Central Florida Young Men's Christian Association, Inc.

Consolidated Financial Report
December 31, 2021

Contents

Independent Auditor's Report

Audit Committee
Central Florida Young Men's Christian Association, Inc.

Opinion
We have audited the consolidated financial statements of Central Florida Young Men's Christian Association, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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

In performing an audit in accordance with GAAS, we:

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

RSM US LLP

Orlando, Florida
July 28, 2022

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Financial Position
December 31, 2021 and 2020
(In Thousands)

		2021		2020
Assets				
Cash and cash equivalents	$	11,171	$	7,824
Investments (Notes 3 and 8)		17,807		11,481
Pledges and grants receivable, net (Note 2)		3,420		10,639
Prepaid expenses and other assets		1,925		1,364
Cash and cash equivalents restricted for investment in property and equipment (Note 10)		8,548		3,768
Property and equipment, net (Notes 4, 5 and 7)		73,234		71,984
Total assets	$	116,105	$	107,060
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$	4,208	$	4,391
Refundable advances (Note 16)		6,413		-
Deferred membership and program revenues		2,266		1,278
Scholarships payable (Note 9)		1,009		1,039
Interest rate swap (Notes 6 and 8)		872		1,508
Notes and capital leases payable, net (Note 7)		201		202
Bonds payable, net (Notes 5 and 6)		23,104		27,440
Total liabilities		38,073		35,858
Commitments and contingencies (Notes 6, 7, 9 and 13)				
Net assets (Note 10):				
Without donor restrictions		61,661		56,307
With donor restrictions		16,371		14,895
Total net assets		78,032		71,202
Total liabilities and net assets	$	116,105	$	107,060

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:						
Public support:						
Pledges and contributions	**$ 1,684**	**$ 1,846**	**$ 3,530**	$ 14,133	$ 457	$ 14,590
Grant and contract revenues	**2,422**	**194**	**2,616**	2,166	422	2,588
Total public support	**4,106**	**2,040**	**6,146**	16,299	879	17,178
Revenues:						
Membership dues, net	**13,928**	**-**	**13,928**	14,160	-	14,160
Program fees, net	**11,040**	**-**	**11,040**	8,015	-	8,015
Rental revenues	**256**	**-**	**256**	398	-	398
Investment income, net	**1,873**	**-**	**1,873**	370	-	370
Other income (loss), net	**4,213**	**-**	**4,213**	(3,707)	-	(3,707)
Total revenues	**31,310**	**-**	**31,310**	19,236	-	19,236
Special events revenues	**82**	**-**	**82**	54	-	54
Less costs of direct benefits to donors	**(80)**	**-**	**(80)**	(31)	-	(31)
Net revenues from special events	**2**	**-**	**2**	23	-	23
Net assets released from restrictions (Note 10)	**564**	**(564)**	**-**	2,859	(2,859)	-
Total public support and revenues	**35,982**	**1,476**	**37,458**	38,417	(1,980)	36,437
Expenses:						
Membership and program services	**31,292**	**-**	**31,292**	33,858	-	33,858
Supporting services:						
Management and general	**5,515**	**-**	**5,515**	5,171	-	5,171
Fundraising	**199**	**-**	**199**	1,180	-	1,180
Total expenses	**37,006**	**-**	**37,006**	40,209	-	40,209
Change in net assets from operations	**(1,024)**	**1,476**	**452**	(1,792)	(1,980)	(3,772)
Other changes:						
Change in fair value of interest rate swap (Note 6)	**636**	**-**	**636**	(329)	-	(329)
Income from employee retention credits (Note 17)	**5,742**	**-**	**5,742**	402	-	402
Change in other changes	**6,378**	**-**	**6,378**	73	-	73
Change in net assets	**5,354**	**1,476**	**6,830**	(1,719)	(1,980)	(3,699)
Net assets, beginning of year	**56,307**	**14,895**	**71,202**	58,026	16,875	74,901
Net assets, end of year	**$ 61,661**	**$ 16,371**	**$ 78,032**	$ 56,307	$ 14,895	$ 71,202

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020
(In Thousands)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 6,830	$ (3,699)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,892	4,701
Loan cost amortization	69	73
Pledge bad debt expense	-	815
Net realized and unrealized gains on investments	(1,545)	(156)
Donated investments	(70)	(32)
Donated property and equipment	-	(180)
(Gain) loss on sale/disposal of property and equipment	(4,081)	3,915
(Decrease) increase in fair value of interest rate swap	(636)	329
Changes in operating assets and liabilities:		
Decrease (increase) in pledges and grants receivable	7,219	(4,303)
(Increase) decrease in prepaid expenses and other assets	(561)	302
Decrease in accounts payable and accrued expenses	(183)	(52)
Increase in refundable advances	6,413	-
Increase (decrease) in deferred membership and program revenues	988	(688)
Decrease in scholarships payable	(30)	(27)
Net cash provided by operating activities	18,305	998
Cash flows from investing activities:		
Purchases of property and equipment	(5,816)	(862)
Proceeds from sale of property and equipment	4,755	3
Proceeds from sales of investments	417	3,345
Purchases of investments	(5,128)	(7,593)
Net cash used in investing activities	(5,772)	(5,107)
Cash flows from financing activities:		
Principal payments on bonds payable	(4,405)	(961)
Proceeds from notes and capital leases payable	506	499
Principal payments on notes and capital leases payable	(507)	(509)
Net cash used in financing activities	(4,406)	(971)
Net increase (decrease) in cash and cash equivalents and cash and cash equivalents restricted for investment in property and equipment	8,127	(5,080)
Cash and cash equivalents and cash and cash equivalents restricted for investment in property and equipment:		
Beginning	11,592	16,672
Ending	$ 19,719	$ 11,592
Cash and cash equivalents and cash and cash equivalents restricted for investment in property and equipment is included in the following captions on the consolidated statements of financial position:		
Cash and cash equivalents	$ 11,171	$ 7,824
Cash and cash equivalents restricted for investment in property and equipment	8,548	3,768
	$ 19,719	$ 11,592
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 790	$ 892

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Functional Expenses
Year Ended December 31, 2021
(In Thousands)

	2021			
	Membership and Program Services	Supporting Services		
		Management and General	Fundraising	Total
Salaries and benefits:				
Salaries	$ 13,125	$ 3,428	$ 148	$ 16,701
Payroll taxes and employee benefits	2,114	707	32	2,853
Total salaries and benefits	15,239	4,135	180	19,554
Other expenses:				
Occupancy (Note 9)	6,336	183	4	6,523
Contract services	1,325	465	7	1,797
Insurance	1,395	27	-	1,422
Supplies	1,051	11	-	1,062
Interest (Notes 5, 6 and 7)	695	150	-	845
Other	471	76	2	549
Printing, promotional and advertising	468	5	4	477
Equipment rental and maintenance	339	29	-	368
National dues	312	-	-	312
Travel and training	136	67	2	205
Total other expenses	12,528	1,013	19	13,560
Total expenses before depreciation and amortization	27,767	5,148	199	33,114
Depreciation and amortization (Note 4)	3,525	367	-	3,892
Total expenses	$ 31,292	$ 5,515	$ 199	$ 37,006

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Functional Expenses
Year Ended December 31, 2020
(In Thousands)

	2020			
	Membership and Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and benefits:				
Salaries	$ 11,669	$ 2,807	$ 250	$ 14,726
Payroll taxes and employee benefits	4,380	856	55	5,291
Total salaries and benefits	16,049	3,663	305	20,017
Other expenses:				
Occupancy (Note 9)	6,836	109	-	6,945
Contract services	1,887	633	29	2,549
Insurance	1,345	22	-	1,367
Supplies	990	53	-	1,043
Interest (Notes 5, 6 and 7)	778	147	-	925
Pledge bad debt expense (Note 2)	-	-	815	815
Other	489	125	22	636
Printing, promotional and advertising	426	13	2	441
Equipment rental and maintenance	294	18	1	313
National dues	299	-	-	299
Travel and training	131	21	6	158
Total other expenses	13,475	1,141	875	15,491
Total expenses before depreciation and amortization	29,524	4,804	1,180	35,508
Depreciation and amortization (Note 4)	4,334	367	-	4,701
Total expenses	$ 33,858	$ 5,171	$ 1,180	$ 40,209

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Central Florida Young Men's Christian Association, Inc. (the Association or YMCA) was established to strengthen the community by providing community services affording individuals and families the use of YMCA facilities on a membership basis and by offering special programs to the entire community regardless of their ability to pay. Program services are provided in Orange, Seminole, Osceola, Lake, Brevard and Marion Counties. Program services are focused on youth development, healthy living and social responsibility and consist of family-oriented programs, such as camping, sports, aquatic-type programs and childcare services.

The Central Florida YMCA Foundation, Inc. (the Foundation) was established in October 2001, as a separate 501(c)(3) organization that is able to fundraise and manage contributions on the Association's behalf.

The Central Florida YMCA Childcare Services, Inc. (YMCA Childcare) was established in February 2003, as a separate Florida not-for-profit corporation to provide childcare services to Walt Disney World employees. YMCA Childcare is a for-profit entity for tax purposes.

Principles of consolidation: The Association, the Foundation and YMCA Childcare (collectively, the Organization) have common members on their Boards of Directors and use the same management and employees. They were organized to achieve common goals. Therefore, the financial statements are presented on a consolidated basis. All significant intercompany accounts and transactions have been eliminated in consolidation.

A summary of the Organization's significant accounting policies follows:

Basis of presentation: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time or permanently maintained by the Organization.

Liquidity: Assets are presented in the accompanying consolidated statements of financial position according to their nearness of conversion to cash and liabilities are presented according to their nearness of their maturity and resulting use of cash.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include checking, money market and overnight sweep accounts. Cash and cash equivalents restricted for investment in property and equipment are held based on donor-imposed restrictions.

Investments and investment income: Investments are stated at fair value. Investment income, reported in the accompanying consolidated statements of activities, includes realized and unrealized gains and losses and interest and dividend income, net of investment expenses.

Fair value measurements: The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Property and equipment: Property and equipment are stated at cost, if purchased, or at estimated fair value on the date received, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their estimated useful life or the term of the lease.

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairments of the Organization's long-lived assets or asset groups have been recognized during the years ended December 31, 2021 and 2020.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Derivative financial instruments: The Organization's derivative financial instruments consist of an interest rate swap used to reduce its exposure to interest rate changes related to its variable rate debt. The differential paid or received on the interest rate swap is recognized as an adjustment to the interest expense related to the debt. The Organization accounts for its interest rate swap as either an asset (receivable) or a liability (payable) from counterparties in the consolidated statements of financial position and is measured at fair value. Changes in the fair values of the interest rate swap have been recorded in the accompanying consolidated statements of activities.

Donor-imposed restrictions: Revenues and support are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a donor restriction expires (i.e., 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 are reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Grant and contract revenues: The Organization records grant and contract revenues as non-exchange transactions in which each party does not receive commensurate value, as the general public receives the primary benefit. Funds from non-exchange transactions are considered contributions and are conditional due to barriers that must be overcome and a right of return of assets. The Organization recognizes the revenue when the condition is met.

Revenue recognition from exchange transactions: The Organization applies the five-step model under Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606) to its contracts with its customers to determine revenue recognition through the following steps:

- Identification of the contract, or contracts with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contact.
- Recognition of revenue as performance obligations are satisfied.

The following is a summary of the Organization's revenue recognition policies specific to each discrete service line for revenue streams containing contracts with customers:

Membership dues: The Organization provides a suite of services that families and individuals pay to have access to facilities and discounts to programs available during the membership period. Members join for varying lengths of time, but membership dues have an effective contract term of 30 days due to customer's termination for convenience rights. The Organization recognizes membership dues ratably over the contract period.

Program fees: The Organization provides various programs including childcare services, aquatic programs, sport programs, personal training programs, camp programs and family life programs. Childcare services and family life programs are based on a set fee schedule and have an effective contract term of 30 days due to customer's termination for convenience rights. The Organization recognizes childcare services and family life programs ratably over the contract period. Aquatic programs, sport programs, camp programs and personal training programs are based on a set number of events or sessions and revenues are recognized over time as each event or session is completed. Generally, aquatic programs, sport programs, camp programs and personal training programs contract terms are within the same fiscal year.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. Customers generally pay membership dues and program fees in advance of revenue recognition from contracts. Deferred revenue is recognized as revenue over time as services are provided. The Organization has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of a service and the payment is one year or less. Deferred revenue is included within deferred membership and program revenues within the consolidated statements of financial position. Amounts billed but unpaid are included within prepaid expenses and other assets within the consolidated statements of financial position.

Performance obligations: A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In general, the Organization's contracts contain a distinct performance obligation for each individual service provided.

Transaction price: The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring services to its customer. Revenue from contracts with customers is recorded based on the transaction price, which includes estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Organization includes estimates for variable consideration within its determination for the transaction price, subject to the constraint. Generally, the Organization does not believe the estimates of variable consideration to be material. The Organization offers scholarships for customers who cannot afford membership dues or program fees, and a discount for customers of certain age demographics or family size. The Organization classifies the discounts related to the advance payments as a reduction in revenues. The Organization's contracts generally do not contain rights of return, and the Organization may provide refunds for services not provided.

Contributed facilities and services: The Organization has certain land and buildings under long-term lease agreements with third parties with favorable payment terms (see Note 9). The Organization records these leases as contributions, exchange transactions or agency transactions based on the specifics of each lease agreement. Contributions and exchange transactions require the lease terms be measured at fair value. Agency transactions, including those that are considered concession arrangements, do not require the Organization to record the lease activity.

Contributed services are recognized and recorded at fair value only to the extent they create or enhance nonfinancial assets or require specialized skills provided by individuals possessing these skills, and would typically need to be purchased if not provided by donations. In addition, no amounts have been reflected for nonprofessional donated services; however, a substantial number of volunteers have donated significant amounts of their time to the operations of the Organization.

Advertising: Advertising costs are expensed the first time the advertising takes place. Advertising costs totaled \$477 and \$441 for the years ended December 31, 2021 and 2020, respectively.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Functional expenses: Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity. The Organization's functional categories are as follows:

Membership and program services: Expenses related to membership activities and program services.

Management and general: All other functional expenses of the Organization not related to membership and program services or fundraising.

Fundraising: Expenses related to the Organization's efforts in soliciting public support.

Income taxes: The Association and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Statutes. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

The earnings of YMCA Childcare are subject to state and federal taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the period in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Organization has assessed whether there are any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. The Association, the Foundation and YMCA Childcare file tax returns in the U.S. federal jurisdiction. Generally, these entities are no longer subject to U.S. federal income tax examinations by taxing authorities for years before December 31, 2018.

Reclassifications: Certain reclassifications have been made to the 2020 consolidated financial statements in order to conform to the 2021 presentation. These reclassifications did not result in a change in previously reported change in net assets.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued its new lease accounting guidance in Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

(In Thousands)

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit entities. The ASU will require a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The ASU will also require enhanced disclosure, including disaggregation of nonfinancial assets recognized by category and qualitative information about each category. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU's described above. The Organization has considered the new pronouncements and does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or activities in the near term.

Subsequent events: Management has evaluated subsequent events through July 28, 2022, which is the date the consolidated financial statements were available to be issued.

Note 2. Pledges and Grants Receivable

Pledges and grants receivable are unconditional promises to give and are recorded as assets and revenues in the period received at their estimated fair values. Pledges and grants receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. Contribution revenue from in-kind leases (see Note 9) are recognized over the term of the contributed lease and are included in pledges receivable. The Organization provides an allowance for doubtful accounts at the time revenues are recorded, and re-evaluates and adjusts the allowance periodically based on historical collection experience. Pledges and grants receivable are due as follows as of December 31, 2021 and 2020:

	2021	2020
Less than one year	$ 1,479	$ 9,031
One to five years	1,432	1,170
More than five years	716	730
	3,627	10,931
Less allowance for doubtful accounts	(163)	(251)
Less present value discount at 0.72% – 1.76%	(44)	(41)
	$ 3,420	$ 10,639
Pledges receivable	$ 3,175	$ 10,488
Grants receivable	245	151
	$ 3,420	$ 10,639

(In Thousands)

Note 3. Investments

The fair value of investments consists of the following as of December 31, 2021 and 2020:

	2021	2020
Mutual funds	$ 5,578	$ 5,837
Exchange-traded funds	12,223	5,638
Equities	6	6
	$ 17,807	$ 11,481

Note 4. Property and Equipment

Property and equipment consists of the following as of December 31, 2021 and 2020:

	Useful Life (Years)	2021	2020
Undeveloped land		$ 430	$ 430
Land and land improvements	10-20	6,266	6,197
Buildings and building improvements	10-40	98,717	100,968
Leasehold improvements	10-40	4,782	4,782
Outdoor sports facilities	5-20	11,126	10,119
Furniture and equipment	2-10	20,997	21,188
Construction in progress		4,112	795
		146,430	144,479
Less accumulated depreciation and amortization		(73,196)	(72,495)
		$ 73,234	$ 71,984

Construction in progress includes the costs of development of a new facility. The total remaining cost to complete construction in progress is expected to be approximately $12,571. The construction of this facility is expected to be completed in October 2022. There is no capitalized interest during the years ended December 31, 2021 or 2020, as construction in progress is financed by pledges and contributions.

Depreciation and amortization expense was $3,892 and $4,701 for the years ended December 31, 2021 and 2020, respectively.

(In Thousands)

Note 5. Bonds Payable

In November 2014, the Orange County Industrial Development Authority (the Authority) issued a $33,000 Industrial Development Revenue and Refunding Bond (Central Florida YMCA Project) Series 2014 (the 2014 Bonds) on behalf of the Organization. The 2014 Bonds qualify as tax-exempt, which requires the Organization to use the proceeds for specified purposes, as defined in the loan agreement between the Authority and the Organization, signed in conjunction with the bond issuance. In accordance with the loan agreement, $19,675 in proceeds from the 2014 Bonds were used to retire previously existing Industrial Development Revenue Bonds issued by the Authority (the Prior Bonds). The remaining proceeds were available to be drawn down for the acquisition, construction, refurbishment and equipping of improvements to the Frank DeLuca Family YMCA facility and the acquisition and refurbishment of the Center for Health and Wellness (Oviedo YMCA). The Prior Bonds, under a prior loan agreement, were issued for the acquisition, construction and equipping of social service center facilities in Orange, Seminole, Marion, Brevard and Osceola Counties.

Outstanding bonds payable, net of debt issuance costs, from the 2014 Bonds are as follows as of December 31, 2021 and 2020:

	2021	2020
2014 Bonds	$ 23,311	$ 27,716
Less debt issuance costs, net	(207)	(276)
	$ 23,104	$ 27,440

Interest on the 2014 Bonds is calculated at a variable rate equal to 67% of the sum of the one-month London Interbank Offered Rate (LIBOR) interest rate plus a margin of 1.20% (1.27% as of December 31, 2021). The 2014 Bonds mature on November 1, 2039, with a mandatory tender date 10 years from the date of closing or November 2024. A portion of the 2014 Bonds are subject to an interest rate swap, converting the variable rate of interest to a fixed rate of interest (see Note 6). The 2014 Bonds are collateralized by certain real property.

Aggregate maturities of the 2014 Bonds for the next five years and thereafter are to occur as follows:

Years ending December 31:	
2022	$ 1,043
2023	5,817
2024	1,129
2025	1,176
2026	1,224
Thereafter	12,922
	$ 23,311

Under the terms of the loan agreement, the Organization is required to maintain certain financial covenants relating to the fixed charge coverage ratio, unrestricted liquid assets to funded debt ratio and a funded debt to net assets without donor restrictions ratio. In July 2022, the loan agreement was amended, whereby, the fixed charge coverage ratio will not be evaluated until the period ending March 31, 2023, and thereafter.

(In Thousands)

Note 6. Interest Rate Swap

The 2014 Bonds are subject to an interest rate swap agreement (the Swap Agreement) with a bank to convert the interest payments on the Organization's bonds payable from a floating interest rate to a fixed interest rate. This effectively reduces the impact of fluctuating interest rates on the Organization's cash flow. The Swap Agreement expires on November 1, 2024. As of December 31, 2021, the Swap Agreement carries a notional amount of $15,983 and a fixed interest rate of 2.65% in exchange for the bank paying the Organization a tax-exempt rate based on the variable rate associated with the bonds payable.

The fair value of the Swap Agreement was in an unfavorable position of $872 and $1,508 as of December 31, 2021 and 2020, respectively, which are included as a liability in the consolidated statements of financial position. The change in fair value of the Swap Agreement was a gain of $636 for the year ended December 31, 2021 and a loss of ($329) for the year ended December 31, 2020, which is included in the consolidated statements of activities as change in fair value of interest rate swap.

In the event the Swap Agreement is terminated, the Organization may be required to pay a termination fee to the bank based on a calculation that considers the difference between the floating interest rate and the fixed interest rate.

Note 7. Notes and Capital Leases Payable

Notes and capital leases payable, consists of the following as of December 31, 2021 and 2020:

	2021	2020
Financing agreement payable to a finance company related to the Organization's general liability insurance policy, monthly payments of $51 including interest at 6.20%, unsecured, and matures in May 2022.	$ 201	$ -
Financing agreement payable to a finance company related to the Organization's general liability insurance policy, monthly payments of $46 including interest at 6.95%, unsecured, and matured in May 2021.	-	179
Capital lease agreements for equipment, with an interest rate at 3.08%. The leases matured in April 2021.	-	23
	$ 201	$ 202

Aggregate maturities of notes and capital leases payable maturing in future years are $201 for the year ending December 31, 2022.

(In Thousands)

Note 8. Fair Value Measurements

The following tables summarize the fair value measurements by level measured on a recurring basis as of December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Large cap equities	$ 6	$ -	$ -	$ 6
Mutual funds:				
Large cap fund	190	-	-	190
Mid cap fund	11	-	-	11
World allocation fund	1,264	-	-	1,264
Intermediate bonds fund	270	-	-	270
International equities fund	25	-	-	25
Ultra short term bonds fund	3,818	-	-	3,818
Exchange-traded funds:				
Large cap fund	8,092	-	-	8,092
Small cap fund	399	-	-	399
Intermediate bonds fund	818	-	-	818
International equities fund	2,080	-	-	2,080
Utilities fund	251	-	-	251
Real estate fund	180	-	-	180
Commodities fund	218	-	-	218
Multialternative fund	185	-	-	185
Total investments (Note 3)	$ 17,807	$ -	$ -	$ 17,807
Interest rate swap (Note 6)	$ -	$ (872)	$ -	$ (872)

(In Thousands)

Note 8. Fair Value Measurements (Continued)

	2020			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Large cap equities	$ 6	$ -	$ -	$ 6
Mutual funds:				
Large cap fund	155	-	-	155
Mid cap fund	18	-	-	18
World allocation fund	1,189	-	-	1,189
Intermediate bonds fund	282	-	-	282
International equities fund	27	-	-	27
Ultra short term bonds fund	4,166	-	-	4,166
Exchange-traded funds:				
Large cap fund	2,627	-	-	2,627
Large blend fund	291	-	-	291
Small cap fund	343	-	-	343
Intermediate bonds fund	851	-	-	851
International equities fund	844	-	-	844
Utilities fund	220	-	-	220
Real estate fund	129	-	-	129
Commodities fund	154	-	-	154
Multialternative fund	179	-	-	179
Total investments (Note 3)	$ 11,481	$ -	$ -	$ 11,481
Interest rate swap (Note 6)	$ -	$ (1,508)	$ -	$ (1,508)

Shares of equities are valued based on the quoted market price of the stock on active markets as of the valuation date. Shares of exchange-traded funds and mutual funds are valued based on the quoted market price of the fund on active markets as of the valuation date which represents the net asset value of shares held by the Organization. The fair value of the interest rate swap is estimated based on the amount the Organization would pay to terminate the agreements as of the reporting date, taking into account current interest rates and the creditworthiness of the Organization. The interest rate swaps are valued by a third-party and are based on observable market-based inputs or unobservable inputs that are corroborated by market data. Observable market inputs include yield curves, counterparty credit risk and other related data.

(In Thousands)

Note 9. Commitments and Contingencies

Operating leases: The Organization leases office space, certain facilities and equipment under operating leases, which expire on various dates through December 2025, including extension options. Future annual minimum lease payments due under these operating leases as of December 31, 2021, are as follows:

Years ending December 31:		
2022	$	316
2023		68
2024		7
2025		4
	$	395

Rent expense was $468 and $606 for the years ended December 31, 2021 and 2020, respectively.

In-kind leases: The Organization leases certain land, buildings, equipment and outdoor sports facilities from third parties under favorable lease terms. Certain leases are recorded as contributions within the consolidated statements of activities at the inception of the lease. Other leases, with governmental agencies, are accounted for as concession arrangements. The leases that qualify for contributions at their inception have a remaining pledge receivable of $786 and $795 as of December 31, 2021 and 2020, respectively. Rent expense associated with these in-kind leases totaled $69 and $472 for the years ended December 31, 2021 and 2020, respectively, which is included in membership and program services in the accompanying consolidated statements of activities.

Future annual in-kind rent expense from the pledge receivable associated with the favorable lease-term leases are as follows:

Years ending December 31:		
2022	$	69
2023		69
2024		69
2025		69
2026		69
Thereafter		1,483
	$	1,828

One of these leases includes an agreement with the City of Orlando to provide scholarships totaling $1,440 to the City of Orlando residents over a 50-year period. Scholarships payable associated with this agreement were $1,009 and $1,039 as of December 31, 2021 and 2020, respectively.

Litigation: The Organization is involved in lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the consolidated financial statements. The Organization is fully insured for general liability and property. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of operations of the Organization.

(In Thousands)

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions consists of cash and cash equivalents, investments, pledges and grants receivable and construction in progress and are restricted for the following purposes as of December 31, 2021 and 2020:

	2021	2020
Restricted for specified purposes:		
Investment in property and equipment	$ 14,389	$ 13,086
Favorable term leases	786	795
Community programs	260	277
Scholarships	239	40
	15,674	14,198
Restricted in perpetuity – endowment	697	697
	$ 16,371	$ 14,895

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	2021	2020
Investment in property and equipment	$ 149	$ 1,335
Community programs	382	563
Scholarships	24	577
Favorable term leases	9	384
	$ 564	$ 2,859

The Organization treats its donor restricted endowment fund as net assets with donor restrictions—restricted in perpetuity held by the Foundation. This endowment fund is invested separately from other investments of the Organization. The Organization's return objective for the endowment fund is low yield based on risk parameters that are also low to protect the endowment corpus. The returns on the endowment fund have been included in net assets without donor restrictions investment income, net in the consolidated statements of activities since they are either unrestricted by the donor or are restricted for scholarships that are granted during the course of the same year.

(In Thousands)

Note 10. Net Assets with Donor Restrictions (Continued)

Changes in the Foundation's endowment net assets are as follows for the years ended December 31, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at December 31, 2019	$ -	$ 697	$ 697
Investment income, net	81	-	81
Contribution to the Association	(81)	-	(81)
Endowment net assets at December 31, 2020	-	697	697
Investment income, net	50	-	50
Contribution to the Association	(50)	-	(50)
Endowment net assets at December 31, 2021	$ -	$ 697	$ 697

The endowment incurred a net investment gain of $50 during the year ended December 31, 2021, that was contributed to the Association through a contribution by the Foundation.

The endowment incurred a net investment gain of $81 during the year ended December 31, 2020, that was contributed to the Association through a contribution by the Foundation.

Note 11. Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents in financial institutions in excess of Federal Deposit Insurance Corporation limits and investments. At various times during the year, and as of year-end, cash balances held at financial institutions are in excess of federally-insured limits. The Organization believes no significant concentration of credit risk exists with respect to these cash balances.

Cash and cash equivalents consist of checking, money market and overnight sweep accounts which are deposited with financial institutions. Investments consist primarily of equities and fixed-income funds. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Organization.

In addition, the Organization receives substantial support and revenue from individuals, businesses and governmental entities in the Central Florida area. The financial strength of the Organization is therefore, contingent upon these individuals, businesses and governmental entities, which may be tied to the economy of Central Florida.

(In Thousands)

Note 12. Liquidity and Availability of Resources

As of December 31, 2021 and 2020, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31:

	2021	2020
Financial assets, at year-end:		
Cash and cash equivalents	$ 11,171	$ 7,824
Cash and cash equivalents restricted for investment in property and equipment	8,548	3,768
Investments	17,807	11,481
Pledges and grants receivable, net	3,420	10,639
Accounts receivable, net (included in prepaid expenses and other assets)	890	611
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Estimated repayment of Paycheck Protection Program funds	(1,416)	-
Restricted by donors for investment in property and equipment, and favorable term leases	(11,390)	(13,881)
Restricted by donors with purpose restrictions	(499)	(317)
Restricted by donors in perpetuity	(447)	(447)
Financial assets available to meet cash needs for general expenditures within one year	$ 28,084	$ 19,678

The Organization's goal is generally to maintain financial assets to meet approximately 90 days of operating expenses (approximately $8 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts. Included in the financial assets available to meet cash needs for general expenditures within one year as of December 31, 2021 and 2020, respectively, is a $10 million contribution received by the Foundation in December 2020, which has not yet been designated by the Foundation's Board of Directors.

Note 13. Retirement Benefit Plan

The Organization participates in a defined contribution pension plan organized under Section 403(b) of the Internal Revenue Code. This plan is administered by a separate corporation, the YMCA Retirement Fund, and covers all full-time employees upon completion of two years of service and all part-time employees after they have worked 1,000 hours in each of their two years of service. The Organization funded its contributions at an amount equal to 12% of eligible compensation from January 1, 2020 through June 11, 2020 and then lowered its contribution to 1% of eligible compensation. Effective May 14, 2021, the Organization increased its contribution to 8% of eligible compensation. Contributions are made on a monthly basis and amounted to $670 and $644 during the years ended December 31, 2021 and 2020, respectively.

(In Thousands)

Note 14. Related-Party Transactions and Conflict-of-Interest Policy

In the ordinary course of business, the Organization enters into transactions with other organizations that have individuals who serve on the Organization's Board of Directors. These transactions are made at arm's length and include the following:

	2021	2020
Program fees	$ 1,740	$ 1,058
Facility rental fees	42	33
Rent and utilities	283	432
Supplies	-	264
Advertising agency	38	177
Legal	55	19
Insurance	57	16

Other business transactions conducted during the years ended December 31, 2021 and 2020, with members of the Organization's Board of Directors, or companies for which they are affiliated, include deposits and investments held with certain financial institution totaling $11,387 and $6,042 as of December 31, 2021 and 2020, respectively.

It is the policy of the Organization that all officers, directors and committee members shall avoid any conflict between their own individual interests and the interests of the Organization. Included among the Organization's board members and officers are volunteers from the financial and civic community who provide valuable assistance to the Organization in the development of policies and programs. The Organization has a conflict-of-interest policy, whereby, board and committee members must advise the Board of Directors of any direct or indirect interest in any transaction or relationship with the Organization and not participate in discussions and decisions regarding any action affecting their individual, professional or business interests.

Note 15. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and, on March 11, 2020, declared COVID-19 a pandemic. The extent to which COVID-19 impacts the operations of the Organization in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States. In particular, the continued spread of COVID-19 could adversely impact the Organization's operations, including among others, membership dues, program fees, pledges and contributions, valuation of the investment portfolio, investment earnings and daily operations, and may have a material adverse effect on the financial condition, results of operations and cash flows of the Organization. On March 27, 2020, the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

Note 16. Paycheck Protection Program

The Paycheck Protection Program (PPP), established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits and other qualifying expenses.

In March 2021, the Association received a loan in the amount of $5,371 under the PPP. Management believes $4,097 of this loan will be forgiven based on the qualifying program expenditures. In April 2021, the YMCA Childcare received a loan in the amount of $1,042 under the PPP. Management believes $900 of this loan will be forgiven based on the qualifying program expenditures.

The Association and YMCA Childcare elected to account for these loans as a conditional contribution under Accounting Standards Codification (ASC) Subtopic 958-605. The Association and YMCA Childcare has applied for forgiveness and the total loan amount is included in refundable advances in the accompanying consolidated statements of financial position as of December 31, 2021.

Note 17. Employee Retention Credits

The Organization applied for Employee Retention Credits (ERC) during the years ended December 31, 2021 and 2020. The ERC, which was established by the CARES Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP), is a refundable credit allowed to an eligible employer for qualifying wages. The Organization recognized $5,742 and $402 during the years ended December 31, 2021 and 2020, respectively, as income from employee retention credits in the accompanying consolidated statements of activities.