

**YOUNG MEN'S CHRISTIAN ASSOCIATION
BUFFALO NIAGARA
(d/b/a YMCA BUFFALO NIAGARA)**

**Financial Statements
With Independent Auditor's Report**

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
and the Board of Directors
Young Men's Christian Association Buffalo Niagara
(d/b/a YMCA Buffalo Niagara)
Buffalo, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association Buffalo Niagara (d/b/a YMCA Buffalo Niagara), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA Buffalo Niagara as of December 31, 2020, 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.

Report on Summarized and Comparative Information

We have previously audited YMCA Buffalo Niagara's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2020. In our opinion, the summarized and comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 22, 2021

YMCA BUFFALO NIAGARA

STATEMENT OF FINANCIAL POSITION

December 31, 2020

(With Comparative Financial Information as of December 31, 2019)

| ASSETS | 2020 | 2019 |
|---|----------------------|----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 3,172,664 | \$ 5,064,154 |
| Receivables, net | 894,904 | 745,858 |
| Prepaid expenses | 37,308 | 268,080 |
| Total current assets | 4,104,876 | 6,078,092 |
| Other Assets | | |
| Investments | 14,347,297 | 12,367,226 |
| Beneficial interest in trusts | 145,144 | 139,493 |
| | 14,492,441 | 12,506,719 |
| Property and Equipment, net | 38,904,294 | 40,600,224 |
| Total assets | \$ 57,501,611 | \$ 59,185,035 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Current maturities of long-term debt | \$ 1,571,915 | \$ 1,549,099 |
| Current maturities of capital leases | 298,888 | 293,155 |
| Accounts payable | 895,230 | 561,224 |
| Accrued expenses | 641,508 | 982,403 |
| Deferred revenue | 535,913 | 917,582 |
| Total current liabilities | 3,943,454 | 4,303,463 |
| Deferred Naming Rights Revenue | 600,000 | 600,000 |
| Long-Term Debt, less current maturities | 19,349,906 | 20,734,948 |
| Capital Leases, less current maturities | 234,363 | 209,186 |
| Interest Rate Swaps | 932,725 | 468,283 |
| Total liabilities | 25,060,448 | 26,315,880 |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | 17,911,387 | 20,213,254 |
| Board designated - endowment | 13,015,662 | 11,044,211 |
| | 30,927,049 | 31,257,465 |
| With donor restrictions | 1,514,114 | 1,611,690 |
| Total net assets | 32,441,163 | 32,869,155 |
| Total liabilities and net assets | \$ 57,501,611 | \$ 59,185,035 |

YMCA BUFFALO NIAGARA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2020

(With Summarized Comparative Financial Information for the Year Ended December 31, 2019)

| | 2020 | | | 2019 Total |
|---|-------------------------------|----------------------------|----------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | |
| Operating activities: | | | | |
| Public support: | | | | |
| Annual campaign | \$ 478,929 | \$ - | \$ 478,929 | \$ 789,084 |
| Special events, net | 185,728 | - | 185,728 | 213,564 |
| Contributions | 593,119 | 15,000 | 608,119 | 452,308 |
| United Way | 17,945 | - | 17,945 | 68,330 |
| Net assets released from restriction | 70,407 | (70,407) | - | - |
| | <u>1,346,128</u> | <u>(55,407)</u> | <u>1,290,721</u> | <u>1,523,286</u> |
| Operating revenue: | | | | |
| Membership fees | 8,212,487 | - | 8,212,487 | 12,858,505 |
| Program service fees | 4,226,043 | - | 4,226,043 | 9,619,925 |
| Government contracts | 2,473,588 | - | 2,473,588 | 2,006,664 |
| Rental income | 77,865 | - | 77,865 | 89,836 |
| Merchandise sales | 13,673 | - | 13,673 | 34,195 |
| Miscellaneous | 42,829 | - | 42,829 | 47,907 |
| | <u>15,046,485</u> | <u>-</u> | <u>15,046,485</u> | <u>24,657,032</u> |
| Total operating support and revenues | <u>16,392,613</u> | <u>(55,407)</u> | <u>16,337,206</u> | <u>26,180,318</u> |
| Operating expenses: | | | | |
| Program services: | | | | |
| Youth development | 8,423,625 | - | 8,423,625 | 12,432,654 |
| Healthy living | 7,091,722 | - | 7,091,722 | 10,959,315 |
| Social responsibility | 32,049 | - | 32,049 | 57,731 |
| | <u>15,547,396</u> | <u>-</u> | <u>15,547,396</u> | <u>23,449,700</u> |
| Support services: | | | | |
| Management and general | 2,574,740 | - | 2,574,740 | 2,862,783 |
| Fundraising | 288,781 | - | 288,781 | 338,533 |
| | <u>2,863,521</u> | <u>-</u> | <u>2,863,521</u> | <u>3,201,316</u> |
| Total operating expenses | <u>18,410,917</u> | <u>-</u> | <u>18,410,917</u> | <u>26,651,016</u> |
| Operating loss | <u>(2,018,304)</u> | <u>(55,407)</u> | <u>(2,073,711)</u> | <u>(470,698)</u> |
| Non-operating activities: | | | | |
| Investment income, net | 2,060,829 | 8,620 | 2,069,449 | 2,143,067 |
| Change in fair value of beneficial interest in trusts | 2,281 | 5,651 | 7,932 | 20,685 |
| Change in fair value of interest rate swaps | (464,442) | - | (464,442) | (497,409) |
| Net gain on sale of property and equipment | 32,780 | - | 32,780 | 10,418 |
| Net assets released from restriction | 56,440 | (56,440) | - | - |
| Total non-operating activities | <u>1,687,888</u> | <u>(42,169)</u> | <u>1,645,719</u> | <u>1,676,761</u> |
| Change in net assets | <u>(330,416)</u> | <u>(97,576)</u> | <u>(427,992)</u> | <u>1,206,063</u> |
| Net assets, beginning of year | <u>31,257,465</u> | <u>1,611,690</u> | <u>32,869,155</u> | <u>31,663,092</u> |
| Net assets, end of year | <u>\$ 30,927,049</u> | <u>\$ 1,514,114</u> | <u>\$ 32,441,163</u> | <u>\$ 32,869,155</u> |

YMCA BUFFALO NIAGARA

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

(With Comparative Financial Information for the Year Ended December 31, 2019)

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (427,992) | \$ 1,206,063 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities: | | |
| Depreciation | 2,994,468 | 2,937,601 |
| Amortization of deferred financing costs | 36,873 | 36,873 |
| Net realized and unrealized gains on investments | (1,920,277) | (1,870,571) |
| Change in fair value of beneficial interest in trusts | (7,932) | (20,685) |
| Net gain on sale of property and equipment | (32,780) | (10,418) |
| Contributions of marketable securities | (4,023) | (1,736) |
| Change in fair value of interest rate swaps | 464,442 | 497,409 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Receivables | (205,486) | 61,049 |
| Prepaid expenses | 230,772 | (10,615) |
| Increase (decrease) in: | | |
| Accounts payable | 307,675 | 136,755 |
| Accrued expenses | (340,895) | 64,897 |
| Deferred revenue | (381,669) | (89,048) |
| Net cash provided by operating activities | <u>713,176</u> | <u>2,937,574</u> |
| Cash Flows From Investing Activities | | |
| Purchases of property and equipment | (841,547) | (2,028,247) |
| Proceeds from sale of investments | 5,434,658 | 4,332,699 |
| Purchase of investments | (5,490,429) | (3,247,146) |
| Distributions received through beneficial interest in trusts | 2,281 | 4,435 |
| Net cash used in investing activities | <u>(895,037)</u> | <u>(938,259)</u> |
| Cash Flows From Financing Activities | | |
| Principal payments on long-term debt | (1,399,099) | (1,430,420) |
| Principal payments on capital leases | (366,970) | (359,815) |
| Proceeds from capital campaign pledges | 56,440 | 1,131,885 |
| Net cash used in financing activities | <u>(1,709,629)</u> | <u>(658,350)</u> |
| Increase (decrease) in cash and cash equivalents | <u>(1,891,490)</u> | <u>1,340,965</u> |
| Cash and cash equivalents: | | |
| Beginning | <u>5,064,154</u> | <u>3,723,189</u> |
| Ending | <u>\$ 3,172,664</u> | <u>\$ 5,064,154</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest | <u>\$ 679,118</u> | <u>\$ 749,518</u> |
| Supplemental Schedule of Non-Cash Investing and Financing Activities | | |
| Property and equipment purchases included in accounts payable | <u>\$ 26,331</u> | <u>\$ -</u> |
| Property and equipment financed with capital lease obligations | <u>\$ 397,880</u> | <u>\$ 454,007</u> |

YMCA BUFFALO NIAGARA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

(With Summarized Comparative Financial Information for the Year Ended December 31, 2019)

| | PROGRAM SERVICES | | | | | SUPPORT SERVICES | | | | TOTAL | |
|--|----------------------|-------------------|--------------------------|---------------|---------------|---------------------------|-------------------|---------------|---------------|---------------|---------------|
| | Youth Development | Healthy Living | Social Responsibility | 2020 Total | 2019 Total | Management and General | Fund - Raising | 2020 Total | 2019 Total | 2020 | 2019 |
| Salaries | \$ 4,151,310 | \$ 2,516,319 | \$ 12,054 | \$ 6,679,683 | \$ 11,900,892 | \$ 1,285,181 | \$ 198,669 | \$ 1,483,850 | \$ 1,574,439 | \$ 8,163,533 | \$ 13,475,331 |
| Employee benefits | 399,053 | 367,459 | 2,172 | 768,684 | 843,774 | 296,157 | 30,553 | 326,710 | 350,148 | 1,095,394 | 1,193,922 |
| Payroll taxes | 365,287 | 224,221 | 1,092 | 590,600 | 1,154,049 | 86,869 | 16,075 | 102,944 | 149,031 | 693,544 | 1,303,080 |
| Total salaries and related expenses | 4,915,650 | 3,107,999 | 15,318 | 8,038,967 | 13,898,715 | 1,668,207 | 245,297 | 1,913,504 | 2,073,618 | 9,952,471 | 15,972,333 |
| Purchased services | 23,900 | 55,183 | 115 | 79,198 | 214,566 | 567,709 | 8,821 | 576,530 | 611,890 | 655,728 | 826,456 |
| Supplies | 551,525 | 162,507 | 1,748 | 715,780 | 1,332,048 | 11,768 | 23,004 | 34,772 | 39,085 | 750,552 | 1,371,133 |
| Telephone | 69,097 | 61,332 | 268 | 130,697 | 124,824 | 13,557 | - | 13,557 | 14,562 | 144,254 | 139,386 |
| Postage and shipping | 7,834 | 8,721 | 1,138 | 17,693 | 41,399 | 147 | 1,495 | 1,642 | 6,929 | 19,335 | 48,328 |
| Occupancy | 1,031,233 | 932,467 | 5,587 | 1,969,287 | 2,414,574 | 212,819 | 936 | 213,755 | 211,203 | 2,183,042 | 2,625,777 |
| Equipment rental and maintenance | 108,873 | 82,195 | 649 | 191,717 | 263,020 | 20,704 | - | 20,704 | 40,122 | 212,421 | 303,142 |
| Advertising and promotion | 46,006 | 35,426 | 51 | 81,483 | 307,323 | 7,654 | 332 | 7,986 | 16,352 | 89,469 | 323,675 |
| Travel | 52,267 | 16,343 | 44 | 68,654 | 214,110 | 2,492 | 313 | 2,805 | 37,334 | 71,459 | 251,444 |
| Training and meetings | 9,794 | 13,066 | 10 | 22,870 | 74,770 | 16,885 | 8,257 | 25,142 | 77,798 | 48,012 | 152,568 |
| Membership dues | 95,747 | 116,494 | 230 | 212,471 | 356,387 | 31,956 | 326 | 32,282 | 45,594 | 244,753 | 401,981 |
| Finance costs | 280,789 | 660,488 | 218 | 941,495 | 1,172,807 | 18,599 | - | 18,599 | 10,094 | 960,094 | 1,182,901 |
| Miscellaneous | 36,922 | 47,478 | 344 | 84,744 | 103,304 | 115 | - | 115 | 10,987 | 84,859 | 114,291 |
| Total expenses before depreciation | 7,229,637 | 5,299,699 | 25,720 | 12,555,056 | 20,517,847 | 2,572,612 | 288,781 | 2,861,393 | 3,195,568 | 15,416,449 | 23,713,415 |
| Depreciation | 1,193,988 | 1,792,023 | 6,329 | 2,992,340 | 2,931,853 | 2,128 | - | 2,128 | 5,748 | 2,994,468 | 2,937,601 |
| | \$ 8,423,625 | \$ 7,091,722 | \$ 32,049 | \$ 15,547,396 | \$ 23,449,700 | \$ 2,574,740 | \$ 288,781 | \$ 2,863,521 | \$ 3,201,316 | \$ 18,410,917 | \$ 26,651,016 |

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

Note 1. Nature of the Association and Significant Accounting Policies

Nature of the Association:

Young Men’s Christian Association Buffalo Niagara (d/b/a YMCA Buffalo Niagara) (YMCA or the Association) is a nonprofit organization with the following mission statement:

“YMCA Buffalo Niagara is a charitable, community-based organization committed to providing programs designed to build a healthy spirit, mind and body for all.”

The Association’s goal is to advance its cause of strengthening the community through youth development, healthy living and social responsibility. The YMCA is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation’s health and well-being, and providing opportunities to give back and support its neighbors, the YMCA enables youth, adults, families and communities to be healthy, confident, connected and secure.

Program activities:

A summary of the Association’s significant program activities follows:

Youth Development – The YMCA is committed to nurturing the potential of every child and teen. The YMCA believes that all children deserve the opportunity to discover who they are and what they can achieve. That is why the YMCA helps young people cultivate the values, skills and relationships that lead to positive behaviors, better health and educational achievement. YMCA programs, such as school age child care, summer camp and preschool education, offer a range of experiences that enrich cognitive, social, physical and emotional growth.

Healthy Living – The YMCA is a leading voice on health and well-being. The YMCA brings families closer together, encourages good health and fosters connections through fitness, sports, fun and shared interests. As a result, people in the community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This is particularly important as the nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment.

Social Responsibility – The YMCA believes in giving back and supporting its neighbors. The YMCA has been listening and responding to the community’s most critical social needs. YMCA programs, such as the senior citizen center, volunteer service programs, and CPR & First Aid training, are examples of how the YMCA delivers training, resources and support that empower its neighbors to effect change, bridge gaps and overcome obstacles. The YMCA engages members, participants and volunteers in activities that strengthen the community and pave the way for future generations to thrive.

As part of the YMCA’s mission, the programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. The YMCA provides financial assistance to people who otherwise are not able to participate.

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

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

YMCA of the USA:

The Association is a member of the National Council of Young Men's Christian Associations of the United States of America. The Association is an independent autonomous organization, recognized as a member of, but separate from the National Council. The Association must meet annual certification requirements to remain a member.

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

Basis of accounting:

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The Association records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Operating activities:

Operating activities reflect all transactions increasing or decreasing net assets except those contributions received for long-term investment purposes, investment returns, changes in the fair value of the interest rate swaps, and gains/losses from sale of property and equipment.

Public support:

The Association receives public support in the form of contributions through its annual campaign, special events, the United Way and other fundraising efforts. Contributions are received from individuals, foundations and corporations to support specific programming activities, capital projects, general operations, and endowments.

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

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

Public support (continued):

All contributions are considered to be available for unrestricted use unless specifically restricted by a donor. Unconditional contributions not subject to a pledge agreement with the Association are recorded as revenue when received. The Association records unconditional promises to give as contribution revenues and pledges receivable, net of an estimate for uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional contributions containing a measurable performance or other barrier and right of return for contributions received are reported as deferred revenue, and for conditional promises to give are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

The Association reports gifts of land, buildings and equipment at estimated fair value as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions in the statement of activities and changes in net assets.

Revenue recognition and deferred revenue:

Membership and program service fees consist of revenues earned from providing health, fitness, education, childcare, summer camp and recreation programs to families and individuals. Certain programs are also available to the public. Membership and program service fees are specific to distinct performance obligations that are satisfied over time. Accordingly, revenue is recognized ratably on a straight-line basis in an amount that reflects the consideration the Association expects to be entitled to, net of financial assistance provided (Note 15), in exchange for providing services. Financial assistance represents reductions from gross membership and program service fees for individuals that demonstrate financial need. Financial assistance is estimated in the same period the revenue is recognized based on the amount an individual is most likely to receive in accordance with the terms of the financial assistance. Membership and program service fees are generally due in advance of the membership or program service period and are reported as deferred revenue until the membership or program service period occurs.

Contracts with governmental agencies consist of revenues earned from providing education, recreation and child care programs primarily to school districts. Contracts with governmental agencies are recognized as revenue over time as the distinct performance obligations are satisfied, which is generally as related expenditures are incurred over the service period. Advances from governmental agencies are reported as deferred revenue until the performance obligations are satisfied.

Revenues may be affected by consumer recreation and fitness trends as well as general economic conditions. There is generally not an extension of credit and, therefore, no financing component to revenue transactions.

2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)

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

Donated services:

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

Cash and cash equivalents:

The Association reports all cash accounts as cash and cash equivalents on the accompanying statement of financial position. The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to its cash balances.

Receivables:

Receivables include amounts for trade accounts, fundraising pledges, and investment income. Receivables are carried at their original amount less an estimate made for doubtful receivables based on a periodic review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Receivables are considered to be past due if any portion of the balance is outstanding past its original due date. The Association does not accrue interest on unpaid receivables.

Investments:

The Association has investments in debt, marketable equity securities and money market funds. Investments are reported at fair value, with realized and unrealized holding gains and losses reported in the statement of activities and changes in net assets. Interest on debt securities and money market funds is recognized in income as earned, and dividends on marketable equity securities are recognized in income when declared. Realized gains and losses are determined on the basis of the specific securities sold.

Beneficial interest in trusts:

The Association recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits. The Association is an income beneficiary under the trusts, the corpus of which is not controlled by the Association. Although the Association has no control over the administration of the investment of the trusts' assets, the fair value of the Association's beneficial interest is recognized in the statement of financial position. The Association values the beneficial interest in trusts based upon the Association's interest in the underlying net assets of the trusts reported at fair value by the trustees.

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

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

Property and equipment:

Property and equipment are stated at cost. The Association capitalizes items that are over \$5,000 and provide future value. Depreciation is computed on the straight-line basis over the following estimated useful lives:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 5 - 40 |
| Equipment | 3 - 20 |

Expenditures for maintenance and repairs are charged to expense as incurred.

The carrying value of the Association's long-lived assets is periodically reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable lives may need to be changed. The Association considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over its remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value if less than book value.

Capital leases:

Leases which meet the capital lease criteria are recorded as assets and obligations at the lesser of the present value of future rental payments or the fair market value of the leased property and equipment at the inception of the lease. Amortization of property and equipment under capital leases is provided using the straight-line method over the terms of the related lease and is included in depreciation expense.

Interest rate swaps:

The interest rate swaps are recorded in the statement of financial position at their fair value. Changes in fair value are recorded in the statement of activities and changes in net assets.

Deferred financing costs:

Financing costs related to debt instruments are deferred and presented in the statement of financial position as a direct reduction from the carrying amount of the related debt. Amortization of deferred financing costs is presented as a component of interest expense.

2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)

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

Deferred naming rights revenue:

In 2011, the Association received a \$2,000,000 conditional sponsorship for naming rights of the Independent Health Family Branch YMCA. Sponsorship revenue of \$1,400,000 was contingent on the construction of the facility and \$600,000 was contingent on the facility remaining open for ten years. The YMCA recognized \$1,400,000 as revenue in 2013 when the building was placed in service. The balance of \$600,000 remains in the accompanying statement of financial position as deferred naming rights revenue until the final condition is resolved, which is expected to occur in 2023.

Endowments:

The Association's endowments consist of donor-restricted and board-designated endowment funds. The donor-restricted endowment is established through donor-restricted contributions. The Board of Trustees of the Association has set aside funds through unrestricted donor contributions representing a portion of the Association's net assets without donor restrictions in a board-designated endowment.

The New York Prudent Management of Institutional Funds Act (NYPMIFA or the Act), New York's version of the Uniform Prudent Management of Institutional Funds Act, governs the management and investment of funds held by not-for-profit corporations and other institutions. The Association has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds which is prudent, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standards of prudence prescribed by NYPMIFA.

When making a determination to appropriate or accumulate donor-restricted endowment funds, the Association considers the following: the duration and preservation of the endowment fund; the purposes of the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Association; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Association; and the investment policies of the Association.

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

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

Endowments (continued):

From time-to-time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Association to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported in net assets with donor restrictions. The reporting of such deficiencies as a reduction of Association-controlled net assets with donor restrictions does not legally create an affirmative obligation of the Association to restore the fair value of those funds from net assets without donor restrictions. Deficiencies of this nature amounted to \$5,416 and \$14,036 at December 31, 2020 and 2019, respectively.

The Association, under the direction of the Board of Trustees, has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Association while seeking to maintain the purchasing power of the endowment assets after considering the effects of inflation. Under these policies, endowment assets are invested in a manner that is intended to achieve returns, net of fees, in excess of a relevant balanced benchmark, as defined by the target asset allocation, while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

The Board of Trustees will review the fund's performance at least annually and will appropriate for distribution an amount it feels is appropriate. Annual endowment fund spending is expected to be no more than 5% of the average market value for the last twenty quarters, unless modified and approved by a majority of the Board of Trustees. All endowment expenditures will be made in accordance with any donor restrictions or board designations.

Income taxes:

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

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

2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)

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

Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting function of the Association. Those expenses include personnel, occupancy, finance costs and depreciation. Expenses are allocated to the program or supporting functions based on the revenue produced by each program or function.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Summarized comparative financial information:

The statements of activities and changes in net assets and functional expenses include prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Subsequent events:

Management has evaluated subsequent events through April 22, 2021, which is the date the financial statements were available to be issued.

Note 2. Liquidity Management

The Association regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on board-designated endowment investments not required for annual operations. As of December 31, 2020, the Association has financial assets consisting of cash, cash equivalents and receivables amounting to \$4,067,568 to meet annual operating needs for the 2021 fiscal year. The Association has additional sources of liquidity available, including a revolving credit facility (Note 7) and board-designated endowment investments (Note 13), which are subject to appropriation by the Board of Trustees. The Association's revenue bonds (Note 8) require the Association to maintain a minimum of \$6,500,000 of cash and investments not subject to donor restrictions.

YMCA BUFFALO NIAGARA

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

Note 3. Receivables

Receivables at December 31, 2020 and 2019 are summarized as follows:

| | 2020 | 2019 |
|--------------------------|-------------------|-------------------|
| Trade accounts | \$ 709,524 | \$ 386,713 |
| Annual campaign pledges | 155,460 | 257,834 |
| Capital campaign pledges | 22,335 | 78,775 |
| Interest and dividends | 7,585 | 22,536 |
| | <u>\$ 894,904</u> | <u>\$ 745,858</u> |

Receivables are presented net of an allowance for doubtful accounts of \$88,018 and \$111,779 at December 31, 2020 and 2019, respectively.

Note 4. Investments

Investments at December 31, 2020, stated at fair value, consist of the following:

| | Cost | Net Unrealized Gain | Fair Value |
|-----------------------|----------------------|------------------------------------|-----------------------|
| Common stocks | \$ 3,166,942 | \$ 2,826,532 | \$ 5,993,474 |
| Bonds | 1,109,483 | 198,781 | 1,308,264 |
| Mutual funds | 4,446,110 | 378,205 | 4,824,315 |
| Exchange traded funds | 830,176 | 129,348 | 959,524 |
| Money market funds | 1,261,720 | - | 1,261,720 |
| | <u>\$ 10,814,431</u> | <u>\$ 3,532,866</u> | <u>\$ 14,347,297</u> |

Investments at December 31, 2019, stated at fair value, consist of the following:

| | Cost | Net Unrealized Gain | Fair Value |
|-----------------------|----------------------|------------------------------------|-----------------------|
| Common stocks | \$ 3,153,926 | \$ 2,066,449 | \$ 5,220,375 |
| Bonds | 1,628,067 | 70,695 | 1,698,762 |
| Mutual funds | 4,391,185 | 130,350 | 4,521,535 |
| Exchange traded funds | 448,769 | 55,980 | 504,749 |
| Money market funds | 421,805 | - | 421,805 |
| | <u>\$ 10,043,752</u> | <u>\$ 2,323,474</u> | <u>\$ 12,367,226</u> |

YMCA BUFFALO NIAGARA

2020 NOTES TO FINANCIAL STATEMENTS (With Comparative Financial Information For 2019)

Note 4. Investments (Continued)

A summary of net investment income for the years ended December 31, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|-------------------------------------|---------------------|---------------------|
| Unrealized gain | \$ 1,209,392 | \$ 1,846,812 |
| Realized gain on sale of securities | 710,885 | 23,759 |
| Interest and dividend income | 214,290 | 336,946 |
| Investment expenses | (65,118) | (64,450) |
| Total investment income, net | <u>\$ 2,069,449</u> | <u>\$ 2,143,067</u> |

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the financial position of the Association.

Note 5. Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority level to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)

Note 5. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for the Association's assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019:

Common stocks: Valued at the daily closing price as reported on public exchanges.

Bonds: Valued at approximate fair value as determined by a service provider to the bond custodian using a pricing model.

Mutual funds: Mutual funds, except for money market mutual funds, are valued at the daily closing price as reported by the fund. Mutual funds owned by the Association are open-end funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The Association deems funds owned by them to be actively traded.

Exchange traded funds: Exchange traded funds (ETF) are traded at quoted prices throughout the day and valued at the end of the day at NAV as determined by the fund based upon the fair value of the underlying investments held by the fund less its liabilities. The ETFs are registered with the SEC and are deemed to be actively traded.

Money market funds: Money market funds generally transact at \$1.00 NAV as reported by the fund and is based on the amortized cost of the underlying securities of the fund. The \$1.00 NAV is considered to be the price to sell the money market fund and its estimated fair value. The Association's investments in money market funds have a daily redemption frequency. There are no required redemption notice periods and there are no unfunded commitments at December 31, 2020 and 2019.

Beneficial interest in trusts: Valued based upon the Association's interest in the fair value of the underlying trust assets as reported by the trustees. The underlying assets of the trusts are primarily invested in equity securities and mutual funds that are valued daily on public exchanges.

Interest rate swaps: Valued by the issuing financial institution using a proprietary market-based model.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

YMCA BUFFALO NIAGARA

2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)

Note 5. Fair Value Measurements (Continued)

Financial instruments at December 31, 2020, stated at fair value, consist of the following:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------------|---------------------|-------------|----------------------|
| Investments: | | | | |
| Common stocks: | | | | |
| Consumer discretionary | \$ 618,737 | \$ - | \$ - | \$ 618,737 |
| Consumer staples | 548,948 | - | - | 548,948 |
| Energy (International) | 156,070 | - | - | 156,070 |
| Financials | 511,407 | - | - | 511,407 |
| Healthcare | 910,978 | - | - | 910,978 |
| Industrials | 621,940 | - | - | 621,940 |
| Information technology | 1,592,778 | - | - | 1,592,778 |
| Materials | 299,500 | - | - | 299,500 |
| Materials (International) | 40,697 | - | - | 40,697 |
| Real estate | 140,063 | - | - | 140,063 |
| Telecom services | 434,954 | - | - | 434,954 |
| Utilities | 117,402 | - | - | 117,402 |
| | <u>5,993,474</u> | - | - | <u>5,993,474</u> |
| Bonds: | | | | |
| Corporate short-term | - | 281,294 | - | 281,294 |
| International | - | 258,633 | - | 258,633 |
| Structured notes | - | 768,337 | - | 768,337 |
| | - | <u>1,308,264</u> | - | <u>1,308,264</u> |
| Mutual funds: | | | | |
| International large-cap | 1,206,158 | - | - | 1,206,158 |
| International small-cap | 641,562 | - | - | 641,562 |
| Domestic mid-cap | 414,331 | - | - | 414,331 |
| Domestic small-cap | 215,969 | - | - | 215,969 |
| Bond | 1,598,516 | - | - | 1,598,516 |
| Alternative | 747,779 | - | - | 747,779 |
| | <u>4,824,315</u> | - | - | <u>4,824,315</u> |
| Exchange traded funds: | | | | |
| Domestic small-cap | 317,671 | - | - | 317,671 |
| Bonds | 641,853 | - | - | 641,853 |
| | <u>959,524</u> | - | - | <u>959,524</u> |
| Money market funds | - | 1,261,720 | - | 1,261,720 |
| | <u>\$ 11,777,313</u> | <u>\$ 2,569,984</u> | <u>\$ -</u> | <u>\$ 14,347,297</u> |
| Beneficial interest in trusts | \$ - | \$ - | \$ 145,144 | \$ 145,144 |
| Interest rate swaps | \$ - | \$ (932,725) | \$ - | \$ (932,725) |

YMCA BUFFALO NIAGARA

2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)

Note 5. Fair Value Measurements (Continued)

Financial instruments at December 31, 2019, stated at fair value, consist of the following:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|----------------------|---------------------|-------------|----------------------|
| Investments: | | | | |
| Common stocks: | | | | |
| Consumer discretionary | \$ 502,985 | \$ - | \$ - | \$ 502,985 |
| Consumer staples | 528,510 | - | - | 528,510 |
| Energy | 218,002 | - | - | 218,002 |
| Financials | 701,315 | - | - | 701,315 |
| Healthcare | 769,666 | - | - | 769,666 |
| Industrials | 518,452 | - | - | 518,452 |
| Information technology | 1,212,995 | - | - | 1,212,995 |
| Materials | 132,990 | - | - | 132,990 |
| Real estate | 175,261 | - | - | 175,261 |
| Telecom services | 354,460 | - | - | 354,460 |
| Utilities | 105,739 | - | - | 105,739 |
| | <u>5,220,375</u> | <u>-</u> | <u>-</u> | <u>5,220,375</u> |
| Bonds: | | | | |
| Corporate short-term | - | 452,641 | - | 452,641 |
| Corporate medium-term | - | 350,048 | - | 350,048 |
| International | - | 257,392 | - | 257,392 |
| Structured notes | - | 638,681 | - | 638,681 |
| | <u>-</u> | <u>1,698,762</u> | <u>-</u> | <u>1,698,762</u> |
| Mutual funds: | | | | |
| International large-cap | 1,218,093 | - | - | 1,218,093 |
| International small-cap | 579,526 | - | - | 579,526 |
| Domestic large-cap | 437,740 | - | - | 437,740 |
| Domestic mid-cap | 356,630 | - | - | 356,630 |
| Domestic small-cap | 210,515 | - | - | 210,515 |
| Bond | 715,140 | - | - | 715,140 |
| Alternative | 1,003,891 | - | - | 1,003,891 |
| | <u>4,521,535</u> | <u>-</u> | <u>-</u> | <u>4,521,535</u> |
| Exchange traded funds: | | | | |
| Domestic small-cap | 144,818 | - | - | 144,818 |
| Bonds | 359,931 | - | - | 359,931 |
| | <u>504,749</u> | <u>-</u> | <u>-</u> | <u>504,749</u> |
| Money market funds | - | 421,805 | - | 421,805 |
| | <u>\$ 10,246,659</u> | <u>\$ 2,120,567</u> | <u>\$ -</u> | <u>\$ 12,367,226</u> |
| Beneficial interest in trusts | \$ - | \$ - | \$ 139,493 | \$ 139,493 |
| Interest rate swaps | \$ - | \$ (468,283) | \$ - | \$ (468,283) |

YMCA BUFFALO NIAGARA**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)****Note 5. Fair Value Measurements (Continued)**

The following table sets forth a summary of changes in the fair value of Level 3 assets for the years ended December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 139,493 | \$ 123,243 |
| Change in fair value | 7,932 | 20,685 |
| Distributions received | <u>(2,281)</u> | <u>(4,435)</u> |
| Balance, end of year | <u>\$ 145,144</u> | <u>\$ 139,493</u> |

Note 6. Property and Equipment

Property and equipment at December 31, 2020 and 2019 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|----------------------|----------------------|
| Land | \$ 2,930,572 | \$ 2,930,572 |
| Buildings and improvements | 55,884,735 | 55,234,731 |
| Equipment | 4,830,945 | 4,711,087 |
| Construction-in-progress | <u>296,280</u> | <u>154,000</u> |
| | <u>63,942,532</u> | <u>63,030,390</u> |
| Less accumulated depreciation | <u>25,038,238</u> | <u>22,430,166</u> |
| Total property and equipment, net | <u>\$ 38,904,294</u> | <u>\$ 40,600,224</u> |

Note 7. Revolving Credit

The YMCA has a bank revolving credit facility with a maximum borrowing capacity of \$1,000,000 at December 31, 2020. Borrowed amounts bear interest at the prime rate. There were no outstanding borrowings on this facility at either December 31, 2020 or 2019.

YMCA BUFFALO NIAGARA

2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)

Note 8. Long-Term Debt

Long-term debt at December 31, 2020 and 2019 consists of the following:

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|----------------------|
| Civic facility revenue bond with a bank due in monthly principal and interest payments of \$88,000 through July 2033. Interest is variable and is equal to thirty-day LIBOR plus 2.15% times 67% (1.54% at December 31, 2020). | \$ 11,998,110 | \$ 12,850,261 |
| Less deferred financing costs | 242,395 | 261,658 |
| | <u>11,755,715</u> | <u>12,588,603</u> |
| Civic facility revenue bond with a bank due in monthly principal and interest payments of \$49,995 through March 2039. Variable interest is equal to thirty-day LIBOR plus 2.15% times 65% (1.50% at December 31, 2020). | 9,011,014 | 9,407,962 |
| Less deferred financing costs | 319,908 | 337,518 |
| | <u>8,691,106</u> | <u>9,070,444</u> |
| Business loan agreement with a bank due in monthly principal installments of \$25,000 through February 2022 plus variable interest at thirty-day LIBOR plus .75% (0.91% at December 31, 2020). | 475,000 | 625,000 |
| | <u>20,921,821</u> | <u>22,284,047</u> |
| Less current maturities | 1,571,915 | 1,549,099 |
| | <u>\$ 19,349,906</u> | <u>\$ 20,734,948</u> |

Long-term debt is secured by a mortgage on property in Amherst, West Seneca, and Lockport, New York along with property and equipment at two other branches.

The revenue bonds are subject to certain covenants which, among other things, require the Association to maintain a certain amount of net assets, debt service coverage, and unrestricted cash and investments. At December 31, 2020, the Association was not in compliance with these requirements and obtained a waiver from the bank.

Aggregate maturities of long-term debt at December 31, 2020 are as follows:

| <u>Years ending December 31,</u> | |
|----------------------------------|-----------------------------|
| 2021 | \$ 1,571,915 |
| 2022 | 1,470,156 |
| 2023 | 1,318,832 |
| 2024 | 1,342,950 |
| 2025 | 1,367,519 |
| Thereafter | <u>14,412,752</u> |
| Total | <u><u>\$ 21,484,124</u></u> |

YMCA BUFFALO NIAGARA

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

Note 8. Long-Term Debt (Continued)

The Association maintains interest rate swap agreements with a bank to eliminate the risk of changes in interest rates on the civic facility revenue bonds. The notional amount for one swap agreement equals the outstanding principal balance at December 31, 2020 and 2019 of \$11,998,110 and \$12,850,261, respectively, and effectively changes the Association's interest rate exposure for the original bond to a fixed rate of 3.00% through 2023. The notional amount for the second swap agreement at December 31, 2020 and 2019 is \$7,348,790 and \$7,677,972, respectively, and effectively changes the Association's interest rate exposure to a fixed rate of 3.05% through 2028.

The Association is exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreements; however, the Association does not anticipate such non-performance. The valuation of the interest rate swap agreements resulted in a liability of \$932,725 and \$468,283 as of December 31, 2020 and 2019, respectively.

Interest expense amounted to \$710,749 and \$780,971 for the years ended December 31, 2020 and 2019, respectively. Interest expense is included in finance costs in the accompanying statement of functional expenses.

Note 9. Capital Leases

The Association maintains various capital lease agreements for equipment. Capital lease obligations at December 31, 2020 and 2019 consist of the following:

| | 2020 | 2019 |
|--|-------------------|------------|
| Equipment lease payable to a bank, due in aggregate fixed monthly installments of \$13,709, including interest of 5.50% expiring through 2022. | \$ 198,288 | \$ 347,412 |
| Equipment lease payable to a bank, due in aggregate fixed monthly installments of \$10,935, including interest of 4.24% expiring through 2021. | 10,898 | 138,704 |
| Equipment lease payable to a bank, due in aggregate fixed monthly installments of \$11,720, including interest of 3.85% expiring through 2023. | 324,065 | - |
| Equipment lease paid in full in 2020. | - | 16,225 |
| | 533,251 | 502,341 |
| Less current maturities | 298,888 | 293,155 |
| | \$ 234,363 | \$ 209,186 |

YMCA BUFFALO NIAGARA

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

Note 9. Capital Leases (Continued)

Future minimum payments required on capital lease obligations, including interest, at December 31, 2020 are as follows:

| Years ending December 31, | |
|---|-------------------|
| 2021 | \$ 316,091 |
| 2022 | 181,773 |
| 2023 | <u>58,602</u> |
| | 556,466 |
| Less amount representing interest | <u>23,215</u> |
| Present value of net minimum lease payments | <u>\$ 533,251</u> |

Equipment held under capital leases at December 31, 2020 and 2019 consists of the following:

| | 2020 | 2019 |
|-------------------------------|-------------------|-------------------|
| Equipment cost | \$ 1,461,072 | \$ 1,174,968 |
| Less accumulated depreciation | <u>755,876</u> | <u>506,561</u> |
| Net book value | <u>\$ 705,196</u> | <u>\$ 668,407</u> |

Note 10. Operating Leases – Lessee

The Association leases a building and various equipment under non-cancelable operating lease agreements requiring various minimum payments through 2025.

Future minimum payments, by years and in the aggregate, under non-cancelable operating leases at December 31, 2020 are as follows:

| Years ending December 31, | |
|---------------------------|---------------------|
| 2021 | \$ 355,846 |
| 2022 | 228,315 |
| 2023 | 192,090 |
| 2024 | 161,400 |
| 2025 | <u>134,104</u> |
| Total | <u>\$ 1,071,755</u> |

Rent expense, including rent under non-cancelable operating leases and rent under month-to-month rental agreements, amounted to \$449,918 and \$577,202 for the years ended December 31, 2020 and 2019, respectively, and is included in occupancy and equipment costs in the statement of functional expenses.

YMCA BUFFALO NIAGARA

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

Note 11. Operating Leases – Lessor

The Association entered into two non-cancelable operating lease agreements for a portion of one of its branches through February 2023. Future lease receipts are approximately \$74,000 per year. Additionally, the Association rents certain facilities on a daily or longer-term basis that are generally cancelable. Income for all rental activities was \$77,865 and \$89,836 for the years ended December 31, 2020 and 2019, respectively.

Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2020 and 2019 are available for the following purposes or periods:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Subject to the passage of time: | | |
| Capital campaign receivables restricted for Lockport facility. | \$ 22,335 | \$ 78,775 |
| Subject to expenditure for a specified purpose: | | |
| Contributions received to fund specific program operations. | 15,000 | 70,407 |
| Restricted in perpetuity with income subject to appropriation or expenditure: | | |
| Donor-restricted endowment (Note 13) - investments in perpetuity at the original gift amount plus accumulated gains or losses, the income from which is expendable, once approved, to support specific YMCA branch operations. | 1,331,635 | 1,323,015 |
| Beneficial interest in trusts, the income from which is expendable, once approved, to support general YMCA operations and programming in the City of Niagara Falls. | 145,144 | 139,493 |
| | \$ 1,514,114 | \$ 1,611,690 |

During 2020, net assets of \$126,847 were released from donor restrictions primarily through satisfaction of time restrictions.

YMCA BUFFALO NIAGARA

**2020 NOTES TO FINANCIAL STATEMENTS
(With Comparative Financial Information For 2019)**

Note 13. Endowment Funds

The Association's endowment consists of donor-restricted endowment funds and funds that have been designated by the Board of Trustees to function as an endowment.

Changes in endowment net assets and net asset composition as of and for the years ended December 31, 2020 and 2019 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-----------------------------|
| Endowment net assets, December 31, 2018 | \$ 10,312,811 | \$ 1,267,661 | \$ 11,580,472 |
| Investment return: | | | |
| Net gain on investments | 1,815,217 | 55,354 | 1,870,571 |
| Interest and dividends | 336,946 | - | 336,946 |
| Investment expenses | (64,450) | - | (64,450) |
| | <u>2,087,713</u> | <u>55,354</u> | <u>2,143,067</u> |
| Appropriation of endowment net assets for expenditure | (1,358,049) | - | (1,358,049) |
| Donated securities | 1,736 | - | 1,736 |
| Endowment net assets, December 31, 2019 | <u>11,044,211</u> | <u>1,323,015</u> | <u>12,367,226</u> |
| Investment return: | | | |
| Net gain on investments | 1,911,657 | 8,620 | 1,920,277 |
| Interest and dividends | 214,290 | - | 214,290 |
| Investment expenses | (65,118) | - | (65,118) |
| | <u>2,060,829</u> | <u>8,620</u> | <u>2,069,449</u> |
| Appropriation of endowment net assets for expenditure | (93,401) | - | (93,401) |
| Donated securities | 4,023 | - | 4,023 |
| Endowment net assets, December 31, 2020 | <u>\$ 13,015,662</u> | <u>\$ 1,331,635</u> | <u>\$ 14,347,297</u> |

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Note 13. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 are as follows:

| | 2020 | | |
|---|----------------------------|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Restricted in perpetuity | \$ - | \$ 1,337,051 | \$ 1,337,051 |
| Accumulated investment losses on amounts to be retained in perpetuity | - | (5,416) | (5,416) |
| Board designated endowment fund | 13,015,662 | - | 13,015,662 |
| | <u>\$ 13,015,662</u> | <u>\$ 1,331,635</u> | <u>\$ 14,347,297</u> |
| | 2019 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Restricted in perpetuity | \$ - | \$ 1,337,051 | \$ 1,337,051 |
| Accumulated investment losses on amounts to be retained in perpetuity | - | (14,036) | (14,036) |
| Board designated endowment fund | 11,044,211 | - | 11,044,211 |
| | <u>\$ 11,044,211</u> | <u>\$ 1,323,015</u> | <u>\$ 12,367,226</u> |

The aggregate fair value and cost of underwater donor-restricted endowment fund investments at December 31, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|------------|-------------------|--------------------|
| Fair value | \$ 115,793 | \$ 233,789 |
| Cost | 121,209 | 247,825 |
| | <u>\$ (5,416)</u> | <u>\$ (14,036)</u> |

YMCA BUFFALO NIAGARA

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Note 14. Special Events

As part of its fundraising efforts, the Association holds periodic special events. Revenue from special events is recognized in the period in which the event is held and is presented net of direct expenses in the statement of activities and changes in net assets. Special event revenue and direct expenses for the years ended December 31, 2020 and 2019 are as follows:

| | 2020 | 2019 |
|----------------------------|-------------------|-------------------|
| Revenue | \$ 277,955 | \$ 559,578 |
| Direct expenses | <u>92,227</u> | <u>346,014</u> |
| Special event revenue, net | <u>\$ 185,728</u> | <u>\$ 213,564</u> |

Note 15. Financial Assistance Provided

Gross membership and program service fees along with financial assistance provided for the years ended December 31, 2020 and 2019 amounted to:

| | 2020 | 2019 |
|------------------------------------|---------------------|----------------------|
| Gross membership fees | \$ 8,432,021 | \$ 13,251,399 |
| Less financial assistance provided | <u>219,534</u> | <u>392,894</u> |
| Membership fees, net | <u>\$ 8,212,487</u> | <u>\$ 12,858,505</u> |
| Gross program service fees | \$ 4,812,459 | \$ 10,629,846 |
| Less financial assistance provided | <u>586,416</u> | <u>1,009,921</u> |
| Program service fees, net | <u>\$ 4,226,043</u> | <u>\$ 9,619,925</u> |

Note 16. Retirement Plans

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

In accordance with an agreement between the Fund and the Association, contributions to the Retirement Plan are a percentage of the participating employees' salaries. These amounts are paid by the Association. Total cash contributions charged to retirement costs were \$558,712 and \$640,207 for the years ended December 31, 2020 and 2019, respectively.

YMCA BUFFALO NIAGARA

2020 NOTES TO FINANCIAL STATEMENTS (With Comparative Financial Information For 2019)

Note 16. Retirement Plans (Continued)

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

Note 17. Related Parties

The Association pays dues to YMCA of the USA and Alliance of New York State YMCAs. Dues paid to YMCA of the USA for the years ended December 31, 2020 and 2019 were \$185,763 and \$325,000, respectively. Dues paid to Alliance of New York State YMCAs for the years ended December 31, 2020 and 2019 were \$23,568 and \$29,166, respectively.

Note 18. Contingencies

In the normal course of business, various legal actions and claims are asserted against the Association. On March 3, 2020, a complaint was filed against the Association alleging abuse for a period of time during the 1990s by an alleged former employee of the Association. The plaintiff seeks punitive damages from the Association which have not been quantified. The Association is investigating the claim but denies liability. The case is in the early stages of discovery. The Association has discovered it had insurance policies in effect from July 1, 1996 through 1999 with coverage for abuse, and is investigating whether any such coverage was in effect for the earlier part of the 1990s. The insurance company is working with the Association's attorneys to defend this claim. Also in 2020, two additional complaints were filed against the Association alleging abuse for periods of time during the 1950s and 1970s by alleged former employees of YMCA of Niagara Falls. The assets and operations of the YMCA of Niagara Falls were transferred to the Association during 2005. Both of these complaints were dismissed by the court, as the Association is not liable as successor to the YMCA of Niagara Falls as a matter of law, however the plaintiffs have the right to appeal the order to dismiss. At this time, management is unable to reasonably estimate the ultimate effect of an adverse decision resulting from these claims on the Association's financial position, results of operations or cash flows.

Note 19. Commitment

In 2020, the Association entered into an agreement to acquire land in the amount of \$2,400,000 for the future location of a branch in North Buffalo, New York (North Buffalo Branch).

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Note 20. Coronavirus Contingencies and Uncertainties

On March 13, 2020, the President of the United States of America declared a national state of emergency related to the health pandemic from the COVID-19 virus (the Coronavirus Pandemic). As a result of the Coronavirus Pandemic, certain restrictions by governmental agencies including the closure of non-essential businesses, as defined, have been imposed. For more than six months during 2020, the Association closed all branch locations and discontinued its general programming and other activities. During this period of closure, the Association continued to provide only certain limited childcare services that were deemed essential. Once allowed to reopen, the Association was allowed a phased resumption of its general programming and activities allowing for utilization of only 33% of the Association's capacity. Because of the closures and reduction of general activities and programming, some Association members canceled or temporarily suspended their memberships resulting in a decline in membership and program service fee revenue. The Coronavirus Pandemic and resulting restrictions has had a significant impact on the Association's financial position, results of operations and cash flows for the year ended December 31, 2020.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020 in response to the Coronavirus Pandemic, established the Paycheck Protection Program (PPP) administered by the U.S. Small Business Administration (SBA). Under this program, on February 10, 2021, the Association was awarded a loan in the amount of \$2,986,002 with interest at 1.0%. The Association has the opportunity to have all or a portion of the loan forgiven if it meets the requirements under the PPP which include requirements pertaining to eligibility, maintaining or increasing employment levels and other conditions, as defined. The forgiveness of the PPP loan is subject to audit by the SBA.

The ongoing impact from the Coronavirus Pandemic to future overall economic activity and the Association is uncertain.

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