

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF MIDDLE TENNESSEE**

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

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Report of Independent Auditor

To the Board of Directors
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Middle Tennessee as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully described in Note 14 to the financial statements, the YMCA has been impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Our opinion is not modified with respect to this matter.

Cheng Bekeert LLP

Nashville, Tennessee
August 5, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,393,255	\$ 11,628,014
Accounts and Grants Receivable:		
Membership and program fees, net	1,004,231	928,216
Grants and contracts	61,129	85,578
Pledges receivable, net	770,950	778,712
Prepaid expenses and other assets	689,639	530,211
Total Current Assets	<u>12,919,204</u>	<u>13,950,731</u>
Pledges receivable, less current portion, net	142,132	54,807
Property and equipment, net	107,783,981	110,290,505
Cash restricted for investment in property and equipment	615,197	154,898
Total Assets	<u><u>\$ 121,460,514</u></u>	<u><u>\$ 124,450,941</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,616,588	\$ 1,457,654
Accrued expenses	3,605,700	3,389,414
Deferred membership and other revenues	1,621,238	1,797,392
Current portion of notes payable	5,875	839,867
Current portion of bonds payable	1,238,218	1,591,067
Current portion of capital leases	6,630	180,264
Total Current Liabilities	<u>8,094,249</u>	<u>9,255,658</u>
Line of credit	-	2,686,395
Deferred lease revenue	564,092	693,422
Interest rate swap liability	2,196,801	981,074
Long-term notes payable, less current portion	14,519	2,051,496
Long-term bonds payable, less current portion	37,803,911	39,094,694
Long-term capital leases, less current portion	-	221,933
Total Liabilities	<u>48,673,572</u>	<u>54,984,672</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	62,500,996	60,124,514
Board designated	8,316,824	7,945,710
Total Without Donor Restrictions	<u>70,817,820</u>	<u>68,070,224</u>
With Donor Restrictions	<u>1,969,122</u>	<u>1,396,045</u>
Total Net Assets	<u>72,786,942</u>	<u>69,466,269</u>
Total Liabilities and Net Assets	<u><u>\$ 121,460,514</u></u>	<u><u>\$ 124,450,941</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019 (WITH SUMMARIZED FINANCIAL DATA FOR YEAR ENDED DECEMBER 31, 2018)

	Without Donor Restriction	With Donor Restriction	Total	2018 Total
Operating Activities:				
Public support:				
Contributions	\$ 2,460,533	\$ 632,498	\$ 3,093,031	\$ 3,087,187
Foundation and corporate grants	555,470	398,355	953,825	966,782
Special events, net	602,967	-	602,967	622,275
Gains on disposal of property and equipment	6,192,226	-	6,192,226	376,256
Release from restriction	1,007,247	(1,007,247)	-	-
Total Public Support	10,818,443	23,606	10,842,049	5,052,500
Revenue:				
Membership fees, net	46,694,461	-	46,694,461	44,410,840
Program fees, net	25,594,477	-	25,594,477	24,475,874
Government grants and contracts	3,445,148	-	3,445,148	2,385,930
Sales to members	871,105	-	871,105	878,081
Other income	1,042,604	-	1,042,604	822,012
Consulting and management fees	196,245	-	196,245	184,473
Interest income	61,891	-	61,891	-
Total Revenue	77,905,931	-	77,905,931	73,157,210
Total Public Support and Revenue	88,724,374	23,606	88,747,980	78,209,710
Expenses:				
Program services	71,921,905	-	71,921,905	66,797,692
Administrative	11,218,225	-	11,218,225	10,767,488
Fundraising	2,183,252	-	2,183,252	2,288,836
Total Expenses	85,323,382	-	85,323,382	79,854,016
Changes in net assets from operations	3,400,992	23,606	3,424,598	(1,644,306)
Nonoperating Activities:				
Unrealized loss on interest rate swap	(1,215,727)	-	(1,215,727)	717,799
Contributions for capital assets	224,815	886,987	1,111,802	588,160
Loss on restructuring	-	-	-	(12,564)
Release from restriction	337,516	(337,516)	-	-
Total Nonoperating Activities	(653,396)	549,471	(103,925)	1,293,395
Change in net assets	2,747,596	573,077	3,320,673	(350,911)
Net assets, beginning of year	68,070,224	1,396,045	69,466,269	69,817,180
Net assets, end of year	\$ 70,817,820	\$ 1,969,122	\$ 72,786,942	\$ 69,466,269

The accompanying notes to the financial statements are an integral part of these statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Activities:			
Public support:			
Contributions	\$ 2,670,214	\$ 416,973	\$ 3,087,187
Foundation and corporate grants	643,618	323,164	966,782
Special events, net	622,275	-	622,275
Gains on disposal of property and equipment	376,256	-	376,256
Release from restriction	1,277,858	(1,277,858)	-
Total Public Support	<u>5,590,221</u>	<u>(537,721)</u>	<u>5,052,500</u>
Revenue:			
Membership fees, net	44,410,840	-	44,410,840
Program fees, net	24,475,874	-	24,475,874
Government grants and contracts	2,385,930	-	2,385,930
Sales to members	878,081	-	878,081
Other income	822,012	-	822,012
Consulting and management fees	184,473	-	184,473
Total Revenue	<u>73,157,210</u>	<u>-</u>	<u>73,157,210</u>
Total Public Support and Revenue	<u>78,747,431</u>	<u>(537,721)</u>	<u>78,209,710</u>
Expenses:			
Program services	66,797,692	-	66,797,692
Administrative	10,767,488	-	10,767,488
Fundraising	2,288,836	-	2,288,836
Total Expenses	<u>79,854,016</u>	<u>-</u>	<u>79,854,016</u>
Changes in net assets from operations	<u>(1,106,585)</u>	<u>(537,721)</u>	<u>(1,644,306)</u>
Nonoperating Activities:			
Unrealized gain on interest rate swap	717,799	-	717,799
Contributions for capital assets	330,048	258,112	588,160
Loss on restructuring	(12,564)	-	(12,564)
Release from restriction	1,402,200	(1,402,200)	-
Total Nonoperating Activities	<u>2,437,483</u>	<u>(1,144,088)</u>	<u>1,293,395</u>
Change in net assets	1,330,898	(1,681,809)	(350,911)
Net assets, beginning of year	<u>66,739,326</u>	<u>3,077,854</u>	<u>69,817,180</u>
Net assets, end of year	<u>\$ 68,070,224</u>	<u>\$ 1,396,045</u>	<u>\$ 69,466,269</u>

The accompanying notes to the financial statements are an integral part of these statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Healthy Living	Youth Development	Social Responsibility		Administrative	Fundraising		
Personnel Costs:								
Salaries and wages	\$ 21,725,183	\$ 11,262,990	\$ 309,907	\$ 33,298,080	\$ 5,825,267	\$ 1,317,658	\$ 7,142,925	\$ 40,441,005
Employee benefits	2,006,992	1,478,783	56,595	3,542,370	1,236,472	253,782	1,490,254	5,032,624
Payroll taxes	1,962,059	958,172	28,247	2,948,478	407,565	90,749	498,314	3,446,792
Total Personnel Costs	<u>25,694,234</u>	<u>13,699,945</u>	<u>394,749</u>	<u>39,788,928</u>	<u>7,469,304</u>	<u>1,662,189</u>	<u>9,131,493</u>	<u>48,920,421</u>
Nonpersonnel Costs:								
Occupancy	8,519,447	1,337,357	-	9,856,804	311,289	-	311,289	10,168,093
Depreciation and amortization	4,644,524	2,423,603	55,508	7,123,635	178,814	-	178,814	7,302,449
Supplies	2,382,787	1,839,919	1,143	4,223,849	117,563	113,253	230,816	4,454,665
Purchased services	1,217,720	795,921	47,086	2,060,727	463,896	47,541	511,437	2,572,164
Financing costs	1,182,123	616,855	14,128	1,813,106	-	-	-	1,813,106
Technology system and services	760,837	318,647	1,044	1,080,528	853,164	59,888	913,052	1,993,580
Awards, grants, and assistance	378,924	1,078,645	2,428	1,459,997	-	-	-	1,459,997
Conferences, meetings, and staff development	256,189	1,135,461	5,480	1,397,130	265,397	27,268	292,665	1,689,795
Equipment	686,754	227,155	506	914,415	295,312	12,673	307,985	1,222,400
Promotion and publication	126,234	83,198	188	209,620	652,548	19,994	672,542	882,162
Travel, meals, and entertainment	96,420	603,339	19,473	719,232	157,962	10,088	168,050	887,282
Membership and professional dues	389,634	124,068	4,146	517,848	48,558	4,034	52,592	570,440
Bad debt expense	310,004	-	-	310,004	-	206,108	206,108	516,112
Miscellaneous	124,533	120,108	12,202	256,843	241,176	19,694	260,870	517,713
Liability and other insurance	107,384	62,912	2,382	172,678	40,705	-	40,705	213,383
Postage and shipping	14,420	2,141	-	16,561	122,537	522	123,059	139,620
Total Nonpersonnel Costs	<u>21,197,934</u>	<u>10,769,329</u>	<u>165,714</u>	<u>32,132,977</u>	<u>3,748,921</u>	<u>521,063</u>	<u>4,269,984</u>	<u>36,402,961</u>
Total Expenses	<u>\$ 46,892,168</u>	<u>\$ 24,469,274</u>	<u>\$ 560,463</u>	<u>\$ 71,921,905</u>	<u>\$ 11,218,225</u>	<u>\$ 2,183,252</u>	<u>\$ 13,401,477</u>	<u>\$ 85,323,382</u>

The accompanying notes to the financial statements are an integral part of these statements

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Healthy Living	Youth Development	Social Responsibility		Administrative	Fundraising		
Personnel Costs:								
Salaries and wages	\$ 19,647,893	\$ 9,598,374	\$ 555,216	\$ 29,801,483	\$ 5,744,568	\$ 1,225,868	\$ 6,970,436	\$ 36,771,919
Employee benefits	1,747,258	1,160,373	87,655	2,995,286	990,901	214,332	1,205,233	4,200,519
Payroll taxes	1,775,637	836,130	45,281	2,657,048	429,377	84,521	513,898	3,170,946
Total Personnel Costs	<u>23,170,788</u>	<u>11,594,877</u>	<u>688,152</u>	<u>35,453,817</u>	<u>7,164,846</u>	<u>1,524,721</u>	<u>8,689,567</u>	<u>44,143,384</u>
Nonpersonnel Costs:								
Occupancy	8,386,525	1,268,638	-	9,655,163	312,264	-	312,264	9,967,427
Depreciation and amortization	4,661,553	2,313,345	106,219	7,081,117	185,674	-	185,674	7,266,791
Supplies	2,422,012	1,712,425	5,546	4,139,983	151,332	117,356	268,688	4,408,671
Purchased services	1,151,583	869,365	30,163	2,051,111	577,588	28,761	606,349	2,657,460
Financing costs	1,285,082	637,736	29,282	1,952,100	-	-	-	1,952,100
Technology system and services	719,297	291,469	24,225	1,034,991	858,814	49,413	908,227	1,943,218
Awards, grants, and assistance	214,928	725,813	39,075	979,816	-	-	-	979,816
Conferences, meetings, and staff development	221,217	1,182,114	19,416	1,422,747	267,464	44,189	311,653	1,734,400
Equipment	647,942	252,625	3,507	904,074	361,469	2,231	363,700	1,267,774
Promotion and publication	131,318	77,032	24,348	232,698	445,450	236,955	682,405	915,103
Travel, meals, and entertainment	86,380	485,090	21,816	593,286	180,546	12,218	192,764	786,050
Membership and professional dues	394,982	130,596	4,119	529,697	48,655	4,420	53,075	582,772
Bad debt expense	194,745	96,644	4,438	295,827	-	232,486	232,486	528,313
Miscellaneous	116,775	91,421	1,316	209,512	68,227	35,471	103,698	313,210
Liability and other insurance	155,354	87,648	2,676	245,678	13,989	-	13,989	259,667
Postage and shipping	11,557	4,518	-	16,075	131,170	615	131,785	147,860
Total Nonpersonnel Costs	<u>20,801,250</u>	<u>10,226,479</u>	<u>316,146</u>	<u>31,343,875</u>	<u>3,602,642</u>	<u>764,115</u>	<u>4,366,757</u>	<u>35,710,632</u>
Total Expenses	<u>\$ 43,972,038</u>	<u>\$ 21,821,356</u>	<u>\$ 1,004,298</u>	<u>\$ 66,797,692</u>	<u>\$ 10,767,488</u>	<u>\$ 2,288,836</u>	<u>\$ 13,056,324</u>	<u>\$ 79,854,016</u>

The accompanying notes to the financial statements are an integral part of these statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from program activities	\$ 74,017,393	\$ 70,371,430
Cash received from contributions and grants	8,126,385	7,094,801
Cash payments to employees and vendors	(75,980,930)	(70,244,159)
Cash payments for interest	(1,824,211)	(1,952,100)
Cash received from interest-bearing deposits	61,891	-
Net cash flows provided by operating activities	<u>4,400,528</u>	<u>5,269,972</u>
Cash flows from investing activities:		
Purchases of property and equipment	(5,559,407)	(1,328,483)
Proceeds from sale of property and equipment	6,955,708	384,290
Net cash flows provided by (used in) investing activities	<u>1,396,301</u>	<u>(944,193)</u>
Cash flows from financing activities:		
Proceeds received from contributions for property and equipment	1,025,274	1,679,127
Proceeds from debt obligations	-	612,769
Principal payments on debt obligations	(7,200,996)	(4,807,741)
Principal payments on capital lease obligations	(395,567)	(1,376,113)
Net cash flows used in financing activities	<u>(6,571,289)</u>	<u>(3,891,958)</u>
(Decrease) increase in cash and cash equivalents	(774,460)	433,821
Cash and cash equivalents, beginning of year	11,782,912	11,349,091
Cash and cash equivalents, end of year	<u>\$ 11,008,452</u>	<u>\$ 11,782,912</u>
Reconciliation to statements of financial position:		
Cash and cash equivalents, unrestricted	\$ 10,393,255	\$ 11,628,014
Cash restricted for investment in property and equipment	615,197	154,898
	<u>\$ 11,008,452</u>	<u>\$ 11,782,912</u>
Supplemental cash flow disclosures:		
Noncash investing and financing activities:		
Property and equipment acquired through notes payable	\$ -	\$ 3,176,934
Property and equipment acquired through capitalized leases	\$ -	\$ -
Accounts payable for construction in progress	\$ -	\$ 11,974

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—General and summary of significant accounting policies

General – The Young Men's Christian Association of Middle Tennessee (the "YMCA") is a worldwide charitable fellowship united by a common loyalty to Jesus Christ for the purpose of helping people grow in spirit, mind, and body. As the region's leading nonprofit dedicated to strengthening community, the YMCA works side by side with neighbors to make sure everyone, regardless of age, income, or background, has the opportunity to learn, grow, and thrive. With 15 family wellness centers and over 150 program locations, the YMCA exists to nurture the potential of children and teens, improve the region's health and well-being, and to provide opportunities to give back and support neighbors.

Basis of Presentation – The accompanying financial statements present the financial position and operations of the corporate office and all YMCA centers on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant transactions and balances between and among the corporate office and the centers have been eliminated in combination.

Resources are classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the YMCA. These net assets may be used at the discretion of YMCA's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the YMCA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions and Support – Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

The YMCA also receives grant revenue from various federal and state agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Any gifts of equipment or materials are reported as increases to net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as increases to net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—General and summary of significant accounting policies (continued)

Donated Services – Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2019 and 2018, contributed services meeting the requirements for recognition in the financial statements was not significant.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, the YMCA considers all cash funds, cash bank accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Accounts and Grants Receivable – Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. The allowance for doubtful accounts for accounts and grants receivable at December 31, 2019 and 2018 is \$223,118 and \$109,598, respectively.

Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an appropriate discount rate commensurate with the rate on U.S. government bonds whose maturities correspond to the maturities of the contributions and management's estimate of credit risk for each contribution. Amortization of the discount is recognized using the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Contributions received are recognized when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

Prepaid Expenses – Prepaid expenses include certain marketing and promotional costs pertaining to future campaigns and are paid in advance and charged to operating expense when the campaign occurs.

Advertising, marketing, and promotional costs incurred totaled \$1,171,055 and \$1,136,520 for the years ended December 31, 2019 and 2018, respectively.

Property and Equipment – Land, building, equipment, furniture, and software are reported at cost at the date of purchase or at estimated fair value at date of gift to the YMCA. The YMCA's policy is to capitalize purchases with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from 2 to 40 years for equipment, furniture, and building improvements; 5 to 7 years for software; 15 to 20 years for land improvements; and 40 years for buildings and building additions.

Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—General and summary of significant accounting policies (continued)

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The YMCA assesses recoverability of the carrying value of the asset by estimating future net cash flows expected to result from the assets, including eventual disposition. If the future cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its estimated fair value.

Derivatives – The YMCA utilizes derivative financial instruments to manage its interest rate exposure by reducing the impact of fluctuating interest rates on its debt service requirements. Derivatives are recognized as either assets or liabilities in the statements of financial position at fair value. Changes in the fair value of derivatives are recognized currently in the statements of activities.

Deferred Revenues – Deferred revenue consists of membership dues, unearned revenue from a lease, and advance operational and maintenance costs received from a lessee.

Income from membership dues is deferred initially and recognized over the periods to which the dues relate.

Deferred lease revenue is recognized into income on the straight-line method over the term of the lease.

Grant funds received prior to expenditure are recorded initially as deferred revenue. Revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Income Taxes – The YMCA qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The YMCA pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2019 and 2018.

The YMCA files U.S. federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. In addition, the YMCA files a Tennessee state income tax return.

The YMCA follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The YMCA has no tax penalties or interest reported in the accompanying financial statements. There is no accrual for uncertain tax positions at December 31, 2019 and 2018.

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

Program Services – Includes activities carried out to fulfill the YMCA's mission to provide nurturing and healthy development of children, teens, adults, seniors, families, and communities.

Supporting Services – Administrative expenses relate to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Fundraising expenses include the costs of activities directed toward appeals for financial support including annual giving campaigns and grants. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—General and summary of significant accounting policies (continued)

As part of its fundraising efforts, the YMCA holds periodic special events. Direct expenses related to special events are included within special event revenue in the accompanying statements of activities and totaled \$248,452 and \$165,717 for the years ended December 31, 2019 and 2018, respectively.

Allocation of Functional Expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, interest, occupancy, salaries and wages, and conferences, meetings, and staff development, which are allocated on a basis of estimated time and effort.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements – The YMCA classifies its financial assets and liabilities based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for financial assets and liabilities:

Interest rate swaps are measured at fair value on a recurring basis utilizing Level 2 inputs. The YMCA obtains bank quotations to value its interest rate swaps. For purposes of potential valuation adjustments to its derivative positions, the YMCA evaluates the credit risk of its counterparties as well as that of the YMCA.

The carrying value of cash and cash equivalents, accounts and grants receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying value of contributions receivable approximates fair value because of the present value discount included in the carrying amount. Notes payable, bonds payable, and capital lease obligations have a carrying value which approximates the fair value of the outstanding balance of the notes, bonds, and capital lease obligations, respectively. The estimated fair value amounts have been determined by the YMCA using available market information and appropriate valuation methodologies.

No changes in the valuation methodologies were made during 2019 or 2018.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 1—General and summary of significant accounting policies (continued)

New Accounting Pronouncement – In June 2018, FASB issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The YMCA evaluated the new standard and determined the accounting standard did not require a change to the YMCA’s practices for recording contributions.

In November 2016, FASB issued accounting standard ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard was adopted for the year ended December 31, 2019.

Accounting Policies for Future Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the YMCA for the year ending December 31, 2020. The YMCA is currently evaluating the effect of the implementation of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2022. The YMCA is currently evaluating the effect of the implementation of this new standard.

Note 2—Liquidity and availability of resources

The YMCA has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The YMCA maintains a line of credit with maximum borrowings of \$15 million (see Note 6) with a financial institution that is drawn upon as needed during the year primarily to finance fixed asset purchases, and also to manage cash flow, if needed.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 2—Liquidity and availability of resources (continued)

The following table represents the YMCA’s financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve. These board designations could be drawn upon if the board approves that action. The YMCA considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission of helping people grow in spirit, mind, and body:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 10,393,255	\$ 11,628,014
Accounts and grants receivable, net	1,065,360	1,013,794
Pledges receivable, net	770,950	778,712
Cash restricted for investment in property and equipment	615,197	154,898
Financial assets, at year-end	<u>12,844,762</u>	<u>13,575,418</u>
Less those unavailable for general expenditure within one year, due to:		
Board-designated reserves	(8,316,824)	(7,945,710)
Net assets restricted for capital improvements	(954,330)	(404,859)
Net assets restricted for specific programs	(406,907)	(584,124)
Net assets restricted for future year operations	(607,885)	(407,062)
Financial assets available to meet general expenditures within one year	<u>\$ 2,558,816</u>	<u>\$ 4,233,663</u>

Note 3—Pledges receivable

Pledges receivable consisted of the following as of December 31:

	2019	2018
Less than one year	\$ 857,616	\$ 873,332
Over one year	170,553	61,273
	<u>1,028,169</u>	<u>934,605</u>
Less allowance for uncollectible contributions	(103,721)	(94,620)
Less discount to net present value	(11,366)	(6,466)
	<u>\$ 913,082</u>	<u>\$ 833,519</u>

Contributions receivable are discounted at rates ranging from 1.00% to 5.05%.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 4—Property and equipment

Property and equipment consisted of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 18,629,630	\$ 17,442,819
Buildings and improvements	136,732,549	137,460,483
Equipment and furniture	43,718,041	41,643,856
Software	2,436,042	2,436,042
Construction in progress	236,472	338,962
	<u>201,752,734</u>	<u>199,322,162</u>
Less accumulated depreciation	<u>(93,968,753)</u>	<u>(89,031,657)</u>
	<u>\$ 107,783,981</u>	<u>\$ 110,290,505</u>

Construction in progress includes renovations and additions that were underway at December 31, 2019 and 2018 at YMCA centers.

Note 5—Deferred lease revenue

The YMCA maintains a joint occupancy agreement with a nonprofit organization for facility use and maintenance. Under the terms of the joint occupancy agreement, the nonprofit organization has the right to occupy certain space at the Bellevue Family YMCA and J.L. Turner Center for Lifelong Learning until February 28, 2029. The initial agreement required an advance payment of \$2,000,000, of which \$1,486,636 was prepaid rent for the entire initial lease term, and \$513,364 was a prepayment for estimated operational costs and maintenance for approximately 15 years. The remaining unamortized balance of deferred lease revenue for the Bellevue facility totaled \$564,092 and \$693,422 at December 31, 2019 and 2018, respectively.

Note 6—Line of credit

The YMCA maintains a line of credit with a financial institution. The line of credit provides for maximum borrowings of \$15,000,000 through October 31, 2020. The agreement requires monthly interest payments calculated at a rate of LIBOR plus 1.30% (3.00% and 3.65% at December 31, 2019 and 2018, respectively) in addition to a fee of 0.25% of the unused principal balance. The line of credit contains a provision to periodically convert portions of the balance to term notes, based upon the purpose for which the funds were drawn as well as the length of time the funds remain unpaid. During 2018, balances totaling \$1,087,988 were converted to term loans (see Note 7). During 2019, the term notes were paid in full, along with accrued interest.

Outstanding borrowings on the line of credit totaled \$-0- and \$2,686,395 at December 31, 2019 and 2018, respectively. The line of credit contains restrictive covenants and is secured by a negative pledge of the YMCA's assets. The YMCA was in compliance with all covenants at December 31, 2019.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 7—Notes and bonds payable

On July 1, 2012, the YMCA entered into an agreement with a financial institution to provide up to \$57 million in financing through a guaranty and credit qualified tax exempt loan and up to \$15 million in financing (see line of credit discussed in Note 6) through a taxable debt facility. These debt instruments served to refinance substantially all existing debt and provide additional borrowing capacity. The industrial development bond associated with the tax exempt loan was approved by the Davidson County Industrial Development Board on May 8, 2012. The guaranty and credit agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's real property. The agreement contains a provision to adjust the monthly payment requirement and provide the financial institution the option to call the bonds, with 90-days' notice, on October 1, 2015, October 1, 2030, and October 1, 2035. The YMCA was in compliance with all covenants at December 31, 2019. On April 30, 2020, the guaranty and credit agreement was amended to defer principal payments previously due in May through July 2020. Such deferred payments will be repaid during the years 2021 through 2024. Notes and bonds payable consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
<u>Bonds Payable</u> ⁽¹⁾		
2012 Industrial Revenue bonds, face value \$57,000,000, final maturity date of June 1, 2037. Payments toward principal repayment are due monthly. As of October 1, 2019, interest is determined monthly based on LIBOR plus a margin. Rates at December 31, 2019 and 2018 were 2.72% and 3.40%, respectively.	\$ 39,042,129	\$ 40,685,761
<u>Notes Payable</u>		
Term note converted from the line of credit draw to finance major maintenance and renovation costs. The note required principal payments of \$13,636 plus interest, due monthly. The outstanding principal balance plus accrued interest was paid in full during 2019.	-	1,472,737
Term note converted from the line of credit draw to finance the purchase of wellness equipment. The note required principal payments of \$23,083 plus interest, due monthly. The outstanding principal balance, along with accrued interest, was paid in full during 2019.	-	782,995
Term note converted from the line of credit draw to finance the purchase of wellness equipment. The note required principal payments of \$30,000 plus interest, due monthly. The outstanding principal balance, along with accrued interest, was paid in full during 2019.	-	511,480
Term note converted from the line of credit draw to finance the purchase of wellness equipment. The note required principal payments of \$1,930 plus interest, due monthly. The outstanding principal balance, along with accrued interest, was paid in full during 2019.	-	84,541
Note payable on a vehicle purchased for employee and program usage. The note matures in 2023 and has a required monthly payment of \$489, including interest at 4.89% per annum.	20,394	39,610
Total notes and bonds payable	<u>\$ 39,062,523</u>	<u>\$ 43,577,124</u>

⁽¹⁾ Effective November 1, 2015, the YMCA entered into a fixed-for-floating interest rate swap agreement with a financial institution in order to lessen exposure to fluctuating interest rates on the bonds. The agreement provides for a 10-year term (maturity of November 1, 2025) and an original notional amount of \$46,426,417. The agreement requires the YMCA to make a monthly interest payment equal to a per annum rate of 2.32% times the current notional amount (\$40,291,303 at December 31, 2019), and the financial institution adjusts monthly interest due from (or payable) to the YMCA based on the difference between the fixed rate and the floating rate for the period (1.32% at December 31, 2019).

YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 7—Notes and bonds payable (continued)

Annual principal maturities and required reimbursement payments of notes and bonds payable as of December 31, 2019, revised for the amendment to the guaranty and credit agreement discussed above, are as follows:

<u>Years Ending December 31,</u>	<u>Notes Payable</u>	<u>2012 Bond Issue</u>	<u>Total</u>
2020	\$ 5,875	\$ 1,238,218	\$ 1,244,093
2021	5,875	1,820,266	1,826,141
2022	5,875	1,886,730	1,892,605
2023	2,769	1,955,767	1,958,536
2024	-	2,027,472	2,027,472
Thereafter	-	30,113,676	30,113,676
	<u>\$ 20,394</u>	<u>\$ 39,042,129</u>	<u>\$ 39,062,523</u>

Note 8—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for the following at December 31:

	<u>2019</u>	<u>2018</u>
Capital improvements	\$ 954,330	\$ 404,859
Grants restricted for specific programs	406,907	584,124
Contributions restricted for future year operations	607,885	407,062
	<u>\$ 1,969,122</u>	<u>\$ 1,396,045</u>

Note 9—Commitments and contingencies

The YMCA has received certain federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantors.

Note 10—Concentrations of credit risk

The YMCA maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. As of December 31, 2019 and 2018, the YMCA’s depositor accounts exceeded FDIC insurance limits by approximately \$11,200,000 and \$12,100,000, respectively.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 11—Employee benefit plans

The YMCA participates in a defined contribution, individual account, and money purchase retirement plan which is administered by the Young Men’s Christian Association Retirement Fund (a separate corporation) (the “Retirement Fund”). This plan is for the benefit of all eligible professional and nonprofessional staff of duly organized and reorganized YMCA’s throughout the United States.

Contributions to the plan by employees and employer YMCAs are based on a percentage of the participating employees’ salaries. Employer contribution rates were 10% for the years ended December 31, 2019 and 2018, respectively. Total contributions to the plan by the YMCA, which are included in employee benefits in the accompanying statements of functional expenses amounted to \$2,314,541 and \$1,974,350 for the years ended December 31, 2019 and 2018, respectively.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

Note 12—Related party transactions and related entities

The YMCA purchases insurance, contracts for marketing services, law services, construction services, and architectural services from entities in which certain board members are affiliated. The total of such expenditures approximated \$238,000 in 2019 and \$233,000 in 2018.

The YMCA Foundation of Middle Tennessee (the “YMCA Foundation”) was formed to establish a sustaining means of support, using its income primarily for the benefit of the YMCA. The YMCA has representation on the YMCA Foundation’s Board of Directors but does not have a majority voting interest. The YMCA Foundation receives donor-designated funds and also makes grants to other nonprofit organizations. For the year ended December 31, 2019, the YMCA Foundation paid out total grants of \$386,004 (\$366,795 in 2018), of which \$373,900 (\$365,765 in 2018) was paid to the YMCA and included in grant revenues.

A condensed summary of financial information of the YMCA Foundation as of and for the years ended December 31 follows:

	2019	2018
Total assets	\$ 10,584,415	\$ 8,989,580
Total liabilities	35,379	36,044
Net assets	<u>\$ 10,549,036</u>	<u>\$ 8,953,536</u>
Net assets:		
Without donor restrictions	\$ 9,595,319	\$ 7,987,984
With donor restrictions	953,717	965,552
Total net assets	<u>\$ 10,549,036</u>	<u>\$ 8,953,536</u>
Total support and revenue, including realized and unrealized (losses) gains on investments of \$1,696,996 in 2019 and (\$590,142) in 2018	<u>\$ 2,085,006</u>	<u>\$ (187,569)</u>
Total expenses	<u>\$ 489,506</u>	<u>\$ 443,638</u>
Resources held for the benefit of the YMCA	<u>\$ 10,514,121</u>	<u>\$ 8,926,597</u>

YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

Note 13—Leases

The YMCA is obligated under several noncancelable operating leases for office space, equipment, and vehicles that expire at various dates through 2022. Total rental expense incurred under these leases for the years ended December 31, 2019 and 2018 amounted to: office space – \$715,656 and \$625,899, respectively; equipment – \$125,358 and \$125,358, respectively; and vehicles – \$102,699 and \$92,241, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment and as of December 31, 2019, the single remaining capital lease will expire in 2020. Total capital lease payments made under these leases for the years ended December 31, 2019 and 2018 amounted to \$415,940 and \$1,430,860, including \$20,374 and \$68,295 of imputed interest, respectively.

Assets recorded under capital leases are included in property and equipment consisted of the following at December 31:

	2019	2018
Cost	\$ 2,541,581	\$ 2,541,581
Accumulated depreciation	(1,921,782)	(1,331,626)
Net book value	<u>\$ 619,799</u>	<u>\$ 1,209,955</u>

Future minimum lease payments required under all noncancelable leases as of December 31, 2019 are:

<u>Years Ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total Operating Leases</u>	<u>Capital Lease Equipment</u>
2020	\$ 247,432	\$ 108,334	\$ 8,959	\$ 364,725	\$ 6,641
2021	146,927	105,072	8,959	260,958	-
2022	20,600	17,512	3,733	41,845	-
	<u>\$ 414,959</u>	<u>\$ 230,918</u>	<u>\$ 21,651</u>	<u>\$ 667,528</u>	6,641
					11
					<u>\$ 6,630</u>

Less interest imputed at 1.91%

Present value of future minimum lease payments

Note 14—Subsequent events

The YMCA evaluated subsequent events through August 5, 2020 when the financial statements were available to be issued. In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak caused the YMCA to close its locations for a period of time, which has significantly impacted its revenues. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the YMCA, its performance and its financial results.