

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

**REPORT ON AUDITS OF FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

## Table of Contents

	<u>Page</u>
Report of independent auditors	1
Financial statements:	
Statements of financial position	2
Statements of activities	3
Statement of functional expenses – 2019	4
Statement of functional expenses – 2018	5
Statements of cash flows	6
Notes to financial statements	7–15

## Report of Independent Auditors

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of the Palm Beaches, Inc. (YMCA) which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA as of December 31, 2019 and 2018, 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.

*Templeton & Company, LLP*

West Palm Beach, Florida  
September 1, 2020



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

**STATEMENTS OF FINANCIAL POSITION  
December 31, 2019 and 2018**

	2019	2018
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 464,677	\$ 403,148
Certificates of deposit	1,020,812	505,261
Accounts receivable	55,839	31,029
Unconditional promises to give	1,860	2,368
Prepaid expenses	<u>25,067</u>	<u>25,277</u>
Total current assets	1,568,255	967,083
Property and equipment, net	1,822,261	1,915,744
Other assets	<u>25,842</u>	<u>5,750</u>
Total assets	<u>\$ 3,416,358</u>	<u>\$ 2,888,577</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 47,880	\$ 34,236
Accrued expenses	13,437	10,621
Current maturity of mortgage note payable	<u>20,117</u>	<u>21,946</u>
Total current liabilities	81,434	66,803
Mortgage note payable, net	<u>737,418</u>	<u>756,112</u>
Total liabilities	<u>818,852</u>	<u>822,915</u>
Net assets:		
Without donor restrictions	1,597,439	1,667,817
With donor restrictions	<u>1,000,067</u>	<u>397,845</u>
Total net assets	<u>2,597,506</u>	<u>2,065,662</u>
Total liabilities and net assets	<u>\$ 3,416,358</u>	<u>\$ 2,888,577</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, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:						
Contributions	\$ 168,104	\$ 877,749	\$ 1,045,853	\$ 124,314	\$ 445,450	\$ 569,764
Program and other fees	837,354	-	837,354	692,765	-	692,765
Membership dues	457,653	-	457,653	429,350	-	429,350
Special events, net of direct expenses	196,277	-	196,277	177,322	-	177,322
Investment income	15,680	-	15,680	5,824	-	5,824
Loss on sale of property and equipment	-	-	-	(2,988)	-	(2,988)
Net assets released from restrictions	275,527	(275,527)	-	167,805	(167,805)	-
<b>Total revenues and other support</b>	<b>1,950,595</b>	<b>602,222</b>	<b>2,552,817</b>	<b>1,594,392</b>	<b>277,645</b>	<b>1,872,037</b>
Expenses:						
Program services:						
Wellness	296,056	-	296,056	352,934	-	352,934
Aquatics	296,720	-	296,720	292,325	-	292,325
Sports and recreation	15,582	-	15,582	18,907	-	18,907
Skate Park	36,952	-	36,952	47,655	-	47,655
Camp	156,611	-	156,611	93,133	-	93,133
Childcare	692,030	-	692,030	644,409	-	644,409
<b>Total program services</b>	<b>1,493,951</b>	<b>-</b>	<b>1,493,951</b>	<b>1,449,363</b>	<b>-</b>	<b>1,449,363</b>
Supporting services:						
Management and general	439,659	-	439,659	446,250	-	446,250
Fund raising	87,363	-	87,363	82,766	-	82,766
<b>Total expenses</b>	<b>2,020,973</b>	<b>-</b>	<b>2,020,973</b>	<b>1,978,379</b>	<b>-</b>	<b>1,978,379</b>
Change in net assets	(70,378)	602,222	531,844	(383,987)	277,645	(106,342)
Net assets - beginning of year	1,667,817	397,845	2,065,662	2,051,804	120,200	2,172,004
Net assets - end of year	<u>\$ 1,597,439</u>	<u>\$ 1,000,067</u>	<u>\$ 2,597,506</u>	<u>\$ 1,667,817</u>	<u>\$ 397,845</u>	<u>\$ 2,065,662</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, 2019**

	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	\$ 166,168	\$ 168,925	\$ 6,678	\$ 20,413	\$ 75,920	\$ 420,359	\$ 858,463	\$ 227,642	\$ 81,504	\$ 309,146	\$ 1,167,609
Benefits	16,785	18,181	380	3,711	4,527	50,136	93,720	38,636	4,145	42,781	136,501
Total personnel costs	182,953	187,106	7,058	24,124	80,447	470,495	952,183	266,278	85,649	351,927	1,304,110
Advertising and printing	9,216	9,211	484	1,222	2,801	327	23,261	840	-	840	24,101
Contract services	-	-	-	-	13,778	918	14,696	-	-	-	14,696
Depreciation	44,093	27,988	3,344	1,768	19,671	46,189	143,053	3,542	-	3,542	146,595
Employee development	692	1,713	23	55	289	1,603	4,375	14	-	14	4,389
Food and beverage	753	990	40	131	1,114	1,758	4,786	25	-	25	4,811
Insurance	3,886	9,591	855	1,031	10,578	36,026	61,967	20,967	-	20,967	82,934
Interest	990	989	52	119	259	39,254	41,663	-	-	-	41,663
Maintenance and repairs	18,034	22,505	772	2,197	3,965	25,110	72,583	18,522	-	18,522	91,105
National field support	4,941	7,558	513	801	3,938	10,445	28,196	-	-	-	28,196
Office and other	8,714	7,398	323	789	4,969	19,421	41,614	52,850	-	52,850	94,464
Professional fees	-	-	-	-	-	-	-	44,239	-	44,239	44,239
Program supplies	3,291	3,382	1,155	2,560	4,743	12,802	27,933	-	1,714	1,714	29,647
Rental expenses	1,700	1,700	89	204	5,437	386	9,516	-	-	-	9,516
Taxes and licenses	1,337	1,586	70	161	350	2,730	6,234	2,801	-	2,801	9,035
Telephone	-	-	-	-	-	3,141	3,141	7,329	-	7,329	10,470
Travel and conferences	1,489	1,042	49	112	419	1,993	5,104	2,960	-	2,960	8,064
Utilities	13,951	13,945	733	1,676	3,657	15,820	49,782	19,136	-	19,136	68,918
Vehicle expense	16	16	22	2	196	3,612	3,864	156	-	156	4,020
Total expenses	<u>\$ 296,056</u>	<u>\$ 296,720</u>	<u>\$ 15,582</u>	<u>\$ 36,952</u>	<u>\$ 156,611</u>	<u>\$ 692,030</u>	<u>\$1,493,951</u>	<u>\$ 439,659</u>	<u>\$ 87,363</u>	<u>\$ 527,022</u>	<u>\$ 2,020,973</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, 2018**

	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	\$ 198,535	\$ 159,932	\$ 5,652	\$ 25,659	\$ 40,638	\$ 389,015	\$ 819,431	\$ 214,003	\$ 79,223	\$ 293,226	\$ 1,112,657
Benefits	19,384	14,567	394	3,729	2,536	39,221	79,831	29,165	3,543	32,708	112,539
Total personnel costs	217,919	174,499	6,046	29,388	43,174	428,236	899,262	243,168	82,766	325,934	1,225,196
Advertising and printing	9,889	8,174	530	1,273	1,378	1,072	22,316	685	-	685	23,001
Contract services	-	-	-	-	2,977	50	3,027	-	-	-	3,027
Depreciation	47,680	28,317	5,839	2,304	18,317	46,732	149,189	3,616	-	3,616	152,805
Employee development	1,410	2,184	68	163	131	174	4,130	668	-	668	4,798
Food and beverage	1,161	991	58	140	755	973	4,078	-	-	-	4,078
Insurance	4,180	9,583	1,048	1,274	10,405	33,464	59,954	20,601	-	20,601	80,555
Interest	1,141	943	61	147	118	38,730	41,140	-	-	-	41,140
Maintenance and repairs	23,770	28,564	1,236	4,766	2,377	29,905	90,618	26,702	-	26,702	117,320
National field support	4,598	5,623	547	841	3,084	8,796	23,489	-	-	-	23,489
Office and other	5,843	6,221	409	908	2,959	20,775	37,115	49,171	-	49,171	86,286
Professional fees	-	-	-	-	-	-	-	67,931	-	67,931	67,931
Program supplies	15,610	10,668	1,988	3,919	5,286	15,301	52,772	3,608	-	3,608	56,380
Rental expenses	2,417	1,998	130	311	249	193	5,298	-	-	-	5,298
Taxes and licenses	1,931	1,846	103	249	199	2,663	6,991	2,679	-	2,679	9,670
Telephone	-	-	-	66	-	3,091	3,157	7,212	-	7,212	10,369
Travel and conferences	574	472	50	1,906	88	370	3,460	3,072	-	3,072	6,532
Utilities	14,811	12,242	794	-	1,526	11,581	40,954	17,057	-	17,057	58,011
Vehicle expense	-	-	-	-	110	2,303	2,413	80	-	80	2,493
Total expenses	\$ 352,934	\$ 292,325	\$ 18,907	\$ 47,655	\$ 93,133	\$ 644,409	\$ 1,449,363	\$ 446,250	\$ 82,766	\$ 529,016	\$ 1,978,379

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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 531,844	\$ (106,342)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,595	152,805
Amortization of debt issuance costs	2,410	2,410
Loss on sale of property and equipment	-	2,988
Changes in operating assets and liabilities:		
Accounts receivable	(24,810)	(1,096)
Unconditional promises to give	508	17,632
Prepaid expenses	210	(2,201)
Other assets	(20,092)	-
Accounts payable	13,644	6,337
Accrued expenses	<u>2,816</u>	<u>(20,338)</u>
Net cash provided by operating activities	<u>653,125</u>	<u>52,195</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(515,551)	(255,117)
Acquisitions of property and equipment	<u>(53,112)</u>	<u>(67,323)</u>
Net cash used in investing activities	<u>(568,663)</u>	<u>(322,440)</u>
Cash flows from financing activities:		
Principal payments on mortgage note payable	<u>(22,933)</u>	<u>(22,577)</u>
Net cash used in financing activities	<u>(22,933)</u>	<u>(22,577)</u>
Increase (decrease) in cash and cash equivalents	61,529	(292,822)
Cash and cash equivalents at beginning of year	<u>403,148</u>	<u>695,970</u>
Cash and cash equivalents at end of year	<u>\$ 464,677</u>	<u>\$ 403,148</u>
Supplemental cash flow disclosure:		
Interest paid	<u>\$ 39,255</u>	<u>\$ 38,730</u>

See accompanying notes to financial statements.



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

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### Note 1 – Description of Organization

The Young Men's Christian Association of the Palm Beaches, Inc. (YMCA) 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, wellness, and fitness* - Provides aerobic instruction, rehabilitative programs, and a fitness facility for its members and guests. The fitness facility includes personal training weight training, aerobic machines, a spin room and offers such programs as tae kwon do, yoga and tai chi in addition to the traditional aerobic exercise classes.

*Aquatics* - Provides swim lessons for individuals from infants to senior citizens, specialized swim instruction for disabled individuals, aquatic safety, and lap swimming.

*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 volleyball. Also provided is a skate park for safe skating, scooting, and biking for youth and adults.

*Camp* – Provides day camp and Y summer camp recreational activities. Day Camp is provided for preschool and school aged children during the summer, winter and spring holidays, during which time children are exposed to the more creative activities than generally found during the school year. For those older school aged children, Y summer camp offers a time where they 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 dance, and join in field trips to parks, museums and aquariums.

*Family Life* - Offers safe and affordable quality preschool education (VPK), child care, wrap-around, and aftercare 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 (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*

# 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 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.

#### *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

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.

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.

# 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

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. The estimated amount of donated services rendered to the YMCA for the years ended December 31, 2019 and 2018 was \$40,058 and \$48,620, respectively, which is reported as contribution revenue and as management and general expenses in the statements 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, 2019 and 2018, the Organization had accounts exceeding federally insured limits of approximately \$788,000 and \$311,000, respectively, including certificates of deposit.

#### Certificates of deposit

Certificates of deposit are reported at fair value and have original maturities of less than 12 months. The carrying value of certificates of deposit 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, 2019 and 2018.

#### 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.

#### 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.

# 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, continued

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, 2019 and 2018.

#### 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, certificates of deposit, accounts receivable, accounts payable, and accrued expenses are reflected in the financial statements at fair 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 \$282,850 less related direct expenses of \$86,573 for the year ended December 31, 2019 and revenues of \$285,132 less related direct expenses of \$107,810 for the year ended December 31, 2018.

#### 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 \$25,473 and \$25,713 for the years ended December 31, 2019 and 2018, 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

#### 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 2016.

#### 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 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.

#### New accounting pronouncement

In February 2016, the FASB issued guidance on lease accounting. The new guidance will continue to classify leases as either finance or operating and will result in the lessee recording a right-of-use asset and a corresponding lease liability on its balance sheet, with classification affecting the presentation for annual periods beginning after December 15, 2022 and early adoption is permitted. A modified retrospective approach is required for all leases existing or entered into after the beginning of the earliest comparative period in the financial statements. Management is currently evaluating the impact of this guidance on its financial statements and expects that a majority of its operating lease commitments will be recognized on the Organization's balance sheet as operating lease liabilities and right-of-use assets upon adoption.

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

**NOTES TO FINANCIAL STATEMENTS, CONTINUED**

**Note 3 – Availability and Liquidity**

Financial assets available for general expenditures within one year of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 464,677	\$ 403,148
Certificates of deposit	1,020,812	505,261
Accounts receivable	55,839	31,029
Unconditional promises to give	<u>1,860</u>	<u>2,368</u>
Total financial assets	<u>1,543,188</u>	<u>941,806</u>
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	1,000,067	397,845
Less: net assets with purpose restrictions to be met within one year	<u>(193,917)</u>	<u>(73,695)</u>
	<u>806,150</u>	<u>324,150</u>
Amount available for general expenditures within one year	<u>\$ 737,038</u>	<u>\$ 617,656</u>

**Note 3 – Availability and Liquidity, Continued**

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. In addition, YMCA has a \$500,000 line of credit available to meet cash flow needs.

**Note 4 - Property and Equipment**

The following is a summary of property and equipment as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 936,427	\$ 936,425
Buildings	3,158,135	3,158,134
Furniture and fixtures	94,304	94,305
Equipment	<u>518,743</u>	<u>466,442</u>
	4,707,609	4,655,306
Accumulated depreciation	<u>(2,953,480)</u>	<u>(2,806,885)</u>
	1,754,129	1,848,421
Construction in progress	<u>68,132</u>	<u>67,323</u>
	<u>\$ 1,822,261</u>	<u>\$ 1,915,744</u>

Construction in progress represents costs incurred to construct a new skate park. Depreciation expense totaled \$146,595 and \$152,805, respectively, for the years ended December 31, 2019 and 2018.

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

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### Note 5 – Line of Credit

The YMCA has a working capital line of credit with a local bank to borrow up to a maximum amount of \$500,000. The maturity date is November 6, 2020. The YMCA's facilities at Congress Avenue in West Palm Beach, Florida have been pledged as collateral. In addition, all rents, leases, revenues, profits and all proceeds from sale or disposition have been assigned as collateral. Interest is at a rate of WSJ Prime plus a 1.25% floating rate with a floor of 5.25%. At December 31, 2019, the interest rate was 6% and there was no outstanding balance.

### Note 6 – Mortgage Note Payable, Net

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. During the first 5-years of the permanent loan, the interest rate remained at 4.75% per annum. On November 1, 2019, the interest rate was adjusted to a rate equal to the "Prime Rate," as defined, plus 1.25%. At December 31, 2019, the interest rate was 6%. Commencing on December 1, 2014, monthly payments at the applicable rate plus principal payments based on a twenty-five year amortization schedule, payable monthly, are due in arrears on the first day of each month, until the maturity date, at which time all outstanding principal, and accrued interest shall be due and payable.

The YMCA's facilities at Congress Avenue in West Palm Beach, Florida have been pledged as collateral. In addition, all rents, leases, revenues, profits and all proceeds from sale or disposition have been assigned as collateral.

Amortization of the debt issuance costs is reported as interest expense in the statements of activities and statements of functional expenses and amounted to \$2,410 for each of the years ended December 31, 2019 and 2018.

The outstanding balance of the mortgage note payable at December 31, was as follows:

	2019	2018
Mortgage note payable-principal	\$ 769,181	\$ 792,114
Less: Unamortized debt issuance costs	(11,646)	(14,056)
Total mortgage note payable, net	757,535	778,058
Less: Current maturity	(20,117)	(21,946)
Long-term portion	\$ 737,418	\$ 756,112

The scheduled principal payments due in each of the five years subsequent to December 31, 2019, and thereafter, are as follows:

Year Ending December 31,	Amount
2020	\$ 20,117
2021	21,508
2022	22,854
2023	24,283
2024	23,429
Thereafter	656,990
Total	\$ 769,181

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

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific purpose:		
Capital campaign and improvements	\$ 806,150	\$ 324,150
Programs in future periods	<u>193,917</u>	<u>73,695</u>
Total	<u>\$ 1,000,067</u>	<u>\$ 397,845</u>

### Note 8 - 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, 2019 and 2018 for the following purposes:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Programs	\$ 275,527	\$ 82,200
Endowment release	<u>-</u>	<u>85,605</u>
	<u>\$ 275,527</u>	<u>\$ 167,805</u>

The YMCA's net assets as of January 1, 2018 included an endowment consisting of a fund established in 2001. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During 2018 and 2019, the Board of Directors approved the release of restrictions on the endowment funds.

### Note 9 – 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 \$59,500 and \$43,874 for 2019 and 2018, respectively, are included in fringe benefits in the statements of functional expenses. Such contributions were made to the YMCA Retirement Fund based on 12% of the participating employees' salaries for 2019 and 2018.

### Note 10 – Related Party Transactions

The YMCA paid \$28,201 and \$23,489 for the years ended December 31, 2019 and 2018, respectively, to the YMCA of the USA. The amounts are based on a percentage of certain revenue and support.

A company owned by a Board member provided equipment and maintenance to the YMCA for the years ended December 31, 2019 and 2018. The cost of the equipment and maintenance was \$6,306 and \$9,617, respectively, and no balance was due as of December 31, 2019 and 2018.

### Note 11 – Pending Sale of Property

During 2019, the YMCA Board of Directors approved a contract to sell the YMCA of the Palm Beaches Edwin W. Brown branch property located in West Palm Beach, Florida and relocate the operations of YMCA to another location in Palm Beach County, Florida. The final sale is pending final plan approval from the local government for the number of units for development, and a final sales agreement to be presented to the YMCA Board of Directors for approval in the fall of 2020.



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

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

### Note 12 – Subsequent Events

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

A number of states, counties and municipalities issued orders requiring persons not engaged in essential activities and business to remain at home. Other jurisdictions without stay-at-home orders required non-essential businesses to close. Through the date of this report, the Organization has since reopened its program services all the while remaining open in provision of child care services to essential workers throughout.

The Organization is dependent on its workforce and public donations to deliver its services. Developments such as social distancing and shelter-in-place directives have impacted the Organization’s ability to deploy its workforce and carry on its’ business effectively. While expected to be temporary, prolonged workforce disruptions will negatively impact revenues, the results of operations, liquidity, and profitability in fiscal year 2020. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted. The CARES Act was enacted to address the economic fallout of the COVID-19 pandemic on the US economy. The CARES Act provides for certain programs to assist employers in retaining its workforce during the COVID-19 pandemic. Under the CARES Act, the Organization applied for, and entered into an agreement with its financial institution, for a loan under the Small Business Administration’s (SBA) Paycheck Protection Program (PPP) for approximately \$233,000. Under the PPP, the Organization may apply for full or partial forgiveness of the loan amount at the end of the stipulated period beginning on the date the loan disbursement (the covered period). In accordance with the guidance from the SBA and CARES Act, management has determined that the loan proceeds will be used to retain its workforce for the covered period.

Management evaluated activity of YMCA subsequent to December 31, 2019 through September 1, 2020, 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.