

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

**Financial Statements
and Supplementary Information**

December 31, 2020 and 2019



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

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December 31, 2020 and 2019

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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 Financial Statements

We have audited the accompanying 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, 2020 and 2019, and 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of December 31, 2020 and 2019, 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.

Other Matter - Supplemental Information

Our audit was 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, 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 supplementary 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 information 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 July 20, 2021 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

July 20, 2021
York, Pennsylvania

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

Statement of Financial Position

	December 31,	
	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 75,143	\$ 270,185
Restricted cash	400,770	593,405
Accounts receivable	394,010	372,354
Promises to give	284,721	292,406
Prepaid expenses	101,110	108,888
Total Current Assets	1,255,754	1,637,238
Property and Equipment, Net	28,766,340	13,740,792
Other Assets		
Promises to give, net	243,112	457,172
Investments	4,494,908	4,240,119
Beneficial interest in trusts	1,199,852	1,360,928
Interest in net assets of a community foundation	247,513	212,359
Total Other Assets	6,185,385	6,270,578
Total Assets	\$ 36,207,479	\$ 21,648,608

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

Statement of Financial Position (continued)

	December 31,	
	2020	2019
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Current maturities of long-term debt, net	\$ (12,700)	\$ 2,700,806
Accounts payable	4,843,682	617,705
Accrued expenses	337,193	393,723
Deferred rent	147,993	154,844
Deferred revenue	191,345	535,025
Total Current Liabilities	5,507,513	4,402,103
Long-Term Debt, Net	13,852,605	(86,040)
Total Liabilities	19,360,118	4,316,063
Net Assets		
Without donor restrictions	12,043,861	12,146,624
With donor restrictions	4,803,500	5,185,921
Total Net Assets	16,847,361	17,332,545
Total Liabilities and Net Assets	\$ 36,207,479	\$ 21,648,608

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

Statement of Activities

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support			
Federal grant - Head Start	\$ 2,548,520	\$ -	\$ 2,548,520
Contributions	291,630	1,413,753	1,705,383
Other grants	972,807	-	972,807
In-kind contributions	436,917	-	436,917
Special events	176,938	-	176,938
United Way	30,053	-	30,053
Total Support	4,456,865	1,413,753	5,870,618
Revenue			
Program fees	3,468,979	-	3,468,979
Memberships	2,580,508	-	2,580,508
Miscellaneous income	125,267	-	125,267
Interest and dividends, net	110,521	(6,618)	103,903
Food and merchandise sales	12,449	-	12,449
Loss on disposal of property and equipment	(20,311)	-	(20,311)
Total Revenue	6,277,413	(6,618)	6,270,795
Net Assets Released from Restrictions	2,046,055	(2,046,055)	-
Total Support and Revenue	12,780,333	(638,920)	12,141,413
Expenses			
Program services			
Family services	4,167,414	-	4,167,414
Head Start	3,251,703	-	3,251,703
Membership services	2,508,791	-	2,508,791
Youth and community programs	1,343,138	-	1,343,138
Adult programs	495,825	-	495,825
Total Program Services	11,766,871	-	11,766,871
Supporting services			
Management and general	775,035	-	775,035
Fundraising	414,265	-	414,265
Total Expenses	12,956,171	-	12,956,171
Deficiency of Support and Revenue over Expenses	(175,838)	(638,920)	(814,758)
Net Unrealized and Realized Gain on Investments	37,921	199,653	237,574
Change in Value of Beneficial Interest in Trusts	-	56,846	56,846
Change in Interest in Net Assets of a Community Foundation	35,154	-	35,154
Changes in Net Assets	\$ (102,763)	\$ (382,421)	\$ (485,184)

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

Statement of Activities (continued)

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Totals
Support			
Federal grant - Head Start	\$ 2,666,931	\$ -	\$ 2,666,931
Contributions	95,512	696,065	791,577
Other grants	683,701	75,000	758,701
In-kind contributions	604,924	-	604,924
Special events	231,430	-	231,430
United Way	5,166	-	5,166
Total Support	4,287,664	771,065	5,058,729
Revenue			
Program fees	7,415,084	-	7,415,084
Memberships	3,454,525	-	3,454,525
Miscellaneous income	58,400	-	58,400
Interest and dividends, net	66,891	43,419	110,310
Food and merchandise sales	19,314	-	19,314
Loss on disposal of property and equipment	-	-	-
Total Revenue	11,014,214	43,419	11,057,633
Net Assets Released from Restrictions	891,247	(891,247)	-
Total Support and Revenue	16,193,125	(76,763)	16,116,362
Expenses			
Program services			
Family services	5,294,474	-	5,294,474
Head Start	3,455,583	-	3,455,583
Membership services	2,944,666	-	2,944,666
Youth and community programs	1,807,246	-	1,807,246
Adult programs	738,910	-	738,910
Total Program Services	14,240,879	-	14,240,879
Supporting services			
Management and general	728,753	-	728,753
Fundraising	471,892	-	471,892
Total Expenses	15,441,524	-	15,441,524
Excess (Deficiency) of Support and Revenue over Expenses	751,601	(76,763)	674,838
Net Unrealized and Realized Gain on Investments	195,425	347,084	542,509
Change in Value of Beneficial Interest in Trusts	-	226,968	226,968
Change in Interest in Net Assets of a Community Foundation	37,894	-	37,894
Changes in Net Assets	\$ 984,920	\$ 497,289	\$ 1,482,209

See accompanying notes.

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

Statement of Changes in Net Assets

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Net Assets at December 31, 2018	\$ 11,161,704	\$ 4,688,632	\$ 15,850,336
Changes in net assets	<u>984,920</u>	<u>497,289</u>	<u>1,482,209</u>
Net Assets at December 31, 2019	12,146,624	5,185,921	17,332,545
Changes in net assets	<u>(102,763)</u>	<u>(382,421)</u>	<u>(485,184)</u>
Net Assets at December 31, 2020	<u>\$ 12,043,861</u>	<u>\$ 4,803,500</u>	<u>\$ 16,847,361</u>

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

Statement of Functional Expenses - by Natural Classification

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

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

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended December 31, 2019								
	Program Services					Supporting Services			Total
	Family Services	Head Start	Membership Services	Youth and Community Programs	Adult Programs	Total Program Services	Management and General	Fundraising	
Personnel Costs									
Salaries and wages	\$ 2,968,368	\$ 1,500,148	\$ 1,240,612	\$ 1,048,375	\$ 487,968	\$ 7,245,471	\$ 196,380	\$ 180,533	\$ 7,622,384
Employee benefits	531,382	310,381	162,635	75,173	33,939	1,113,510	24,235	32,229	1,169,974
Payroll taxes	228,704	167,113	112,943	83,957	38,524	631,241	22,640	12,811	666,692
Total Personnel Costs	3,728,454	1,977,642	1,516,190	1,207,505	560,431	8,990,222	243,255	225,573	9,459,050
Occupancy	696,804	561,026	624,019	178,332	67,412	2,127,593	226,281	21,465	2,375,339
Depreciation	154,532	106,472	268,557	60,497	25,515	615,573	107,054	9,514	732,141
Contract fees	99,205	298,515	142,416	85,556	49,761	675,453	47,855	40,404	763,712
Supplies	155,846	216,920	18,863	157,103	9,745	558,477	3,298	1,248	563,023
Financing costs	156,253	3,632	85,214	12,105	5,105	262,309	21,420	3,476	287,205
Transportation	48,044	171,771	15,094	26,879	1,355	263,143	5,686	2,067	270,896
Equipment maintenance	24,938	37,727	49,516	11,344	3,807	127,332	15,309	1,361	144,002
Telephone	36,463	22,723	33,399	8,912	2,388	103,885	10,021	2,072	115,978
Dues	95,568	13,678	75,565	23,327	1,432	209,570	6,006	5,589	221,165
Printing and publications	32,360	3,739	59,061	13,917	5,256	114,333	22,051	9,849	146,233
Other insurance	12,714	9,952	22,095	4,977	2,099	51,837	8,808	784	61,429
Training and meetings	38,875	29,605	26,051	14,885	3,914	113,330	7,512	37,446	158,288
Fundraising	-	-	-	-	-	-	500	89,375	89,875
Bad debt expense	9,553	-	-	-	-	9,553	1,295	20,938	31,786
Miscellaneous	3,577	1,696	5,835	1,552	544	13,204	1,791	196	15,191
Postage	1,288	485	2,791	355	146	5,065	611	535	6,211
	<u>\$ 5,294,474</u>	<u>\$ 3,455,583</u>	<u>\$ 2,944,666</u>	<u>\$ 1,807,246</u>	<u>\$ 738,910</u>	<u>\$ 14,240,879</u>	<u>\$ 728,753</u>	<u>\$ 471,892</u>	<u>\$ 15,441,524</u>

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

Statement of Cash Flows

	Years Ended December 31,	
	2020	2019
Cash Flows from Operating Activities		
Changes in net assets	\$ (485,184)	\$ 1,482,209
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation	736,333	732,141
Amortization of debt issuance costs	17,410	7,044
Bad debt expense	12,831	31,786
Loss on disposal of property and equipment	20,311	-
Net unrealized and realized gain on investments	(237,574)	(542,509)
Change in unamortized discount - promises to give	(23,491)	(13,893)
Restricted contributions - South County Family YMCA	(1,399,220)	(537,400)
Change in value of beneficial interest in trusts	(56,846)	(226,968)
Change in interest in net assets of a community foundation	(35,154)	(37,894)
(Increase) decrease in assets		
Accounts receivable	(27,987)	178,728
Promises to give	31,928	(27,163)
Prepaid expenses	7,778	(9,764)
Increase (decrease) in liabilities		
Accounts payable	303,156	(138,312)
Accrued expenses	(56,530)	118,646
Deferred rent	(6,851)	(5,234)
Deferred revenue	(343,680)	(17,560)
	<u>(1,542,770)</u>	<u>993,857</u>
Net Cash Provided by (Used in) Operating Activities		
Cash Flows from Investing Activities		
Capital expenditures	(11,727,812)	(1,259,962)
Purchase of investments	(111,140)	(296,500)
Proceeds from beneficial interest in trusts	217,922	-
Proceeds from sale of investments	93,925	262,605
	<u>(11,527,105)</u>	<u>(1,293,857)</u>
Net Cash Used in Investing Activities		

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

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2020	2019
Cash Flows from Financing Activities		
Net change in line of credit	\$ -	\$ (250,000)
Proceeds from long-term debt	14,069,454	94,263
Principal repayments of long-term debt	(2,712,299)	(158,012)
Payment of debt issuance costs	(280,985)	(55,527)
Restricted contributions - South County Family YMCA	1,606,028	329,684
	<u>12,682,198</u>	<u>(39,592)</u>
Net Cash Provided by (Used in) Financing Activities		
	<u>12,682,198</u>	<u>(39,592)</u>
Net Decrease in Cash	<u>(387,677)</u>	<u>(339,592)</u>
Cash at Beginning of Year	<u>863,590</u>	<u>1,203,182</u>
Cash at End of Year	<u>\$ 475,913</u>	<u>\$ 863,590</u>
Cash is Comprised of the Following on the Statement of Financial Position		
Cash and cash equivalents	\$ 75,143	\$ 270,185
Restricted cash	400,770	593,405
	<u>\$ 475,913</u>	<u>\$ 863,590</u>
Supplementary Cash Flows Information		
Interest paid, excluding capitalized interest	<u>\$ 55,657</u>	<u>\$ 115,872</u>

Supplementary Schedule of Noncash Investing and Financing Activities

In 2020

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

In 2019

Accounts payable includes \$298,615 of property and equipment.

Accounts payable includes \$131,559 of debt issuance costs.

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

Notes to Financial Statements

December 31, 2020 and 2019

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, special events, program fees, and memberships.

Note 2 - Summary of Significant Accounting Policies

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

Use of Estimates

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Accounts Receivable

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

Accounts receivable are stated at outstanding balances. The need for any provision for uncollectible accounts is based on management's evaluation of the collectability of receivables. All accounts receivable as of December 31, 2020 and 2019 are considered collectible, and therefore, no loss provision is deemed necessary. Accounts receivable are reviewed quarterly for troubled accounts, which are written off when management deems them uncollectible. Recoveries of receivables previously written off are recorded when received. A childcare account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 15 days. Interest is not charged on past due amounts.

Note 2 - Summary of Significant Accounting Policies (continued)

Promises to Give

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

Property and Equipment

Property and equipment are stated at cost if purchased, or at the estimated fair market value at the date of the gift, if contributed. Depreciation is computed using the straight-line method over the estimated average useful lives of the assets as follows: buildings and improvements, five to forty years and furniture and equipment, three to seven years. Land and construction in progress are not depreciated.

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 2020 and 2019.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Beneficial Interest in Trusts

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

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

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

Interest in Net Assets of a Community Foundation

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

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 and \$212,928 as of December 31, 2020 and 2019, respectively, and accumulated amortization amounted to \$12,700 and \$21,132 as of December 31, 2020 and 2019, respectively. Total amortization recognized in interest expense amounted to \$17,410 and \$7,044 for the years ended December 31, 2020 and 2019, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

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 as determined by a third party. Changes in the fair value of the swap are recorded in the statement of activities as a component of changes in net assets as change in fair value of interest rate swap.

Net Assets

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

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

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

Revenue Recognition

Contributions

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Memberships

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

Program Fees

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

Special Events

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

In-Kind Contributions

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

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

In-Kind Contributions (continued)

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

	<u>2020</u>	<u>2019</u>
Head Start program		
Occupancy	\$ 362,625	\$ 370,877
Contributed services	<u>74,292</u>	<u>234,047</u>
	<u>\$ 436,917</u>	<u>\$ 604,924</u>

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2020 and 2019, the YMCA incurred advertising costs of \$61,806 and \$86,852, 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 Principle

In August 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurements (Topic 820)*. The amendments in this ASU removes, modifies, and adds certain disclosure requirements of Accounting Standards Codification Topic 820. The YMCA implemented this standard during the year ended December 31, 2020. The YMCA has determined that the adoption of ASU 2018-13 did not have a material effect on the 2020 financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

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

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

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

Note 3 - Income Taxes

The YMCA is a nonprofit entity described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code. In addition, the YMCA was organized under the Maryland Nonprofit Corporation Law and is exempt from state income taxes. Revenue earned which is not related to the YMCA's exempt purpose, less applicable deductions, is subject to federal and state corporate income taxes. The YMCA had no unrelated business income tax for the years ended December 31, 2020 and 2019.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the YMCA, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the YMCA has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the YMCA is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2017.

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

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020 and 2019, the YMCA's cash balances may have exceeded the federally insured limit of \$250,000.

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

During the year ended December 31, 2020, the YMCA had one donor that accounted for 70% of its total contributions.

Note 5 - Liquidity and Availability

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

	<u>2020</u>	<u>2019</u>
Financial Assets		
Cash and cash equivalents	\$ 75,143	\$ 270,185
Restricted cash	400,770	593,405
Accounts receivable	394,010	372,354
Promises to give - current	284,721	292,406
Investments	4,494,908	4,240,119
Distributions from beneficial interest in trusts	-	217,922
Total Financial Assets	<u>5,649,552</u>	<u>5,986,391</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 5 - Liquidity and Availability (continued)

	<u>2020</u>	<u>2019</u>
Amounts Not Available to be Used for General Expenditures Within One Year		
Cash subject to donor restrictions	\$ (400,770)	\$ (593,405)
Promises to give subject to donor restrictions	(246,871)	(248,336)
Endowment investments	(2,675,045)	(2,482,010)
Board designated		
Investments held for scholarships	<u>(1,819,863)</u>	<u>(1,755,579)</u>
Total Amounts Not Available to be Used for General Expenditures Within One Year	<u>(5,142,549)</u>	<u>(5,079,330)</u>
Financial Assets Available to be Used for General Expenditures Within One Year		
	<u>\$ 507,003</u>	<u>\$ 907,061</u>

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

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

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

Note 6 - Accounts Receivable

Accounts receivable consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Federal grant - Head Start	\$ 184,992	\$ 301,726
Other	95,334	30,106
Other grants	78,241	-
Childcare fees	<u>35,443</u>	<u>40,522</u>
	<u>\$ 394,010</u>	<u>\$ 372,354</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 7 - Promises to Give

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

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

Promises to give - Capital Campaign and promises to give - Heritage Club that were acquired during the years ended December 31, 2020 and prior, and are expected to be collected in more than one year, were discounted to present value using risk-adjusted rates of return ranging from 1.36% to 5.25%.

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

	<u>2020</u>	<u>2019</u>
Promises to give - Capital Campaign	\$ 417,065	\$ 623,873
Promises to give - Heritage Club	<u>139,050</u>	<u>186,858</u>
	556,115	810,731
Unamortized discount	(9,144)	(32,635)
Allowance for uncollectible promises to give	<u>(19,138)</u>	<u>(28,518)</u>
	<u>\$ 527,833</u>	<u>\$ 749,578</u>
Current portion	\$ 284,721	\$ 292,406
Noncurrent portion	<u>243,112</u>	<u>457,172</u>
	<u>\$ 527,833</u>	<u>\$ 749,578</u>

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

2021	\$ 284,721
2022	109,176
2023	97,684
2024	25,534
2025	15,000
Thereafter	<u>24,000</u>
	<u>\$ 556,115</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 8 - Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 12,399,562	\$ 12,566,971
Land *	6,272,826	6,272,826
Furniture and equipment	2,835,894	3,156,000
Construction in progress *	17,119,627	1,664,803
	38,627,909	23,660,600
Accumulated depreciation	<u>(9,861,569)</u>	<u>(9,919,808)</u>
	<u>\$ 28,766,340</u>	<u>\$ 13,740,792</u>

* Not depreciated

As of December 31, 2020 and 2019, construction in progress includes \$16,994,665 and \$1,610,145, respectively, of costs related to the South County development project (refer to Note 23).

Note 9 - Investments

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

	<u>2020</u>			
	<u>Cost</u>	<u>Gross Unrealized</u>		<u>Fair Value</u>
		<u>Gains</u>	<u>Losses</u>	
Scholarship fund	\$ 1,903,495	\$ 720,548	\$ (12,798)	\$ 2,611,245
Endowment fund	1,696,275	208,192	(20,804)	1,883,663
	<u>\$ 3,599,770</u>	<u>\$ 928,740</u>	<u>\$ (33,602)</u>	<u>\$ 4,494,908</u>
	<u>2019</u>			
Scholarship fund	\$ 1,926,521	\$ 513,121	\$ (21,432)	\$ 2,418,210
Endowment fund	1,722,034	116,020	(18,675)	1,819,379
Other	2,530	-	-	2,530
	<u>\$ 3,651,085</u>	<u>\$ 629,141</u>	<u>\$ (40,107)</u>	<u>\$ 4,240,119</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 9 - Investments (continued)

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

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

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 9 - Investments (continued)

	2019			
	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Cash and Cash Equivalents	\$ 164,365	\$ -	\$ -	\$ 164,365
Common Stocks				
Healthcare	206,638	123,632	(3,666)	326,604
Technology	174,860	99,249	(2,321)	271,788
Industrials	188,202	94,981	(2,521)	280,662
Consumer goods	186,202	83,579	(5,846)	263,935
Financial services	192,663	67,390	(3,287)	256,766
Real estate	90,626	28,988	-	119,614
Communication services	80,889	14,204	-	95,093
Basic materials	29,149	4,421	-	33,570
Utilities	19,812	3,264	-	23,076
Energy	124,089	877	(15,801)	109,165
Fixed Income Funds				
Corporate bonds	864,931	38,845	-	903,776
Intermediate core-plus bonds	352,240	7,521	-	359,761
Other	162,452	171	(6,257)	156,366
Exchange Traded Funds				
Large blend	439,914	27,093	(321)	466,686
Large growth	97,049	11,166	-	108,215
Large value	126,407	11,546	(87)	137,866
Other	150,597	12,214	-	162,811
	<u>\$ 3,651,085</u>	<u>\$ 629,141</u>	<u>\$ (40,107)</u>	<u>\$ 4,240,119</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 9 - Investments (continued)

Long-term investments held as of December 31, 2020 and 2019 are comprised of investments in cash and cash equivalents, common stocks, fixed income funds, and exchange traded funds. As of December 31, 2020 and 2019, the YMCA has recorded total unrealized holding losses on sixteen and eighteen of these securities, respectively. Management believes that holding losses recorded on these investments are not a permanent impairment, but rather a temporary market decline. The following table shows the investments' gross unrealized losses and fair value, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position as of December 31:

	2020					
	Less than Twelve Months		Twelve Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Common Stocks	\$ 125,515	\$ (20,814)	\$ 75,432	\$ (12,649)	\$ 200,947	\$ (33,463)
Fixed Income Funds	22,015	(74)	184	(65)	22,199	(139)
	<u>\$ 147,530</u>	<u>\$ (20,888)</u>	<u>\$ 75,616</u>	<u>\$ (12,714)</u>	<u>\$ 223,146</u>	<u>\$ (33,602)</u>
	2019					
Common Stocks	\$ 24,206	\$ (3,666)	\$ 168,766	\$ (29,776)	\$ 192,972	\$ (33,442)
Fixed Income Funds	-	-	104,726	(6,257)	104,726	(6,257)
Exchange Traded Funds	16,887	(87)	32,681	(321)	49,568	(408)
	<u>\$ 41,093</u>	<u>\$ (3,753)</u>	<u>\$ 306,173</u>	<u>\$ (36,354)</u>	<u>\$ 347,266</u>	<u>\$ (40,107)</u>

Note 10 - Beneficial Interest in Trusts

Charitable Remainder Trusts

During the year ended December 31, 1994, Mr. Alden E. Fisher made a gift to the YMCA in the amount of \$750,000 in the form of a charitable remainder trust. The trust requires an annual payment to certain beneficiaries for their lifetime at the lesser of 10.00% or the maximum allowed by the Internal Revenue Service. Under the terms of the trust, future distributions will be received by the YMCA only after obligations to the beneficiaries are satisfied. The present value of the trust is estimated based on the expected life span of the beneficiaries. The YMCA's beneficiary interest allocation was 75.00% as of December 31, 2020 and 2019.

Additionally, the YMCA has an 8.00% beneficiary interest in the Ernest W. Ausherman Charitable Remainder Trust. Under the terms of the trust an annual payment equal to a fixed percentage of the trust's income is required to be made to Mrs. Ausherman during her lifetime. During the year ended December 31, 2019, the YMCA was notified that the trust was terminated and the trust was paid out in full during the year ended December 31, 2020.

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 10 - Beneficial Interest in Trusts (continued)

Perpetual 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, 2020 and 2019.

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

	<u>2020</u>	<u>2019</u>
Charitable remainder trusts		
Alden E. Fisher	\$ 710,303	\$ 660,897
Ernest W. Ausherman	-	217,922
Perpetual trusts		
Benjamin Shuff	458,833	452,249
John and Katherine Cheatham	20,991	19,579
Raymond Zimmerman	9,725	10,281
	<u>\$ 1,199,852</u>	<u>\$ 1,360,928</u>

Note 11 - Interest in Net Assets of a Community Foundation

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

Note 12 - Fair Value of Financial Instruments

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

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

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 12 - Fair Value of Financial Instruments (continued)

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

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

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

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

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

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

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

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

Notes to Financial Statements

December 31, 2020 and 2019

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:

	2020			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 171,992	\$ 171,992	\$ -	\$ -
Common Stocks				
Healthcare	380,136	380,136	-	-
Technology	355,509	355,509	-	-
Industrials	339,695	339,695	-	-
Consumer goods	264,494	264,494	-	-
Financial services	252,325	252,325	-	-
Real estate	131,993	131,993	-	-
Communication services	123,273	123,273	-	-
Basic materials	33,985	33,985	-	-
Utilities	13,734	13,734	-	-
Energy	8,698	8,698	-	-
Fixed Income Funds				
Corporate bonds	911,754	911,754	-	-
Intermediate core-plus bonds	388,854	388,854	-	-
Other	168,435	168,435	-	-
Exchange Traded Funds				
Large blend	278,147	278,147	-	-
Large growth	193,633	193,633	-	-
Large value	137,147	137,147	-	-
International	121,423	121,423	-	-
Other	112,866	112,866	-	-
Mid-cap blend	106,815	106,815	-	-
	<u>\$ 4,494,908</u>	<u>\$ 4,494,908</u>	<u>\$ -</u>	<u>\$ -</u>
Interest in Net Assets of a Community Foundation	<u>\$ 247,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,513</u>
Beneficial Interest in Trusts				
Charitable remainder trusts	\$ 710,303	\$ -	\$ -	\$ 710,303
Perpetual trusts	489,549	-	-	489,549
	<u>\$ 1,199,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,199,852</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 12 - Fair Value of Financial Instruments (continued)

	2019			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 164,365	\$ 164,365	\$ -	\$ -
Common Stocks				
Healthcare	326,604	326,604	-	-
Technology	271,788	271,788	-	-
Industrials	280,662	280,662	-	-
Consumer goods	263,935	263,935	-	-
Financial services	256,766	256,766	-	-
Real estate	119,614	119,614	-	-
Communication services	95,093	95,093	-	-
Basic materials	33,570	33,570	-	-
Utilities	23,076	23,076	-	-
Energy	109,165	109,165	-	-
Fixed Income Funds				
Corporate bonds	903,776	903,776	-	-
Intermediate core-plus bonds	359,761	359,761	-	-
Other	156,366	156,366	-	-
Exchange Traded Funds				
Large blend	466,686	466,686	-	-
Large growth	108,215	108,215	-	-
Large value	137,866	137,866	-	-
Other	162,811	162,811	-	-
	<u>\$ 4,240,119</u>	<u>\$ 4,240,119</u>	<u>\$ -</u>	<u>\$ -</u>
Interest in Net Assets of a Community Foundation	<u>\$ 212,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,359</u>
Beneficial Interest in Trusts				
Charitable remainder trusts	\$ 878,819	\$ -	\$ -	\$ 878,819
Perpetual trusts	482,109	-	-	482,109
	<u>\$ 1,360,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,360,928</u>

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. In such instances, the transfer is reported at the beginning of the reporting period.

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, 2020 and 2019, there were no transfers in or out of Level 3.

Note 13 - Endowments

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

Return Objectives and Risk Parameters

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

The portfolio performance is be measured against the following benchmarks:

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

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

Notes to Financial Statements

December 31, 2020 and 2019

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:

<u>Investment Category</u>	<u>Allowable Range of Portfolio Weightings</u>	
	<u>Minimum</u>	<u>Maximum</u>
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, 2020 or 2019.

The following schedule represents the endowment net asset composition by type of endowment fund as of December 31:

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Scholarship fund	\$ -	\$ 2,611,245	\$ 2,611,245
Endowment fund - scholarships	2,067,376	63,800	2,131,176
Total Funds	\$ 2,067,376	\$ 2,675,045	\$ 4,742,421
	<u>2019</u>		
Scholarship fund	\$ -	\$ 2,418,210	\$ 2,418,210
Endowment fund - scholarships	1,967,938	63,800	2,031,738
Total Funds	\$ 1,967,938	\$ 2,482,010	\$ 4,449,948

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 13 - Endowments (continued)

The following schedule represents the changes in endowment net assets for the years ended December 31:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, Beginning of Year	\$ 1,967,938	\$ 2,482,010	\$ 4,449,948
Investment Return			
Interest and dividends, net	26,364	44,310	70,674
Net gain (realized and unrealized)	73,074	199,653	272,727
Disbursements	-	(50,928)	(50,928)
Endowment Net Assets, End of Year	\$ 2,067,376	\$ 2,675,045	\$ 4,742,421
	2019		
Endowment Net Assets, Beginning of Year	\$ 1,746,673	\$ 2,091,507	\$ 3,838,180
Investment Return			
Interest and dividends, net	32,259	43,419	75,678
Net gain (realized and unrealized)	233,319	347,084	580,403
Contributions	177,898	-	177,898
Disbursements	(222,211)	-	(222,211)
Endowment Net Assets, End of Year	\$ 1,967,938	\$ 2,482,010	\$ 4,449,948

Note 14 - Line of Credit

The YMCA has a revolving line of credit agreement, which provides for borrowings of up to \$925,000. Interest accrues monthly at the prime rate as published in the Wall Street Journal, minus 0.25%, which was 3.00% and 4.50% as of December 31, 2020 and 2019, respectively. The line of credit is secured by all non-real estate assets of the YMCA. There were no borrowings on the line of credit as of December 31, 2020 and 2019.

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 15 - Long-Term Debt

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

	<u>2020</u>	<u>2019</u>
M&T Bank - Frederick County, Maryland Economic Development Revenue Bond - Series 2019; issued December 2019; authorized aggregated principal amount of \$18,000,000; secured by real property; interest at a variable rate equal to 80% of the one-month LIBOR, plus 1.45% (1.57% and 2.86% at December 31, 2020 and 2019, respectively); interest only payments due beginning December 2019 (effective interest rate was 1.80% for the year ended December 31, 2020) 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	\$ 12,397,740	\$ 94,263
Note payable to M&T Bank - Paycheck Protection Program; refer to information below	1,765,977	-
M&T Bank - mortgage note payable requiring eighteen interest only payments through February 2017, followed by 41 monthly principal and interest payments of \$11,668 beginning March 2017; interest at 1.75% above one-month LIBOR (3.56% at December 31, 2019); all outstanding principal and interest due at maturity in August 2020; secured by real property; repaid during 2020 with proceeds from the revenue bond	-	2,403,299
M&T Bank - mortgage note payable requiring eighteen months of interest only payments through February 2017, followed by 41 monthly principal and interest payments of \$1,500 beginning March 2017; interest at 1.75% above one-month LIBOR (3.56% at December 31, 2019); all outstanding principal and interest due at maturity in August 2020; secured by real property; repaid during 2020 with proceeds from the revenue bond	-	309,000
Unamortized debt issuance costs	<u>(323,812)</u>	<u>(191,796)</u>
	13,839,905	2,614,766
Current maturities	<u>12,700</u>	<u>(2,700,806)</u>
	\$ 13,852,605	\$ (86,040)

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 15 - Long-Term Debt (continued)

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis (refer to Note 24). The YMCA applied for a loan under this Program and received from M&T Bank, a loan in the amount of \$1,765,977 on April 16, 2020. The loan is forgivable if the YMCA meets certain criteria as established under the Program. The YMCA will seek loan forgiveness in fiscal year 2021. The loan is unsecured and does not require personal guarantees.

The loan bears interest at a fixed rate of 1.00%. Based on the original terms of the loan agreement, the loan was to accrue interest for the first six months following the date of the loan, and thereafter would convert to monthly payments of principal and interest. Monthly principal and interest payments were to be due beginning November 16, 2020. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for borrower payments of principal, interest, and fees on the loan to the date that the SBA remits the loan forgiveness amount, or if loan forgiveness is not requested, ten months after the end of the loan forgiveness covered period, which generally begins on the date the loan proceeds were received. The YMCA elected to use a 24-week loan forgiveness covered period. If any portion of the loan is forgiven in connection with the CARES Act and the terms of the Program, the monthly payments of principal and interest shall thereafter be recalculated by the lender to fully amortize any outstanding amounts remaining after forgiveness over the remaining term of the loan. The loan matures on April 16, 2022, at which time all remaining principal and interest is due.

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

	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>	<u>Net</u>
2021	\$ -	\$ (12,700)	\$ (12,700)
2022	2,441,506	(12,700)	2,428,806
2023	934,859	(12,700)	922,159
2024	948,208	(12,700)	935,508
2025	465,000	(12,700)	452,300
Thereafter	9,374,144	(260,312)	9,113,832
	<u>\$ 14,163,717</u>	<u>\$ (323,812)</u>	<u>\$ 13,839,905</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 15 - Long-Term Debt (continued)

Total interest expense related to the YMCA's long-term debt and line of credit (refer to Note 14) amounted to \$73,067 and \$122,916 for the years ended December 31, 2020 and 2019, respectively.

The YMCA is subject to certain financial covenants in connection with its outstanding Maryland Economic Development Revenue Bond. As of December 31, 2020, the YMCA was in compliance with these financial covenants.

Note 16 - Interest Rate Swap Agreement

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

Note 17 - Net Assets without Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 9,976,485	\$ 10,178,686
Board designated		
Endowment fund - Scholarships	<u>2,067,376</u>	<u>1,967,938</u>
	<u>\$ 12,043,861</u>	<u>\$ 12,146,624</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 18 - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Subject to expenditure for a specified purpose		
Investments - scholarships	\$ 1,595,000	\$ 1,401,965
Promises to give - South County YMCA	403,833	593,608
Cash - South County YMCA	340,128	504,707
Cash - other	60,642	88,698
Subject to the passage of time		
Beneficial interest in charitable remainder trusts		
Alden E. Fisher	710,303	660,897
Ernest W. Ausherman	-	217,922
Promises to give - Heritage Club	124,000	155,970
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	458,833	452,249
John and Katherine Cheatham	20,991	19,579
Raymond Zimmerman	9,725	10,281
	<u>\$ 4,803,500</u>	<u>\$ 5,185,921</u>

Note 19 - Retirement Plan

The YMCA participates in the YMCA Retirement Fund Retirement Plan, which is a defined contribution, money purchase, church pension plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and the YMCA Retirement Fund Tax-Deferred Savings Plan, which is a retirement income account plan as defined in Section 403(b)(9) of the code. Both plans are sponsored by the Young Men's Christian YMCA Retirement Fund (the Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 19 - Retirement Plan (continued)

In accordance with the YMCA's agreement, contributions for the YMCA Retirement Fund Retirement Plan are equal to a percentage of the participating employee's salary. Eligible employees are those who are at least 21 years of age, work a minimum of 1,000 hours per year and have a minimum of two years of service. Effective February 1, 2018, the YMCA increased their contribution percentage from 8% to 9% and effective April 25, 2019, the YMCA increased their contribution percentage from 9% to 10%. Employer contributions to the plan for the years ended December 31, 2020 and 2019 amounted to \$425,009 and \$504,626, respectively. Unpaid contributions amounted to \$63,082 and \$68,201 as of December 31, 2020 and 2019, respectively.

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

Note 20 - Self-Insurance

The YMCA had a letter of credit with a bank for the benefit of the Maryland Department of Economic and Employment Development. The letter of credit was required as a condition of the YMCA being self-insured for Maryland unemployment compensation. On October 18, 2018, the letter of credit was amended and the YMCA obtained a new letter of credit in the amount of \$192,833, which extended through September 22, 2019 and was not renewed. Rather than posting collateral security by renewing the letter of credit, the YMCA elected to furnish a surety bond to offset any future claims. The YMCA has posted a surety bond in the amount of \$167,915 which is effective through September 30, 2022.

Note 21 - Operating Leases

The YMCA leases equipment, buildings, and camp facilities under non-cancelable operating leases. The leases require monthly payments ranging from \$29 - \$9,476 with various maturity dates. The YMCA is also responsible for common area maintenance fees and charges for certain building leases.

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

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

2021	\$	376,334
2022		315,430
2023		296,288
2024		169,541
2025		163,135
Thereafter		<u>317,279</u>
	\$	<u>1,638,007</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 21 - Operating Leases (continued)

Rent expense for facilities and equipment leases amounted to \$551,818 and \$507,274 for the years ended December 31, 2020 and 2019, respectively.

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

Note 22 - Financial Assistance Provided

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

	<u>2020</u>	<u>2019</u>
Program fees	\$ 3,554,520	\$ 7,530,405
Financial assistance provided	<u>(85,541)</u>	<u>(115,321)</u>
Program Fees, Net	<u>\$ 3,468,979</u>	<u>\$ 7,415,084</u>
Memberships	\$ 2,685,900	\$ 3,669,951
Financial assistance provided	<u>(105,392)</u>	<u>(215,426)</u>
Memberships, Net	<u>\$ 2,580,508</u>	<u>\$ 3,454,525</u>

Note 23 - South County Development Project

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

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

	<u>2020</u>	<u>2019</u>
Sources of Funds		
Donated land, original value	\$ 8,600,000	\$ 8,600,000
Change in value of property	<u>(2,860,000)</u>	<u>(2,860,000)</u>
Promises to give, net	403,833	593,608
Cash received, prior years	2,163,162	1,833,478
Cash received, current year	<u>1,606,028</u>	<u>329,684</u>
Total Source of Funds, End of Year	<u>\$ 9,913,023</u>	<u>\$ 8,496,770</u>

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 23 - South County Development Project (continued)

	<u>2020</u>	<u>2019</u>
Use of Funds, Beginning of Year	\$ 2,138,004	\$ 780,337
Expenses	132,192	44,258
Capitalized costs	<u>15,527,555</u>	<u>1,313,409</u>
	<u>15,659,747</u>	<u>1,357,667</u>
Use of Funds, End of Year	<u>\$ 17,797,751</u>	<u>\$ 2,138,004</u>

A memorandum of understanding between the YMCA and Frederick County Maryland (the County) was entered into on February 28, 2017. The County has identified and determined there is a need for a competitive level swimming pool facility to provide year-round swimming to benefit the students and citizens of Frederick County. The County does not desire at this time to construct or operate an additional pool and recognizes that the YMCA has experience in developing a swimming pool facility. Therefore, the County has requested that the YMCA plan, develop, and construct County requested enhancements to the aquatics center; including the competitive level swimming pool. In the consideration thereof, the County will contribute a portion of the estimated capital funding in the amount of \$3,600,000. The County contribution is anticipated to be allocated and paid in six annual installments beginning in 2020. Upon completion of the enhanced aquatics center, the County and the YMCA will enter 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 contribution from the County has been deemed to be conditional upon the YMCA meeting the terms as outlined in the memorandum of understanding. Additionally, the contribution is contingent upon approval by the County in its annual County Capital Improvement Program budget as approved by Frederick County Council. If the County should fail to include a yearly reimbursement in the budget, the parties have agreed that the YMCA may terminate the memo of understanding within ninety days written notice. During the year ended December 31, 2020, the YMCA recorded contributions from the County in the amount of \$1,200,000 related to this swimming pool facility. No contributions were recorded during the year ended December 31, 2019.

As of December 31, 2020, the YMCA has contracts related to the construction of the South County YMCA facility amounting to approximately \$19,443,000. As of December 31, 2020, the YMCA has incurred approximately \$14,507,000 of this total.

Note 24 - Risks and Uncertainties

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

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

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

Notes to Financial Statements

December 31, 2020 and 2019

Note 25 - Subsequent Events

The YMCA has evaluated subsequent events through July 20, 2021. This date is the date the financial statements were available to be issued. The following events subsequent to December 31, 2020 were noted:

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

In April 2021, the YMCA was notified by M&T Bank that the Paycheck Protection Program Loan (refer to Note 15) has been forgiven by the Small Business Administration.

Subsequent to December 31, 2020, the YMCA entered into several operating lease agreements for equipment. The leases require monthly payments ranging from \$889 to \$18,000, with maturity dates ranging from thirty-six to sixty-three months.

No other material events subsequent to December 31, 2020 were noted.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Young Men's Christian Association of Frederick County, Maryland, Inc. (the YMCA), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, changes in net assets, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2021.

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.

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

July 20, 2021
York, Pennsylvania



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards 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

We have audited The Young Men's Christian Association of Frederick County, Maryland, Inc.'s (the YMCA) compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the YMCA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the YMCA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the YMCA's compliance.

Opinion on Each Major Federal Program

In our opinion, the YMCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the YMCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the YMCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the YMCA's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the YMCA as of and for the year ended December 31, 2020, and have issued our report thereon dated July 20, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RKL LLP

July 20, 2021
York, Pennsylvania

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

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Year Ended December 31, 2020		
	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through Maryland State Department of Education Child and Adult Care Food Program	10.558	N/A	<u>\$ 68,006</u>
Total U.S. Department of Agriculture			<u>68,006</u>
U.S. Department of the Treasury			
Passed through Frederick County, Maryland Coronavirus Relief Fund	21.019	N/A	<u>39,100</u>
Coronavirus Relief Fund	21.019	N/A	<u>37,825</u>
Passed through Maryland Department of Housing and Community Development Coronavirus Relief Fund	21.019	520607953	<u>50,000</u>
Total U.S. Department of the Treasury			<u>126,925</u>
U.S. Department of Education			
Twenty-First Century Community Learning Centers	84.287	N/A	<u>30,925</u>
Total U.S. Department of Education			<u>30,925</u>
U.S. Department of Health and Human Services			
Passed through Maryland State Department of Education Child Care and Development Block Grant	93.575	2001MDCCC3	<u>426,664</u>
Head Start	93.600	03CH010485-03	<u>962,538</u>
Head Start	93.600	03CH010485-04	<u>1,394,845</u>
Head Start	93.601	03CH010485-04C3	<u>191,137</u>
Total U.S. Department of Health and Human Services			<u>2,975,184</u>
U.S. Department of Homeland Security			
Passed through Maryland Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4374-DR-MD (63616)	<u>14,060</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4491-DR-MD (153176) - COVID 1)	<u>39,002</u>
Total U.S. Department of Homeland Security			<u>53,062</u>
Total Expenditures of Federal Awards			<u>\$ 3,254,102</u>

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

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the YMCA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the YMCA.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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

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

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

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

Unmodified

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

yes no

Identification of major federal programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

93.600

Head Start

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

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

Schedule of Findings and Questioned Costs (continued)

Year Ended December 31, 2020

Section II - Financial Statement Findings

No findings are reported.

Section III - Federal Award Findings and Questioned Costs

No findings are reported.