

YMCA OF GREATER ROCHESTER

**Financial Statements as of
March 31, 2022
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

August 9, 2022

To the Board of Directors of
YMCA of Greater Rochester:

Opinion

We have audited the accompanying financial statements of YMCA of Greater Rochester (a New York not-for-profit corporation) (the Association) which comprise the balance sheet as of March 31, 2022, and the related statements of activities and change in net assets, functional operating expenses, and cash flows for the year 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 the Association as of March 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

171 Sully 's Trail
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government 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, including omissions, 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 and *Government 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 the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2022 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Report on Summarized Comparative Information

We have previously audited the Association's March 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

YMCA OF GREATER ROCHESTER

BALANCE SHEET

MARCH 31, 2022

(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and equivalents	\$ 9,038,582	\$ 7,298,937
Accounts receivable, net	3,095,960	2,714,886
Pledges receivable, net	2,876,786	5,651,113
Due from Greater Canandaigua Family YMCA, Inc.	2,200,000	-
Prepaid expenses and other assets	797,916	853,025
Operating lease right-of-use assets	698,122	512,738
Investments	27,482,974	26,450,679
Land, buildings and equipment, net	<u>75,180,075</u>	<u>78,315,564</u>
Total assets	<u>\$ 121,370,415</u>	<u>\$ 121,796,942</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Lines-of-credit	\$ 250,000	\$ 2,000,000
Accounts payable	3,084,916	2,925,256
Accrued expenses	1,987,705	1,759,287
Deferred revenue	5,098,763	2,109,435
Operating lease liability	721,964	556,484
Financing lease obligations	841,877	2,176,414
Paycheck Protection Program	175,800	5,967,610
Long-term debt, net	<u>35,861,530</u>	<u>41,305,562</u>
Total liabilities	<u>48,022,555</u>	<u>58,800,048</u>
NET ASSETS:		
Without donor restriction:		
Board designated as endowment	16,386,612	16,428,551
Undesignated	45,346,346	33,285,294
With donor restriction	<u>11,614,902</u>	<u>13,283,049</u>
Total net assets	<u>73,347,860</u>	<u>62,996,894</u>
	<u>\$ 121,370,415</u>	<u>\$ 121,796,942</u>

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED MARCH 31, 2022

(With Comparative Totals for 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING ACTIVITIES:				
Operating revenues and support -				
Membership dues and joining fees, net	\$ 15,856,762	\$ -	\$ 15,856,762	\$ 7,571,056
Program fees, net	12,699,929	-	12,699,929	7,011,788
Paycheck Protection Program	5,791,810	-	5,791,810	-
Governmental sources	1,618,471	-	1,618,471	1,872,569
Employee Retention Credit	3,711,984	-	3,711,984	2,265,548
Other fees and grants	1,940,360	-	1,940,360	1,833,195
Gifts and donations	2,312,043	-	2,312,043	6,048,706
Investment income allocated for operations	945,000	-	945,000	924,000
United Way of Greater Rochester	898,365	-	898,365	1,127,556
Member supplies and services	100,892	-	100,892	75,490
Other revenues, net	667,259	-	667,259	724,883
Total operating revenues and support	<u>46,542,875</u>	<u>-</u>	<u>46,542,875</u>	<u>29,454,791</u>
OPERATING EXPENSES:				
Program -				
Youth development	14,590,582	-	14,590,582	11,182,005
Healthy living	10,574,379	-	10,574,379	8,522,033
Social responsibility	9,036,477	-	9,036,477	7,093,140
Total program	<u>34,201,438</u>	<u>-</u>	<u>34,201,438</u>	<u>26,797,178</u>
Supporting services -				
Administrative	4,178,041	-	4,178,041	3,795,682
Fundraising	777,524	-	777,524	624,282
Total supporting services	<u>4,955,565</u>	<u>-</u>	<u>4,955,565</u>	<u>4,419,964</u>
Total operating expenses	<u>39,157,003</u>	<u>-</u>	<u>39,157,003</u>	<u>31,217,142</u>
Change in net assets from operating activities	<u>7,385,872</u>	<u>-</u>	<u>7,385,872</u>	<u>(1,762,351)</u>
NON-OPERATING ACTIVITIES:				
Investment income, net	754,238	100,785	855,023	6,099,577
Investment income allocated for operations	(811,430)	(133,570)	(945,000)	(924,000)
Gifts and donations	144,925	785,933	930,858	1,144,204
Net assets released from restriction - capital	2,421,295	(2,421,295)	-	-
Acquisition of Watson Homestead	2,064,212	-	2,064,212	-
Gain (loss) on disposal of land, buildings and equipment	60,001	-	60,001	(63,015)
Change in net assets from non-operating activities	<u>4,633,241</u>	<u>(1,668,147)</u>	<u>2,965,094</u>	<u>6,256,766</u>
CHANGE IN NET ASSETS	<u>12,019,113</u>	<u>(1,668,147)</u>	<u>10,350,966</u>	<u>4,494,415</u>
NET ASSETS - beginning of year	<u>49,713,845</u>	<u>13,283,049</u>	<u>62,996,894</u>	<u>58,502,479</u>
NET ASSETS - end of year	<u>\$ 61,732,958</u>	<u>\$ 11,614,902</u>	<u>\$ 73,347,860</u>	<u>\$ 62,996,894</u>

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF FUNCTIONAL OPERATING EXPENSES FOR THE YEAR ENDED MARCH 31, 2022

(With Comparative Totals for 2021)

	2022							2021 Total
	Program				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Administrative	Fundraising	Total	
Salaries	\$ 7,275,820	\$ 3,726,237	\$ 4,091,495	\$ 15,093,552	\$ 2,016,523	\$ 428,552	\$ 17,538,627	\$ 12,475,071
Employee benefits and taxes	1,512,250	831,675	946,067	3,289,992	619,955	143,252	4,053,199	2,789,905
Facility occupancy	1,152,878	962,862	1,022,065	3,137,805	53,548	4,469	3,195,822	2,260,602
Interest	478,206	478,206	478,220	1,434,632	12,103	-	1,446,735	1,736,111
Professional fees	330,139	241,901	236,431	808,471	500,924	37,924	1,347,319	937,285
Supplies	700,725	154,557	199,865	1,055,147	64,962	8,217	1,128,326	782,229
Insurance	224,551	198,331	213,570	636,452	203,979	49,370	889,801	820,096
Merchant fees	200,942	200,945	200,947	602,834	160,747	45,421	809,002	562,549
Equipment	81,606	108,695	95,298	285,599	72,115	2,569	360,283	335,649
Program expense	283,507	5,302	71,250	360,059	-	-	360,059	211,842
Membership dues	80,301	78,734	82,963	241,998	77,072	20,058	339,128	369,375
Telephone	78,392	51,589	54,571	184,552	53,295	11,247	249,094	302,622
Printing and publications	42,184	41,834	41,834	125,852	82,754	135	208,741	132,441
Transportation	75,598	12,547	18,648	106,793	26,523	2,088	135,404	146,135
Training and meetings	23,690	28,145	22,391	74,226	19,522	3,829	97,577	24,466
Bank service fees	1,400	1,400	1,400	4,200	40,210	-	44,410	60,275
Annual campaign	1,679	1,679	1,656	5,014	1,287	13,616	19,917	20,974
Postage	2,791	4,497	2,853	10,141	5,591	1,236	16,968	20,033
Other	(2,020)	29,260	25,199	52,439	30,292	5,541	88,272	116,272
Total expenses before depreciation	12,544,639	7,158,396	7,806,723	27,509,758	4,041,402	777,524	32,328,684	24,103,932
Depreciation	2,045,943	3,415,983	1,229,754	6,691,680	136,639	-	6,828,319	7,113,210
Total expenses	\$ 14,590,582	\$ 10,574,379	\$ 9,036,477	\$ 34,201,438	\$ 4,178,041	\$ 777,524	\$ 39,157,003	\$ 31,217,142

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2022 (With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 10,350,966	\$ 4,494,415
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Contributions donor restricted for capital expenditures and endowment	(785,933)	(1,144,204)
Depreciation	6,828,319	7,113,210
Paycheck Protection Program	(5,791,810)	-
Acquisition of Watson Homestead	(2,064,212)	-
Change in allowance for doubtful accounts receivable	(9,221)	10,752
Loss (gain) on sale of building and equipment	(60,001)	63,015
Change in discount for pledges receivable	(132,727)	(62,848)
Realized and unrealized (gains) losses on investments, net	(551,610)	(6,365,549)
Amortization of bond issuance costs	69,134	69,134
Changes in:		
Accounts receivable, net	(371,853)	(1,951,172)
Due from Greater Canandaigua Family YMCA, Inc.	(2,200,000)	-
Prepaid expenses and other assets	55,109	37,809
Operating leases	(19,904)	19,374
Accounts payable	(37,003)	(3,311,938)
Accrued expenses	228,418	(120,499)
Deferred revenue	2,989,328	(836,021)
Net cash flow from operating activities	<u>8,497,000</u>	<u>(1,984,522)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,591,258)	(25,076,408)
Proceeds from the sale of investments	4,110,573	25,995,663
Cash acquired in acquisition of Watson Homestead	64,212	-
Proceeds from sale of building and equipment	77,113	1,530
Purchases of buildings and equipment	(1,513,279)	(1,084,487)
Net cash flow from investing activities	<u>(1,852,639)</u>	<u>(163,702)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
(Repayments) borrowings on lines-of-credit, net	(1,750,000)	(750,576)
Principal repayments of financing lease obligations, net	(1,334,537)	(1,109,553)
Paycheck Protection Program	-	5,967,610
Principal repayments on long-term debt, net	(5,513,166)	(1,934,067)
Contributions and pledge payments received for capital expenditures	3,692,987	2,409,421
Net cash flow from financing activities	<u>(4,904,716)</u>	<u>4,582,835</u>
CHANGE IN CASH AND EQUIVALENTS	1,739,645	2,434,611
CASH AND EQUIVALENTS - beginning of year	<u>7,298,937</u>	<u>4,864,326</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 9,038,582</u>	<u>\$ 7,298,937</u>
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING DISCLOSURES:		
Land, buildings, and equipment purchases in accounts payable	<u>\$ 442,968</u>	<u>\$ 246,305</u>

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2022

1. THE ORGANIZATION

YMCA of Greater Rochester (the Association) is a not-for-profit corporation founded in 1854 as a charitable association of members and included 15 operating units at March 31, 2022. The Association provides quality programs focusing on youth development, healthy living and social responsibility. The Association's program areas include Health Enhancement, Childcare, Youth and Teen Development, Overnight Camping, and Membership Services. These programs emphasize caring, respect, honesty, responsibility, character building, fun and friendship. The Association is a charitable organization that creates a sense of community in the Greater Rochester area by involving individuals and families of all ages, genders, abilities, incomes and races. Programs are funded primarily through membership dues and program fees. Financial assistance is provided, within available resources, for individuals who do not have the ability to pay. Such assistance is funded primarily through donations to the Association's Annual Invest in Youth Campaign.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional operating expense classification. Such information does not include sufficient detail to constitute a presentation in accordance with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended March 31, 2021, from which the summarized information was derived.

Financial Reporting

The Association reports its net assets and changes therein in the following classifications:

- Net Assets Without Donor Restrictions are net assets that are not subject to donor imposed stipulations. The Board of Directors, through voluntary resolutions, has set aside portions of the Association's net assets without donor restrictions to be used exclusively to function as endowment to support future operating initiatives.
- Net Assets With Donor Restrictions are net assets whose use by the Association is limited by donor imposed stipulations. This includes stipulations that can be fulfilled or removed by actions of the Association pursuant to the stipulations, as well as donor-imposed stipulations that do not expire. In cases where the donor-imposed stipulation does not expire, generally the donor of these net assets permits the Association to use all or part of the investment return on the related assets to support program activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operations

The statements of activities and change in net assets present the changes in net assets of the Association from operating activities and from non-operating activities. Operating revenues and expenses relate primarily to membership dues and program fees related to providing services to members focused on youth development, healthy living, and social responsibility. Additional operating revenue is received from donor contributions and government sources in support of services provided by the Association. Appropriation of investment income under the Association's endowment spending policy is considered operating revenue.

Gifts and donations raised in connection with the Association's capital campaign and permanent endowment gifts as well as all investment income, including gains and losses on investments held for long-term purposes or capital expenditures, except for the amount allocated to operations, are considered non-operating activities in the accompanying statement of activities and change in net assets. In addition, gains and losses on disposal of land, buildings, and equipment as well as increases in net assets related to acquisition of operating units without payment of consideration are included in non-operating activities in the accompanying statement of activities and change in net assets.

Cash and Equivalents

Cash and equivalents consist of cash on hand, bank demand deposit, and money market accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk with respect to cash and equivalents.

Pledges Receivable

The Association records pledges receivable when an unconditional donor commitment is received. Pledges receivable due in future years are reflected at the present value of estimated future cash flows using a risk adjusted discount rate commensurate with the term of the pledge, which ranged from 0.29% to 2.49% for pledges outstanding at March 31, 2022.

In addition, the Association records an allowance for doubtful pledges receivable based on experience and a review of specific accounts. Accounts are written-off when reasonable collection efforts have been exhausted.

Investments

The Association invests in various types of investment securities, which are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is possible that changes in their values could occur and such changes could materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

The Association uses various techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Association. Unobservable inputs are inputs that reflect the Association's estimate about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 Inputs - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.
- Level 2 Inputs - Valuations based on significant inputs that are observable, directly or indirectly; or based on quoted prices in markets that are not active.
- Level 3 Inputs - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost if purchased or at the fair market value at the date of acquisition if acquired in a transaction that did not require the Association to pay any consideration. The Association capitalizes equipment purchases greater than \$5,000 with a useful life greater than two years. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from two to forty years. Items acquired under the terms of financing lease arrangements are amortized over their estimated useful lives of three to five years.

Bond Financing Costs

Bond financing costs represent costs incurred to obtain long-term financing. These costs are netted against the related debt for reporting purposes and recognized as interest expense on a straight-line basis over the term of the related debt. These costs are written off if the related debt is retired in full before its scheduled maturity date.

Revenue Recognition

Membership dues and joining fees include performance obligations for providing members various rights and benefits of the Association, depending on the dollar level of their dues commitment, and are met continuously through the Association's fiscal year. As a result, membership dues are recognized as revenue ratably over the membership period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Membership dues and joining fees are billed in advance of the membership period and are expected to be received on a current basis. Membership dues receivable consist primarily of amounts due from members for various rights and benefits of the Association. Membership dues received in advance of the performance obligation are reflected as deferred revenue.

The Association recognizes program fees revenue in the period in which the performance obligations defined by the terms of contracts with individuals are satisfied. The Association's performance obligations fall under its overall mission to provide youth development, healthy living and social responsibility. The Association's performance obligations include providing services including health enhancement, access to fitness facilities, fitness classes, childcare services, youth and teen development, and day and overnight camps.

Program service revenues are recognized at the amount to which the Association expects to be entitled, and this transaction price is allocated to the bundled service, if applicable. Each service provided is billed at a price based on a signed agreement with the individual. The performance obligation is satisfied as the benefit of the services are consumed and program service revenue is recorded.

The Association expects to collect established charges. The Association performs an assessment of an individual's ability to pay for services prior to providing services. Based on this, the Association has determined that there are no implicit price concessions provided to those the Association serves.

Because performance obligations are met as program services are provided, there are no program fees allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Program service revenue is charged to and collected from members and customers either before or as soon as practicable after the service is provided and the performance obligation is met.

Amounts that remain uncollected at the end of a reporting period are recorded as accounts receivable. The allowance for doubtful accounts receivable is estimated by management based on periodic reviews of the collectability of specific accounts receivable considering historical experience and prevailing economic conditions. Accounts receivable are written off when they are determined to be uncollectible. The Association recorded an allowance of approximately \$153,000 and \$163,000 at March 31, 2022 and 2021, respectively.

Gifts and Donations

Gifts and donations are considered to be available without restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes or in perpetuity are reported as support that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with restrictions are reclassified as net assets without restrictions and reported as net assets released from restrictions in the accompanying statements of activities and change in net assets. Conditional promises to give are not included as support until the conditions are met.

Grants from Governments and Other Agencies

Revenue from grants from governments and other agencies are recognized when conditions from the grantor are met and there are no barriers to be overcome. Amounts received in advance of such conditions being met are reported as deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

A substantial number of volunteers have donated significant amounts of time and services in support of the Association's program operations and fundraising campaigns. However, the value of this time and service is not reflected in the accompanying financial statements as they do not meet the criteria for recognition under GAAP.

Leases

At inception, it is determined if an agreement is a lease. Operating leases are recorded on the Association's balance sheet under operating lease right-of-use assets and operating lease liabilities. Financing leases are recorded on the Association's balance sheet as land, buildings and equipment assets and financing lease obligations.

Advertising

Advertising costs are charged to expense as incurred and totaled approximately \$78,000 and \$52,000 in 2022 and 2021, respectively.

Income Taxes

The Association is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Association has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Allocation of Certain Expenses

The statement of functional operating expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. For both the years ended March 31, 2022 and 2021, the Association utilizes a multi-faceted allocation methodology that considers direct expenses as well as allocations based on personnel time spent and square feet of space utilized in each of the Association's over 50 operating departments. The methodology further considers the overall operational purpose of each department and how that relates to each functional area reported on the statement of functional expenses. Data on the functional allocation of expenses on a departmental basis is accumulated to arrive at the amounts reported in the statement of functional operating expenses. Management considers the Association's allocation methodology to be reasonable.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform to the current year presentation.

3. LIQUIDITY

The Association is substantially supported by dues and program fees from members. In addition, support is received from donors and governmental sources. Some donor support is restricted by the donor for a specific purpose. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. In addition, the Association holds financial assets for specific programmatic, capital addition, or endowment purposes. Thus, financial assets reported on the accompanying balance sheet may not be available for general expenditure within one year.

3. LIQUIDITY (Continued)

The Association's financial assets available to meet cash needs for general expenditures within one year are:

	<u>2022</u>	<u>2021</u>
Financial assets at March 31	\$ 44,694,302	\$ 42,115,615
Less: Financial assets unavailable for general expenditures within one year, due to:		
Subject to Board designation as endowment	(16,386,612)	(16,428,551)
Restricted by donor perpetually	(2,696,452)	(2,671,401)
Subject to satisfaction of donor restrictions	<u>(8,918,450)</u>	<u>(10,611,648)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,692,788</u>	<u>\$ 12,404,015</u>

The Association's ability to meet its cash needs is supported by consistent member dues and program fee revenue. The Association employs specific tactics to maintain and grow membership at a level to provide cash flow to support operating expenditures. Program fees are established at a level that supports the related programmatic expenditures. During the year ended March 31, 2021, the Association experienced declines in member dues and program fee revenue associated with the disruption of the COVID-19 pandemic. The Association participated in federal COVID relief programs, including the Paycheck Protection Program and the Employee Retention Credit Program, to supplement operating cash flow during this time. See Note 15.

In addition, the Association maintains regular contact with its broad base of donors to support both annual operating contributions as well as restricted gifts for capital improvements on an on-going basis.

From time to time, the Association utilizes its lines-of-credit for operating and capital project purposes. Additional draws can be made on these lines-of-credit should the need arise. In addition, the Association's Board could release Board designated endowment funds in the event the Association experienced an unusual cash need in the short term. The Association believes its cash position and expected cash flows are adequate to meet cash needs for general expenditures within one year.

4. INVESTMENTS

Composition

Investments, at fair value, consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Cash equivalents	\$ 1,080,970	\$ 2,691,861
Domestic equity securities	12,181,790	11,260,534
International equity securities	5,080,049	5,169,666
Fixed income securities	5,851,548	5,307,615
Alternative strategies	<u>3,288,617</u>	<u>2,021,003</u>
	<u>\$ 27,482,974</u>	<u>\$ 26,450,679</u>

4. INVESTMENTS (Continued)

Alternative Strategies

Alternative strategies consist of the Association's investments in three limited liability companies (LLCs). The strategy of these LLCs is to seek attractive long-term capital appreciation by investing in a globally diversified portfolio of real estate and private equity investments.

5. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 7,778,627	\$ 6,022,940
Buildings and improvements	108,849,440	107,737,449
Furnishings and equipment	14,302,910	14,257,569
Land improvements	13,625,694	13,625,694
Construction-in-progress	<u>625,521</u>	<u>-</u>
	145,182,192	141,643,652
Less: Accumulated depreciation and amortization	<u>(70,002,117)</u>	<u>(63,328,088)</u>
	<u>\$ 75,180,075</u>	<u>\$ 78,315,564</u>

Assets Acquired Under Financing Leases

Furnishings and equipment include assets acquired under financing lease obligations with a cost of \$5,828,724 at March 31, 2022. Accumulated depreciation related to these assets was \$5,265,391 at March 31, 2022.

6. ENDOWMENT FUNDS

The Association's endowment funds consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Board designated	\$ 16,386,612	\$ 16,428,551
Unappropriated appreciation of donor restricted gifts	4,869,587	4,902,372
Donor restricted historical gift corpus	<u>2,696,452</u>	<u>2,671,401</u>
	<u>\$ 23,952,651</u>	<u>\$ 24,002,324</u>

6. ENDOWMENT FUNDS (Continued)

Changes in the Association's endowment consisted of the following during the years ended March 31, 2022 and 2021:

	<u>Board Designated</u>	<u>Unappropriated Appreciation</u>	<u>Donor Corpus</u>	<u>Total</u>
Endowment net assets - April 1, 2020	\$ 11,918,989	\$ 4,258,842	\$ 2,671,401	\$ 18,849,232
Investment return	5,232,410	789,881	-	6,022,291
Contributions	54,801	-	-	54,801
Spending policy distributions	<u>(777,649)</u>	<u>(146,351)</u>	<u>-</u>	<u>(924,000)</u>
Endowment net assets - March 31, 2021	16,428,551	4,902,372	2,671,401	24,002,324
Investment return	624,566	100,785	-	725,351
Contributions	144,925	-	25,051	169,976
Spending policy distributions	<u>(811,430)</u>	<u>(133,570)</u>	<u>-</u>	<u>(945,000)</u>
Endowment net assets - March 31, 2022	<u>\$ 16,386,612</u>	<u>\$ 4,869,587</u>	<u>\$ 2,696,452</u>	<u>\$ 23,952,651</u>

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on donor restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends, realized and unrealized gains, net of related investment management expenses) and income is classified as unappropriated until appropriated by the Board for expenditure.

New York State Law allows the Board of Directors to expend net appreciation of endowment investments, and in certain circumstances, the principal of the gift. The Board of Directors must consider the long and short-term needs of the Association in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions when determining the amount to expend.

Board Designated Endowment Funds

Income (interest and dividends, realized and unrealized gains, net of investment management expenses) on board designated endowment funds is recorded as an addition to the board designated endowment as a component of net assets without donor restrictions. When appropriated for expenditure, amounts are shown as investment income allocated for operations in the statement of activities and change in net assets.

Strategies Employed for Achieving Objectives

The Association's strategy is to invest its endowment assets in a portfolio of selected investment vehicles that cover a broad allocation of common stocks, fixed income securities, mutual funds and alternative strategies. This allows for diversity and risk management.

Return Objectives, Risk Parameters

The Association has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The goal is to provide an investment return that exceeds the unmanaged market return while reducing market risk through diversification.

6. ENDOWMENT FUNDS (Continued)

Spending Policy and Related Investment Objectives

The Association has adopted a spending formula for utilizing income from donor restricted net assets and net assets designated by the Board of Directors for long-term investment based on a total return concept. Under this policy, the Association may utilize an amount not to exceed 5.0% of the average quarterly fair value of its pooled investments for the preceding five years to support operations. Such long-term investment income and gains utilized for operations are considered operating income in the accompanying statement of activities and change in net assets. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the Association utilizes accumulated appreciation of the funds. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the Association reinvests the excess income. The Association's spending policy permits spending from underwater endowments.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for Profit Corporation Law. There were no such deficiencies as of March 31, 2022 and 2021.

7. NATURE, PURPOSE, AND AMOUNT OF RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at March 31:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions that can be satisfied by action of the Association or the passage of time:		
Restricted for capital	\$ 4,048,863	\$ 5,709,276
Accumulated unappropriated earnings on donor restricted endowment funds	<u>4,869,587</u>	<u>4,902,372</u>
Subtotal expendable funds	<u>8,918,450</u>	<u>10,611,648</u>
Funds to be held in perpetuity with income expendable for:		
Activities of the Association	1,455,869	1,455,869
Camp Gorham	935,607	935,607
Camp Cory	268,422	268,422
Overnight camp scholarships	25,051	-
Other	<u>11,503</u>	<u>11,503</u>
Subtotal funds to be held in perpetuity	<u>2,696,452</u>	<u>2,671,401</u>
	<u>\$ 11,614,902</u>	<u>\$ 13,283,049</u>

Net assets released from restrictions were \$2,421,295 and \$2,346,573 in 2022 and 2021, respectively, and were related to capital expenditures.

8. LEASE AGREEMENTS

The Association leases certain office and fitness equipment from third-parties under the terms of non-cancellable operating and financing lease arrangements that expire at various dates through October 2025. As of March 31, 2022, the leases have remaining terms that vary from one year to approximately four and a half years.

The components of operating lease expense consisted of operating lease payments of approximately \$217,000, including approximately \$15,000 of interest, for the year ended March 31, 2022. These expenses are included in equipment expense in the accompanying statement of functional operating expenses.

At March 31, 2022, the weighted average discount rate for operating and financing leases was approximately 3.6%. At March 31, 2022, the weighted average remaining lease term was approximately 3.2 years for operating leases and 1.2 years for financing leases.

Minimum lease payments for the years ending March 31 are as follows:

	<u>Operating Leases</u>	<u>Financing Leases</u>	<u>Total</u>
2023	\$ 203,444	\$ 699,891	\$ 903,335
2024	205,085	114,581	319,666
2025	206,758	27,405	234,163
2026	<u>106,677</u>	<u>-</u>	<u>106,677</u>
Total	<u>\$ 721,964</u>	<u>\$ 841,877</u>	<u>\$ 1,563,841</u>

During the year ended March 31, 2021, the Association was granted payment deferrals on some lease obligations associated with the COVID-19 disruption. At the end of the deferral period, the lease terms were re-established to incorporate a new payment structure, which is incorporated into the disclosures above.

9. FINANCING ARRANGEMENTS

Lines-of-Credit

The Association has a \$3,000,000 annually renewable, unsecured operating line-of-credit agreement with a financial institution. Amounts borrowed bear interest at the financial institution's prime rate (3.25% at March 31, 2022). There was no balance outstanding under the terms of this agreement at March 31, 2022 and 2021.

In December 2020, the Association opened a new annually renewable revolving line of credit with a bank allowing maximum borrowings up to \$7,000,000. Interest is charged on each advance at daily floating LIBOR rate (0.332% at March 31, 2022) plus 1.00%. The agreement is collateralized by securities and property owned by the Association. At March 31, 2022 and 2021, \$250,000 and \$2,000,000 was outstanding under the terms of this agreement, respectively.

9. FINANCING ARRANGEMENTS (Continued)

Long-term Debt

Long-term debt consisted of the following at March 31:

	<u>2022</u>	<u>2021</u>
Series 2017B fixed rate Tax Exempt Revenue bond maturing in January 2028, requiring a lump sum payment due at maturity, and monthly interest only payments of 1.26% plus 72% of the LIBOR rate.	\$ 3,680,082	\$ 7,139,582
Series 2017A fixed rate Tax Exempt Revenue bond maturing in January 2043, requiring monthly principal payments starting February 2021 ranging from \$48,000 to \$120,000 plus interest paid monthly at 3.99%.	20,238,218	20,846,884
Series 2015B fixed rate demand Civic Facility Revenue bonds maturing in September 2025, requiring monthly principal payments starting October 2020 ranging from \$115,000 to \$135,000, plus interest paid monthly at 2.75%.	5,400,000	6,845,000
Series 2015C fixed rate demand Civic Facility Revenue bonds maturing in September 2031, requiring monthly principal payments starting October 2025 ranging from \$95,000 to \$115,000, plus interest paid monthly at 3.00%.	<u>7,278,659</u>	<u>7,278,659</u>
	36,596,959	42,110,125
Less: Unamortized portion of bond financing costs	<u>(735,429)</u>	<u>(804,563)</u>
	<u>\$ 35,861,530</u>	<u>\$ 41,305,562</u>

Future Minimum Payments

Future minimum principal payments due on long-term debt are as follows for the years ending March 31:

2023	\$ 2,127,487
2024	2,186,446
2025	2,820,607
2026	2,713,863
2027	743,823
Thereafter	<u>26,004,733</u>
	36,596,959
Less: Unamortized portion of bond financing costs	<u>(735,429)</u>
	<u>\$ 35,861,530</u>

9. FINANCING ARRANGEMENTS (Continued)

Bonds Payable – Series 2015

In 2015, Series 2015A, 2015B and 2015C Civic Facility Revenue bonds were issued by the County of Monroe Industrial Development Association (COMIDA) (the Issuer) and were collateralized under provisions of the indenture and loan agreements among the Association, Premier National Investment Company, Inc. (a wholly-owned subsidiary of M&T Bank) (the Trustee) and the Issuer.

Bonds Payable – Series 2017

In December 2017, Tax Exempt Revenue bonds were issued by COMIDA (the Issuer) up to \$33,600,000 in aggregate Tax Exempt Revenue Bonds, consisting of up to \$20,950,000 Series 2017A and up to \$12,650,000 Series 2017B (collectively, the “2017 Bonds”) for the benefit of the Association and for the purpose of assisting in financing the construction of the Schottland Family Branch. The 2017 Bonds were collateralized under provisions of the bond purchase and building loan agreements among the Association, 233 Genesee Street Corporation (a wholly-owned subsidiary of M&T Bank) (the Bank) and the Issuer. The Association has granted to the Issuer a first priority mortgage lien on and security interest in the facility, assignment of leases and rents, and a security agreement, which they in turn have assigned to the Bank.

The Series 2017B Tax Exempt Revenue Bond bears interest at 72% of the one-month LIBOR rate plus 1.26%. The outstanding balance on Series 2017B requires interest only payments through maturity on January 1, 2028.

The Capital Campaign Funds Pledge of Account agreement requires that all amounts pledged by donors for the project be directly deposited into a segregated account at the Bank, to a cumulative total of at least \$13,000,000. Funds deposited to this account are applied as payments on the 2017B Bonds on a quarterly basis.

Bond Financing Costs

In conjunction with the Series 2015 and 2017 bond issuances, bond issuance costs of \$1,083,736 were incurred and are being amortized over the term of the related bond obligations. Amortization expense of \$69,134 was recorded in each of the years ended March 31, 2022 and 2021, and was included in interest expense in the accompanying statement of functional operating expenses.

Covenant Compliance

The Association’s 2015 and 2017 bond agreements call for the Association to meet certain financial covenants consisting of a days cash on hand calculation requiring days cash on hand of no less than 60 days and a debt service coverage ratio, as defined in the agreement, of at least 1.25 to 1. In addition, the 2017 bond agreement requires the Association to maintain a leverage ratio of no more than 1.5 to 1. The Association was in compliance with these covenants as of March 31, 2022.

The Association’s line-of-credit agreement also requires the Association to meet certain financial covenants consisting of a leverage ratio of no more than 2.5 to 1. The Association was in compliance with this covenant as of March 31, 2022.

Cash Paid for Interest

Interest paid on all financing arrangements totaled approximately \$1,447,000 and \$1,561,000 for the years ended March 31, 2022 and 2021, respectively.

9. FINANCING ARRANGEMENTS (Continued)

Payment Deferrals

In connection with the COVID-19 disruption, the Association was granted payment deferrals for periods of time during the year ended March 31, 2021. Bond obligation principal deferred under these arrangements was repaid in the form of a “catch-up” payment before March 31, 2021, resulting in no go-forward changes to bond payment schedules.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association’s investments and limited use assets are measured at fair value on a recurring basis utilizing the following input levels at March 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and equivalents	\$ 1,080,970	\$ -	\$ -	\$ 1,080,970
Domestic equity securities	12,181,790	-	-	12,181,790
International equity securities	5,080,049	-	-	5,080,049
Fixed income securities	<u>5,851,548</u>	<u>-</u>	<u>-</u>	<u>5,851,548</u>
Investments at fair value	<u>\$24,194,357</u>	<u>\$ -</u>	<u>\$ -</u>	24,194,357
Investments, measured using net asset value as practical expedient				<u>3,288,617</u>
Total investments				<u>\$ 27,482,974</u>

The Association’s investments and limited use assets are measured at fair value on a recurring basis utilizing the following input levels at March 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and equivalents	\$ 2,691,861	\$ -	\$ -	\$ 2,691,861
Domestic equity securities	11,260,534	-	-	11,260,534
International equity securities	5,169,666	-	-	5,169,666
Fixed income securities	<u>5,307,615</u>	<u>-</u>	<u>-</u>	<u>5,307,615</u>
Investments at fair value	<u>\$24,429,676</u>	<u>\$ -</u>	<u>\$ -</u>	24,429,676
Investments, measured using net asset value as practical expedient				<u>2,021,003</u>
Total investments				<u>\$ 26,450,679</u>

Fair value of the Association’s domestic equity securities, international equity securities, and fixed income securities are determined based on quoted market prices.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Association's interest in alternative strategies is determined by the LLC's calculation of net assets per investment unit. The net asset value of the LLC's investment units is determined on the close of business on the last business day of each calendar month, each date that a unit is offered or repurchased, as of the date of any distribution, and at such other times the Board of the LLC shall determine a determination date. Net asset value is calculated as the value of the total assets of the LLC, less of all of the respective liabilities, including accrued fees and expenses, each determined as of the relevant determination date.

Alternative investments consisted of the following as of March 31, 2022:

	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>
Blackstone Real Estate Income Trust Class S	\$ 730,243	\$ -
Blackstone Private Credit Fund Class S	800,000	-
Partners Group Private Equity Master Fund Class A	<u>1,758,374</u>	<u>-</u>
	<u>\$ 3,288,617</u>	<u>\$ -</u>

Redemptions are allowed on a monthly, quarterly, or annual basis depending on the investment. Required notice of redemption varies from 30 - 180 days.

11. PLEDGES RECEIVABLE

Outstanding pledges related to the following projects as of March 31:

	<u>2022</u>	<u>2021</u>
Schottland Branch	\$ 2,926,066	\$ 5,672,244
Camp Cory	150,471	311,347
Maplewood	<u>14,000</u>	<u>14,000</u>
	3,090,537	5,997,591
Less:		
Allowance for uncollectible pledges	(2,000)	(2,000)
Discount on pledges receivable	<u>(211,751)</u>	<u>(344,478)</u>
	<u>\$ 2,876,786</u>	<u>\$ 5,651,113</u>

Payments are expected on pledges receivable as follows for the years ending March 31:

2023	\$ 547,838
2024	1,221,666
2025	160,000
2026	403,334
2027	250,000
Thereafter	<u>507,699</u>
	<u>\$ 3,090,537</u>

12. NET MEMBERSHIP DUES, JOINING FEES, AND PROGRAM FEES

The Association provides financial assistance to help defray the costs of membership dues, joining fees and program fees to individuals who do not have the ability to pay. Membership dues, joining fees and program fees revenue are recorded net of such assistance in the accompanying statement of activities and change in net assets. Such amounts were as follows for the years ended March 31:

	<u>2022</u>	<u>2021</u>
Membership dues and joining fees	\$ 16,823,294	\$ 8,434,192
Less: Financial assistance provided	<u>(966,532)</u>	<u>(863,136)</u>
Membership dues and joining fees, net	<u>\$ 15,856,762</u>	<u>\$ 7,571,056</u>
Program fees	\$ 13,000,244	\$ 7,366,422
Less: Financial assistance provided	<u>(300,315)</u>	<u>(354,634)</u>
Program fees, net	<u>\$ 12,699,929</u>	<u>\$ 7,011,788</u>

13. RETIREMENT PLAN

The Association participates in a multiple-employer defined contribution, individual account and money purchase retirement plan that is administered by the YMCA Retirement Fund (a separate corporation). This plan is for the benefit of all eligible staff of the Association who qualify under applicable participation requirements.

The YMCA Retirement Fund is operated as a church pension plan and is a tax-exempt New York State not-for-profit Corporation. Participation is available to all duly organized and reorganized YMCAs in the United States of America.

In accordance with its agreement with the YMCA Retirement Fund, the Association's contributions are determined based on a percentage of the participating employee's salary, paid by the Association, and are remitted to the YMCA Retirement Fund on a monthly basis.

The Association's contributions, as a percentage of employee compensation, were reduced for a period of time during the year ended March 31, 2021 as part of the Association's overall response to the COVID-19 disruption. Contributions were restored to traditional levels as of March 31, 2021.

Total retirement expense for the years ended March 31, 2022 and 2021 was approximately \$1,324,000 and \$577,000, respectively.

14. WATSON HOMESTEAD

During the year ended March 31, 2022, Watson Homestead and Conference Center, Inc. (Watson Homestead), a New York non-for-profit corporation with no prior relationship to the Association, was formally dissolved. The dissolution plan, which was approved by the Attorney General of the State of New York on August 30, 2021, called for the net assets of Watson Homestead to be distributed to the Association.

14. WATSON HOMESTEAD (Continued)

The assets acquired by the Association under the terms of Watson Homestead’s dissolution plan consisted of approximately 375 acres of land in Painted Post, New York, including over 20 buildings and other structures, as well as certain cash accounts. The property had been operating as a conference and retreat center for many years. A substantial portion of the property was undeveloped and available for hiking, outdoor activities, or quiet contemplation.

The Association recorded the following assets in connection with this transaction:

Land	\$ 1,750,000
Buildings	250,000
Cash	<u>64,212</u>
	<u>\$ 2,064,212</u>

Land and buildings were recorded based on an independent appraisal of the property. No liabilities were assumed in connection with this transaction.

15. COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional, and local level are unknown, but it continues to have the potential to result in a significant economic impact. The impact of this situation on the Association and its future results and financial position is not presently determinable.

Paycheck Protection Program

In March 2021, the Association entered into an arrangement with a bank under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) under which the Association received \$5,967,610.

The PPP loan agreement included provisions whereby the loan balance can be fully or partially forgiven based on the Association’s use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements to the bank in accordance with the requirements of the PPP. Forgiveness was to be determined by the bank and approved by the U.S. Small Business Administration (SBA).

During the year ended March 31, 2022, \$5,791,810 of this loan balance was forgiven. The remaining balance of \$175,800 is payable to the bank in monthly payments through February 2027 including interest at 1.0%. This loan is 100% guaranteed by the SBA and is not collateralized.

Employee Retention Credit

The Association claimed the Employee Retention Credit for a total of \$3,711,984 and \$2,265,548 during the years ended March 31, 2022 and 2021, respectively. This credit, which was also established by the CARES Act, allows for a credit based on eligible wages incurred during the period of COVID-19 disruption. At March 31, 2022 and 2021, \$2,044,266 of this Employee Retention Credit claim was included in accounts receivable in the accompanying balance sheet. This balance is expected to be received as a refund from the Internal Revenue Service for the Employee Retention Credit related to the period January 1, 2021 through March 31, 2021, which was claimed on an amended Form 941X for that calendar quarter, and is awaiting processing by the Internal revenue Service. The Association collected its Employee Retention Credits for other time periods on its original Form 941 filings.

16. COMMITMENTS AND CONTINGENCIES

Conditional Asset Retirement Obligations

The Association's conditional asset retirement obligations relate to asbestos contained in some of its facilities. Environmental regulations exist that require the Association to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. If such work were to be planned, an estimate of the cost of asbestos removal would be recorded as a liability. The Association has not recorded any liability in connection with this obligation as it cannot estimate the fair value of its obligation due to a lack of sufficient information about the timetable over which this obligation may be settled through renovation, demolition, or sale/transfer of any affected facilities.

National Support

In accordance with its affiliation agreement, the Association is required to pay an annual assessment to the YMCA of the USA. This assessment is based on the Association's annual revenue, less certain excludable items. The expense associated with this agreement was approximately \$302,000 and \$338,000 for the years ended March 31, 2022 and 2021, respectively.

Greater Canandaigua Family YMCA

As of March 31, 2022, the Association was a party to several agreements with or relating to the Greater Canandaigua Family YMCA (Canandaigua). Under the terms of these agreements, the Association committed to:

- Acquire Canandaigua and to operate Canandaigua's existing facility as a branch of the Association,
- Construct, at an estimated total cost of \$22,500,000, a new facility to replace Canandaigua's existing facility in its entirety in as short a timeframe as is reasonably possible,
- Accept a donation of a specific parcel of land in the City of Canandaigua, New York from a third-party donor on which to construct this new facility,
- Accept a cash donation of \$12,000,000 from a third-party donor restricted for the construction of this new facility,
- Engage in a fundraising campaign to fund the remaining costs of the new facility construction,
- Arrange for the sale of Canandaigua's existing facility,
- Make a loan of \$2,200,000 to Canandaigua to provide short-term operating capital from the date these agreements were signed through the date the transactions are consummated.

All of the actions included in these agreements, including the third-party land and cash donations, with the exception of the loan to Canandaigua for \$2,200,000, are contingent upon approval of the acquisition transaction by the Attorney General of New York State. As of March 31, 2022, such approval had not been received. Consequently, these transactions are not recorded in the accompanying financial statements as of or for the year ended March 31, 2022, other than the \$2,200,000 loan to Canandaigua, which did not require Attorney General approval and was funded prior to March 31, 2022.

The Association and Canandaigua received Attorney General approval for the acquisition transaction on May 9, 2022. Therefore, the agreed transactions are expected to be consummated and recorded during the year ending March 31, 2023.

16. COMMITMENTS AND CONTINGENCIES (Continued)

Greater Canandaigua Family YMCA (Continued)

Canandaigua's financial position included the following as of March 31, 2022:

Assets:	
Cash and equivalents	\$ 168,635
Accounts receivable	195,879
Prepaid expenses	6,204
Land, buildings, and equipment, net	<u>6,875,820</u>
Total assets	<u>\$ 7,246,538</u>
Liabilities:	
Accounts payable and accruals	\$ 213,177
Deferred income	223,844
Due to YMCA of Greater Rochester	2,200,000
Notes and leases payable	<u>121,827</u>
Total liabilities	2,758,848
Net assets without donor restrictions	<u>4,487,690</u>
Total liabilities and net assets	<u>\$ 7,246,538</u>

Child Victims Act

In 2019, the Child Victims Act (CVA) was signed into law in New York State. This legislation impacted the statute of limitations in New York applicable to actions alleging child abuse, and revived most previously time-barred claims.

Through the date the financial statements were issued, the Association has been notified of a number of claims commenced or potentially to be commenced against the Association under the CVA. Aggregate demands for damages from these suits are presently not determinable. During the timeframes cited in the claims and potential claims, the Association had general liability and other insurance coverage from commercial carriers.

At present, the Association is not certain as to the amount of commercial insurance coverage available to it to meet any potential obligations related to the CVA actions commenced or to be commenced against it. No amounts have been recorded for settlement of any CVA claims or potential claims because the potential financial impact on the Association is not presently determinable. However, the ultimate resolution of these claims potentially could have a material adverse impact on the Association's results of operations and financial position.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 9, 2022, which is the date the financial statements were issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 9, 2022

To the Board of Directors of
YMCA of Greater Rochester:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of YMCA of Greater Rochester (the Association), which comprise the balance sheet as of March 31, 2022, and the related statements of activities and change in net assets, functional operating expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 9, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

171 Sully 's Trail
Pittsford, New York 14534
p (585) 381-1000
f (585) 381-3131

www.bonadio.com

(Continued)
23

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.