

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

For The Years Ended December 31, 2021 And 2020



WollackLewitz^{LLC}
Certified Public Accountants & Advisors

Old Saybrook | Madison
Connecticut

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

Opinion

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, 2021 and 2020, and the related statements of activities, and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Shore YMCA, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

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

Responsibilities Of Management For The Financial Statements

Management is responsible for the preparation and fair presentation of 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.

Auditor's Responsibility For The Audit Of The Financial Statements

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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

WallackLewitz

Certified Public Accountants
Old Saybrook, Connecticut

June 14, 2022

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statements Of Financial Position

For The Years Ended December 31, 2021 And 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	\$ 429,065	\$ 404,045
Cash Held In Reserve For Temporarily Restricted Use	1,695,100	1,094,053
Accounts Receivable	94,296	11,862
Pledges Receivable	350,994	269,517
Marketable Securities	6,933	11,260
Deferred Expenses	23,260	20,108
<u>Total Current Assets</u>	<u>2,599,648</u>	<u>1,810,845</u>
<u>Property And Equipment, Net</u>	3,573,458	2,455,832
<u>Long Term Pledges Receivable, Net of Current Portion</u>	414,919	269,584
<u>Right to Use Asset</u>	31,320	-
<u>Other Assets</u>	50,712	33,053
<u>TOTAL ASSETS</u>	<u>\$ 6,670,057</u>	<u>\$ 4,569,314</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable - Operating	\$ 9,487	\$ 57,955
Accounts Payable - Construction-In-Progress	285,157	-
Accrued Expenses	31,334	20,066
Deferred Income	73,385	92,941
Custodial Account	17,410	22,023
Current Maturities Of Long-Term Debt	2,215	53,838
Current Maturities Of Operating Lease Obligations	10,864	-
Current Maturities Of Capital Lease Obligations	-	22,894
<u>Total Current Liabilities</u>	<u>429,852</u>	<u>269,717</u>
<u>Long-Term Liabilities</u>		
Long-Term Debt, Net Of Current Portion	1,142,316	1,250,477
Operating Lease Obligations, Net Of Current Portion	20,456	-
<u>Total Long-Term Liabilities</u>	<u>1,162,772</u>	<u>1,250,477</u>
<u>Total Liabilities</u>	<u>1,592,624</u>	<u>1,520,194</u>
<u>Net Assets</u>		
<u>Without Donor Restrictions</u>		
Unrestricted	301,350	107,137
Invested In Property, Plant And Equipment, Net Of Mortgage	2,428,927	1,301,468
<u>Total Without Donor Restrictions</u>	<u>2,730,277</u>	<u>1,408,605</u>
<u>With Donor Restrictions</u>		
Restricted By Purpose Or Time	2,347,156	1,640,515
<u>Total With Donor Restrictions</u>	<u>2,347,156</u>	<u>1,640,515</u>
<u>Total Net Assets</u>	<u>5,077,433</u>	<u>3,049,120</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 6,670,057</u>	<u>\$ 4,569,314</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, 2021 And 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Public Support						
Contributions	\$ 165,871	\$ 46,434	\$ 212,305	\$ 132,945	\$ 259,872	\$ 392,817
Government Grants And Contracts	634,740	52,992	687,732	301,295	-	301,295
Special Events, Net Of Expenses	37,018	-	37,018	51,169	-	51,169
Net Assets Released From Restrictions	77,625	(77,625)	-	141,990	(141,990)	-
Total Public Support	915,254	21,801	937,055	627,399	117,882	745,281
Revenue						
Membership Fees, Net Of Assistance	707,325	-	707,325	765,983	-	765,983
Program Fees, Net Of Assistance	669,599	-	669,599	466,283	-	466,283
Investment Income	4,379	-	4,379	5,352	-	5,352
Other Revenue	1,284	-	1,284	3,151	-	3,151
Total Revenue	1,382,587	-	1,382,587	1,240,769	-	1,240,769
Total Public Support And Revenue	2,297,841	21,801	2,319,642	1,868,168	117,882	1,986,050
Expenses						
Program Services						
Youth Development	472,054	-	472,054	414,893	-	414,893
Healthy Living	1,201,343	-	1,201,343	1,183,355	-	1,183,355
Social Responsibility	27,577	-	27,577	21,444	-	21,444
Total Program Services	1,700,974	-	1,700,974	1,619,692	-	1,619,692
Support Services						
Management And General	201,399	-	201,399	169,709	-	169,709
Fundraising	118,782	-	118,782	77,116	-	77,116
Total Support Services	320,181	-	320,181	246,825	-	246,825
Total Expenses	2,021,155	-	2,021,155	1,866,517	-	1,866,517
Changes In Net Assets From Operations	276,686	21,801	298,487	1,651	117,882	119,533
Non-Operating Activities						
Contributions For Capital Assets	-	1,729,826	1,729,826	-	-	-
Net Assets Released From Restrictions	1,044,986	(1,044,986)	-	-	-	-
Total Non-Operating Activity	1,044,986	684,840	1,729,826	-	-	-
Changes In Net Assets	1,321,672	706,641	2,028,313	1,651	117,882	119,533
Net Assets At Beginning Of Year	1,408,605	1,640,515	3,049,120	1,406,954	1,522,633	2,929,587
Net Assets At End Of Year	\$ 2,730,277	\$ 2,347,156	\$ 5,077,433	\$ 1,408,605	\$ 1,640,515	\$ 3,049,120

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended December 31, 2021

	<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	\$ 292,717	\$ 508,572	\$ 3,613	\$ 804,902	\$ 78,797	\$ 59,524	\$ 138,321	\$ 943,223
Payroll Taxes And Employee Benefits	30,002	74,219	294	104,515	47,851	5,460	53,311	157,826
<u>Total Personnel Costs</u>	<u>322,719</u>	<u>582,791</u>	<u>3,907</u>	<u>909,417</u>	<u>126,648</u>	<u>64,984</u>	<u>191,632</u>	<u>1,101,049</u>
<u>Non-Personnel Costs</u>								
Contracted Services	15,904	19,818	565	36,287	24,220	11,071	35,291	71,578
Program, Janitorial And Office Supplies	16,358	42,246	9,904	68,508	4,881	1,005	5,886	74,394
Telephone	3,836	6,055	32	9,923	828	623	1,451	11,374
Postage And Shipping	-	-	-	-	3,723	8	3,731	3,731
Licenses And Permits	3,837	6,977	105	10,919	139	7	146	11,065
Office Equipment And Maintenance	-	-	-	-	19,023	-	19,023	19,023
Printing And Advertising	12,251	22,005	316	34,572	3,241	2,723	5,964	40,536
Travel, Meetings And Training	1,289	2,166	-	3,455	1,412	-	1,412	4,867
National YMCA Support And Other Dues	6,613	9,666	509	16,788	6,858	3,307	10,165	26,953
Bank And Credit Card Processing Fees	6,231	9,106	479	15,816	5,032	3,115	8,147	23,963
Insurance	12,121	68,601	1,653	82,375	413	413	826	83,201
Bad Debt Expense	151	9,296	-	9,447	-	29,000	29,000	38,447
Interest Expense	11,841	70,201	1,692	83,734	423	423	846	84,580
Repairs And Maintenance	14,598	89,747	2,085	106,430	521	521	1,042	107,472
Utilities	15,158	89,869	2,166	107,193	541	541	1,082	108,275
<u>Total Non-Personnel Costs</u>	<u>120,188</u>	<u>445,753</u>	<u>19,506</u>	<u>585,447</u>	<u>71,255</u>	<u>52,757</u>	<u>124,012</u>	<u>709,459</u>
<u>Depreciation And Amortization</u>	<u>29,147</u>	<u>172,799</u>	<u>4,164</u>	<u>206,110</u>	<u>3,496</u>	<u>1,041</u>	<u>4,537</u>	<u>210,647</u>
<u>Total Expenses</u>	<u>\$ 472,054</u>	<u>\$ 1,201,343</u>	<u>\$ 27,577</u>	<u>\$ 1,700,974</u>	<u>\$ 201,399</u>	<u>\$ 118,782</u>	<u>\$ 320,181</u>	<u>\$ 2,021,155</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended December 31, 2020

	<u>Program Services</u>				<u>Support Services</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>Totals</u>
<u>Personnel Costs</u>								
Salaries And Wages	\$ 238,219	\$ 459,060	\$ 3,464	\$ 700,743	\$ 69,345	\$ 54,678	\$ 124,023	\$ 824,766
Payroll Taxes And Employee Benefits	42,905	104,307	417	147,629	36,626	10,670	47,296	194,925
<u>Total Personnel Costs</u>	<u>281,124</u>	<u>563,367</u>	<u>3,881</u>	<u>848,372</u>	<u>105,971</u>	<u>65,348</u>	<u>171,319</u>	<u>1,019,691</u>
<u>Non-Personnel Costs</u>								
Contracted Services	13,621	21,899	34	35,554	19,086	9,589	28,675	64,229
Program, Janitorial And Office Supplies	13,193	38,793	5,507	57,493	4,496	805	5,301	62,794
Telephone	2,994	6,063	32	9,089	701	701	1,402	10,491
Postage And Shipping	-	-	-	-	2,066	-	2,066	2,066
Licenses And Permits	2,906	7,045	62	10,013	8	8	16	10,029
Office Equipment And Maintenance	-	-	-	-	18,104	-	18,104	18,104
Printing And Advertising	6,227	16,591	42	22,860	3,078	561	3,639	26,499
Travel, Meetings And Training	959	603	-	1,562	1,768	672	2,440	4,002
National YMCA Support And Other Dues	4,431	9,869	-	14,300	5,054	2,215	7,269	21,569
Bank And Credit Card Processing Fees	5,691	12,676	-	18,367	4,656	2,846	7,502	25,869
Insurance	10,886	61,276	1,477	73,639	369	369	738	74,377
Miscellaneous	-	-	-	-	1,422	-	1,422	1,422
Bad Debt Expense	-	7,037	-	7,037	-	(8,600)	(8,600)	(1,563)
Interest Expense	6,859	40,665	980	48,504	369	245	614	49,118
Rent	-	-	-	-	-	-	-	-
Repairs And Maintenance	11,670	75,362	1,667	88,699	417	417	834	89,533
Utilities	20,316	120,445	2,903	143,664	725	725	1,450	145,114
<u>Total Non-Personnel Costs</u>	<u>99,753</u>	<u>418,324</u>	<u>12,704</u>	<u>530,781</u>	<u>62,319</u>	<u>10,553</u>	<u>72,872</u>	<u>603,653</u>
<u>Depreciation And Amortization</u>	<u>34,016</u>	<u>201,664</u>	<u>4,859</u>	<u>240,539</u>	<u>1,419</u>	<u>1,215</u>	<u>2,634</u>	<u>243,173</u>
<u>Total Expenses</u>	<u>\$ 414,893</u>	<u>\$ 1,183,355</u>	<u>\$ 21,444</u>	<u>\$ 1,619,692</u>	<u>\$ 169,709</u>	<u>\$ 77,116</u>	<u>\$ 246,825</u>	<u>\$ 1,866,517</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statements Of Cash Flows

For The Years Ended December 31, 2021 And 2020

	2021	2020
<u>Cash Flows From Operating Activities – Source (Use)</u>		
Increase (Decrease) In Net Assets	\$ 2,028,313	\$ 119,533
<u>Adjustments To Reconcile Change In Net Assets</u>		
<u>To Net Change In Cash From Operating Activities</u>		
Depreciation	208,191	242,969
Amortization Of Other Assets	2,455	204
Deferred Interest Expense	4,125	-
Unrealized Loss (Gain) On Marketable Securities	(2,853)	(1,396)
Contributions Restricted For Capital Assets	(1,736,966)	(224,984)
Changes In Assets And Liabilities		
Accounts Receivable	(82,434)	15,652
Pledges Receivable	(226,812)	290,024
Other Assets	(20,114)	(21,032)
Deferred Expenses	(3,152)	2,737
Accounts Payable	236,689	32,501
Accrued Expenses	11,268	(44,511)
Deferred Income	(19,556)	32,033
Custodial Accounts	(4,613)	5,897
<u>Net Cash Provided (Used) By Operating Activities</u>	394,541	449,627
<u>Cash Flows From Investing Activities – Source (Use)</u>		
Purchase Of Property And Equipment	(1,325,817)	(80,433)
Purchase Of Investments	(1,096,160)	(58,793)
Proceeds From Sale Of Investments	1,103,340	51,406
<u>Net Cash Provided (Used) By Investing Activities</u>	(1,318,637)	(87,820)
<u>Cash Flows From Financing Activities – Source (Use)</u>		
Contributions Restricted For Capital Assets	1,736,966	224,984
Proceeds From Borrowings On Long-Term Debt	988,000	150,000
Payments Of Long-Term Debt	(1,151,909)	(49,171)
Payments Of Property Lease Obligations	(22,894)	(24,889)
<u>Net Cash Provided (Used) By Financing Activities</u>	1,550,163	300,924
<u>Net Change In Cash And Equivalents</u>	626,067	662,731
<u>Cash At Beginning Of Year</u>	1,498,098	835,367
<u>Cash At End Of Year</u>	\$ 2,124,165	\$ 1,498,098

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

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 principal place of operations serving as headquarters is the facility in Westbrook. Our YMCA serves over 4,000 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, 2021 And 2020

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 therein 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, 2021 And 2020

1) Summary Of Significant Accounting Policies (Continued)

Public Support

Contributions – 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. In 2020 and 2021, these programs included federal and state grants to fund operations due to economic conditions related to the Covid 19 pandemic. 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 receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

At December 31, 2021 and 2020, 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 received contributed legal services of \$4,350 for the year ended December 31, 2021.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

1) Summary Of Significant Accounting Policies (Continued)

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.

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 10 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.

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

1) Summary Of Significant Accounting Policies (Continued)

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.

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 2018 are still open to audit for both federal and state purposes.

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.

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Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

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

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.

Right To Use Assets and Lease Liabilities – Right of use (“ROU”) assets represent the YMCA’s right to use the underlying assets for the lease term and lease liabilities represent the net present value of the YMCA’s obligation to make payments arising from these leases. The lease liabilities are based upon the present value of fixed lease payments over the lease term based upon a risk adjusted discount rate. If the lease includes one or more options to extend the term of the lease, the renewal options is considered in the lease term if it is reasonably certain that the YMCA will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. Finance lease expense is recognized as amortization of the right to used asset and interest expense. As permitted by ASC 842, leases with an initial term of twelve months or less (“short-term leases”) are not recorded on the accompanying statements of financial position.

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 February 2016, the Financial Accounting Standards Board (FASB) issued Accounting standards Update (ASU) 2016-02, *Leases: Topic 842*. This ASU affects any entity that enters into a lease, with some specific scope exemptions. The main difference between previous GAAP and this ASU is the

VALLEY SHORE YMCA, INC.

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For The Years Ended December 31, 2021 And 2020

1) Summary Of Significant Accounting Policies (Continued)

recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The YMCA has implemented this ASU for the year ended December 31, 2021 using the modified retrospective approach. The YMCA elected the optional practical expedient package which, amount other things, includes the historical classification of leases.

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	\$429,065
Accounts Receivable	94,297
Operating Investments	6,933
Promises To Give	36,382
	<u>\$566,677</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.

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>2021</u>	<u>2020</u>
Pledges Receivable For General Operations	\$ 36,382	\$ 12,299
Pledges Receivable For Capital Campaign	681,411	546,770
Total Pledges Receivable	<u>717,793</u>	<u>559,069</u>
Less Discount For Net Present Value At The Rate Of 1.27% in 2021 And 0.36% in 2020	(18,792)	3,568
Less Allowance Of Uncollectible Pledges	<u>(20,400)</u>	<u>16,400</u>
Total Pledges Receivable, Net	<u>678,601</u>	<u>539,101</u>
Less Current Portion	263,682	269,517
Long Term Pledges Receivable, Net	<u>\$414,919</u>	<u>\$269,584</u>

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

3) Pledges Receivable (Continued)

In addition, the YMCA has received conditional promises of \$635,000 as of December 31, 2020 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. No conditional promises were received as of December 31, 2021.

4) Property, Plant and Equipment

Property, plant, and equipment at December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Land And Improvements	\$ 117,968	\$ 117,968
Buildings And Building Improvements	6,459,278	6,305,475
Construction In Progress	1,124,247	-
Equipment And Furnishings	<u>684,768</u>	<u>673,768</u>
Total Investment In Property, Plant, And Equipment	<u>8,386,261</u>	<u>7,097,211</u>
Less Accumulated Depreciation	<u>4,812,803</u>	<u>4,641,379</u>
Net Investment In Property, Plant, And Equipment	<u><u>\$3,573,458</u></u>	<u><u>\$2,455,832</u></u>

Construction in progress as of December 31, 2021 consists of funds expended for a new fitness center, fitness equipment on order but not in service, and lobby renovations. The remaining costs to complete these projects are approximately \$750,000 and is expected to be completed in June of 2022.

VALLEY SHORE YMCA, INC.

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For The Years Ended December 31, 2021 And 2020

5) Long-Term Debt

Long-term debt as of December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</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 net of unamortized deferred financing costs of \$2,455 in 2020. This note was paid in full on December 31, 2021.	\$ -	\$1,151,909
Economic Injury Disaster Loan from the U.S. Small Business Administration with a general security agreement of business assets. Proceeds of \$150,000 in 2021 and additional proceeds of \$988,000 in December 2021 with an interest rate 2.75% per annum, deferred interest of \$6,531 as of December 31, 2021, payable over a term on 30 years with repayment amount of \$4,957 per month beginning December 2022.	1,144,531	152,406
Total Long-Term Debt	<u>1,144,531</u>	<u>1,304,315</u>
Less: Current Maturities of Long-Term Debt	2,215	53,838
Long-Term Debt Net of Current Portion	<u>\$1,142,316</u>	<u>\$1,250,477</u>

Future annual maturities of the notes are as follows:

2022	\$ 2,215
2023	27,615
2024	28,296
2025	29,172
2026	29,984
Thereafter	1,027,249
Total	<u>\$1,144,531</u>

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

6) 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, 2021 or 2020. The line of credit expires in October 2023 and is renewable at the discretion of the bank.

7) Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2021 and 2020, consisted of the following:

	<u>2021</u>	<u>2020</u>
Net Assets With Donor Restrictions:		
Restricted For		
Programs		
Youth Development	\$ 38,808	\$ 22,388
Social Responsibility	1,315	3,074
Capital Expenditure	24,368	24,843
Capital Campaign Development	2,282,665	1,590,210
Total Net Assets With Donor Restrictions	<u>\$2,347,156</u>	<u>\$1,640,515</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, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Programs		
Youth Development	\$ 64,831	\$ 12,344
Healthy Living	1,550	5,600
Social Responsibility	11,244	5,757
Capital Expenditure	7,615	80,433
Capital Campaign Development	1,037,371	37,856
Total Donor Restricted Net Assets Released		
From Restrictions	<u>\$1,122,611</u>	<u>\$141,990</u>

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

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>2021</u>	<u>2020</u>
Special Event Revenue	\$56,610	\$63,283
Special Event Direct Expenses	(19,592)	(12,114)
Special Event Revenue, Net Of Expenses	<u>\$37,018</u>	<u>\$51,169</u>

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>2021</u>	<u>2020</u>
Membership Dues	\$764,192	\$834,847
Less: Financial Assistance Provided	(56,867)	(68,864)
Membership Dues, Net Of Assistance	<u>\$707,325</u>	<u>\$765,983</u>
Program Fees	\$678,026	\$474,794
Less: Financial Assistance Provided	(8,427)	(8,511)
Program Fees, Net Of Assistance	<u>\$669,599</u>	<u>\$466,283</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.

VALLEY SHORE YMCA, INC.

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For The Years Ended December 31, 2021 And 2020

10) Defined Contribution Plan (Continued)

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 \$36,575 and \$20,299 for the years ended December 31, 2021 and 2020, 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.

11) Related Parties

The YMCA pays dues to YMCA of the USA. Dues paid to YMCA of the U.S.A. for the years ended December 31, 2021 and 2020, were \$25,436 and \$20,140, respectively.

The President of our Board of Directors is a part owner of Noble Construction. Noble Construction has been contracted to provide construction services for renovation services. The contract was approved following a formal bidding process. The President of the Board recused himself from voting during this process. The YMCA paid \$450,828 to Noble Construction during the year ended December, 2021.

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 were paid in full as of December 31, 2021.

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

Equipment	\$97,193
Accumulated Depreciation	(97,193)
Net Equipment Held Under Capital Lease	<u>\$ -</u>

Leased Equipment - YMCA has an operating lease covering copier equipment until May 2026 and postage meter to April 2024. Future minimum lease obligations under operating leases as of December 31, 2021, are as follows:

2022	\$ 10,864
2023	6,533
2024	6,097
2025	5,680
2026	2,940

Rent expense for equipment under operating leases was approximately \$8,293 and \$8,375 for the years ended December 31, 2021 and 2020.

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For The Years Ended December 31, 2021 And 2020

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. Unemployment claims amounted to over \$100,000 in 2020 due to the COVID-19 pandemic and employee layoffs during a shutdown period. The federal government had reimbursed the State of Connecticut for half of such charges and thus the YMCA had a large remaining deposit. As of December 31, 2021 and 2020, the YMCA had a deposit of \$30,853 which is included in other assets.

The Board of Directors agreed to pursue a Capital Campaign to raise contributions in order to substantially renovate its facilities in Westbrook. In 2021 and 2020 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 with donor restrictions and funds are released from restriction when utilized specifically for the Capital Campaign process. In 2021 renovations began with expenditures being recorded as fixed assets for projects placed into service and as construction in progress for projects not completed as of December 31, 2021.

14) COVID And Management's Plan

In January 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. Later on, March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Measures taken by federal, state and local officials to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of nonessential services have triggered significant disruptions to businesses, resulted in an economic slowdown.

On March 16, 2020, Governor Ned Lamont ordered the closure of the physical location gyms and fitness centers. As such, the Organization was closed on March 16, 2020. The Organization was allowed to re-open in limited capacity on June 20, 2020. The YMCA primarily provides in-person programming; thus, the outbreak of COVID-19 adversely impacted the ability of the YMCA to conduct its operations and/or the cost of operations. Due to limited facility capacities, uncertainties about variants, uncertainties about the impact of vaccines among all age groups, the choices of members and participants to reengage in YMCA activities has not yet returned to pre-pandemic levels.

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Notes To The Financial Statements

For The Years Ended December 31, 2021 And 2020

14) COVID And Management's Plan (Continued)

The global outbreak of COVID-19 continues to rapidly evolve, and the ultimate impact of the pandemic is highly uncertain. While the Organization expects that the COVID-19 outbreak will continue to adversely impact the YMCA's fiscal year 2022 results, the YMCA cannot at this time accurately predict the full extent to which the COVID-19 outbreak will affect the YMCA's finances and operations. Adverse consequences of the COVID-19 or any other similar outbreaks in the future may include a decline in demand for in-person programming, increased operating costs, and/or a decline in revenues and contributions resulting from fewer programs due to social distancing mandates. The YMCA continues to monitor developments and the directives of federal, state, and local officials to determine what additional precautions and procedures need to be implemented by the YMCA.

15) Unusual Items

In May 2020, the YMCA was granted a loan from Webster Bank in the amount of \$282,500, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The PPP loan was in the form of a Note dated April 17, 2020, maturing April 17, 2022 and bearing an interest rate of 1% per annum. Funds for the loan were used for payroll costs, mortgage interest, utilities incurred before October 6, 2020. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The YMCA is accounting for the loan as a conditional contribution under ASC 958-605. The YMCA submitted an application for full forgiveness on November 20, 2020 and substantially met all the conditions of the contingent contribution in 2020. The forgiveness application was approved by the Small Business Administration on January 25, 2021.

In March of 2021, the YMCA was granted an additional loan in the amount of \$282,500 under the Paycheck Protection Program Second Draw 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 twelve months after the funding of the loan. The YMCA submitted an application for full forgiveness in August 2021 and the forgiveness application was approved by the Small Business Administration on September 13, 2021.

The YMCA was eligible for the Employee Retention Credit ("ERC") under the CARES Act. Approximately \$230,000 was received during the year ended December 31, 2021 in a combination of unpaid employment taxes for the quarters ending March 31, 2021 and June 30, 2021 in the amount and refunds due on the 2020 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended September 30, 2020 and December 31, 2020. Funds received are reported as government support in Statement of Activities for the year ended December 31, 2021.

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For The Years Ended December 31, 2021 And 2020

15) Unusual Items (Continued)

In September 2021, the Small Business Administration announced an expansion of the Economic Injury Disaster Loan program and allowed organizations to request additional borrowing that had been previously capped at \$150,000 and expanded the allowable uses of the program to include repayment of business debt. The YMCA applied for additional borrowing up to the maximum amount allowed under regulations of \$1,138,000, the application was approved in October 2021, and proceeds received December 26, 2021. The funds were used to repay an existing mortgage. See Long Term Debt Footnote 5.

16) Subsequent Events

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

Subsequent to year end, the YMCA received an additional \$85,000 under a retroactive filing of 2021 Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarter ended June 30, 2021.