	**23,903**	**42,632**	**66,535**
Net gain (realized and unrealized)	**112,507**	**200,543**	**313,050**
Contributions	**46,696**	**-**	**46,696**
Endowment Net Assets, End of Year	**$ 1,356,397**	**$ 2,677,171**	**$ 4,033,568**

	2022		
Endowment Net Assets, Beginning of Year	$ 1,323,460	$ 2,956,331	$ 4,279,791
Investment Return			
Interest and dividends, net	16,564	39,621	56,185
Net loss (realized and unrealized)	(204,029)	(442,972)	(647,001)
Contributions	37,296	-	37,296
Disbursements	-	(118,984)	(118,984)
Endowment Net Assets, End of Year	$ 1,173,291	$ 2,433,996	$ 3,607,287

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 8.25% and 7.25% as of December 31, 2023 and 2022, respectively. 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:

	2023	2022
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% through December 2, 2022; effective December 2, 2022 interest at a variable rate based on the bank's secured overnight financing rate (5.81% and 4.70% as of December 31, 2023 and 2022, respectively) interest only payments due beginning December 2019 (effective interest rate was 3.17% and 3.09% for the years ended December 31, 2023 and 2022, 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 $500,000 principal payments are built into the repayment of the loan, which are due January 1, 2022, January 1, 2023, and January 1, 2024; all outstanding principal and interest due at maturity in July 2047	**$ 13,389,611**	$ 14,324,470
Unamortized debt issuance costs	**(285,712)**	(298,412)
	13,103,899	14,026,058
Current maturities	**(935,508)**	(922,159)
	$ 12,168,391	$ 13,103,899

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. 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. 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 was forgivable if the YMCA met certain criteria as established under the Program. In April 2022, the YMCA was notified by M&T Bank that the loan had been forgiven by the Small Business Administration. Forgiveness of this loan is included in forgiveness of long-term debt on the statement of activities for the year ended December 31, 2022.

Note 15 - Long-Term Debt (continued)

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:

	Principal Payments	Amortization of Debt Issuance Costs	Net
2024	$ 948,208	$ (12,700)	$ 935,508
2025	465,000	(12,700)	452,300
2026	480,872	(12,700)	468,172
2027	497,286	(12,700)	484,586
2028	512,946	(12,700)	500,246
Thereafter	10,485,299	(222,212)	10,263,087
	$ 13,389,611	$ (285,712)	$ 13,103,899

Total interest expense related to the YMCA's long-term debt and line of credit (refer to Note 14) amounted to $430,674 and $543,714 for the years ended December 31, 2023 and 2022, respectively.

The YMCA is subject to certain financial covenants in connection with its outstanding Maryland Economic Development Revenue Bond. As of December 31, 2023, 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 which is 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 - Leases

The YMCA leases equipment, buildings, and camp facilities under non-cancelable operating lease agreements that have initial terms ranging from four to twelve years. Some leases include one or more options to renew. The options to extend or renew a lease are included in the lease terms when it is reasonably certain that the YMCA will exercise that option. Additionally, certain leases contain termination options, where the rights to terminate are held by either the YMCA, the lessor, or both parties. The YMCA's leases generally do not contain any material restrictive covenants or residual value guarantees. The leases require monthly payments with various maturity dates. Operating lease fixed payments related these leases totaled $441,165 and $391,537 for the years ended December 31, 2023 and 2022, respectively. The YMCA is also responsible for common area maintenance fees (CAM) for certain leases. As of December 31, 2023, the weighted-average remaining lease term is 3.77 years and the weighted-average discount rate is 1.96%.

Note 17 - Leases (continued)

The YMCA also has an operating lease agreement with Frederick County Public Schools (FCPS) for use of their facilities for operation of before and after school and summer child care services. Lease payments for use of this facility are based on actual usage of the FCPS facilities and student enrollment. As such, these lease payments are considered variable lease payments and are expensed as incurred.

Additionally, during the year ended December 31, 2023, the YMCA entered into finance lease agreements for certain office and fitness equipment. The leases have initial terms of four to five years. As of December 31, 2023, the weighted average remaining lease term is 4.30 years and the weighted-average discount rate is 4.31%.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense, included in occupancy and equipment maintenance and rent on the statement of functional expenses - by natural classification, are as follows for the years ended December 31:

	2023	2022
Operating lease cost	$ 450,742	$ 391,537
Short-term lease cost	363,029	341,063
CAM charges	56,026	45,194
Finance lease cost - amortization of right-of-use assets	10,931	-
Finance lease cost - interest on lease liabilities	1,837	-
Total Lease Expense	$ 882,565	$ 777,794

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of financial position, assuming no changes in current terms, consist of the following for the five years ending December 31 and thereafter:

	Operating Leases	Finance Leases
2024	$ 419,917	$ 54,565
2025	379,750	54,565
2026	268,752	54,565
2027	218,347	42,660
2028	120,174	18,852
Thereafter	-	3,142
Total Lease Payment	1,406,940	228,349
Imputed interest	(53,640)	(19,388)
Total Present Value of Lease Liabilities	$ 1,353,300	$ 208,961

Note 17 - Leases (continued)

	Operating Leases	Finance Leases
Current portion of operating and finance lease liability	**$ 397,275**	**$ 46,679**
Long-term portion of operating and finance lease liability	**956,025**	**162,282**
	$ 1,353,300	**$ 208,961**

An analysis of leased property under finance leases consists of the following as of and for the years ended December 31:

	2023	2022
Fitness equipment	**$ 131,172**	$ -
Office equipment	**87,856**	-
	219,028	-
Accumulated amortization	**(10,931)**	-
	$ 208,097	$ -

Amortization expense is included in depreciation and amortization expense as reported on the statement of functional expenses - by natural classification.

Note 18 - 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:

	2023	2022
Undesignated	**$ 25,662,897**	$ 23,092,537
Board designated		
Endowment fund - Scholarships	**1,356,397**	1,173,291
	$ 27,019,294	$ 24,265,828

Note 19 - Net Assets with Donor Restrictions

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

	2023	2022
Subject to expenditure for a specified purpose		
Investments - scholarships	**$ 1,597,126**	$ 1,353,951
Promises to give - Natelli Family YMCA	**928,700**	1,690,864
Cash - other	**109,564**	104,719
Subject to the passage of time		
Promises to give - Heritage Club	**93,970**	86,311
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	**417,197**	382,780
John and Katherine Cheatham	**19,699**	17,998
Raymond Zimmerman	**9,633**	8,472
	$ 4,255,934	$ 4,725,140

Note 20 - In-Kind Contributions

In-kind contributions meeting the requirements for recognition in the statement of activities consist of the following for the years ended December 31:

	2023	2022
Rent	**$ 469,473**	$ 378,782
Contributed services	**114,932**	242,460
	$ 584,405	$ 621,242

Donated rent recognized is comprised of donated classroom space related to the Head Start program. The YMCA has various operating lease agreements with local businesses which require either no or significantly reduced rent payments. There are no associated donor restrictions related to the donated rent. In valuing the donated rent, the YMCA estimated the fair value based on the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in the same locality.

Note 20 - In-Kind Contributions (continued)

Contributed services is comprised primarily of donated nature and animal programming services provided to the Head Start students at a local farm and nature sanctuary. There are no associated donor restrictions related to contributed services. Contributed services are reported at the estimated fair value based on current rates for similar services.

In addition to the in-kind contribution amounts recorded in the financial statements, during the years ended December 31, 2023 and 2022, a substantial number of individual volunteers have donated significant amounts of time to the YMCA's programs and supporting services. These services do not meet the criteria for recognition as contributed services, and are not reflected in the accompanying financial statements.

Note 21 - 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.

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. During the year ended December 31, 2022, the YMCA's contribution percentage was 10%. Effective January 1, 2023, the YMCA's contribution percentage was increased to 11%. Employer contributions to the plan for the years ended December 31, 2023 and 2022 amounted to $500,048 and $417,476, respectively. Unpaid contributions amounted to $40,725 and $48,820 as of December 31, 2023 and 2022, 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 22 - 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 YWCA has posted a surety bond in the amount of $186,195 which is effective through October 1, 2024.

Note 23 - 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:

	2023	2022
Program fees	**$ 6,629,609**	$ 5,915,274
Financial assistance provided	**(308,888)**	(261,656)
Program Fees, Net	**$ 6,320,721**	$ 5,653,618
Memberships	**$ 7,485,365**	$ 6,291,211
Financial assistance provided	**(252,026)**	(196,858)
Memberships, Net	**$ 7,233,339**	$ 6,094,353

Note 24 - Commitments

A memorandum of understanding between the YMCA and Frederick County Maryland (the County) was entered into on February 28, 2017 related to the Natelli Family YMCA Development Project in which the County requested that the YMCA plan, develop, and construct County requested enhancements to the aquatics center; including the competitive level swimming pool. 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. During the years ended December 31, 2023 and 2022, user fees paid by the County amounted to $11,960 and $10,800, respectively.

In November 2022, the YMCA entered into a solar customer self-generation agreement with Y Solar LLC, (the System Owner), a company in the business of developing and operating and maintaining renewable energy generating equipment and providing services to third parties. Under the terms of the agreement, the YMCA leases a portion of its property at the Natelli Family YMCA to the System Owner for the purpose of installing, operating, maintaining, replacing, and repairing certain renewable energy generation equipment. The System Owner provides services to enable the YMCA to self-generate solar resources into electricity for the YMCA's sole benefit. The agreement is for a period of twenty-six years from the system commencement date, which is defined as the earlier of: (a) the date that is one hundred eighty days following the date that the System Owner orders the solar panels for the system or (b) twenty-four months after contract execution.

Note 24 - Commitments (continued)

During the self-generation term of the agreement, which begins on the system commencement date, the YMCA will pay an annual solar service fee to the System Owner. The annual solar service fee in the initial year will be $24,999 and will increase at a rate of 2.00% annually over the term of the agreement. Each year a true-up will be applied to the annual payment which will either provide a refund to the YMCA due to system underperformance or require an additional payment from the YMCA due to system over performance. The annual rent to be paid to the YMCA by the System Owner is one dollar. The System Owner has the option to extend the term of this arrangement for one year. There was no significant activity related to this arrangement during the years ended December 31, 2023 and 2022.

Note 25 - Contingencies

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

Note 26 - Subsequent Events

The YMCA has evaluated subsequent events through June 25, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.

ADVISORS for WHAT'S NEXT

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, 2023, 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 25, 2024.

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.

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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 25, 2024
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, 2023. 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, 2023.

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.

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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 25, 2024
York, Pennsylvania

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
	Year Ended December 31, 2023		
U.S. Department of Agriculture			
Passed through Maryland State Department of Education			
Child and Adult Care Food Program	10.558	N/A	$ 145,757
Total U.S. Department of Agriculture			145,757
U.S. Department of Health and Human Services			
Head Start Cluster			
Head Start	93.600	03CH01218001	1,410,659
Head Start	93.600	03CH01218002	1,202,081
COVID-19 - Head Start	93.600	03HE00122401C6	67,994
Total Head Start Cluster			2,680,734
Total U.S. Department of Health and Human Services			2,680,734
U.S. Department of Homeland Security			
Passed through Maryland Emergency Management Agency			
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4491-DR-MD (718938)	111,003
Total U.S. Department of Homeland Security			111,003
Total Expenditures of Federal Awards			$ 2,937,494

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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, 2023. 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.

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

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	☒ yes ☐ no

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings are reported.

Section II - Financial Statement Findings Related to December 31, 2022

No findings are reported.

Section III - Federal Award Findings and Questioned Costs Related to December 31, 2022

No findings are reported.