

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

For The Years Ended December 31, 2019 And 2018

**Lewitz, Balosie, Wollack,
Rayner & Giroux, LLC**
Certified Public Accountants
Old Saybrook, Connecticut 06475

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

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INDEPENDENT AUDITOR'S REPORT

To The Board Of Directors
Valley Shore YMCA, Inc.
Westbrook, Connecticut

Report On The Financial Statements

We have audited the accompanying financial statements of **Valley Shore YMCA, Inc.** (A Nonprofit Organization) 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 audit. We conducted our audit 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 Valley Shore YMCA, Inc. 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.

Sewitz, Baloria, Wallach, Rymer & Giroux

September 14, 2020

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statements Of Financial Position

For The Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash	\$ 141,773	\$ 102,404
Cash Held In Reserve For Temporarily Restricted Use	693,594	392,079
Accounts Receivable	27,514	31,677
Pledges Receivable	439,215	298,379
Marketable Securities	2,477	2,451
Deferred Expenses	22,845	21,991
<u>Total Current Assets</u>	<u>1,327,418</u>	<u>848,981</u>
<u>Property And Equipment, Net</u>	2,618,368	2,750,678
<u>Long Term Pledges Receivable, Net of Current Portion</u>	389,910	261,843
<u>Other Assets</u>	<u>12,225</u>	<u>7,726</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,347,921</u>	<u>\$ 3,869,228</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 25,454	\$ 29,419
Accrued Expenses	64,577	56,745
Deferred Income	60,908	57,138
Custodial Account	16,126	13,783
Current Maturities Of Long-Term Debt	66,801	69,813
Current Maturities Of Capital Lease Obligations	33,393	31,779
<u>Total Current Liabilities</u>	<u>267,259</u>	<u>258,677</u>
<u>Long-Term Liabilities</u>		
Long-Term Debt, Net Of Current Portion	1,136,685	1,202,612
Capital Lease Obligations, Net Of Current Portion	14,390	47,783
<u>Total Long-Term Liabilities</u>	<u>1,151,075</u>	<u>1,250,395</u>
<u>Total Liabilities</u>	<u>1,418,334</u>	<u>1,509,072</u>
<u>Net Assets</u>		
Without Donor Restrictions		
Unrestricted	(5,521)	(46,732)
Invested in property, plant and equipment, net of mortgage	1,414,882	1,484,473
<u>Total Without Donor Restrictions</u>	<u>1,406,954</u>	<u>1,437,741</u>
With Donor Restrictions		
Restricted by purpose or time	1,522,633	922,415
Total with donor restrictions	1,522,633	922,415
<u>Total Net Assets</u>	<u>2,929,587</u>	<u>2,360,156</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 4,347,921</u>	<u>\$ 3,869,228</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statement Of Activities And Changes In Net Assets

For The Years Ended December 31, 2019 And 2018

	<u>2019</u>			<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operating Activities</u>						
<u>Public Support</u>						
Contributions	\$ 64,483	\$ 647,092	\$ 711,575	\$ 65,209	\$ 787,690	\$ 852,899
Government Grants And Contracts	67,539	-	67,539	7,389	-	7,389
Special Events, Net Of Expenses	78,099	-	78,099	83,966	-	83,966
Net Assets Released From Restrictions	46,874	(46,874)	-	158,520	(158,520)	-
<u>Total Public Support</u>	<u>256,995</u>	<u>600,218</u>	<u>857,213</u>	<u>315,084</u>	<u>629,170</u>	<u>944,254</u>
<u>Revenue</u>						
Membership Fees, Net Of Assistance	1,386,618	-	1,386,618	1,388,610	-	1,388,610
Program Fees, Net Of Assistance	938,435	-	938,435	936,000	-	936,000
Investment Income	7,193	-	7,193	35	-	35
Other Revenue	25,050	-	25,050	23,151	-	23,151
<u>Total Revenue</u>	<u>2,357,296</u>	<u>-</u>	<u>2,357,296</u>	<u>2,347,796</u>	<u>-</u>	<u>2,347,796</u>
<u>Total Public Support And Revenue</u>	<u>2,614,291</u>	<u>600,218</u>	<u>3,214,509</u>	<u>2,662,880</u>	<u>629,170</u>	<u>3,292,050</u>
<u>Expenses</u>						
<u>Program Services</u>						
Youth Development	783,128	-	783,128	769,944	-	769,944
Healthy Living	1,502,496	-	1,502,496	1,481,534	-	1,481,534
Social Responsibility	34,647	-	34,647	48,910	-	48,910
<u>Total Program Services</u>	<u>2,320,271</u>	<u>-</u>	<u>2,320,271</u>	<u>2,300,388</u>	<u>-</u>	<u>2,300,388</u>
<u>Support Services</u>						
Management And General Fundraising	179,789	-	179,789	171,151	-	171,151
	145,018	-	145,018	205,285	-	205,285
<u>Total Support Services</u>	<u>324,807</u>	<u>-</u>	<u>324,807</u>	<u>376,436</u>	<u>-</u>	<u>376,436</u>
<u>Total Expenses</u>	<u>2,645,078</u>	<u>-</u>	<u>2,645,078</u>	<u>2,676,824</u>	<u>-</u>	<u>2,676,824</u>
<u>Changes In Net Assets</u>						
<u>From Operations</u>	(30,787)	600,218	569,431	(13,944)	629,170	615,226
<u>Net Assets At Beginning Of Year</u>	<u>1,437,741</u>	<u>922,415</u>	<u>2,360,156</u>	<u>1,451,685</u>	<u>293,245</u>	<u>1,744,930</u>
<u>Net Assets At End Of Year</u>	<u>\$ 1,406,954</u>	<u>\$ 1,522,633</u>	<u>\$ 2,929,587</u>	<u>\$ 1,437,741</u>	<u>\$ 922,415</u>	<u>\$ 2,360,156</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended December 31, 2019

	<u>Program Services</u>			<u>Support Services</u>			<u>Totals</u>	
	<u>Youth Development</u>	<u>Healthy Living</u>	<u>Social Responsibility</u>	<u>Total Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>		<u>Total Support Services</u>
<u>Personnel Costs</u>								
Salaries And Wages	\$ 478,628	\$ 648,763	\$ 11,731	\$ 1,139,122	\$ 72,678	\$ 90,970	\$ 163,648	\$ 1,302,770
Payroll Taxes And Employee Benefits	62,330	133,166	1,701	197,197	38,890	12,208	51,098	248,295
<u>Total Personnel Costs</u>	<u>540,958</u>	<u>781,929</u>	<u>13,432</u>	<u>1,336,319</u>	<u>111,568</u>	<u>103,178</u>	<u>214,746</u>	<u>1,551,065</u>
<u>Non-Personnel Costs</u>								
Contracted Services	16,164	22,893	443	39,500	18,190	18,015	36,205	75,705
Program, Janitorial And Office Supplies	54,989	51,421	6,499	112,909	8,168	2,230	10,398	123,307
Telephone	4,097	5,889	143	10,129	664	773	1,437	11,566
Postage And Shipping	-	-	-	-	3,654	-	3,654	3,654
Licenses And Permits	5,283	6,947	108	12,338	10	10	20	12,358
Office Equipment And Maintenance	-	-	-	-	21,902	-	21,902	21,902
Printing And Advertising	19,461	22,518	77	42,056	3,020	539	3,559	45,615
Travel, Meetings And Training	13,616	3,315	1	16,932	6,112	2,005	8,117	25,049
National YMCA Support And Other Dues	12,647	25,715	422	38,784	2,965	3,372	6,337	45,121
Bank And Credit Card Processing Fees	11,672	23,734	389	35,795	-	3,113	3,113	38,908
Insurance	9,636	57,130	1,377	68,143	344	344	688	68,831
Miscellaneous	-	-	-	-	-	-	-	-
Bad Debt Expense	307	6,760	-	7,067	49	8,500	8,549	15,616
Interest Expense	9,291	55,081	1,327	65,699	332	332	664	66,363
Rent	12,000	-	-	12,000	-	-	-	12,000
Repairs And Maintenance	13,157	84,342	1,879	99,378	470	470	940	100,318
Utilities	25,345	150,254	3,621	179,220	905	905	1,810	181,030
<u>Total Non-Personnel Costs</u>	<u>207,665</u>	<u>515,999</u>	<u>16,286</u>	<u>739,950</u>	<u>66,785</u>	<u>40,608</u>	<u>107,393</u>	<u>847,343</u>
<u>Depreciation And Amortization</u>	<u>34,505</u>	<u>204,568</u>	<u>4,929</u>	<u>244,002</u>	<u>1,436</u>	<u>1,232</u>	<u>2,668</u>	<u>246,670</u>
<u>Total Expenses</u>	<u>\$ 783,128</u>	<u>\$ 1,502,496</u>	<u>\$ 34,647</u>	<u>\$ 2,320,271</u>	<u>\$ 179,789</u>	<u>\$ 145,018</u>	<u>\$ 324,807</u>	<u>\$ 2,645,078</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended December 31, 2018

	Program Services			Support Services				
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management And General	Fundraising	Total Support Services	Totals
<u>Personnel Costs</u>								
Salaries And Wages	\$ 491,773	\$ 625,990	\$ 18,841	\$ 1,136,604	\$ 70,549	\$ 86,985	\$ 157,534	\$ 1,294,138
Payroll Taxes And Employee Benefits	62,205	87,112	2,182	151,499	48,740	15,060	63,800	215,299
<u>Total Personnel Costs</u>	<u>553,978</u>	<u>713,102</u>	<u>21,023</u>	<u>1,288,103</u>	<u>119,289</u>	<u>102,045</u>	<u>221,334</u>	<u>1,509,437</u>
<u>Non-Personnel Costs</u>								
Contracted Services	12,292	17,191	388	29,871	12,905	55,979	68,884	98,755
Program, Janitorial And Office Supplies	32,564	60,670	12,210	105,444	6,949	1,101	8,050	113,494
Telephone	3,982	5,239	156	9,377	556	686	1,242	10,619
Postage And Shipping	1,665	1,847	58	3,570	663	383	1,046	4,616
Licenses And Permits	5,291	6,405	34	11,730	164	8	172	11,902
Office Equipment And Maintenance	-	-	-	-	19,456	-	19,456	19,456
Printing And Advertising	12,957	31,203	64	44,224	3,196	359	3,555	47,779
Travel, Meetings And Training	13,259	6,266	2	19,527	4,132	771	4,903	24,430
National YMCA Support And Other Dues	11,734	22,655	607	34,996	20	13,198	13,218	48,214
Bank And Credit Card Processing Fees	9,566	18,494	347	28,407	-	10,751	10,751	39,158
Insurance	8,469	50,212	1,210	59,891	302	302	604	60,495
Miscellaneous	70	-	-	70	-	-	-	70
Bad Debt Expense	4,439	10,664	-	15,103	-	16,500	16,500	31,603
Interest Expense	9,934	58,896	1,419	70,249	468	355	823	71,072
Rent	10,000	-	-	10,000	-	-	-	10,000
Repairs And Maintenance	14,819	93,776	2,117	110,712	529	529	1,058	111,770
Utilities	29,525	175,041	4,218	208,784	1,054	1,054	2,108	210,892
<u>Total Non-Personnel Costs</u>	<u>180,566</u>	<u>558,559</u>	<u>22,830</u>	<u>761,955</u>	<u>50,394</u>	<u>101,976</u>	<u>152,370</u>	<u>914,325</u>
<u>Depreciation And Amortization</u>	<u>35,400</u>	<u>209,873</u>	<u>5,057</u>	<u>250,330</u>	<u>1,468</u>	<u>1,264</u>	<u>2,732</u>	<u>253,062</u>
<u>Total Expenses</u>	<u>\$ 769,944</u>	<u>\$ 1,481,534</u>	<u>\$ 48,910</u>	<u>\$ 2,300,388</u>	<u>\$ 171,151</u>	<u>\$ 205,285</u>	<u>\$ 376,436</u>	<u>\$ 2,676,824</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statements Of Cash Flows

For The Years Ended December 31, 2019 And 2018

	<u>2019</u>	<u>2018</u>
<u>Cash Flows From Operating Activities – Source (Use)</u>		
Increase (Decrease) In Net Assets	\$ 569,431	\$ 615,226
<u>Adjustments To Reconcile Change In Net Assets</u>		
<u>To Net Change In Cash From Operating Activities</u>		
Depreciation	246,467	252,859
Amortization Of Other Assets	204	203
Unrealized Loss (Gain) On Marketable Securities	(1,088)	70
Contributions Restricted For Capital Assets	(383,172)	(296,832)
Changes In Assets And Liabilities:		
Accounts Receivable	4,163	(12,620)
Pledges Receivable	(268,903)	(432,488)
Other Assets	(4,703)	1,622
Deferred Expenses	(854)	2,347
Accounts Payable	(3,965)	(13,172)
Accrued Expenses	7,832	(17,281)
Deferred Income	3,770	(40,288)
Custodial Accounts	2,343	(10,412)
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>171,525</u>	<u>49,234</u>
<u>Cash Flows From Investing Activities – Source (Use)</u>		
Purchase Of Property And Equipment	(114,157)	(100,745)
Purchase Of Investments	(33,624)	(9,023)
Proceeds From Sale Of Investments	34,686	9,107
<u>Net Cash Provided (Used) By Investing Activities</u>	<u>(113,095)</u>	<u>(100,661)</u>
<u>Cash Flows From Financing Activities – Source (Use)</u>		
Contributions Restricted For Capital Assets	383,172	296,832
Payments Of Long-Term Debt	(68,939)	(144,150)
Proceeds From Borrowings On Capital Lease Obligations	-	97,193
Payments Of Property Lease Obligations	(31,779)	(22,051)
<u>Net Cash Provided (Used) By Financing Activities</u>	<u>282,454</u>	<u>227,824</u>
<u>Net Change In Cash And Equivalents</u>	340,884	176,397
<u>Cash At Beginning Of Year</u>	<u>494,483</u>	<u>318,086</u>
<u>Cash At End Of Year</u>	<u>\$ 835,367</u>	<u>\$ 494,483</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

1) Summary Of Significant Accounting Policies

Nature Of Operations - The mission of the Valley Shore YMCA, Inc. (YMCA) is to develop and encourage the growth of all individuals in spirit, mind and body in an atmosphere of mutual respect. The YMCA is a charitable community service organization that includes men, women and children of all ages, abilities, income, race and religions. Founded in 1917, our YMCA is dedicated to building strong kids, strong families and strong communities by putting principles into practice through programs that promote healthy living, youth development, and social responsibility.

Our YMCA serves a ten-town region within the Connecticut Valley-Shore area. The principle place of operations serving as headquarters is the facility in Westbrook. Our YMCA serves over 7,000 members and revenue is derived from membership fees, program fees, contributed income, rental income and earnings on investments.

As part of our mission our programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. We provide financial assistance to people who otherwise may not have been able to afford to participate.

Program Activities

- **Youth Development** - Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills and relationships that lead to positive behaviors, better health and educational achievement. Our YMCA programs, such as child-care, before and after school care, day and specialty camp programs, youth sports, youth swim programs and other youth programming offer a range of experiences that enrich cognitive, social, physical and emotional growth.
- **Healthy Living** - The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun and shared interests. As a result, people in our community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment. Healthy living programs include group adult classes, chronic disease programs, wellness workshops, swim and fitness programs, weight loss programs, triathlon and running groups, and other recreation activities and social groups.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

1) **Summary Of Significant Accounting Policies** (Continued)

Program Activities (Continued)

- **Social Responsibility** - Our YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community's most critical social needs. YMCA programs, such as the YMCA Community Garden, teaching CPR, First Aid and Life Saving Classes, Backpack Collection Drive, Senior Forum and community group access to share our facility are examples of how we deliver training, resources and support that empower our neighbors to effect change, bridge gaps and overcome obstacles. We engage YMCA members, participants and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

Basis Of Accounting - The financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis Of Presentation - The YMCA records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes there in are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions.
- **Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

1) Summary Of Significant Accounting Policies (Continued)

Contributions And Pledges – The YMCA receives contributions to support operating activities and capital projects. These contributions can be from individuals, foundations, corporations, or trusts. The YMCA records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. The YMCA discounts multi-year pledges that are expected to be collected after one year using a risk adjusted discount rate. Multi-year pledges are recorded at fair value at the date of the pledge.

Government Grants and Contracts - The YMCA periodically may receive grant and contract funding from state government to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, curriculum, staffing and other requirements. These programs included a program for seniors and the creation of space to serve children. Such YMCA's government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred.

Government grants and contracts receivable are recorded in pledges receivables. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Uncollectible receivable are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

At December 31, 2019, the YMCA had no government contributions and grants outstanding that have not been recognized.

In-Kind Contributions - The YMCA recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed. The YMCA did not receive such contributed service for the years ended December 31, 2019 and 2018, respectively.

The YMCA receives services from many volunteers who give significant amounts of their time to the programs of the YMCA. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

1) Summary Of Significant Accounting Policies (Continued)

Contributions of assets other than cash are recorded at estimated fair value.

Revenue Recognition - The YMCA has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees.

Because the YMCA's performance obligations relate to contracts with a duration of less than one year, the YMCA has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Membership Dues And Program Fees - Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time and may cancel with notice. Members generally pay a onetime joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The YMCA offers a variety of programs including family, child-care, day camp, fitness, aquatics, and health services. Fee-based programs are available to the public. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees.

Membership dues and program fees are recognized ratably over the period the membership or program service is provided on a straight-line basis in an amount that reflects the consideration the YMCA expects to be entitled to in exchange for those services. All the YMCA's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Membership joining fees are recognized when joining.

Membership dues and program fees paid to the YMCA in advance represent contract liabilities and are recorded as other deferred revenue. Amounts billed but unpaid are contract assets and recorded as accounts receivables.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

1) Summary Of Significant Accounting Policies (Continued)

Accounts Receivable – The YMCA extends credit to third party payers of child development and other programs in the normal course of operations which are due within 30 days of the date of service. The YMCA also extends credit to its members enrolling in certain programs, such as summer and day camp, which are due in full prior to the start of the program. The YMCA's accounts receivable represents an unconditional right to consideration from its contracts with customers. Receivables are recorded at estimated fair value at the time of origination and are reflected in the statements of financial position net of allowances for doubtful accounts. The allowance for doubtful accounts is determined by a monthly review of account balances, including the age of the balance and historical collection experience. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

Functional Allocation Of Expenses - Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on facility square footage usages and other estimates made by management.

Advertising - The YMCA uses advertising to promote its programs among the communities it serves. Advertising costs are expensed as incurred.

Income Taxes - The YMCA has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income.

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense, however, there is no interest or penalties recognized in the statements of activities. The tax years after 2016 are still open to audit for both federal and state purposes.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

1) Summary Of Significant Accounting Policies (Continued)

Cash And Cash Equivalents - The YMCA considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash allocated to the investment portfolio as part of the YMCA's investment strategy is reported as investments.

Concentration Of Credit Risk - The YMCA maintains cash balances at certain financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The YMCA has not experienced any losses in such accounts. The YMCA monitors the financial stability of financial institutions regularly and management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts.

Investments - Investments are reported at fair value and are based primarily on quoted market prices or estimated fair value.

Inventories - Inventories consisting of merchandise for resale are carried at the lower of cost or market on a first-in, first-out basis.

Property, Plant And Equipment - Investment in property, plant, and equipment is stated at cost less accumulated depreciation or at fair value if donated. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, ranging from three to forty years. Assets acquired that are deemed to be of a permanent and lasting nature with a cost exceeding \$1,000 are capitalized at cost. Maintenance or minor additions are expensed as incurred. The cost of the capitalized assets that have been retired, impaired or otherwise disposed are removed from the capital account.

Deferred Revenue - Membership dues and program fees that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which they apply.

Accounting Pronouncements Adopted: - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers Topic (606)*. This ASU supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The YMCA adopted this ASU on January 1, 2019.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

1) Summary Of Significant Accounting Policies (Continued)

The YMCA implemented ASU 2014-09 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

In June 2018, the FASB issued (ASU) 2018-08, *Not-for-Profit entities: Topic 958*. The amendments in this update provide a more robust framework to determine when a transaction should be accounted for as a contribution, under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide guidance about how to determine whether a contribution is conditional. The YMCA adopted this ASU on January 1, 2019.

The YMCA implemented ASU 2018-08 using a full retrospective method of application. The adoption of ASU 2018-08 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

2) Liquidity And Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash And Cash Equivalent	\$141,772
Accounts Receivable	27,514
Operating Investments	2,477
Promises To Give	47,107
	<u>\$218,870</u>

The YMCA also maintains a line of credit in the amount of \$50,000, which could be drawn upon in the event of an unanticipated liquidity need.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

3) Pledges Receivable

Pledges receivable represent amounts due from donors for multiyear unconditional pledges. Pledges receivable are shown net of a discount on future collections. Collection on these pledges are estimated to be received as follows:

	<u>2019</u>	<u>2018</u>
Pledges Receivable For General Operations	\$ 47,107	\$ 3,277
Pledges Receivable For Capital Campaign	834,610	599,605
Total Pledges Receivable	<u>881,717</u>	<u>602,882</u>
Less Discount For Net Present Value At The Rate Of 1.69%	27,592	26,160
Less Allowance Of Uncollectible Pledges	<u>25,000</u>	<u>16,500</u>
Total Pledges Receivable, Net	<u>829,125</u>	<u>560,222</u>
Less Current Portion	<u>439,215</u>	<u>298,379</u>
Long Term Pledges Receivable, Net	<u><u>\$389,910</u></u>	<u><u>\$261,843</u></u>

In addition, the YMCA has received conditional promises of \$525,000 as of December 31, 2019 relating to matching gifts which is subject to a condition of the YMCA receiving funds from other parties. The YMCA recognizes conditional promises when the conditions on which they depend are substantially met. As such, these amounts have not been recognized as of December 31, 2019.

4) Property, Plant and Equipment

Property, plant, and equipment at December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Land And Improvements	\$ 117,968	\$ 117,968
Buildings And Building Improvements	6,225,042	6,173,234
Equipment And Furnishings	<u>676,908</u>	<u>640,372</u>
Total Investment In Property, Plant, And Equipment	7,019,918	6,931,574
Less Accumulated Depreciation	<u>4,401,550</u>	<u>4,180,897</u>
Net Investment In Property, Plant, And Equipment	<u><u>\$2,618,368</u></u>	<u><u>\$2,750,677</u></u>

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

5) Revolving Line Of Credit

The YMCA has a \$50,000 line of credit with Webster Bank to be drawn upon as needed, with an interest rate of Webster prime rate plus 2%. No amounts were outstanding at December 31, 2019 or 2018. The line of credit expires in October 2021 and is renewable at the discretion of the bank.

6) Long-Term Debt

Long-term debt as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Mortgage payable to bank, with interest at a rate of 5% per annum (interest rate adjusted at 5-year intervals – next adjustment date in 2023) in monthly installments to February 2033; collateralized by land, building and personal property located on Spencer Plains Road in Westbrook, CT.	\$1,203,486	\$1,266,205
Repayment agreement with utility company for financing of energy efficient lighting under 3 energy conservation incentive programs requiring monthly payments on electric bills to September 2019. Agreement is not-interest bearing and unsecured.	–	6,220
Total Long-Term Debt	1,203,486	1,272,425
Less: Current Maturities of Long-Term Debt	66,801	69,813
Long-Term Debt Net of Current Portion	<u>\$1,136,685</u>	<u>\$1,202,612</u>

Future annual maturities of the notes are as follows:

2020	\$ 66,801
2021	70,215
2022	73,811
2023	77,587
2024	81,557
Thereafter	833,515
Total	<u>\$1,203,486</u>

The secured mortgage loan agreement contains certain restrictive financial and nonfinancial covenants, including limitations on additional indebtedness and timely review of financial statements and tax returns.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

7) Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Net Assets With Donor Restrictions:		
Restricted For		
Programs		
Youth Development	\$ 11,732	\$ 8,097
Social Responsibility	2,561	—
Capital Expenditure	96,299	144,642
Capital Campaign Development	1,412,041	769,676
Total Net Assets With Donor Restrictions	<u>\$1,522,633</u>	<u>\$922,415</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor. Those amounts released from restrictions during the years ended December 31, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Programs		
Youth Development	\$ 16,955	\$ 18,973
Healthy Living	2,550	5,421
Social Responsibility	6,239	10,904
Capital Campaign Development	21,130	123,222
Total Donor Restricted Net Assets Released From Restrictions	<u>\$ 46,874</u>	<u>\$158,520</u>

8) Special Events

As part of its fundraising efforts, the YMCA holds periodic special events. Revenue for special events is recognized in the period in which the event is held. Direct expenses associated with special events are netted against such revenue as follows:

	<u>2019</u>	<u>2018</u>
Special Event Revenue	\$102,047	\$108,251
Special Event Direct Expenses	<u>(23,948)</u>	<u>(24,285)</u>
Special Event Revenue, Net Of Expenses	<u>\$ 78,099</u>	<u>\$ 83,966</u>

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

9) Financial Assistance Provided

The YMCA provides financial assistance, through contributions and other fundraising, to help defray the costs of membership and program and other fees for individuals with need. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Membership Dues	\$1,516,009	\$1,501,661
Less: Financial Assistance Provided	<u>(129,391)</u>	<u>(113,051)</u>
Membership Dues, Net Of Assistance	<u>\$1,386,618</u>	<u>\$1,388,610</u>
Program Fees	\$ 958,922	\$ 957,328
Less: Financial Assistance Provided	<u>(20,487)</u>	<u>(21,328)</u>
Program Fees, Net Of Assistance	<u>\$ 938,435</u>	<u>\$ 936,000</u>

10) Defined Contribution Plan

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

In accordance with our agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA. Total contributions charged to retirement costs aggregated \$44,094 and \$43,000 for the years ended December 31, 2019 and 2018, respectively.

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

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

11) Related Parties

The YMCA pays dues to YMCA of the USA. Dues paid to YMCA of the U.S.A. for the year ended December 31, 2019 and 2018, were \$42,156 and \$44,948, respectively.

12) Lease Commitments

Capital Leases - The YMCA has entered into various capital lease agreements for fitness equipment. The outstanding balance of these capital lease obligations at December 31, 2019 and 2018, was \$47,783 and \$79,562, respectively. Future minimum payments required under these agreements are as follows:

	2020	\$ 34,933
	2021	<u>14,566</u>
Total Minimum Lease Payments		49,499
Amount Representing Interest		<u>(1,716)</u>
Net Equipment Held Under Capital Lease		<u>\$ 47,783</u>

The following is a summary of property held under capital leases:

Equipment	\$ 97,193
Accumulated Depreciation	<u>(64,795)</u>
Net Equipment Held Under Capital Lease	<u>\$ 32,398</u>

Leased Equipment - YMCA has an operating lease covering copier equipment to March 2021 and an operating lease on a postage meter to April 2024. Future minimum lease obligations under operating leases as of December 31, 2019, are as follows:

2020	\$ 9,114
2021	2,165
2022	653
2023	653
2024	<u>217</u>
	<u>\$12,802</u>

Rent expense for equipment under operating leases was approximately \$8,655 and \$8,513 for the years ended December 31, 2019 and 2018, respectively.

The Organization leased certain property from the Yale Outdoor Center in 2019 and from the Girl Scouts of Connecticut in 2018 to operate a day camp program in East Lyme. The leases were seasonal leases for specific summer weeks. Rent expense was \$12,000 and \$10,000 during the year ended December 31, 2019 and 2018, respectively.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

13) Commitments And Contingencies

In the normal course of business, various legal actions and claims are pending or may be instituted or asserted in the future against the YMCA. Management evaluates risks and keeps them to an acceptable level through various methods including the purchase of commercial insurance. Management believes the YMCA does not have any significant claims or other litigation which the ultimate resolution would have a material financial impact.

The YMCA self-insures employee unemployment compensation claims. If an employee becomes entitled to unemployment compensation, the YMCA is obligated to reimburse the State of Connecticut for any benefits paid to such employees. As of December 31, 2019 and 2018, the YMCA had a deposit of \$7,366 and \$1,662, respectively, which is included in deferred expenses.

The Board of Directors agreed to pursue a Capital Campaign to raise contributions in order to substantially renovate its facilities in Westbrook. In 2019 and 2018 funds were being expended as part of the prefunding process and included such items as feasibility studies, fundraising consultants and building schematics considered normal and best practices for undertaking a fundraising campaign of the size and scope envisioned. Funds contributed are recorded as Temporarily Restricted and funds are released from restriction when utilized specifically for the Capital Campaign process.

14) Subsequent Events

Subsequent events were evaluated through September 14, 2020, which is the date the financial statements were available to be issued.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 16, 2020, Governor Ned Lamont ordered the closure of the physical location of gyms and fitness centers. As such, the organization was closed on March 16, 2020. The organization was allowed to re-open in limited capacities on June 20, 2020 and has remained at limited capacity since. The organization is operating at 50% of normal revenue. Future potential impacts may include continued disruptions or restrictions on the ability of the organization to generate revenue and impairment of our ability to obtain contributions and volunteers. The future effects of these issues are unknown.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2019 And 2018

14) Subsequent Events (Continued)

Subsequent to year end, the Organization applied for and was approved a \$282,500 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

In addition, the Organization applied for and was approved for \$150,000 Economic Injury Disaster Loan from the Small Business Administration. The loan accrues interest at 2.75% per year payable over 30 years. Installment payments of \$641 monthly will begin in June 2021.