Young Men's Christian Association of South Palm Beach County, Inc. and Affiliate

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.
AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Management
Young Men's Christian Association
of South Palm Beach County, Inc. and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of South Palm Beach County, Inc. and Affiliate (the "YMCA") (a Florida corporation), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Young Men's Christian Association of South Palm Beach County, Inc. and Affiliate as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2021 on our consideration of the YMCA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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.

Emphasis of Matter Regarding Coronavirus

As discussed in NOTE 19, since January 2020, the coronavirus ("COVID-19") outbreak has caused substantial disruption in international and U.S. economies and markets. COVID-19 and fear of further spread of COVID-19 has caused quarantines, cancellation of events and travel, business and school shutdowns, and an overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the COVID-19 outbreak a pandemic. The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 in the United States. The YMCA received funding as a result of the CARES Act, which the YMCA is using to help fund continuing operations. The YMCA continues to assess the potential impacts of this legislation on its consolidated financial position and results of operations. The YMCA had a significant decrease in revenues, which resulted in a net loss, for the year ended December 31, 2020 as a result of COVID-19. As of the date these consolidated financial statements were available to be issued, management is evaluating the potential adverse effect this matter may have on its consolidated financial position, operations, and cash flows. While the ultimate outcome of this uncertainty is unknown at this time, it is reasonably possible the continued impact may be materially adverse. Our opinion is not modified with respect to this matter.

Other Matter

The consoildated financial statements of the YMCA as of and for the year ended December 31, 2019 were audited by Morrison, Brown, Argiz & Farra, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated September 23, 2020.

BDO USA, LLP

Boca Raton, Florida
June 17, 2021

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.
AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	**2020**	**2019**
Cash	$ 2,715,657	$ 2,868,528
Investments	1,074,508	945,808
Receivables:		
Contributions receivable, net	252,583	296,432
Grant receivables and other receivables, net	164,111	205,213
Beneficial interest in irrevocable trusts, net	1,645,363	1,632,507
Prepaid expenses	147,459	225,494
Property and equipment, net	12,716,550	13,074,996
TOTAL ASSETS	**$ 18,716,231**	**$ 19,248,978**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 407,972	$ 521,054
Deferred revenue	824,285	521,955
Economic Injury Disaster Loan	150,000	-
Bonds payable (net of bond financing costs totaling $73,203 and $81,392 as of December 2020 and 2019, respectively)	4,799,652	5,330,097
Interest rate swap liability	269,923	117,690
Capital lease obligations	140,334	157,255
TOTAL LIABILITIES	6,592,166	6,648,051
NET ASSETS		
Without Donor Restrictions:		
Undesignated	9,361,543	9,931,176
Board designated	384,468	343,061
Total net assets without donor restrictions	9,746,011	10,274,237
With Donor Restrictions	2,378,054	2,326,690
TOTAL NET ASSETS	12,124,065	12,600,927
TOTAL LIABILITIES AND NET ASSETS	**$ 18,716,231**	**$ 19,248,978**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTH PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2020			2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions, net	$ 1,054,190	$ 12,856	$ 1,067,046	$ 1,048,066	$ 18,752	$ 1,066,818
Paycheck Protection Program	1,361,277	-	1,361,277	-	-	-
Special events, net	245,580	-	245,580	276,466	-	276,466
Government and other grants	356,484	-	356,484	400,308	-	400,308
Membership dues	2,649,137	-	2,649,137	4,573,197	-	4,573,197
Program and service fees	3,087,381	-	3,087,381	5,418,701	-	5,418,701
Investment income, net	47,523	87,293	134,816	117,358	96,321	213,679
Donated goods	47,100	-	47,100	26,500	-	26,500
Net assets released from restrictions	48,785	(48,785)	-	51,355	(51,355)	-
TOTAL REVENUES AND OTHER SUPPORT	8,897,457	51,364	8,948,821	11,911,951	63,718	11,975,669
EXPENSES						
Program services:						
Membership and program services	3,818,173	-	3,818,173	4,534,652	-	4,534,652
Youth development	4,210,157	-	4,210,157	5,523,403	-	5,523,403
Total program services	8,028,330	-	8,028,330	10,058,055	-	10,058,055
Support services:						
Management and general	993,440	-	993,440	1,233,419	-	1,233,419
Fundraising	247,999	-	247,999	243,927	-	243,927
Total support services	1,241,439	-	1,241,439	1,477,346	-	1,477,346
TOTAL EXPENSES	9,269,769	-	9,269,769	11,535,401	-	11,535,401
CHANGE IN NET ASSETS BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AND NET LOSS ON SALE OF PROPERTY AND EQUPMENT	(372,312)	51,364	(320,948)	376,550	63,718	440,268
Change in fair value of interest rate swap	(152,233)	-	(152,233)	(150,292)	-	(150,292)
Net loss on sale of property and equipment	(3,681)	-	(3,681)	-	-	-
CHANGE IN NET ASSETS AFTER CHANGE IN FAIR VALUE OF INTEREST RATE SWAP AND NET LOSS ON SALE OF PROPERTY AND EQUIPMENT	(528,226)	51,364	(476,862)	226,258	63,718	289,976
NET ASSETS - BEGINNING OF YEAR	10,274,237	2,326,690	12,600,927	10,047,979	2,262,972	12,310,951
NET ASSETS - END OF YEAR	**$ 9,746,011**	**$ 2,378,054**	**$ 12,124,065**	**$ 10,274,237**	**$ 2,326,690**	**$ 12,600,927**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTH PALM BEACH COUNTY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Support Services		
	Membership and Program Services	Youth Development	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 1,451,049	$ 2,378,301	$ 3,829,350	$ 628,491	$ 144,619	$ 4,602,460
Employee benefits and payroll taxes	364,458	567,337	931,795	130,956	42,288	1,105,039
Professional/contract service	152,337	140,102	292,439	91,867	2,743	387,049
Supplies	109,194	174,528	283,722	22,187	45	305,954
Telephone	21,852	12,287	34,139	20,831	2,895	57,865
Postage and shipping	5,789	1,423	7,212	5,268	774	13,254
Occupancy	420,399	227,827	648,226	1,144	-	649,370
Equipment repair and maintenance	10,539	-	10,539	2,534	-	13,073
Equipment rental	35,287	17,376	52,663	643	-	53,306
Special events	16,602	8,144	24,746	-	65,963	90,709
Media services and publications	91,790	19,464	111,254	7,714	7,334	126,302
Travel and transportation	1,536	77,646	79,182	29,569	17	108,768
Conference and meetings	3,368	18,854	22,222	8,408	184	30,814
Fees, awards, and camps	-	-	-	2,900	-	2,900
Dues and subscriptions	68	2,883	2,951	9,113	-	12,064
Financing/bank charges	194,117	98,098	292,215	-	-	292,215
Liability insurance	194,448	109,764	304,212	4,415	-	308,627
Donated goods	-	-	-	-	47,100	47,100
National YMCA dues	60,767	29,808	90,575	651	-	91,226
Bad debt, net	110,214	49,516	159,730	-	-	159,730
Depreciation and amortization	590,961	284,943	875,904	26,749	-	902,653
Total Expenses	3,834,775	4,218,301	8,053,076	993,440	313,962	9,360,478
Less: Special events	(16,602)	(8,144)	(24,746)	-	(65,963)	(90,709)
TOTAL EXPENSES, NET OF SPECIAL EVENTS	**$ 3,818,173**	**$ 4,210,157**	**$ 8,028,330**	**$ 993,440**	**$ 247,999**	**$ 9,269,769**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.
AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Support Services		
	Membership and Program Services	Youth Development	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 1,894,420	$ 3,032,457	$ 4,926,877	$ 729,872	$ 151,677	$ 5,808,426
Employee benefits and payroll taxes	397,355	683,206	1,080,561	163,208	42,509	1,286,278
Professional/contract service	198,797	317,543	516,340	103,090	5,005	624,435
Supplies	188,321	340,470	528,791	43,035	97	571,923
Telephone	18,522	13,610	32,132	15,736	2,425	50,293
Postage and shipping	12,906	3,525	16,431	2,970	1,730	21,131
Occupancy	459,119	262,105	721,224	700	-	721,924
Equipment repair and maintenance	23,456	6,862	30,318	-	-	30,318
Equipment rental	49,921	29,963	79,884	5,177	-	85,061
Special events	45,007	24,330	69,337	-	51,748	121,085
Media services and publications	109,245	35,076	144,321	9,538	12,390	166,249
Travel and transportation	5,414	120,078	125,492	59,893	471	185,856
Conference and meetings	19,428	37,231	56,659	41,695	1,123	99,477
Fees, awards, and camps	-	-	-	7,788	-	7,788
Dues and subscriptions	112	950	1,062	11,434	-	12,496
Financing/bank charges	258,312	136,913	395,225	-	-	395,225
Liability insurance	182,790	119,017	301,807	6,283	-	308,090
Donated goods	-	-	-	-	26,500	26,500
National YMCA dues	105,451	58,310	163,761	7,210	-	170,971
Bad debt, net	91,620	45,126	136,746	-	-	136,746
Depreciation and amortization	519,463	280,961	800,424	25,790	-	826,214
Total Expenses	4,579,659	5,547,733	10,127,392	1,233,419	295,675	11,656,486
Less: Special events	(45,007)	(24,330)	(69,337)	-	(51,748)	(121,085)
TOTAL EXPENSES, NET OF SPECIAL EVENTS	**$ 4,534,652**	**$ 5,523,403**	**$ 10,058,055**	**$ 1,233,419**	**$ 243,927**	**$ 11,535,401**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (476,862)	$ 289,976
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	902,653	826,214
Amortization of bond financing cost	8,189	7,975
Bad debt, net	159,730	136,746
Loss on sale of property and equipment	3,681	-
Present value discount adjustment on beneficial interests in irrevocable trusts	(12,856)	(22,350)
Change in fair value of interest rate swap	152,233	150,292
Net realized/unrealized gains on investments	(139,528)	(142,499)
Decrease (increase) in assets:		
Contributions receivable	(2,022)	(31,539)
Grant receivables and other receivables	(72,757)	(149,218)
Prepaid expenses	78,035	(34,514)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(113,082)	(35,415)
Deferred revenue	302,330	(24,408)
TOTAL ADJUSTMENTS	1,266,606	681,284
NET CASH PROVIDED BY OPERATING ACTIVITIES	789,744	971,260
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(493,290)	(305,033)
Proceeds from sale of property and equipment	36,250	-
Purchases of investments	(250,809)	(853,067)
Proceeds from investments	261,637	844,339
NET CASH USED IN INVESTING ACTIVITIES	(446,212)	(313,761)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Economic Injury Disaster Loan	150,000	-
Repayments of note payable	-	(191,127)
Repayments of bonds payable	(538,634)	(522,995)
Repayments of capital lease obligations	(107,769)	(165,474)
NET CASH USED IN FINANCING ACTIVITIES	(496,403)	(879,596)
NET DECREASE IN CASH	(152,871)	(222,097)
CASH - BEGINNING OF YEAR	2,868,528	3,090,625
CASH - END OF YEAR	**$ 2,715,657**	**$ 2,868,528**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**$ 172,912**	**$ 204,677**
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment financed through capital lease	**$ 90,848**	**$ 110,637**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF ORGANIZATION

Young Men's Christian Association of South Palm Beach County, Inc. and Affiliate (the "YMCA") is comprised of Young Men's Christian Association of South Palm Beach County, Inc. (the "YMCA SPBC") and its affiliate YMCA Foundation of South Palm Beach County, Inc (the "YMCA Foundation").

The YMCA SPBC is a not-for-profit corporation organized under the laws of the State of Florida. The YMCA SPBC is a cause driven organization that is for youth development, for healthy living and for social responsibility. The YMCA SPBC is a member of the Young Men's Christian Association of the USA, a world-wide organization. Each member of the YMCA of the USA is autonomous.

In 2004, the YMCA Foundation was formed. The YMCA Foundation was established to provide a permanent source of funding, allowing the YMCA SPBC to meet critical community needs now and in the future. Earnings, from the YMCA Foundation, support existing program areas, provide flexibility in developing programs to respond to changing community needs, fund improvements to keep buildings up to code, safe and welcoming, and provide a safety net in times of crisis or economic uncertainty.

The YMCA provides many programs and services to people of all ages. Some of the programs and services are:

Summer camp

Early childhood development program

Preschool

Social and recreational programs for youths and adults with disabilities

Diabetes prevention

Senior health and wellness programs

Family development programs

Youth and adult sport leagues

Youth and adult aquatic instruction, water safety and drowning prevention

Revenues are derived primarily from program and service fees, membership dues and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the YMCA SPBC and the YMCA Foundation, which are under common control. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. The YMCA Foundation was established to provide a permanent source of funding for the YMCA SPBC, allowing the YMCA SPBC to meet critical community needs now and in the future.

The consolidated financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Net assets and revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the YMCA, the environment in which the YMCA operates and the purposes specified in the YMCA's articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those estimates may be material.

Investments and Investment Return

Investments are stated at fair value (NOTES 4 and 14). Realized and unrealized gains and losses are included in the change in net assets without donor restrictions. Realized gains and losses are reported at date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are reported for the change in fair value between reporting periods. Interest and dividend income are reported when earned.

Contributions Receivable, Net

All contributions are considered to be net assets without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future years or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same year in which the contribution is received, the YMCA reports the support as net assets without donor restrictions.

Contributions receivable are initially recorded at fair value when received. Contributions receivable due in the next year are reflected as current contributions receivable and are recorded at their net realizable value. Contributions receivable due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of future collections. Conditional contributions receivable are recognized when the conditions have been substantially met.

The YMCA estimates an allowance for uncollectible contributions receivable based on the creditworthiness of its donors, aging of the individual balances receivable, recent payment history, contractual terms, and other qualitative factors such as the status of the relationship with the donor. Contributions receivable are written off when all collection procedures have been exhausted and the potential for recovery is considered remote.

Grant Receivables and Other Receivables, Net

Grant receivables and other receivables consist of grants, membership, and other program related fees. Management reviews its receivable balances for uncollectible accounts on a monthly basis and either directly writes them off or creates an allowance for doubtful accounts (NOTE 6). The allowance for doubtful accounts is determined taking into account the financial condition of the YMCA's customers, current general economic conditions, and the age of certain balances due to the YMCA. Receivables are charged off after all means of collection have been exhausted.

Split-Interest Agreements

The YMCA has been named as a remainder beneficiary of various charitable remainder annuity and unitrusts. Trust assets are stated at fair market value. The YMCA's beneficial interest was determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. The YMCA used a present value discount rate of approximately 4%.

A contribution is recorded at the fair value of the assets received less a present value discount. The assets related to these trusts are separately identified in the accompanying Consolidated Statements of Financial Position as "Beneficial interest in irrevocable trusts, net." Changes in fair value for the period are reported in the Consolidated Statements of Activities within the caption "Contributions, net."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, Net

The YMCA capitalizes all expenditures in excess of $1,000 for property and equipment. Property and equipment are recorded at cost if purchased and at their estimated fair value if donated. Property and equipment donations are reported as net assets without donor restrictions unless the donor has restricted the use of the asset for a specific purpose. Contributions of cash, other assets and unconditional contributions receivable which are restricted for the purpose of acquiring property and equipment are reported as net assets with donor restrictions. When there are no explicit donor stipulations about how long those long-lived assets must be maintained, the YMCA reports expirations of donor restrictions when the acquired long-lived assets are placed in service. These expirations of donor restrictions are reported as reclassifications to net assets without donor restrictions.

Property and equipment are depreciated and amortized using the straight-line method over the estimated useful lives of the respective assets.

	Useful lives
Youth learning center	39 years
Buildings and improvements - Boca Raton	5 - 39 years
Buildings and improvements - Boynton Beach	5 - 39 years
Sports field	5 - 15 years
Equipment	2 - 10 years
Vehicles	3 - 7 years

Long-Lived Assets

The YMCA reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded for the years ended December 31, 2020 and 2019.

Bond Financing Costs, Net

The YMCA amortizes costs incurred in obtaining debt financing over the terms of the debt instruments. Accordingly, costs incurred to obtain the bonds payable, as described in NOTE 11, are being amortized over the terms of the debt instruments utilizing the effective interest method. The original bond financing costs were approximately $130,000. The balance of the YMCA's unamortized bond financing costs as of December 31, 2020 and 2019 was approximately $73,000 and $81,000, respectively, and is netted with "Bonds payable" balance on the Consolidated Statements of Financial Position. Amortization expense was approximately $8,000 for each of the years ended December 31, 2020 and 2019, and is included within the caption "Financing/bank charges" in the accompanying Consolidated Statements of Functional Expenses.

Revenue Recognition - Contributions

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the YMCA fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - Contributions (Continued)

Unconditional contributions may or may not be subject to donor-imposed restrictions. Donor-imposed restrictions limit the use of the donated assets but are less specific than donor-imposed conditions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The YMCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations about the use of the donated assets, or if they are designated as support for future periods.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Activities as "Net assets released from restrictions." Donor-restricted contributions whose restrictions are met in the same reporting period in which received are reported as net assets without donor restrictions.

Contributed services and the related expenses are recognized at their fair value in the period of use. Contributed services are recognized as contributions if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have been purchased. Such support is only recognized when the underlying value of the services can be determined on a measurable and objective basis. Many individuals have donated time and services to advance the YMCA's programs and objectives. The value of these services has not been recorded in the accompanying consolidated financial statements because they do not meet the criteria to be recorded in the consolidated financial statements under U.S. GAAP. Contributed assets are recognized as revenue at its fair value on the date of the contribution. For the years ended December 31, 2020 and 2019, the YMCA received donated goods valued at $47,100 and $26,500, respectively, which included items primarily related to fundraising and is included within the caption "Donated goods" in the Consolidated Statements of Activities.

The YMCA receives grants from a number of sources including federal, state, and local governments, private foundations, and other donors. Grant revenue is recognized when the expenses subject to reimbursement by the grantor are incurred, or when the services subject to reimbursement by the grantor have been performed. Grants are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP. Grants that primarily provide commensurate value to the general public are reported as contributions.

Revenue Recognition – Exchange Transactions

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The YMCA adopted Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606") on January 1, 2019 using the modified retrospective method applied to all contracts not completed as of the date of the adoption. The YMCA applies Topic 606 to exchange transactions in which it receives consideration from individuals for membership and other program services offered. Under U.S. GAAP, these arrangements are exchange transactions between the YMCA and the individuals participating in the YMCA's programs.

The modified retrospective adoption method requires the YMCA to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. Therefore, comparative information has not been adjusted. No adjustment to the YMCA's beginning net assets were required as a result of adopting Topic 606.

Membership Dues and Program Services Revenue

The YMCA's revenue from contracts with customers is from performance obligations satisfied over time and from contracts with an initial expected duration of less than one year. Prices are specific to distinct performance obligations and do not consist of multiple transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Exchange Transactions (Continued)

Membership Dues and Program Services Revenue (Continued)

Revenue related to membership is recognized on a pro-rata basis over the periods to which the fees relate. Members are provided with monthly access to the YMCA's facilities and a variety of services which is accounted for as a single performance obligation. Membership fees are billed monthly and payment is due prior to the month of membership. Fees collected in advance of the membership period start date are recognized as deferred revenue.

Program revenue is recognized over time on a pro-rata basis as the program/session is completed and is reported at the amount that reflects the consideration to which the YMCA expects to be entitled in exchange for providing services to their program participants. Program fees are typically due prior to the start of the program and are generally billed per session, usually weekly or monthly, depending on the program. Program fees collected in advance for those sessions not completed at the end of the reporting period are recognized as deferred revenue.

Deferred revenue from contracts was approximately $602,000 and $271,000 as of December 31, 2020 and 2019, respectively, and is included in the Consolidated Statements of Financial Position within the caption "Deferred revenue." Accounts receivable for revenue from contracts was approximately $152,000 and $178,000 as of December 31, 2020 and 2019, respectively, and is included in the Consolidated Statements of Financial Position within the caption "Grant receivables and other receivables, net."

Special Events Revenue

Topic 606 applies to the portion of the YMCA's special events income that is determined to be an exchange transaction. The YMCA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the YMCA. The direct costs of the special events which ultimately benefit the donor rather than the YMCA are recorded as exchange transaction revenue and exchange transaction expense and amounted to approximately $91,000 and $121,000 for the years ended December 31, 2020 and 2019, respectively and are included in the caption "Special events, net" on the Consolidated Statements of Activities and the caption "Special events" on the Consolidated Statements of Functional Expenses.

CARES Act and Paycheck Protection Program

On April 22, 2020, the YMCA received a loan of $1,361,277 under the Paycheck Protection Program ("PPP") authorized by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") that was signed into law on March 27, 2020. The application for these funds requires the YMCA to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the YMCA. This certification further requires the YMCA to take into account its current business activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The loan begins accruing interest at a rate of 1.00% on the effective date. Principal payments are due in equal monthly installments commencing in April 2021. During the year ended December 31, 2020 there were no principal or interest payments required on the loan. The loan matures on April 22, 2022, at which time all unpaid principal and accrued interest is due. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if the YMCA retains employees during a specified period. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the YMCA having initially qualified for the loan and qualifying for the forgiveness of such loan based on the YMCA's future adherence to the forgiveness criteria. The YMCA has accounted for the full balance of the PPP funds as grant income in accordance with ASC 958-605, as the allowable costs of the specific loan forgiveness provisions were incurred and is included within the caption "Paycheck Protection Program" on the accompanying Consolidated Statements of Activities for the year ended December 31, 2020. The YMCA has not accrued any liability associated with the risk of an adverse Small Business Administration ("SBA") review.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CARES Act and Paycheck Protection Program (Continued)

The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property. The YMCA applied for and received an Economic Injury Disaster Loan and an Economic Injury Disaster Loan Advance (NOTE 10). The YMCA did not apply for any other funding and noted no material impact from the other tax provisions.

The YMCA received notification of forgiveness from the SBA on March 9, 2021 in the amount of $1,361,277.

In March 2021, the YMCA received additional PPP funds in the amount of $1,388,299.

Derivative Financial Instruments

The YMCA adopted the provision of an accounting standard for utilizing derivative instruments and hedging activities. The standard requires that all derivative financial instruments, such as interest rate swaps contracts and foreign exchange contracts, be recognized in the consolidated financial statements and measured at fair value regardless of the purpose or intent for holding them. If the derivative is a hedge, depending on the nature of the hedge, a change in fair value of the derivative will either be offset against the change in the fair value of a hedge asset or liability through earnings.

The YMCA utilizes interest rate swaps to manage interest rate costs and to hedge against risks associated with changing interest rates. The YMCA designates interest rate swaps as hedges of specific debt instruments and accounts for them using the short-cut method, as described in the accounting standard. Interest differentials on interest rate swaps are recognized as adjustments to interest incurred on the related debt instruments (NOTE 12).

Income Taxes

The YMCA SPBC and the YMCA Foundation qualify as tax-exempt organizations under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for income taxes has been recorded.

The YMCA recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively. There were no uncertain tax positions as of December 31, 2020 and 2019.

The U.S. Federal jurisdiction is the major tax jurisdiction where the YMCA SPBC and the YMCA Foundation file income tax returns. The YMCA SPBC and the YMCA Foundation are generally no longer subject to U.S. Federal examinations by tax authorities for years before 2017.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statements of Activities and by natural classification in the Consolidated Statements of Functional Expenses. All indirect expenses have been allocated among the program and supporting services based on a reasonable basis that is consistently applied. Personnel expenses are allocated on the basis of estimated time and effort.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue consists of membership dues, various programs and rent received in advance on a multi-year lease (NOTE 9). Membership fees are due on a month to month basis and can be cancelled at any time by the member. Membership fees received in advance of the scheduled payment terms are recorded as deferred revenue. Additionally, program revenue received in advance of the program function is recorded as deferred revenue.

Advertising Costs

The YMCA uses advertising to promote its programs among the audiences its serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019 was approximately $126,000 and $166,000, respectively, and is included within "Media services and publications" in the Consolidated Statements of Functional Expenses.

Adopted Accounting Pronouncements

Fair Value Measurement

In August 2018, the Financial Accounting Standards Board ("FASB") issued an accounting standard update (ASU 2018-13) that removes certain disclosures related to transfers between hierarchy levels and adds certain disclosures related to Level 3 investments. The update also changes certain disclosure requirements. The update is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early application is permitted. The YMCA adopted the update effective January 1, 2020. The adoption of the update did not have a material effect on the YMCA's consolidated financial statements.

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued an accounting standard update (ASU 2016-02) which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Also, the FASB has issued amendments to the update with practical expedients related to land easements, lessor accounting, and disclosures related to accounting changes and error corrections. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements but expects upon adoption that the update will have a material effect on the YMCA's consolidated financial condition due to the recognition of a right-of-use asset and related lease liability. The YMCA does not anticipate the update having a material effect on the YMCA's results of operations or cash flows, though such an effect is possible.

The update originally required transition to the new lease guidance using a modified retrospective approach which would reflect the application of the update as of the beginning of the earliest comparative period presented. A subsequent amendment to the update provides an optional transition method that allows entities to initially apply the new lease guidance with a cumulative-effect adjustment to the opening balance of equity in the period of adoption. If this optional transition method is elected, after the adoption of the new lease guidance, the YMCA's presentation of comparative periods in the consolidated financial statements will continue to be in accordance with current lease accounting. The YMCA is evaluating the method of adoption it will elect. The update is effective for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022, with early application permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued an accounting standard update (ASU 2016-13) which will replace the current incurred loss impairment methodology in U.S. GAAP with a methodology that reflects the expected credit losses. The update is intended to provide financial statement users with more decision-useful information about expected credit losses. Also, the FASB has issued amendments to the update with transition relief intended to improve comparability of financial statement information for some entities, to decrease costs for some financial statement preparers, and to clarify some disclosures. This update is effective on a modified retrospective basis for financial statements issued for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018 including interim periods in those fiscal years. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements.

Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB issued an accounting standard update (ASU 2017-12) with the objective to better align an entity's risk management activities and financial reporting for hedging relationships, simplify the hedge accounting requirements, and improve the disclosures of hedging arrangements. The update is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early application permitted. The YMCA is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

Derivatives and Hedging

In October 2018, the FASB issued an accounting standard update (ASU 2018-16) to improve guidance on the risks associated with financial assets or liabilities that are permitted to be hedged. The update is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early application permitted. The YMCA is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

Clarifying the Interaction between Topic 808 and Topic 606

In November 2018, the FASB issued an accounting standard update (ASU 2018-18) to clarify the interaction between Topic 808, *Collaborative Arrangements*, and Topic 606, *Revenue from Contracts with Customers*. The update is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021, with early application permitted. The YMCA is currently evaluating the potential accounting and disclosure effects the update will have on its consolidated financial statements.

Reference Rate Reform

In March 2020, the FASB issued an accounting standard update (ASU 2020-04) to provide guidance related to recognizing the effects of reference rate reform on financial reporting. The update applies to all entities that have contracts, hedging relationships, or other transactions that reference LIBOR or another reference rate expected to be discontinued. The update is effective for all entities as of March 12, 2020 through December 31, 2022. The YMCA is currently evaluating the potential accounting, transition, and disclosure effects the update will have on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

Contributed Nonfinancial Assets

In September 2020, the FASB issued an accounting standard update (ASU 2020-07) which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the Statement of Activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements.

Reclassification

Certain items in the 2019 consolidated financial statements were reclassified to conform to the 2020 presentation. The reclassifications did not impact the change in net assets.

Subsequent Events

The YMCA has evaluated subsequent events through June 17, 2021, which is the date the consolidated financial statements were available to be issued.

3. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The YMCA maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The YMCA holds cash in various interest-bearing bank accounts with well-known financial institutions and has accounts receivable specialists who actively follow up and collect on open accounts receivable balances. Additionally, the YMCA has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of income to programs and operations supported by its endowments while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis.

The YMCA's financial assets available within one year of the Consolidated Statements of Financial Position date for general expenditures are as follows as of December 31,:

	2020	2019
Cash	$ 2,715,657	$ 2,868,528
Investments	1,074,508	945,808
Contributions receivable, net	252,583	296,432
Grant receivables and other receivables, net	164,111	205,213
Total financial assets available within one year	4,206,859	4,315,981
Less: amounts unavailable to management without Board approval or due to donor restrictions:		
Cash	42,651	86,436
Investments (NOTE 4)	1,074,508	945,808
	1,117,159	1,032,244
Total financial assets available to management for general expenditures within one year	**$ 3,089,700**	**$ 3,283,737**

4. INVESTMENTS

Investments at fair value consist of the following at December 31, 2020:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Money market	$ 4,789	$ 9,358	$ 14,147
Equity securities	134,434	262,717	397,151
Mutual funds	213,875	417,965	631,840
Investments held at Community Foundation of Palm Beach and Martin Counties (NOTE 16)	31,370	-	31,370
Total	**$ 384,468**	**$ 690,040**	**$ 1,074,508**

Investments at fair value consist of the following at December 31, 2019:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Money market	$ 4,275	$ 8,174	$ 12,449
Equity securities	134,836	257,813	392,649
Mutual funds	176,125	336,760	512,885
Investments held at Community Foundation of Palm Beach and Martin Counties (NOTE 16)	27,825	-	27,825
Total	**$ 343,061**	**$ 602,747**	**$ 945,808**

The following schedule summarizes investment income, net for the year ended December 31, 2020:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Interest income	$ 7,347	$ 11,208	$ 18,555
Net realized gains	2,239	4,375	6,614
Net unrealized gains	41,509	78,692	120,201
Fees	(3,572)	(6,982)	(10,554)
Total	**$ 47,523**	**$ 87,293**	**$ 134,816**

The following schedule summarizes investment income, net for the year ended December 31, 2019:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Interest income	$ 68,599	$ 12,243	$ 80,842
Net realized gains	8,247	15,769	24,016
Net unrealized gains	43,830	74,653	118,483
Fees	(3,318)	(6,344)	(9,662)
Total	**$ 117,358**	**$ 96,321**	**$ 213,679**

5. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following at December 31, 2020:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Contributions receivable expected to be received in less than one year	$ 360,583	$ -	$ 360,583
Less:			
Allowance for doubtful accounts	(108,000)	-	(108,000)
	$ 252,583	**$ -**	**$ 252,583**

Contributions receivable, net consisted of the following at December 31, 2019:

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Contributions receivable expected to be received in less than one year	$ 364,432	$ 5,000	$ 369,432
Less:			
Allowance for doubtful accounts	(73,000)	-	(73,000)
	$ 291,432	**$ 5,000**	**$ 296,432**

Total bad debt expense, net of recoveries, related to unconditional promises to give for the years ended December 31, 2020 and 2019 was approximately $46,000 and $40,000, respectively. This is included within "Bad debt, net" in the Consolidated Statements of Functional Expenses.

6. GRANT RECEIVABLES AND OTHER RECEIVABLES, NET

Grant receivables and other receivables, net consisted of the following at December 31,:

	2020	2019
Membership and other program related fees	$ 214,111	$ 290,213
Less: Allowance for doubtful accounts	(50,000)	(85,000)
	$ 164,111	**$ 205,213**

Total bad debt expense, net of recoveries, related to other receivables for the years ended December 31, 2020 and 2019 was approximately $114,000 and $97,000, respectively. This is included within "Bad debt, net" in the Consolidated Statements of Functional Expenses.

7. BENEFICIAL INTEREST IN IRREVOCABLE TRUSTS, NET

In 2009, the YMCA became aware that it was the beneficiary of three irrevocable charitable remainder trusts. A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specific distributions to be made to a beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the not-for-profit receives the assets remaining in the trust. These trusts are funded via single premium annuities and have a universal life component whereby the YMCA is a beneficiary. The YMCA's beneficial interest in irrevocable trusts is $1,940,000, which is funded through guaranteed universal life insurance policies in which the premiums are funded through the guaranteed single premium annuities.

7. BENEFICIAL INTEREST IN IRREVOCABLE TRUSTS, NET (CONTINUED)

The discounted net present value of the beneficial interest in the irrevocable trusts totaled the following at December 31,:

	2020	2019
Remainder in irrevocable trusts	$ 1,940,000	$ 1,940,000
Less: Present value discount	(294,637)	(307,493)
	$ 1,645,363	**$ 1,632,507**

8. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at December 31,:

	2020	2019
Land	$ 2,516,500	$ 2,516,500
Youth learning center	307,266	307,266
Buildings and improvements - Boca Raton	11,991,903	11,768,396
Buildings and improvements - Boynton Beach	6,325,107	6,287,761
Sports field	231,380	228,110
Equipment	5,334,211	5,337,627
Vehicles	34,642	34,642
Construction in progress	11,541	-
	26,752,550	26,480,302
Less: accumulated depreciation and amortization	(14,036,000)	(13,405,306)
	$ 12,716,550	**$ 13,074,996**

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was approximately $903,000 and $826,000, respectively, (including amortization expense of approximately $124,000 and $93,000, respectively, related to capital leases) (NOTE 13). During the year ended December 31, 2020, the YMCA traded in equipment with a net book value of approximately $40,000 for proceeds of approximately $36,000 resulting in a loss on sale of approximately $4,000.

9. DEFERRED REVENUE

Deferred revenue consisted of the following at December 31,:

	2020	2019
Membership dues, program fees and other	$ 602,118	$ 271,186
Rent (NOTE 19)	222,167	250,769
	$ 824,285	**$ 521,955**

10. ECONOMIC INJURY DISASTER LOAN AND ECONOMIC INJURY DISASTER LOAN ADVANCE

On June 3, 2020, the YMCA entered into an agreement with the SBA for an Economic Injury Disaster Loan in the amount of $150,000. The loan accrues interest at 2.75% per annum on advanced funds. Installment payments, including principal and interest, of $641 monthly begin in June 2021. The balance of principal and interest is due in full on the loan's maturity date of June 2, 2050. The collateral includes all assets of the YMCA. The loan balance outstanding as of December 31, 2020 was $150,000.

On April 1, 2021, the loan balance and all accrued interest was paid in full.

During the year ended December 31, 2020, the YMCA received an Economic Injury Disaster Loan Advance in the amount of $10,000 for working capital needs. The Economic Injury Disaster Loan Advance is not required to be repaid and is included within the caption "Contributions, net" in the Consolidated Statements of Activities.

11. BONDS PAYABLE

On January 1, 1999, the YMCA entered into a Loan Agreement with Palm Beach County, Florida to borrow $6,700,000 from the issuance of the Palm Beach County, Florida Economic Development Revenue Bonds Series 1999 (YMCA Boynton Beach Project), to be used to acquire land, equipment and construct an approximately 58,000 square foot YMCA Family Social Service Center.

On November 1, 2003, the YMCA refunded these revenue bonds and entered into a new agreement with Palm Beach County, Florida to borrow $13,700,000 from the issuance of Palm Beach County, Florida Economic Development Refunding and Improvement Revenue Bonds Series 2003 (YMCA Project) for the purpose of refunding the existing bonds, to pay the issuance costs of the new bonds and to fund the construction of the redevelopment project (the "Project") at the Boca Raton, FL facility.

On November 1, 2012, the YMCA refunded the series 2003 revenue bonds and entered into a new agreement on November 2, 2012 with Palm Beach County, Florida, the issuer and Branch Banking and Trust Company, the purchaser, to borrow $8,805,000 from the issuance of Palm Beach County, Florida Industrial Development Revenue Bonds Series 2012. The variable short-term rate as of December 31, 2020 and 2019 was 1.54% and 2.83%, respectively. The YMCA originally fixed the variable interest rate on these bonds payable at 2.91% through an interest rate swap agreement (NOTE 12). The bond agreement contains a provision which allows for interest rate repricing under certain conditions. In October 2018, the variable rate calculation on the bonds was subject to a repricing. The repricing resulted in the variable rate changing from the "original variable rate" of 68% of LIBOR plus 1.325% to the "new variable rate" of 82.646% of 1 month LIBOR plus 1.416%. The YMCA elected to maintain the original interest rate swap, which was based on the original variable rate, resulting in a new floating interest rate of 2.91% plus the difference between the original variable rate and the new variable rate. The bonds are secured by the real and personal property of the YMCA. The YMCA must make monthly principal and interest payments. The bonds are due to mature on November 1, 2028.

At December 31, 2020 and 2019, the outstanding balance on the bonds payable, was $4,872,855 and $5,411,489, respectively.

Several loan covenants exist for the YMCA which are tested annually. The YMCA was not in compliance with the debt service coverage ratio as of December 31, 2020 and received a waiver from the bank. The YMCA was in compliance with all other covenants as of December 31, 2020.

Interest expense for the years ended December 31, 2020 and 2019 was approximately $161,000 and $192,000, respectively, and is included within the caption "Financing/bank charges" in the Consolidated Statements of Functional Expenses.

11. BONDS PAYABLE (CONTINUED)

At December 31, 2020, approximate annual maturities of indebtedness for each of the next five years and thereafter are approximated as follows:

Years ending December 31,	
2021	$ 555,000
2022	571,000
2023	588,000
2024	606,000
2025	624,000
Thereafter	1,929,000
	$ 4,873,000

12. INTEREST RATE SWAP LIABILITY

On November 2, 2012, the YMCA entered into a derivative financial instrument with a lender to manage the overall borrowing costs associated with its bond payable (NOTE 11), which matures on November 1, 2028. Credit loss from counterparty non-performance is not anticipated. At December 31, 2020 and 2019, the outstanding notional balance on the bond payable was $4,872,855 and $5,411,489, respectively, and is subject to a floating interest rate as described in NOTE 11. The swap is a cash flow hedge, as it has been designated against the bond to reduce the effects of interest rate fluctuations on the bond. Amounts received or paid as a result of the swap agreement are recognized as adjustments to interest expense.

The net effect on the YMCA's operating results is that interest on a portion of the variable rate debt is being hedged based on fixed interest rates. The interest rate swap contract is reflected at fair value in the YMCA's Consolidated Statements of Financial Position and the related gain or loss is recognized as a change in net assets. The fair value of the interest rate swap as of December 31, 2020 and 2019 was a liability of $269,923 and a liability of $117,690, respectively, which is reflected in the Consolidated Statements of Financial Position as "Interest rate swap liability." The interest rate swap is valued using third party models that use as their input observable market conditions (NOTE 14). The change in fair value related to the interest rate swap during the years ended December 31, 2020 and 2019 was unfavorable ($152,233) and unfavorable ($150,292), respectively, and is reflected in the Consolidated Statements of Activities within the caption "Change in fair value of interest rate swap."

13. CAPITAL LEASE OBLIGATIONS

The YMCA leases certain equipment under capital leases expiring at various dates through January 2023. As of December 31, 2020 and 2019, the leased property has a recorded cost of approximately $369,000 and $517,000, respectively, and a total accumulated amortization of approximately $193,000 and $387,000, respectively. The leased property is included within the caption "Equipment" in NOTE 8. Interest expense incurred on the capital leases was approximately $9,000 for each of the years ended December 31, 2020 and 2019.

As of December 31, 2020, future minimum lease payments under these capital leases are as follows:

Years ending December 31,	
2021	$ 69,038
2022	59,796
2023	11,500
	$ 140,334

Amortization expense of approximately $124,000 and $93,000, for the related capital lease assets, is included within depreciation and amortization expense for the years ended December 31, 2020 and 2019, respectively.

14. FAIR VALUE MEASUREMENTS

The YMCA adopted a FASB accounting standard on fair value measurements. The accounting standard establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides new income recognition criteria for certain derivative contracts. U.S. GAAP requires that a fair value measurement reflect assumptions market participants would use in pricing an asset or liability.

U.S. GAAP defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as an exit price).

The accounting standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under the accounting standard are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, 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.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The accounting standard requires the YMCA to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Determination of Fair Value

In determining fair value, the YMCA used market prices of the same or similar instruments whenever such prices are available, even in situations where trading volume may be low when compared with prior periods. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale. Where necessary, the YMCA estimates fair value using other market observable data such as prices for synthetic or derivative instruments, market indices, industry ratings or underlying collateral or models employing techniques such as discounted cash flow analyses. The discount rate used will vary among different types of financial instruments, and particularly in the case of liquid markets, is appropriately adjusted to reflect the illiquidity of the markets. The assumptions used in the models, which typically include assumptions for interest rates, credit losses and prepayments, are corroborated by and independently verified against market observable data where possible. Where appropriate, the YMCA may use a combination of these valuation approaches.

The following sections describe the valuation methodologies used by the YMCA to measure classes of financial instruments at fair value and specify the level in the fair value hierarchy where various financial instruments are generally classified. Valuation models, significant inputs to those models and any significant assumptions are included where appropriate. The respective carrying value of certain on-balance-sheet financial instruments approximates their fair values due to the short-term nature of these instruments. These instruments include cash, receivables, and accounts payable and accrued expenses. The carrying amount of long-term debt and capital lease obligations approximates fair value because the variable interest rates are based on current rates offered for debt and lease liabilities with similar terms and maturities.

Money market funds – Valued at cost, which approximates fair value.

Equity securities – Securities managed by independent investment advisors with discretionary investment authority.

Mutual funds – Valued at the closing price reported in the active market in which the individual securities are traded.

14. FAIR VALUE MEASUREMENTS (CONTINUED)

Determination of Fair Value (Continued)

Beneficial interest in irrevocable trusts – Fair value is based on the face value of the insurance policies along with the life expectancy of the donor and discounted cash flows.

Interest rate swap – The interest rate swap is valued using third party models that use as their input observable market conditions. This valuation process considers factors including interest rate yield curves, money market rates, future prices and long term yields.

Investments held at the Community Foundation – Values of the assets invested with the Community Foundation are determined by calculating the YMCA's Net Asset Value ("NAV") in the pool. The YMCA has the ability to observe the inputs to the valuation and redeem the investment at NAV upon request; as such, the YMCA's investment is reflected at NAV on the Consolidated Statements of Financial Position, using the practical expedient. The investments held at the Community Foundation that are valued at NAV have no unfunded commitments at December 31, 2020 and 2019. Additionally, there are no explicit restrictions on the redemption of such investments. In accordance with Subtopic 820-10, investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy.

The methodologies 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 methodologies are appropriate and consistent, the use of different methodologies and assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Items Measured at Fair Value on a Recurring Basis

The following table presents the YMCA's financial instruments that are measured at fair value on a recurring basis at December 31, 2020, for each fair value hierarchy level.

		Fair Value Measurements at December 31, 2020		
Description	**Fair Value**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Other Unobservable Inputs (Level 3)**
Investments:				
Money market funds	$ 14,147	$ 14,147	$ -	$ -
Equity securities				
Common stocks	391,457	391,457	-	-
Real estate investment trusts	5,674	5,674	-	-
Rights and warrants	20	20	-	-
Mutual funds				
Diversified emerging markets	39,580	39,580	-	-
Foreign large growth	69,744	69,744	-	-
Foreign small/mid-blend	34,046	34,046	-	-
High yield bond	22,557	22,557	-	-
Intermediate core bond	238,374	238,374	-	-
Short-term bond	157,797	157,797	-	-
Small growth	38,671	38,671	-	-
Small value	31,071	31,071	-	-
Total investments in the fair value hierarchy	1,043,138	1,043,138	-	-
Beneficial interest in irrevocable trusts, net	1,645,363	-	-	1,645,363
Investments measured at net asset value *	31,370	-	-	-
Total assets at fair value	**$ 2,719,871**	**$ 1,043,138**	**$ -**	**$ 1,645,363**
Liabilities:				
Fair value of interest rate swap	**$ (269,923)**	**$ -**	**$ (269,923)**	**$ -**

14. FAIR VALUE MEASUREMENTS (CONTINUED)

Items Measured at Fair Value on a Recurring Basis (Continued)

The following table presents the YMCA's financial instruments that are measured at fair value on a recurring basis at December 31, 2019, for each fair value hierarchy level.

		Fair Value Measurements at December 31, 2019		
Description	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Investments:				
Money market funds	$ 12,449	$ 12,449	$ -	$ -
Equity securities				
Common stocks	382,071	382,071	-	-
Real estate investment trusts	10,578	10,578	-	-
Mutual funds				
Diversified emerging markets	28,175	28,175	-	-
Foreign large growth	55,599	55,599	-	-
Foreign small/mid-blend	28,080	28,080	-	-
Intermediate core bond	202,076	202,076	-	-
Nontraditional Bond	83,781	83,781	-	-
Short-term bond	60,900	60,900	-	-
Small growth	26,668	26,668	-	-
Small value	27,606	27,606	-	-
Total investments in the fair value hierarchy	917,983	917,983	-	-
Beneficial interest in irrevocable trusts, net	1,632,507	-	-	1,632,507
Investments measured at net asset value *	27,825	-	-	-
Total assets at fair value	**$ 2,578,315**	**$ 917,983**	**$ -**	**$ 1,632,507**
Liabilities:				
Fair value of interest rate swap	**$ (117,690)**	**$ -**	**$ (117,690)**	**$ -**

(*) In accordance with Subtopic 820-10, certain investments that are measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy.

15. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31,:

	2020	2019
Donor restricted cash for summer camp	$ 42,651	$ 86,436
Donor restricted endowments	690,040	602,747
Time restricted contributions receivable (NOTE 5)	-	5,000
Beneficial interests in irrevocable trusts (NOTE 7)	1,645,363	1,632,507
	$ 2,378,054	**$ 2,326,690**

During the years ended December 31, 2020 and 2019 net assets released from restrictions were $48,785 and $51,355, respectively, and were primarily contributions for summer camp and special needs programs.

16. ENDOWMENTS

The YMCA's endowments consist of individual funds established for a variety of purposes. The endowments are comprised of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets with donor restrictions associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Earnings on endowments with donor restrictions are included in net assets with donor restrictions until appropriated by the Board of Directors in accordance with the spending policy.

One endowment is managed by an independent board of the YMCA Foundation and contains both donor-restricted funds and board designated funds. The other is managed by Community Foundation for Palm Beach and Martin Counties and contains only board designated funds.

The State of Florida has adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The YMCA has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the YMCA would classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted portion of the endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the YMCA in a manner consistent with the standard of prudence prescribed by FUPMIFA.

The YMCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

(1) The duration and preservation of the fund

(2) The purposes of the YMCA and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the YMCA

(7) The investment policies of the YMCA

16. ENDOWMENTS (CONTINUED)

Summary of Endowment Net Assets at December 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 690,040	$ 690,040
Board-designated endowment funds	384,468	-	384,468
Total endowment net assets	**$ 384,468**	**$ 690,040**	**$ 1,074,508**

Summary of Endowment Net Assets at December 31, 2019:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 602,747	$ 602,747
Board-designated endowment funds	343,061	-	343,061
Total endowment net assets	**$ 343,061**	**$ 602,747**	**$ 945,808**

Changes in endowment net assets for the year ended December 31, 2020:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 343,061	$ 602,747	$ 945,808
Interest and dividends	1,231	11,208	12,439
Investment change, net	40,176	76,085	116,261
Endowment net assets, ending	**$ 384,468**	**$ 690,040**	**$ 1,074,508**

Changes in endowment net assets for the year ended December 31, 2019:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning	$ 284,372	$ 510,209	$ 794,581
Interest and dividends	6,312	12,334	18,646
Investment change, net	52,377	80,204	132,581
Endowment net assets, ending	**$ 343,061**	**$ 602,747**	**$ 945,808**

16. ENDOWMENTS (CONTINUED)

Return Objectives and Risk Parameters

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs and operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis. Endowment assets include those assets of donor-restricted funds that the YMCA must hold for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a competitive rate of return while assuming a moderate level of investment risk. The YMCA expects its endowment funds, over time, to provide a rate of return in excess of the original restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

The investment objective is to achieve long-term growth of principal while recognizing the importance of preservation of capital. The YMCA recognizes that varying degrees of investment risk are generally rewarded with concomitant returns over the long-term. For donor funds that are intended for short-term duration, the investment objective is to preserve principal.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The YMCA spending policy is focused on growth of the funds to a specific threshold. Once met, the Board of Directors will begin to appropriate funds in accordance with the spending policy. The YMCA Foundation Board approves all spending of the Board-designated endowment funds when required to support the operations of the YCMA. The intent is to only use funds from the endowment fund when necessary and allow the endowment fund to grow. Accordingly, over the long-term, the YMCA expects the current spending policy to allow its endowments to grow.

17. PENSION PLAN

The YMCA participates in The YMCA Retirement Fund, a national program. Participation in the plan is mandatory for all eligible employees. For the years ended December 31, 2020 and 2019, the YMCA contributed 12% of participants' gross earnings. Due to the coronavirus ("COVID-19") outbreak, the contributions were reduced from 12% to 1% effective July 3, 2020 through September 30, 2020. For the years ended December 31, 2020 and 2019, contributions made on behalf of participating employees totaled approximately $311,000 and $458,000, respectively, and is included within the caption "Employee benefits and payroll taxes" on the Consolidated Statements of Functional Expenses.

18. COMMITMENTS AND CONTINGENCIES

Operating Agreements

On January 22, 1999, the YMCA and Bethesda Memorial Hospital, Inc. ("BMH") entered into several agreements whereby they joined in a collaborative effort to extend their commitments to provide fitness and wellness services to the community. As part of these agreements, the YMCA dedicated 3,500 square feet of the YMCA Boynton Facility to physical therapy. BMH leases this space and operates its various rehabilitation programs. The lease agreement for the 3,500 square feet is for a 25-year term, which commenced in December 2000. The YMCA manages and operates these programs and retains all revenues, incurs all expenses and assumes all liabilities associated with such programs. The first five years of the lease term were prepaid by BMH, which totaled $385,000. Rent for the remaining 20 years of the lease term is $1 per year.

18. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Agreements (Continued)

The YMCA is recognizing the prepaid rent on the straight-line basis over the 25-year lease term. During the years ended December 31, 2020 and 2019, the YMCA recognized approximately $15,000 of revenue related to this lease which is reflected within "Program and service fees" in the Consolidated Statements of Activities. The remaining unamortized portion, which is reflected within "Deferred revenue" in the Consolidated Statements of Financial Position as of December 31, 2020, and 2019 was approximately $78,000 and $93,000, respectively (NOTE 9).

On November 14, 2003, the YMCA entered into an agreement with BMH in which the YMCA dedicated 2,616 square feet for BMH to lease and establish a sports and back medicine program within the newly redeveloped Boca Raton facility. The lease agreement for the 2,616 square feet is for a 25-year term, which commenced on June 1, 2006. The total rent for the first five years was $329,995, which BMH paid to the YMCA in 5 equal installments of $65,999, with the first installment due on the date of commencement of the term and annually thereafter. Rent for the remaining 20 years of the lease term is $1 per year. The YMCA is recognizing the prepaid rent on the straight-line basis over the 25-year lease term. During the years ended December 31, 2020 and 2019 the YMCA recognized approximately $13,000 of revenue related to this lease which is reflected within "Program and service fees" in the Consolidated Statements of Activities. The remaining unamortized portion, which is reflected within "Deferred revenue" in the Consolidated Statements of Financial Position as of December 31, 2020, and 2019 was approximately $144,000 and $157,000, respectively (NOTE 9).

Operating Leases

The YMCA leases buses, fitness equipment, and office equipment under operating lease agreements expiring at various dates through August 2023.

Approximate minimum future rental payments under these non-cancelable lease agreements having initial or remaining terms in excess of one year as of December 31, 2020 are as follows:

Years ending December 31,	
2021	$ 125,000
2022	92,000
2023	22,000
	$ 239,000

Total expense under these operating leases for the years ended December 31, 2020 and 2019 was approximately $51,000 and $38,000, respectively, and is included within the captions "Travel and transportation" and "Occupancy" in the Consolidated Statements of Functional Expenses."

Potential Litigation

The YMCA is exposed to various claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the YMCA's consolidated financial position or the consolidated results of its activities.

19. RISKS AND UNCERTAINTIES

Concentrations of Credit Risk

The YMCA maintains cash balances at local banks. Accounts at a local institution are insured by the Federal Deposit Insurance Corporation. At December 31, 2020 and 2019 and at certain times during the year, the YMCA had amounts on deposit which were in excess of the federally insured limits. The YMCA is required to maintain all cash at the financial institution that provided the bonds payable (NOTE 11). The YMCA has not experienced any losses in such accounts.

The YMCA invests in marketable debt and equity securities, which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual debt and equity security. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The YMCA has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Concentrations of credit risk exist for the YMCA's contributions receivable and beneficial interest in irrevocable trusts due to the size of the amounts and the small number of donors. As of December 31, 2020 and 2019, contributions receivable and beneficial interest in irrevocable trusts from one individual donor represented approximately 87% and 85%, respectively, of total contributions receivable and beneficial interest in irrevocable trusts.

Concentrations of credit risk with respect to other receivables are limited due to the large number of members comprising the YMCA's membership base. As of December 31, 2020 and 2019, the YMCA had no significant concentrations of credit risk relating to grant receivables and other receivables.

COVID-19 Impact

Since January 2020, the COVID-19 outbreak has caused substantial disruption in international and U.S. economies and markets. The fear of further spread of COVID-19 has caused quarantines, cancellation of events and travel, business and school shutdowns, and an overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated COVID-19 as a pandemic. During the year ended December 31, 2020, the YMCA was significantly affected by closures and social distancing requirements as a result of COVID-19. Additionally, there was a significant decrease in memberships and program services. Revenues decreased by approximately $4,400,000 (excluding the PPP and Economic Injury and Disaster Loan Advance) during the year ended December 31, 2020. The YMCA received approximately $1,400,000 in contributions from the PPP (NOTE 2) and Economic Injury and Disaster Loan Advance (NOTE 10). The YMCA is unable to predict the future impact that COVID-19 will have on the consolidated financial position and change in net assets due to numerous uncertainties. These uncertainties include the severity of the virus, the duration of the outbreak, governmental, or other actions (which include promotion of social distancing), or changes to the YMCA's operations. The YMCA is currently evaluating the potential adverse effect this matter will have on its future consolidated financial position, operations and cash flows. While the ultimate outcome of this uncertainty is unknown, it is reasonably possible the future impact may be materially adverse.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees and Management
Young Men's Christian Association
of South Palm Beach County, Inc.
and Affiliate

We have audited, in accordance with the 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 consolidated financial statements of Young Men's Christian Association of South Palm Beach County, Inc. and Affiliate (the "YMCA"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 consolidated 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 consolidated 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*.

To the Board of Trustees and Management
Young Men's Christian Association
of South Palm Beach County, Inc. and Affiliate

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 YMCA'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 YMCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Boca Raton, Florida
June 17, 2021