

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE PALM BEACHES, INC.**

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

Table of Contents

	<u>Page</u>
Report of independent auditors	1–2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statement of functional expenses – 2022	5
Statement of functional expenses – 2021	6
Statements of cash flows	7
Notes to financial statements	8–17



Report of Independent Auditors

To the Board of Directors of
Young Men's Christian Association
of the Palm Beaches, Inc.

Opinion

We have audited the accompanying financial statements of Young Men's Christian Association of the Palm Beaches, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of the Palm Beaches, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young Men's Christian Association of the Palm Beaches, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Men's Christian Association of the Palm Beaches, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Templeton & Company, LLP

West Palm Beach, Florida
May 23, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,584,400	\$ 1,999,637
Investments	5,045,579	513,206
Accounts receivable	35,465	38,912
Unconditional promises to give, current portion	563,327	2,750
Prepaid expenses	<u>35,483</u>	<u>14,108</u>
Total current assets	12,264,254	2,568,613
Unconditional promises to give, net	689,037	-
Property and equipment, net	183,707	1,629,005
Right-of-use assets - operating leases	153,967	-
Other assets	<u>15,628</u>	<u>36,898</u>
Total assets	<u>\$ 13,306,593</u>	<u>\$ 4,234,516</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 12,008	\$ 32,862
Accrued expenses	19,304	47,950
Current portion of lease liability - operating leases	65,861	-
Current maturity of long-term debt	<u>-</u>	<u>22,972</u>
Total current liabilities	97,173	103,784
Lease liability - operating leases, noncurrent	88,106	-
Long term debt, net	<u>-</u>	<u>697,536</u>
Total liabilities	<u>185,279</u>	<u>801,320</u>
Net assets:		
Without donor restrictions	10,012,255	1,872,032
With donor restrictions	<u>3,109,059</u>	<u>1,561,164</u>
Total net assets	<u>13,121,314</u>	<u>3,433,196</u>
Total liabilities and net assets	<u>\$ 13,306,593</u>	<u>\$ 4,234,516</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Contributions	\$ 265,253	\$ 1,617,533	\$ 1,882,786	\$ 312,148	\$ 427,076	\$ 739,224
Program and other fees	576,120	-	576,120	965,261	-	965,261
Membership dues	294,562	-	294,562	292,769	-	292,769
Special events, net of direct expenses	32,337	-	32,337	237,856	-	237,856
Investment income	117,665	-	117,665	3,067	-	3,067
Debt forgiveness - Paycheck Protection Program loan	-	-	-	235,185	-	235,185
Net assets released from restrictions	69,638	(69,638)	-	103,549	(103,549)	-
Total revenues and other support	<u>1,355,575</u>	<u>1,547,895</u>	<u>2,903,470</u>	<u>2,149,835</u>	<u>323,527</u>	<u>2,473,362</u>
Expenses:						
Program services:						
Wellness	193,830	-	193,830	171,312	-	171,312
Aquatics	373,038	-	373,038	313,603	-	313,603
Sports and recreation	31,604	-	31,604	8,606	-	8,606
Skate Park	14,793	-	14,793	68,560	-	68,560
Camp	156,509	-	156,509	116,108	-	116,108
Childcare	498,160	-	498,160	773,014	-	773,014
Total program services	<u>1,267,934</u>	<u>-</u>	<u>1,267,934</u>	<u>1,451,203</u>	<u>-</u>	<u>1,451,203</u>
Supporting services:						
Management and general	226,982	-	226,982	344,695	-	344,695
Fund raising	105,157	-	105,157	129,605	-	129,605
Total expenses	<u>1,600,073</u>	<u>-</u>	<u>1,600,073</u>	<u>1,925,503</u>	<u>-</u>	<u>1,925,503</u>
Change in net assets from operating activities	(244,498)	1,547,895	1,303,397	224,332	323,527	547,859
Nonoperating activities:						
Gain on sale of property and equipment	8,384,721	-	8,384,721	-	-	-
Change in net assets	8,140,223	1,547,895	9,688,118	224,332	323,527	547,859
Net assets - beginning of year	1,872,032	1,561,164	3,433,196	1,647,700	1,237,637	2,885,337
Net assets - end of year	<u>\$ 10,012,255</u>	<u>\$ 3,109,059</u>	<u>\$ 13,121,314</u>	<u>\$ 1,872,032</u>	<u>\$ 1,561,164</u>	<u>\$ 3,433,196</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services						Supporting Services			Total Expenses	
	Wellness	Aquatics	Sports and Recreation	Skate Park	Camp	Child Care	Total	Management and General	Fund Raising		Total
Personnel costs:											
Salaries and payroll taxes	\$ 116,086	\$ 218,851	\$ 10,892	\$ 8,044	\$ 98,763	\$ 355,710	\$ 808,346	\$ 162,250	\$ 6,471	\$ 168,721	\$ 977,067
Benefits	9,520	18,309	1,398	722	10,137	44,772	84,858	6,398	324	6,722	91,580
Total personnel costs	125,606	237,160	12,290	8,766	108,900	400,482	893,204	168,648	6,795	175,443	1,068,647
Advertising and printing	6,952	13,383	1,134	531	-	-	22,000	961	-	961	22,961
Contract services	-	-	-	-	10,641	1,542	12,183	-	-	-	12,183
Depreciation	4,972	8,378	8,953	97	4,217	25,225	51,842	912	696	1,608	53,450
Employee development	390	241	38	18	237	512	1,436	111	2,585	2,696	4,132
Food and beverage	423	892	69	32	-	346	1,762	-	-	-	1,762
Insurance	3,828	8,229	806	542	6,343	23,677	43,425	3,235	19	3,254	46,679
Interest	2,159	4,155	352	165	-	12,564	19,395	-	-	-	19,395
Maintenance and repairs	2,432	7,889	393	189	370	3,719	14,992	5,823	4,444	10,267	25,259
National field support	3,419	8,106	652	366	2,392	4,608	19,543	1,303	-	1,303	20,846
Office and other	17,950	34,681	2,811	1,398	745	14,425	72,010	6,098	341	6,439	78,449
Professional fees	-	-	-	-	-	-	-	28,252	82,625	110,877	110,877
Program supplies	1,550	3,459	169	847	1,718	1,768	9,511	-	-	-	9,511
Rental expenses	17,446	33,575	2,844	1,331	20,650	772	76,618	-	10	10	76,628
Taxes and licenses	80	155	13	6	-	810	1,064	2,094	550	2,644	3,708
Telephone	2,372	4,564	387	181	-	1,411	8,915	-	-	-	8,915
Travel and conferences	187	349	30	14	-	90	670	515	200	715	1,385
Utilities	3,736	7,190	609	285	-	4,224	16,044	8,940	6,823	15,763	31,807
Vehicle expense	328	632	54	25	296	1,985	3,320	90	69	159	3,479
Total expenses	<u>\$ 193,830</u>	<u>\$ 373,038</u>	<u>\$ 31,604</u>	<u>\$ 14,793</u>	<u>\$ 156,509</u>	<u>\$ 498,160</u>	<u>\$ 1,267,934</u>	<u>\$ 226,982</u>	<u>\$ 105,157</u>	<u>\$ 332,139</u>	<u>\$ 1,600,073</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services						Supporting Services			Total Expenses	
	Wellness	Aquatics	Sports and Recreation	Skate Park	Camp	Child Care	Total	Management and General	Fund Raising		Total
Personnel costs:											
Salaries and payroll taxes	\$ 117,965	\$ 190,383	\$ 3,811	\$ 27,725	\$ 62,469	\$ 511,276	\$ 913,629	\$ 158,347	\$ 80,342	\$ 238,689	\$ 1,152,318
Benefits	8,957	22,098	324	5,945	5,620	63,596	106,540	27,245	12,451	39,696	146,236
Total personnel costs	126,922	212,481	4,135	33,670	68,089	574,872	1,020,169	185,592	92,793	278,385	1,298,554
Advertising and printing	6,397	11,873	321	2,576	291	732	22,190	290	-	290	22,480
Contract services	-	-	-	-	7,280	702	7,982	-	-	-	7,982
Depreciation	13,792	33,115	1,557	4,078	22,240	44,287	119,069	3,678	-	3,678	122,747
Employee development	423	706	10	120	202	1,005	2,466	79	-	79	2,545
Food and beverage	290	812	15	443	641	1,382	3,583	-	-	-	3,583
Insurance	899	4,239	368	388	7,492	28,845	42,231	16,126	-	16,126	58,357
Interest	912	1,669	46	352	-	44,950	47,929	-	-	-	47,929
Maintenance and repairs	5,904	15,426	538	17,527	146	11,977	51,518	12,939	-	12,939	64,457
National field support	2,909	7,810	293	1,103	4,281	9,371	25,767	2,016	-	2,016	27,783
Office and other	2,398	4,865	180	855	2,922	18,035	29,255	42,982	-	42,982	72,237
Professional fees	-	-	-	-	-	85	85	45,402	36,500	81,902	81,987
Program supplies	1,285	3,119	683	3,907	2,054	9,778	20,826	290	220	510	21,336
Rental expenses	-	-	-	-	-	1,060	1,060	3,325	-	3,325	4,385
Taxes and licenses	917	1,989	46	354	-	2,697	6,003	3,256	-	3,256	9,259
Telephone	-	-	-	-	-	3,373	3,373	7,870	-	7,870	11,243
Travel and conferences	199	738	9	77	143	29	1,195	1,117	92	1,209	2,404
Utilities	8,048	14,730	404	3,104	-	14,819	41,105	19,681	-	19,681	60,786
Vehicle expense	17	31	1	6	327	5,015	5,397	52	-	52	5,449
Total expenses	<u>\$ 171,312</u>	<u>\$ 313,603</u>	<u>\$ 8,606</u>	<u>\$ 68,560</u>	<u>\$ 116,108</u>	<u>\$ 773,014</u>	<u>\$ 1,451,203</u>	<u>\$ 344,695</u>	<u>\$ 129,605</u>	<u>\$ 474,300</u>	<u>\$ 1,925,503</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Change in net assets	\$ 9,688,118	\$ 547,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	53,450	122,747
Amortization of debt issuance costs	6,827	2,410
Debt forgiveness - Paycheck Protection Program loan	-	(235,185)
Gain on sale of property and equipment	(8,384,721)	-
Changes in operating assets and liabilities:		
Accounts receivable	3,447	12,479
Unconditional promises to give	(1,249,614)	(796)
Prepaid expenses	(21,375)	16,835
Other assets	21,270	(16,844)
Accounts payable	(20,854)	16,614
Accrued expenses	<u>(28,646)</u>	<u>27,609</u>
Net cash provided by operating activities	<u>67,902</u>	<u>493,728</u>
Cash flows from investing activities:		
Purchases of investments	(4,532,373)	(967)
Proceeds from sale of property and equipment	9,862,360	-
Acquisitions of property and equipment	<u>(85,791)</u>	<u>(14,000)</u>
Net cash provided by (used in) investing activities	<u>5,244,196</u>	<u>(14,967)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	<u>(727,335)</u>	<u>(21,626)</u>
Net cash used in financing activities	<u>(727,335)</u>	<u>(21,626)</u>
Increase in cash and cash equivalents	4,584,763	457,135
Cash and cash equivalents at beginning of year	<u>1,999,637</u>	<u>1,542,502</u>
Cash and cash equivalents at end of year	<u>\$ 6,584,400</u>	<u>\$ 1,999,637</u>
Supplemental cash flow disclosure:		
Interest paid	<u>\$ 12,568</u>	<u>\$ 46,355</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of Organization

The Young Men's Christian Association of the Palm Beaches, Inc. (YMCA or Organization) is a Florida not-for-profit entity, which was incorporated on December 30, 1946. The YMCA was organized to promote the spiritual, mental, social and physical welfare of all people, especially for residents of Palm Beach County, Florida. The YMCA is a member of the YMCA of the USA, a world-wide not-for-profit organization. Each member YMCA is autonomous.

Description of program services

The following are the descriptions of the program services provided by the YMCA:

Health and wellness - Provides aerobic instruction, rehabilitative programs, and a fitness facility for its members and guests. The fitness facility includes personal training, weight training, aerobic machines, and group exercise classes. Programs such as taekwon do and yoga are offered, in addition to the traditional group exercise classes.

Aquatics - Provides swim lessons for individuals from infants to senior citizens, water aerobics, aquatic safety training, lap swimming, and an adaptive swim program for people with disabilities.

Youth sports and recreation - Provides group and youth sports training, emphasizing teamwork and cooperation, developing good values, and allows young players to enjoy sports in a positive and fun environment. Programs provide basic instruction in team sports such as soccer, basketball, and golf instruction. Also provided is a skate park for safe skateboarding, scootering, and BMX biking for youth and adults.

Summer Day Camp – Provides day camp and Y Summer Camp recreational activities. Day Camp is provided for preschool and elementary school aged children during the summer and winter and spring holidays. Children are exposed to the more creative, entertaining, and recreational activities than generally found during the school year. Y summer camp offers a time where children can develop new friendships, explore creativity, and experience new opportunities by engaging in team or individual sports, show their artistic side by participating in arts and crafts, or join in field trips to parks and museums.

Family Life - Offers safe and affordable quality preschool education (VPK), child care, and before and after school care for children. Childcare programs encourage a positive environment for youth to engage in developmentally appropriate activities to stimulate their growth intellectually, physically and socially.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions

Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the YMCA. The net assets may be used at the discretion of the YMCA's management and Board of Directors.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Net assets, continued

Net assets with donor restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time period has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by releasing the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets restricted for acquisition of property or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified assets are placed in service by the Organization, unless the donor provided more specific directions about the period of its use.

Measure of operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the YMCA's ongoing programs and interest and dividends earned on investments. Non-operating activities are limited to other activities considered to be of a more unusual or infrequent nature.

Support and revenue recognition

The Organization recognizes revenue from grants and contracts in accordance with Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which the resource provider is receiving commensurate value in return for the resources transferred, (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies the guidance under ASC 606.

If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

Revenue from grants and contracts is recognized when earned, that is, generally as the related costs are incurred under the terms of the grant or contract agreements. Amounts expended in advance of reimbursements, if any, are reported as government grants receivable.

Contributions, including unconditional promises (pledges) to give, are recognized as revenue in the period the contribution or promise is received or made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are received, or ownership of other assets is transferred to the Organization. Bequests are recorded as support at the time the Organization has an established right to the bequest and proceeds are measurable.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Support and revenue recognition, continued

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided and the Organization does not believe it is required to provide additional goods or service related to those services.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as reclassifications.

The Organization reports donations of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained; the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated goods include contributions of noncash items. Donated services are reported as contributions if the services (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. YMCA reported no donated services for the year ended December 31, 2022. The estimated amount of donated services rendered to the YMCA for the year ended December 31, 2021 was \$59,254 which is reported as contribution revenue and as management and general expenses in the statement of activities.

Many individuals volunteer their time and perform a variety of tasks that assist the YMCA with specific assistance programs, campaign solicitations, and various committee assignments, but such services are not recorded, because there is no objective basis available to measure the value of such services.

Cash and cash equivalents

Cash and cash equivalents are defined as short-term, highly-liquid investments that are both readily convertible to cash and having original maturities of three months or less. They include petty cash and checking accounts. The Organization maintains its cash and cash equivalents in bank accounts, which may exceed federally insured limits. The Organization has not experienced any losses on such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents. As of December 31, 2022 and 2021, the Organization had accounts exceeding federally insured limits of approximately \$270,000 and \$1,762,000, respectively, including certificates of deposit.

Investments

Investments include certificates of deposit with original maturities of less than 12 months and short-term U.S. Treasury securities. The carrying value of investments approximates fair value.

Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts when considered necessary. Management did not consider an allowance necessary at December 31, 2022 and 2021.

Promises to give

Unconditional promises to give are recognized as support in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Donated property and equipment

Donations of property and equipment are reported as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Absent donor stipulations regarding how long those donated assets must be maintained, the YMCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The YMCA reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. There were no donations of property and equipment during the years ended December 31, 2022 and 2021.

Property and equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over periods of 3 to 40 years. Additions and betterments which have an economic useful life that extends beyond 12 months and a cost of \$5,000 or more are capitalized.

Impairment of long-lived assets

The carrying value of the YMCA's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The YMCA considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value.

Fair value of financial instruments

Cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are reflected in the financial statements at book value because of the short-term maturity of these instruments.

Special events, net of direct expenses

The YMCA conducts special events for the purpose of raising money for annual operations. Special events are recorded when the event takes place. The YMCA had revenues of \$48,330 less related direct expenses of \$15,993 for the year ended December 31, 2022 and special events revenues of \$309,457 less related direct expenses of \$71,601 for the year ended December 31, 2021.

Advertising

The YMCA generally uses print and online forms of advertising to promote its programs and community outreach events. Advertising costs are expensed as incurred. Advertising related expenses were \$22,961 and \$22,480 for the years ended December 31, 2022 and 2021, respectively, and are included in advertising and printing in the accompanying statements of functional expenses.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Organization's leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. For operating leases, lease expense is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization accounts for its lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments are recognized in operating expenses in the period in which the obligation for those payments is incurred.

Income taxes

YMCA is a tax-exempt, not-for-profit corporation under Internal Revenue Code (IRC) Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. YMCA files tax returns in the U.S. federal jurisdiction and is no longer subject to U.S. federal tax examinations for years before 2019.

Functional allocation of expenses

The costs of providing the services YMCA offers are summarized on a functional basis in the accompanying statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or supporting service are charged directly to that program or supporting service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied.

- Occupancy costs (depreciation, insurance, maintenance and repairs, and utilities) are allocated on a basis of the total costs for each program or supporting activity occupying each building space.
- Telephone, postage, supplies, equipment rental, and other expenses that cannot be directly identified are allocated on a basis of the total costs for each program or supporting activity.

Annually, or more often when new programs are added, the bases on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of YMCA.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. YMCA generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 – Summary of Significant Accounting Policies, Continued

Recently adopted accounting pronouncement

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases*, which as amended, was codified as Accounting Standards Codification (ASC) Topic 842, *Leases*. ASU 2016-02 requires lessees to recognize most leases on the statement of financial position as liabilities, with corresponding ROU assets. For recognition purposes in the statement of activities, leases will be classified as either financing or operating leases in a manner similar to the requirement under the previous lease accounting literature but without relying on bright-line tests.

On the date of adoption, the Organization applied the modified retrospective transition approach. The Organization recognized and measured leases existing at, or entered into after, the date of adoption using the modified retrospective transition approach. The Organization elected certain practical expedients, including the package of transition practical expedients allowing it to: (1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; (2) not reassess the lease classification for any expired or existing leases; and (3) not reassess initial direct costs for any existing leases.

As of January 1, 2022, the Organization recognized ROU assets and an operating lease liability of \$300, which represents the present value of the remaining lease payments of \$300, by electing the practical expedient of the risk-free discount rate of 2.25%. There were no material unamortized costs.

The adoption of ASU 2016-02 had an impact on the Organization's statement of financial position as of December 31, 2022, and did not have a material impact on the statements of activities and cash flows for the year ended December 31, 2022. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Note 3 – Availability and Liquidity

Financial assets available for general expenditures within one year of December 31, 2022 and 2021 are as follows:

Financial assets:		
Cash and cash equivalents		\$ 6,584,400
Investments		5,045,579
Accounts receivable		35,465
Unconditional promises to give (without donor restrictions)		<u>2,327</u>
Total financial assets		11,667,771
Less: amounts not available to be used within one year:		
Net assets with donor restrictions		<u>3,109,059</u>
Amount available for general expenditures within one year		<u>\$ 8,558,712</u>

YMCA's goal is generally to maintain financial assets to meet its annual operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including cash equivalents.

Note 4 – Investments

A summary of investments as of December 31, 2022 and 2021 is presented as follows:

	<u>2022</u>	<u>2021</u>
Certificates of deposit	\$ 515,499	\$ 513,206
U.S. Treasury securities	<u>4,530,080</u>	<u>-</u>
Total investments, at fair value	<u>\$ 5,045,579</u>	<u>\$ 513,206</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 5 – Fair Value Measurement

Accounting guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques 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 described below:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The valuation under this approach does not entail a significant degree of judgment.

Level 2 – Pricing inputs are other than quoted prices in active markets which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models and other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments which are generally included in this category include venture capital investments in equity or equity-oriented securities of privately held entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. YMCA's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

All of the Organization's investments were within the Level I hierarchy as of December 31, 2022 and 2021.

Note 6 – Unconditional Promises to Give

Unconditional promises to give consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Programming pledges	\$ 2,327	\$ 2,750
Capital campaign pledges	<u>1,295,000</u>	<u>-</u>
Unconditional promises to give before unamortized discount	1,297,327	2,750
Less: unamortized discount	<u>(44,963)</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 1,252,364</u>	<u>\$ 2,750</u>
Amounts due in:		
Less than one year	\$ 563,327	\$ 2,750
One to five years	<u>734,000</u>	<u>-</u>
Total	<u>\$ 1,297,327</u>	<u>\$ 2,750</u>

YMCA applies discount rates of 4.22% to 4.36% for its pledges with terms in excess of one year.

Note 7 – Property and Equipment

In April 2022, YMCA sold the YMCA of the Palm Beaches Edwin W. Brown branch property for a sales price of \$10,000,000 in a cash transaction. YMCA received approximately \$9,860,000, net of closing costs. The gain on the sale of the property and equipment was \$8,384,721 and is reported as nonoperating revenue in the statement of activities for the year ended December 31, 2022.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 7 – Property and Equipment, Continued

The following is a summary of property and equipment as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ -	\$ 936,425
Buildings	-	3,158,134
Furniture and fixtures	-	116,106
Equipment	<u>265,257</u>	<u>548,609</u>
	265,257	4,759,274
Accumulated depreciation	<u>(215,682)</u>	<u>(3,212,402)</u>
	49,575	1,546,872
Construction in progress	<u>134,132</u>	<u>82,133</u>
	<u>\$ 183,707</u>	<u>\$ 1,629,005</u>

Construction in progress represents costs incurred to construct new facilities. Depreciation expense totaled \$53,450 and \$122,747, respectively, for the years ended December 31, 2022 and 2021.

Note 8 – Long Term Debt

Mortgage Note Payable

In April 2014, the YMCA entered into a construction loan agreement for a total not to exceed \$890,000. During the construction period, payments of interest only were payable monthly. The permanent term was to commence November 1, 2014 for a period of 10-years until November 1, 2024. The YMCA's facilities at Congress Avenue in West Palm Beach, Florida were pledged as collateral. In addition, all rents, leases, revenues, profits and all proceeds from sale or disposition were assigned as collateral. Upon the sale of the YMCA's facilities in April 2022 (see Note 6), the remaining balance of the mortgage note payable was paid in full.

Amortization of the debt issuance costs is reported as interest expense in the statements of activities and statements of functional expenses and amounted to \$6,827 and \$2,410 for the years ended December 31, 2022 and 2021, respectively.

Paycheck Protection Program Loan

During April 2020, the Organization applied and received a loan from an unrelated third party lender pursuant to the Paycheck Protection Program (the PPP) under the Coronavirus Aid, Relief and Economic Security Act (the CARES Act), enacted March 27, 2020, in the principal amount of \$232,970.

Under the terms of the PPP loan, up to the entire amounts of principal and accrued interest may be forgiven to the extent the proceeds of the PPP loan are used for qualifying expenses as described in the CARES Act and applicable implementing guidance issued by the U.S. Small Business Administration (SBA) under the PPP.

During 2021, the SBA approved the Organization's application for full forgiveness of the PPP loan in the amount of \$235,185. The Organization recognized the gain on debt forgiveness in the accompanying statement of activities for the year ended December 31, 2021.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 8 – Long Term Debt, Continued

The outstanding balance of long term debt at December 31, 2021 was as follows:

Mortgage note payable	\$ 727,335
Less: Unamortized debt issuance costs	<u>(6,827)</u>
Total long term debt, net	720,508
Less: Current maturity	<u>(22,972)</u>
Long-term portion	<u>\$ 697,536</u>

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Specific purpose:		
Capital campaign and improvements	\$ 3,032,859	\$ 1,544,150
Programs in future periods	<u>76,200</u>	<u>17,014</u>
Total	<u>\$ 3,109,059</u>	<u>\$ 1,561,164</u>

Note 10 – Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions for the years ended December 31, 2022 and 2021 for the following purpose:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Programs	<u>\$ 69,638</u>	<u>\$ 103,549</u>

Note 11 – Retirement Plan

Clerical and professional staff members who meet specified requirements participate in a defined contribution retirement plan administered by the YMCA Retirement Fund. Contributions totaling \$53,618 and \$80,044 for 2022 and 2021, respectively, are included in benefits in the statements of functional expenses. Such contributions were made to the YMCA Retirement Fund based on 12% of the participating employees' salaries.

Note 12 – Related Party Transactions

The YMCA paid \$19,542 and \$25,768 for the years ended December 31, 2022 and 2021, respectively, to the YMCA of the USA. The amounts are based on a percentage of certain revenue and support.

Note 13 – Leases

On January 12, 2021, YMCA signed a lease agreement with Palm Beach County, Florida (the County) to lease approximately five (5) acres of undeveloped land to relocate the existing YMCA Branch to the land within Lake Lytal Park. The initial lease term is for fifty (50) years with one fifty (50) year extension option. YMCA shall reimburse the County up to 50% of the cost of design and permitting of infrastructure improvements, not to exceed a predetermined amount. The County lease requires an annual base rental payment of \$10. The County lease requires YMCA to commence construction of new facilities in three phases within a ten year period. The County lease also requires YMCA to raise funding for the new facilities in the amount of \$7,500,000 by November 30, 2023, \$16,500,000 by November 30, 2026, and \$21,500,000 by November 30, 2030. Either party shall have the right to terminate the lease in the event the fundraising amounts are not met.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 13 – Leases, Continued

The Organization also leases certain recreational facilities under a non-cancelable operating lease agreement with a lease term expiring in April 2025.

Operating lease expense is recorded within rental expenses in the accompanying statements of functional expenses. Lease expense related to the Organization's non-cancelable operating leases for the year ended December 31, 2022 totaled \$45,034. The Organization's operating leases did not contain any variable lease components for the year ended December 31, 2022.

The following presents supplemental disclosure associated with the Organization's cash flow information related to operating leases for the year ended December 31, 2022:

Operating activities:	
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 45,034</u>

The following table presents the weighted average lease term (in years) and discount rate of the Organization's operating leases as of December 31, 2022:

Weighted average remaining lease term (in years)	1.55
Weighted average discount rate	2.25%

The following table presents a maturity analysis of the Organization's lease liability as of December 31, 2022:

Year Ending December,	
2023	\$ 67,546
2024	67,546
2025	22,522
2026	10
2027	10
Thereafter	<u>430</u>
Total minimum lease payments	158,064
Less: imputed interest	<u>(4,097)</u>
Present value of minimum lease payments	<u>\$ 153,967</u>

Note 14 – Management Agreement

In August 2022, the Organization executed a management agreement with the District Board of Trustees of Palm Beach State College (the College) to operate and manage the College's Wellness Center. Terms of the management agreement call for the College to engage the YMCA to manage and provide health and wellness services to the College's faculty and staff as well as the YMCA's members and participants. YMCA is to make all day to day management decisions of running the Wellness Center. The YMCA incurs no costs or expenses for occupancy of the College's Wellness Center and receives no fees for providing services to the College's faculty and staff. The management agreement is automatically extended monthly unless either the College or Organization provides written notice not to extend the term.

Note 15 – Subsequent Events

Management evaluated activity of YMCA subsequent to December 31, 2022 through May 23, 2023, the date the financial statements were available to be issued, for events that require recognition in the financial statements or disclosure in the notes thereto.