

**Young Men's Christian Association
of Central Kentucky, Inc.**

Financial Statements

Years Ended December 31, 2019 and 2018

Young Men's Christian Association of Central Kentucky, Inc.
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Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of Central Kentucky, Inc.

We have audited the accompanying financial statements of the Young Men's Christian Association of Central Kentucky, Inc. (the "Association"), 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. 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditor's Report (Continued)

Opinion

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

MCM CPAs & Advisors LLP

Lexington, Kentucky

May 14, 2020

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Assets		
Cash and cash equivalents	\$ 1,134,435	\$ 1,921,800
Restricted cash accounts	398,501	420,787
Accounts receivable, net	257,887	342,165
Pledges receivable, net	924,082	855,106
Prepaid expenses	111,208	188,781
Investments	7,918,646	5,578,540
Other assets	5,000	5,000
Property and equipment, net	<u>38,777,226</u>	<u>36,608,667</u>
Total assets	<u>\$ 49,526,985</u>	<u>\$ 45,920,846</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 330,943	\$ 921,872
Accrued expenses	613,079	434,691
Other liabilities	3,501	296,007
Deferred income	413,344	323,819
Capital lease obligations	945,543	931,075
Long-term debt, net	<u>16,954,135</u>	<u>17,683,155</u>
Total liabilities	19,260,545	20,590,619
Net assets		
Net assets without donor restrictions		
Undesignated	21,029,750	18,364,852
Board designated funds for debt service	1,250,000	-
Board designated funds for capital maintenance	1,185,947	968,187
Board designated endowment	<u>2,640,364</u>	<u>2,161,640</u>
	26,106,061	21,494,679
Net assets with donor restrictions		
Restricted by purpose or time	1,202,444	1,148,387
Restricted in perpetuity	<u>2,957,935</u>	<u>2,687,161</u>
	<u>4,160,379</u>	<u>3,835,548</u>
Total net assets	<u>30,266,440</u>	<u>25,330,227</u>
Total liabilities and net assets	<u>\$ 49,526,985</u>	<u>\$ 45,920,846</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Totals
Support and revenues			
Public support-contributions	\$ 268,685	\$ 1,365,363	\$ 1,634,048
United Way allocations	87,573	-	87,573
Foundation and government grants	149,974	86,120	236,094
Membership dues	9,721,584	-	9,721,584
Rental revenues	22,575	-	22,575
Program fees	5,272,142	-	5,272,142
Sale of supplies and services	9,343	-	9,343
Investment income, net	716,169	296,256	1,012,425
Special events	13,898	-	13,898
Miscellaneous income	142,605	-	142,605
	<u>16,404,548</u>	<u>1,747,739</u>	<u>18,152,287</u>
Net assets released from restrictions	<u>1,422,908</u>	<u>(1,422,908)</u>	<u>-</u>
Total support and revenues	17,827,456	324,831	18,152,287
Expenses			
Program and membership services			
Youth development	7,172,737	-	7,172,737
Healthy living	6,557,175	-	6,557,175
Social responsibility	349,744	-	349,744
Total program and membership services	<u>14,079,656</u>	<u>-</u>	<u>14,079,656</u>
Supporting services			
Management and general	2,176,373	-	2,176,373
Fundraising	135,745	-	135,745
Total support services	<u>2,312,118</u>	<u>-</u>	<u>2,312,118</u>
Total expenses	<u>16,391,774</u>	<u>-</u>	<u>16,391,774</u>
Change in net assets before contribution recorded from Frankfort transaction	1,435,682	324,831	1,760,513
Contribution recorded from Frankfort transaction	<u>3,175,700</u>	<u>-</u>	<u>3,175,700</u>
Change in net assets	4,611,382	324,831	4,936,213
Net assets, beginning of year	<u>21,494,679</u>	<u>3,835,548</u>	<u>25,330,227</u>
Net assets, end of year	<u>\$ 26,106,061</u>	<u>\$ 4,160,379</u>	<u>\$ 30,266,440</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year Ended December 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>
Support and revenues			
Public support-contributions	\$ 232,405	\$ 1,155,836	\$ 1,388,241
United Way allocations	89,032	-	89,032
Foundation and government grants	64,334	158,376	222,710
Membership dues	8,824,680	-	8,824,680
Rental revenues	15,270	-	15,270
Program fees	3,998,150	-	3,998,150
Sale of supplies and services	9,401	-	9,401
Investment losses, net	(318,369)	(308,069)	(626,438)
Special events	11,274	-	11,274
Miscellaneous income	121,952	-	121,952
	<u>13,048,129</u>	<u>1,006,143</u>	<u>14,054,272</u>
Net assets released from restrictions	<u>1,582,837</u>	<u>(1,582,837)</u>	<u>-</u>
Total support and revenues	14,630,966	(576,694)	14,054,272
Expenses			
Program and membership services			
Youth development	4,479,062	-	4,479,062
Healthy living	6,801,383	-	6,801,383
Social responsibility	426,204	-	426,204
Total program and membership services	<u>11,706,649</u>	<u>-</u>	<u>11,706,649</u>
Supporting services			
Management and general	2,163,420	-	2,163,420
Fundraising	435,663	-	435,663
Total support services	<u>2,599,083</u>	<u>-</u>	<u>2,599,083</u>
Total expenses	<u>14,305,732</u>	<u>-</u>	<u>14,305,732</u>
Change in net assets	325,234	(576,694)	(251,460)
Net assets, beginning of year	<u>21,169,445</u>	<u>4,412,242</u>	<u>25,581,687</u>
Net assets, end of year	<u>\$ 21,494,679</u>	<u>\$ 3,835,548</u>	<u>\$ 25,330,227</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Youth development	Healthy living	Social responsibility	Management and general	Fundraising	Total expenses
Salaries and wages	\$ 3,186,122	\$ 3,240,824	\$ 94,555	\$ 834,198	\$ 67,528	\$ 7,423,227
Employee benefits	348,686	269,878	17,538	151,481	13,386	800,969
Payroll taxes	236,436	243,914	7,432	57,150	4,830	549,762
Contracted labor and professional fees	43,137	56,527	2,068	112,926	7,290	221,948
Supplies/other program costs	431,233	68,323	64,360	9,621	18,582	592,119
Telephone and communication	29,954	17,990	1,203	6,141	-	55,288
Postage and shipping	12,749	11,577	617	2,733	2,316	29,992
Building occupancy	1,321,213	1,009,333	53,832	-	-	2,384,378
Equipment expenses	304,034	94,882	3,211	257,000	9,924	669,051
Advertising and publicity	113,322	96,526	5,311	1,548	6,916	223,623
Employee expenses	24,697	12,263	1,080	47,996	690	86,726
Conferences, conventions, and meetings	32,361	9,719	7,041	30,200	4,283	83,604
Association dues and memberships	129,150	107,126	5,714	9,014	-	251,004
Scholarships and awards	-	-	42,132	-	-	42,132
Financing costs	-	-	-	569,599	-	569,599
Credit card fees	101,855	93,113	4,966	34,231	-	234,165
Insurance expense	114,865	100,948	5,264	1,421	-	222,498
Miscellaneous expense	86,129	133,215	1,578	18,529	-	239,451
Depreciation and amortization	656,794	991,017	31,842	32,585	-	1,712,238
Total expenses	<u>\$ 7,172,737</u>	<u>\$ 6,557,175</u>	<u>\$ 349,744</u>	<u>\$ 2,176,373</u>	<u>\$ 135,745</u>	<u>\$ 16,391,774</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

	<u>Youth development</u>	<u>Healthy living</u>	<u>Social responsibility</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total expenses</u>
Salaries and wages	\$ 1,969,429	\$ 3,295,598	\$ 123,953	\$ 851,778	\$ 300,169	\$ 6,540,927
Employee benefits	224,811	273,932	17,041	192,194	47,520	755,498
Payroll taxes	144,383	244,882	9,028	55,781	20,750	474,824
Contracted labor and professional fees	54,696	62,203	1,948	92,200	6,676	217,723
Supplies/other program costs	306,492	53,341	62,394	8,239	9,514	439,980
Telephone and communication	19,109	17,581	1,044	9,438	979	48,151
Postage and shipping	7,413	11,229	704	11,919	2,099	33,364
Building occupancy	775,238	1,130,340	68,927	25	-	1,974,530
Equipment expenses	158,509	107,051	3,095	244,611	9,004	522,270
Advertising and publicity	73,009	106,929	7,055	3,455	21,380	211,828
Employee expenses	24,023	18,072	1,091	19,012	3,997	66,195
Conferences, conventions, and meetings	18,024	12,609	5,706	20,008	13,438	69,785
Association dues and memberships	91,240	129,557	8,120	6,986	75	235,978
Scholarships and awards	-	-	59,061	-	-	59,061
Financing costs	-	-	-	582,974	-	582,974
Credit card fees	75,125	113,962	7,061	11,221	-	207,369
Insurance expense	64,312	95,344	5,597	1,566	-	166,819
Miscellaneous expense	20,923	70,676	1,481	12,129	62	105,271
Depreciation and amortization	452,326	1,058,077	42,898	39,884	-	1,593,185
 Total expenses	 <u>\$ 4,479,062</u>	 <u>\$ 6,801,383</u>	 <u>\$ 426,204</u>	 <u>\$ 2,163,420</u>	 <u>\$ 435,663</u>	 <u>\$ 14,305,732</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 4,936,213	\$ (251,460)
Adjustments		
Depreciation and amortization	1,712,238	1,593,185
Unrealized and realized (gains) losses on investment	(1,021,868)	587,774
Loss on disposal of property and equipment	26,015	-
Bad debts	230,198	81,046
Contribution recorded during acquisition of Frankfort	(3,175,700)	-
Changes in		
Accounts receivable	146,889	(53,801)
Pledges receivable	(309,700)	70,243
Prepaid expenses	109,166	4,824
Other assets	-	(5,000)
Accounts payable	(666,057)	557,806
Accrued expenses and other current liabilities	(158,418)	332,501
Deferred income	83,745	(78,293)
	<u>1,912,721</u>	<u>2,838,825</u>
Net cash provided by operating activities	1,912,721	2,838,825
Cash flows from investing activities		
Cash acquired during acquisition of Frankfort	204,494	-
Proceeds from sales or maturities of investments	310,518	57,520
Acquisition of investments	(1,500,000)	-
Contributions of investments	(178,756)	(65,592)
Purchases of property and equipment	(482,287)	(1,460,003)
Proceeds from sale of equipment	13,150	-
	<u>(1,632,881)</u>	<u>(1,468,075)</u>
Net cash used by investing activities	(1,632,881)	(1,468,075)
Cash flows from financing activities		
Principal payments on long-term debt	(739,475)	(719,110)
Proceeds from contributions restricted for endowment	50,000	156
Proceeds from contributions restricted for purchases of property and equipment	12,041	10,283
Principal payments on capital leases	(412,057)	(427,135)
	<u>(1,089,491)</u>	<u>(1,135,806)</u>
Net cash used by financing activities	(1,089,491)	(1,135,806)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(809,651)	303,528
Cash, cash equivalents, and restricted cash, beginning of year	<u>2,342,587</u>	<u>1,618,272</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 1,532,936</u>	<u>\$ 2,342,587</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 555,856	\$ 572,288
Supplemental disclosure of investing and financing transactions		
Property and equipment included in accounts payable	-	486,116
Equipment purchased through capital leases	426,525	411,373
Non-cash contribution from Frankfort transaction	2,971,206	

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,134,435	\$ 1,921,800
Restricted cash	<u>398,501</u>	<u>420,787</u>
 Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	 <u>\$ 1,532,936</u>	 <u>\$ 2,342,587</u>

Amounts included in restricted cash represent cash received with donor-imposed restrictions that limit the use of these funds by either purpose or time.

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements
Years Ended December 31, 2019 and 2018

Note A - Nature of Organization and Operations

The Young Men's Christian Association of Central Kentucky, Inc. (the "Association" or "YMCA") is a not-for-profit organization serving Central Kentucky, whose goals are to put Christian principles into action through programs and membership services that build a healthy spirit, mind, and body for all people in the community. Financial assistance is available for those in need for both membership and programs. Programs which assist in meeting the Association's goals include:

Healthy Living

Membership Services: The Association is primarily a membership organization offering memberships to youths, teens, adults, households, and seniors within its community. Memberships offer the opportunity to pursue health and well-being either individually, or as a part of an organized group in areas of cardiovascular, muscle strengthening, aquatics, and socialization with others. Many activities are included with membership, while many other fee-based programs are offered at a discount to members.

Health and Fitness Programs: The YMCA offers more than 300 classes across our locations each week as part of a general YMCA membership. These classes and programs enable members and non-members alike to improve physical fitness through a variety of interests including personal fitness programs, weight management programs, group participation yoga, cycling, and water aerobics, along with various other programs. Additionally, the YMCA offers an array of fee-based offerings including Pilates Reformer, personal training, and martial arts.

Youth Development

Before and After School Child Care: This program offers before/after school childcare at public school sites within the community as well as at each branch location. This program fosters growth and development of children with their parents and family. Instruction and activities within this program help kids develop moral and ethical behavior, self-esteem, and leadership, while providing a safe and supportive environment for working parents.

Childcare Centers: The YMCA has the Crayon Club, a Frankfort, KY based center that provides full service daycare for children ages 6 weeks through 5 years old. The children are involved in learning activities, arts and crafts, games, motor skill development, and environmental education. The YMCA also manages a corporate childcare center in Lexington, KY where employees of various partners can bring their children, ages 6 weeks through pre-K.

Youth-camps: Various programs are offered to participants including all-day camps for youth during the school year, all-day and part day summer camps, sports camps, and horseback camps. The Association also offers summer day camp activities in natural surroundings at its Bar-Y camp in Versailles, KY.

Youth/Teen Programs: Programs include youth instructional sports designed to enhance the skills of the respective sport and to promote the development of health and fitness, cooperation, safety, and respect for others. Such programs include basketball, T-ball, football, soccer, volleyball, cheerleading, and YMCA youth sports leagues that emphasize equal participation for all versus winning and losing. Teen focused programs include leadership coaching through the Black Achievers program and youth advisory councils.

The YMCA is also a partner with Fayette County Public Schools and the Building Educated Leaders for Life to provide the Power Scholars Academy program designed to help advance student's academic achievement through a full day summer experience that combines small group, rigorous literacy and math instruction, with hands on enrichment activities, field strips and service projects.

Aquatics: Swim lessons are offered to all ages and include progressive learn-to-swim programs, water fitness activities, swim teams, and specialized aquatic activities such as scuba diving, CPR, and life guarding certification.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note A - Nature of Organization and Operations (Continued)

Youth Development (Continued)

Arts and Humanities Programs: Instructional sessions are offered in various art forms including dance (tap and ballet).

Social Responsibility

Community Services: The Association is committed to working with local and regional nonprofit agencies in support of stronger communities. Program and events such as arts and humanities, neighborhood events, back to school rallies, nonprofit use of YMCA facilities, city-wide events, and more emphasize the commitment to community partners.

The previously mentioned Black Achievers program provides students in the 7th through 12th grades exposure to present educational and future career opportunities. These students are connected with adult mentors who encourage students throughout their high school years and guide them on career development. Assistance is provided for students in applying for college and the association works with colleges and universities to secure scholarships for graduating seniors.

In addition, the YMCA offers diabetes prevention program to help people reduce their risk of developing type 2 diabetes. This small-group activity helps people with prediabetes eat healthier, increase their physical activity and lose weight, which can delay or even prevent the onset of type 2 diabetes.

The YMCA has partnered with LIVESTRONG® to provide a safe, supportive environment for cancer survivors to continue their healing and achieve their whole-person health goals.

The YMCA works with the Toyota Bluegrass Miracle League to provide opportunities for children and adults with disabilities to play baseball, regardless of their abilities. Each year the YMCA hosts an annual Christmas Ball for the special needs community in Frankfort., KY.

Frankfort Purchase

On January 1, 2019, the Association signed an agreement to purchase the Young Men's Christian Association of Frankfort, Kentucky (Frankfort) for \$1, taking ownership of all assets and assuming responsibility for all remaining liabilities. Frankfort's activities and programs will continue to be operated by the Association in future years. Management relied on third party appraisals and historic book value to record the transaction.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note A - Nature of Organization and Operations (Continued)

As a result of the acquisition, the Association recorded the fair value of the assets and liabilities on January 1, 2019. The excess value of the assets over the liabilities was recorded as a contribution during 2019.

Fair value of identifiable assets	
Cash	\$ 204,494
Accounts receivable	62,611
Pledges receivable	1,515
Prepaid expenses	31,593
Property and equipment	<u>3,000,695</u>
Total fair value of identified assets	3,300,908
Fair value of identifiable liabilities	
Accounts payable	75,128
Accrued expenses	44,300
Deferred income	<u>5,780</u>
Total fair value of identified liabilities	<u>125,208</u>
Net assets acquired	<u><u>\$ 3,175,700</u></u>

Note B - Summary of Significant Accounting Policies

1. **Basis of Accounting:** The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Accounting Standards Codification ("ASC") is the sole source of authoritative GAAP.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes the revenue recognition guidance in Topic 605, Revenue Recognition. The core principle of the guidance is that an entity will recognize revenue when it transfers promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods and services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard is effective for the year ended December 31, 2019.

Analysis of various provisions of this standard resulted in no significant changes in the way the Association recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

The Association recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Revenue from contracts with customers, disaggregated by type, during the years ended December 31, 2019 and 2018 is depicted on the face of the statements of activities.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

1. Basis of Accounting (Continued):

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2019:

Deferred membership dues, beginning of year	\$ 323,819
Revenue recognized that was included in deferred membership dues, beginning of year	(323,819)
Increase in deferred revenue due to cash received during the period	<u>413,344</u>
Deferred membership dues, end of year	<u>\$ 413,344</u>

The Association's contract liabilities are comprised of membership dues and program fees received in advance of the performance of services.

2. Accounting Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
3. Cash and Cash Equivalents: The Association considers all cash and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.
4. Pledges Receivable: Pledges receivable due in subsequent years are recorded at the present value of the net realizable value, using an applicable interest rate to discount the amount.
5. Accounts Receivable: Accounts receivable consists mainly of third-party billings related to memberships and grants.
6. Allowance for Doubtful Accounts: The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses based on prior year experience and knowledge of the donor or member's financial condition. Amounts are charged against the allowance when management determines that collection is doubtful. The allowance for doubtful accounts was \$215,672 and \$126,052 as of December 31, 2019 and 2018, respectively and relates to both pledges receivable and accounts receivable.
7. Investments: Investments are reported at fair value. Unrealized gains and losses are calculated as the difference between fair value and cost. Realized and unrealized gains and losses are reported in the statements of activities. Investments are exposed to various risks such as interest rate, market risk and credit risk. Due to the level of uncertainty related to changes in these factors, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments.
8. Property and Equipment: The Association reports gifts of land, buildings, and equipment as unrestricted support unless the donor specifies how the donated assets must be used. Gifts of long-lived assets with stipulations on use are reported as restricted support.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

8. Property and Equipment (Continued): Property and equipment is stated at cost or fair-market value at date of receipt, if donated. The Association capitalizes property and equipment with a useful life of more than one year and a cost greater than \$1,500. Maintenance and repairs are expensed when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	40 years
Building and land improvements	15 years
Furniture and equipment	7 years
Vehicles	10 years

9. Contributions: Contributions are recognized when the donor makes an unconditional promise to contribute. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give are not included as contributions until the conditions are substantially met.
10. Donor-imposed Restrictions: The Association records and reports its assets, liabilities, net assets, revenues, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. The Association reports information regarding its financial position and activities according to the following net asset classifications:
- *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 Association. These net assets may be used at the discretion of the Association's management and the board of directors. From time to time the Board designates a portion of these net assets for specific purposes which make them unavailable for use at management's discretion.
 - *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 Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.
11. Advertising: Advertising costs are expensed as incurred. Advertising expense amounts to \$223,623 and \$211,828 for the years ended December 31, 2019 and 2018, respectively.
12. Functional Allocation of Expenses: Expenses are reported by functional area in the accompanying statements of functional expense. Expenses which directly and solely benefit a program are charged entirely to that program, while expenses benefiting multiple programs are allocated between program services and support services. Administrative costs like Association and branch management, advertising, insurance and dues are allocated to each functional area based on the proportion of each program area's direct pre-allocated expenses to total direct program expenses. In a similar manner, facility expenses like depreciation and other building occupancy costs are also allocated to each functional area based on the percentage of each program area's direct pre-allocated expenses to total direct program expenses.
13. Income Taxes: The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. The Association recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions has been recorded in the accompanying financial statements.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

14. Financing Costs: Financing costs are netted with long-term debt in the financial statements. The Association incurred certain financing fees in the amount of \$209,110 which are being amortized over the twenty-year term of the loan. Accumulated amortization is \$45,307 and \$34,852 as of December 31, 2019 and 2018, respectively.

Future amortization expense for the years ending December 31 is as follows:

2020	\$ 10,456
2021	10,456
2022	10,456
2023	10,456
2024	10,456
Thereafter	<u>111,523</u>
	<u>\$ 163,803</u>

15. Subsequent Events: Subsequent events for the Association have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued. (See Note Q)
16. New Pronouncements: In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard is effective for the calendar year ending December 31, 2019. The Association evaluated the impact of the adoption of ASU 2018-08 on the financial statements and did not record any material impact from the adoption of ASU 2018-08 as of December 31, 2019.

In November 2016, the FASB issued ASU 2016-18, *Statements of Cash Flows (Topic 230), Restricted Cash*. This standard requires when cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, that a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet be presented. This guidance also requires entities to disclose the nature of their restricted cash and restricted cash equivalents. The Association evaluated the impact of the adoption of ASU 2016-18 on the financial statements and did not record any material impact from the adoption of ASU 2016-18 as of December 31, 2019. This was adopted using a retrospective transition method and the December 31, 2018 statement of cash flows was restated to agree with current year presentation.

In February 2016, the FASB issued ASU No. 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 statement of financial position 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 statement of activities. This standard will be effective for the calendar year ending December 31, 2021.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note B - Summary of Significant Accounting Policies (Continued)

16. New Pronouncements (Continued): In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the income statement will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. This standard will be effective the calendar year ending December 31, 2023. The Association is currently in the process of evaluating the impact of the adoption of ASU 2016-02 and ASU 2016-13 on the financial statements.

Note C - Liquidity and Availability of Resources

The Association's endowment funds consist of donor-restricted endowments that are not available for general expenditure. The Association also has board designated net assets without donor restrictions that, while the Association does not intend to spend for purposes other than those identified, the amounts could be made available for current operations, if necessary.

In addition, as part of its liquidity management, the Association invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and money market accounts. As more fully described in Note H, the Association has a \$250,000 line of credit also available to meet liquidity needs.

The Association's assets available within one year of the statements of financial position date for general expenditures as of December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Financial asset at year-end		
Cash and cash equivalents	\$ 1,532,936	\$ 2,342,587
Accounts receivable	257,887	342,165
Pledges receivable, net	924,082	855,106
Investments	5,432,750	3,341,043
Funds held in trust by others	<u>2,485,896</u>	<u>2,237,497</u>
Total financial assets	10,633,551	9,118,398
Less amounts not available to be used within one year due to		
Restricted by donors for use in future periods	416,902	271,969
Restricted by donors in perpetuity	2,957,935	2,687,161
Board designated funds for capital maintenance	1,185,947	968,187
Board designated funds for debt service	1,250,000	-
Board designated endowment	<u>2,640,365</u>	<u>2,161,640</u>
Total financial assets not available to be used within one year	<u>8,451,149</u>	<u>6,088,957</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 2,182,402</u>	<u>\$ 3,029,441</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note D - Pledges Receivable

Pledges receivable are unconditional promises to give related to the Association's Capital Campaign and Annual Giving Campaign as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 430,016	\$ 489,202
Receivable in one to five years	819,998	550,000
Receivable in six to fifteen years	<u>-</u>	<u>50,000</u>
Total pledges receivable	1,250,014	1,089,202
Less allowance for doubtful accounts	(181,138)	(126,051)
Less discounts to net present value	<u>(144,794)</u>	<u>(108,045)</u>
Net pledges receivable	<u>\$ 924,082</u>	<u>\$ 855,106</u>

The discount rate used on promises to give is 5%.

Note E - Investments and Fair Value Accounting

Investments as of December 31, 2019 consist of the following:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation</u>
Equities	\$ 3,081,633	\$ 3,770,118	\$ 688,485
Fixed income	2,320,851	2,379,518	58,667
Cash equivalents	1,388,742	1,388,930	188
Alternative strategies	<u>323,909</u>	<u>380,080</u>	<u>56,171</u>
	<u>\$ 7,115,135</u>	<u>\$ 7,918,646</u>	<u>\$ 803,511</u>
Investments		\$ 5,426,709	
Perpetual trusts held by third parties		<u>2,491,937</u>	
		<u>\$ 7,918,646</u>	

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note E - Investments and Fair Value Accounting (Continued)

Investments as of December 31, 2018 consist of the following:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized appreciation (depreciation)</u>
Equities	\$ 3,099,756	\$ 3,037,792	\$ (61,964)
Fixed income	2,279,262	2,215,243	(64,019)
Cash equivalents	133,506	133,506	-
Alternative strategies	<u>191,786</u>	<u>191,999</u>	<u>213</u>
	<u>\$ 5,704,310</u>	<u>\$ 5,578,540</u>	<u>\$ (125,770)</u>
Investments		\$ 3,341,043	
Perpetual trusts held by third parties		<u>2,237,497</u>	
		<u>\$ 5,578,540</u>	

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note E - Investments and Fair Value Accounting (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2019:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income			
YMCA maintenance reserve	\$ 26,098	\$ 1,865	\$ 27,963
YMCA endowment	55,510	1,364	56,874
Savings	19,683	-	19,683
YMCA stock gift fund		2	2
Stoll trust	-	29,694	29,694
Mitchell trust	-	11,715	11,715
Coolidge trust	-	23,048	23,048
Cooper trust	-	3,035	3,035
Other	-	994	994
	<u>101,291</u>	<u>71,717</u>	<u>173,008</u>
Distributions			
Stoll trust	-	(48,378)	(48,378)
Mitchell trust	-	(18,893)	(18,893)
Coolidge trust	-	(59,768)	(59,768)
Cooper trust	-	(7,103)	(7,103)
Other	-	(4)	(4)
	<u>-</u>	<u>(134,146)</u>	<u>(134,146)</u>
Realized gains (losses)			
YMCA maintenance reserve	2,718	319	3,037
YMCA endowment	28,783	1,913	30,696
YMCA stock gift fund	-	(374)	(374)
Stoll trust	-	14,314	14,314
Mitchell trust	-	(676)	(676)
Coolidge trust	-	30	30
Cooper trust	-	3,166	3,166
	<u>31,501</u>	<u>18,692</u>	<u>50,193</u>
Unrealized gains (losses)			
YMCA maintenance reserve	197,847	12,644	210,491
YMCA endowment	414,393	13,540	427,933
YMCA stock gift fund	-	(23)	(23)
Stoll trust	-	146,478	146,478
Mitchell trust	-	66,572	66,572
Coolidge trust	-	88,537	88,537
Cooper trust	-	20,136	20,136
Other	-	11,551	11,551
	<u>612,240</u>	<u>359,435</u>	<u>971,675</u>
Investment income before fees	745,032	315,698	1,060,730
Less investment fees	<u>(28,863)</u>	<u>(19,442)</u>	<u>(48,305)</u>
Investment income, net	<u>\$ 716,169</u>	<u>\$ 296,256</u>	<u>\$ 1,012,425</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note E - Investments and Fair Value Accounting (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2018:

	Without donor restrictions	With donor restrictions	Total
Interest and dividend income			
YMCA maintenance reserve	\$ 24,663	\$ 1,295	\$ 25,958
YMCA endowment	56,333	1,003	57,336
YMCA stock gift fund	2,008	15,100	17,108
Stoll trust	-	19,325	19,325
Mitchell trust	-	10,388	10,388
Coolidge trust	-	21,680	21,680
Cooper trust	-	3,127	3,127
	<u>83,004</u>	<u>71,918</u>	<u>154,922</u>
Distributions			
YMCA endowment	(2,000)	-	(2,000)
YMCA stock gift fund	-	(15,100)	(15,100)
Stoll trust	-	(41,929)	(41,929)
Mitchell trust	-	(18,540)	(18,540)
Coolidge trust	-	(48,944)	(48,944)
Cooper trust	-	(7,140)	(7,140)
	<u>(2,000)</u>	<u>(131,653)</u>	<u>(133,653)</u>
Realized gains			
YMCA maintenance reserve	58,367	3,584	61,951
YMCA endowment	283,249	5,332	288,581
YMCA stock gift fund	-	295	295
Stoll trust	-	15,062	15,062
Mitchell trust	-	28,630	28,630
Coolidge trust	-	34,501	34,501
Cooper trust	-	6,585	6,585
	<u>341,616</u>	<u>93,989</u>	<u>435,605</u>
Unrealized losses			
YMCA maintenance reserve	(173,628)	(10,291)	(183,919)
YMCA endowment	(540,014)	(10,573)	(550,587)
YMCA stock gift fund	-	(8)	(8)
Stoll trust	-	(100,359)	(100,359)
Mitchell trust	-	(62,685)	(62,685)
Coolidge trust	-	(105,073)	(105,073)
Cooper trust	-	(18,380)	(18,380)
Other	-	(2,368)	(2,368)
	<u>(713,642)</u>	<u>(309,737)</u>	<u>(1,023,379)</u>
Investment income before fees	(291,022)	(275,483)	(566,505)
Less investment fees	<u>(27,347)</u>	<u>(32,586)</u>	<u>(59,933)</u>
Investment income, net	<u>\$ (318,369)</u>	<u>\$ (308,069)</u>	<u>\$ (626,438)</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note E - Investments and Fair Value Accounting (Continued)

The fair value provisions of the ASC define fair value, provide a framework for measuring fair value, and expand disclosures required for fair value measurements. They also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. Level 1 includes equities. Equities are valued using quoted market prices. Cash equivalents are valued at the net asset value of the units held.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 includes fixed income and alternative strategies. Fixed income securities are valued using pricing information obtained from a reputable third-party service provider who may utilize valuation techniques that use current market-based or independently sourced parameters, such as bid prices, dealer-quoted prices, or benchmark yield curves. Alternate strategies consist of hedge funds which are valued at the Net Asset Value of the month preceding the investment period according to the methodology outlined in the operating agreement for each individual hedge fund.
- Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Association's own assumptions.

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equities	\$ 2,475,755	\$ -	\$ -	\$ 2,475,755
Fixed income	-	1,360,882	-	1,360,882
Cash equivalents	1,353,007	-	-	1,353,007
Alternative strategies	-	237,065	-	237,065
	<u>3,828,762</u>	<u>1,597,947</u>	<u>-</u>	<u>5,426,709</u>
Perpetual trusts held by third parties				
Equities	1,294,363	-	-	1,294,363
Fixed income	-	1,018,636	-	1,018,636
Cash equivalents	35,923	-	-	35,923
Alternative strategies	-	143,015	-	143,015
	<u>1,330,286</u>	<u>1,161,651</u>	<u>-</u>	<u>2,491,937</u>
	<u>\$ 5,159,048</u>	<u>\$ 2,759,598</u>	<u>\$ -</u>	<u>\$ 7,918,646</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note E - Investments and Fair Value Accounting (Continued)

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equities	\$ 1,900,553	\$ -	\$ -	\$ 1,900,553
Fixed income	-	1,185,593	-	1,185,593
Cash equivalents	95,112	-	-	95,112
Alternative strategies	-	159,785	-	159,785
	<u>1,995,665</u>	<u>1,345,378</u>	<u>-</u>	<u>3,341,043</u>
Perpetual trusts held by third parties				
Equities	1,137,239	-	-	1,137,239
Fixed income	-	1,029,650	-	1,029,650
Cash equivalents	38,394	-	-	38,394
Alternative strategies	-	32,214	-	32,214
	<u>1,175,633</u>	<u>1,061,864</u>	<u>-</u>	<u>2,237,497</u>
	<u>\$ 3,171,298</u>	<u>\$ 2,407,242</u>	<u>\$ -</u>	<u>\$ 5,578,540</u>

Note F - Split-interest Agreements

Four donors have established trusts under which the Association receives benefits that are shared with other beneficiaries. Under the terms of these trusts, the Association has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but they never receive the assets held in trust. The value of these trusts has been determined by taking the Association's share of the income received annually and multiplying that percentage by the market value of the trust assets. A brief description of the perpetual trusts held by third parties is as follows:

- Stoll Trust: The Association receives 1/3 of the income earned. The income can be used for general operations.
- Mitchell Trust: The Association receives 1/13 of the income earned. The income can be used for general operations.
- Coolidge Trust: The Association receives 100% of the income earned. The income can be used for the benefit of the Jessamine County branch.
- Cooper Trust: The Association receives 50% of the income earned. The income can be used for general operations.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note G - Property and Equipment, net

Property and equipment as of December 31, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Land and land improvements	\$ 9,475,323	\$ 8,788,668
Buildings and building improvements	41,015,822	38,384,724
Furniture and equipment, Including capital leases	3,827,175	3,453,564
Vehicles	6,290	6,290
Construction-in-progress	<u>182,779</u>	<u>179,428</u>
Total property and equipment	54,507,389	50,812,674
Less: accumulated depreciation	<u>(15,730,163)</u>	<u>(14,204,007)</u>
Net property and equipment	<u>\$ 38,777,226</u>	<u>\$ 36,608,667</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$1,701,783 and \$1,582,730 respectively.

Note H - Line of Credit

In 2013, the Association secured a \$250,000 line of credit with a local bank. The line of credit bears interest at the bank's prime rate (4.75% at December 31, 2019). There was no outstanding balance on the line of credit as of December 31, 2019 or 2018.

Note I - Long-term Debt

On August 31, 2015, Scott County, Kentucky ("the Issuer") issued Cultural and Recreational Revenue and Revenue Refunding Bonds, Series 2015, in two series. The Series 2015B bonds were issued in the aggregate principal amount of \$3,000,000. The bonds were issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. The proceeds were used to repay the Variable Rate Demand Industrial Development Revenue Bonds Series 1999 bonds. Interest on the bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the fixed rate of 2.95% until August 31, 2030 then at either a floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2035. These bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The outstanding balance at December 31, 2019 and 2018 was \$2,495,328 and \$2,618,067, respectively.

In addition to the 2015B series, a Series 2015A was also issued on August 31, 2015 in the aggregate principal amount of \$16,000,000 to finance the costs of (i) the construction and equipping of a new facility to be located at 2681 Old Rosebud Road in Lexington, also known as the Whitaker Family YMCA and (ii) the expansion and renovation of the existing facility located at 381 West Loudon Avenue in Lexington known as YMCA North. The bonds were also issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. Interest on the bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the rate of 2.95% until August 31, 2030 and at either the floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2037. These bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The outstanding balance as of December 31, 2019 and 2018 was \$14,622,610 and \$15,239,346. This bond began amortization on November 30, 2017.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note I - Long-term Debt (Continued)

Debt service requirements at December 31, 2019 are as follows:

2020	\$ 761,637
2021	784,879
2022	807,523
2023	833,045
2024	858,080
Thereafter	13,072,774
Bond issuance costs	<u>(163,803)</u>
	<u>\$ 16,954,135</u>

Total outstanding debt related to both bond issues was \$17,117,938 and \$17,857,413 as of December 31, 2019 and 2018, respectively. The long-term debt is recorded net of unamortized issuance costs of \$163,803 and \$174,258 for the years ended December 31, 2019 and 2018, respectively.

Note J - Operating Lease Obligations

The Association leases office equipment, cardiovascular fitness equipment and vehicles from non-related parties under operating lease agreements that expire at various dates through 2020. Lease expense for the years ended December 31, 2019 and 2018 was \$37,657 and \$81,152, respectively.

The following is a schedule of the future minimum operating lease and service agreement payments as of December 31, 2019:

2020	\$ 26,323
2021	<u>1,249</u>
	<u>\$ 27,572</u>

Note K - Capital Lease Obligations

The Association has entered into leases for fitness equipment, copiers, and buses from non-related parties under capital lease agreements that expire at various dates through 2022. The lease terms vary from 3 to 5 years with total monthly payments of \$33,790 and \$38,118 for the years ended December 31, 2019 and 2018, respectively, with interest rates ranging from 2.09% to 4.80%, as of December 31, 2019 and as of December 31, 2018.

The cost of the leased equipment included in property and equipment at December 31, 2019 and 2018 is \$2,104,939 and \$1,892,718, respectively. Amortization of assets under capital leases is included in depreciation expense in the accompanying financial statements. Accumulated depreciation on capital lease equipment as of December 31, 2019 and 2018 is \$1,098,931 and \$894,711, respectively.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note K - Capital Lease Obligations (Continued)

The present value of minimum capital lease obligations as of December 31, 2019 are as follows:

2020	\$ 473,171
2021	411,171
2022	<u>162,421</u>
Total minimum obligations	1,046,763
Less amounts representing interest	<u>(101,220)</u>
Present value of minimum obligations	<u>\$ 945,543</u>

Note L - Endowment

The Association's endowment consists of a fund established to support operations. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association's Board of Directors serve as stewards of the endowment funds in accordance with their interpretation of the Uniform Prudent Management of Institutional Funds Act and applicable laws, and within the provisions of the Association's constitution and by-laws. The Association's Board of Directors has interpreted the Commonwealth of Kentucky's relevant trust laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Association classifies as permanently restricted net assets (a) the original value of donor-restricted gifts to the permanent endowment, (b) the original value of subsequent donor-restricted gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Association has adopted investment and spending policies for endowment assets that attempt to optimize total return while retaining sufficient liquidity to meet projected cash requirements to allow for growth of capital and income, and to preserve the principal of the fund.

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 and current yield. The Association maintains an Investment Policy designed to safeguard its assets while maximizing total returns. The Association's Board, through its Finance Committee, selects and monitors an Investment Advisor who determines the appropriate asset allocation and selects investments within the guidelines of the Investment Policy.

The Association's practice is to appropriate a portion of the fund's income for distribution during the year to be made available for expenditure. The Board establishes the annual distribution amount to be consistent with the Association's objective to preserve the principal of endowment assets held in perpetuity

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note L - Endowment (Continued)

Endowment net asset composition by type of fund as of December 31, 2019:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Donor-restricted in perpetuity	\$ -	\$ 2,957,935	\$ 2,957,935
Board designated	<u>2,640,364</u>	<u>-</u>	<u>2,640,364</u>
Total funds	<u>\$ 2,640,364</u>	<u>\$ 2,957,935</u>	<u>\$ 5,598,299</u>

Changes in endowment net assets for the year ended December 31, 2019:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 2,161,640	\$ 2,687,162	\$ 4,848,802
Investment income, net	35,548	50,905	86,453
Net appreciation (realized and unrealized)	<u>443,176</u>	<u>354,010</u>	<u>797,186</u>
Total investment return	478,724	404,915	883,639
Contributions	-	50,000	50,000
Distributions	<u>-</u>	<u>(184,142)</u>	<u>(184,142)</u>
Endowment net assets, end of the year	<u>\$ 2,640,364</u>	<u>\$ 2,957,935</u>	<u>\$ 5,598,299</u>

Endowment net asset composition by type of fund as of December 31, 2018:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Donor-restricted in perpetuity	\$ -	\$ 2,687,161	\$ 2,687,161
Board designated	<u>2,161,640</u>	<u>-</u>	<u>2,161,640</u>
Total funds	<u>\$ 2,161,640</u>	<u>\$ 2,687,161</u>	<u>\$ 4,848,801</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note L - Endowment (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2018:

	<u>Without donor restriction</u>	<u>With donor restriction</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 2,384,488	\$ 2,967,361	\$ 5,351,849
Investment income, net	34,886	22,824	57,710
Net depreciation (realized and unrealized)	<u>(255,734)</u>	<u>(186,627)</u>	<u>(442,361)</u>
Total investment return	(220,848)	(163,803)	(384,651)
Contributions	-	156	156
Distributions	<u>(2,000)</u>	<u>(116,553)</u>	<u>(118,553)</u>
Endowment net assets, end of the year	<u>\$ 2,161,640</u>	<u>\$ 2,687,161</u>	<u>\$ 4,848,801</u>

Note M - Net Assets

Net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	<u>2019</u>	<u>2018</u>
Board designated endowment	\$ 2,640,364	\$ 2,161,640
Board designated for debt service	1,250,000	-
Board designated for capital maintenance	1,185,947	968,187
Other net assets without donor restriction	<u>21,029,750</u>	<u>18,364,852</u>
	<u>\$ 26,106,061</u>	<u>\$ 21,494,679</u>

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note M - Net Assets (Continued)

Net assets with donor restriction subject to expenditure for specified purpose:

	<u>2019</u>	<u>2018</u>
Annual Giving campaign	\$ 394,089	\$ 442,873
Grants	363,737	125,344
Scholarship programs	116,574	138,964
Scott and Jessamine Counties	36,645	36,645
Capital campaign	<u>291,399</u>	<u>404,561</u>
	<u>\$ 1,202,444</u>	<u>\$ 1,148,387</u>

Endowment fund investments to be held indefinitely, the income from which is expendable to support the Association's program services:

	<u>2019</u>	<u>2018</u>
Endowments	<u>\$ 2,957,935</u>	<u>\$ 2,687,161</u>

Note N - Defined Contribution Plans

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

The Retirement Plan calls for contributions to the Fund at an amount equal to 12% of the participating employees' salary, with the Association contributing 7% and the employee contributing 5%. Under a special annual agreement, the Association can increase the amount of its contribution rate, thereby reducing the required contribution rate from its eligible employees. Employee contributions as well as any excess contribution rate paid by the Association on behalf of the employee contribution percentage are vested immediately to the employee. Employees who are 21 years of age and over are eligible to participate in the Retirement Plan on the first day of the month after two years of service, defined as completion of 1,000 hours of compensated employment within a 12-month period. Both employee and employer contributions to the Retirement Plan become immediately vested to the employee upon entrance of the Retirement Plan.

The Association elected to contribute 12% for the years ended December 31, 2019 and 2018, thereby making the required employee contribution rate to be 0%. The Association contributed \$438,819 and \$388,869 for the years ended December 31, 2019 and 2018, respectively, of which none was unpaid as of year-end.

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

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
Years Ended December 31, 2019 and 2018

Note O - Related Party Transactions

As of December 31, 2019 and 2018, \$229,597 and \$216,504, respectively, was paid to the YMCA of the U.S.A for support services.

The Kentucky West Virginia Alliance of YMCAs (the "Alliance"), a 501(c)(4) organization, was created in November 2018 to support the growth and development of YMCAs in Kentucky and West Virginia. The purpose of the Alliance is to provide the following functions to the Alliance members: 1) Build organization capacity of Alliance Member YMCAs, 2) Build strong networks to provide opportunities for peer-to-peer learning and support, 3) Develop Alliance infrastructure, 4) Form collaborations to advance the strategic goals of the Alliance and 5) Advocate and advance the state alliance legislative priorities. The Alliance will provide services in the areas of board development, strategic planning, relationship building, facilitating management agreements, shared services and mergers and advocacy.

The Y-USA awarded a two-year grant in the amount of \$581,667 to provide funding for the Alliance through 2020. The Alliance will receive additional funding from monthly assessments paid by member YMCAs. These monthly dues are based on annual revenues. The YMCA of Central Kentucky provides accounting, payroll and office support for the Alliance and receives \$25,000 as an administrative fee for the director's office space as well as administrative services.

Note P - Commitments and Contingencies

The Association has an operating lease, that is renewed annually, with the Commonwealth of Kentucky to lease land in Frankfort, Kentucky for \$300 per year. The Association recorded an in-kind contribution of \$24,000 for the estimated fair rental value of the property and a corresponding lease expense for each of the years ended December 31, 2019 and 2018.

Note Q - Subsequent Events

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Further, the United States Center for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As a result, on March 15, 2020, the Association reduced services to virtual-only activities and closed its facilities, limiting their use to emergency child-care for local health-care workers. Association operations have, as a result, been impacted by the COVID-19 outbreak including declines in membership and program revenue. Operations will continue to be impacted as a result of the COVID-19 crisis, but the ultimate disruption is uncertain and cannot be quantified. The Association is monitoring stimulus opportunities and controlling spending to preserve liquidity.

On April 22, the Association received a Paycheck Protection Program loan under the CARES Act of \$1,614,800. This loan bears interest at approximately 1%, is due in 24 months and is unsecured. Under the CARES Acts, subject to limitations, as defined, this loan may be partially or fully forgiven, depending on specified actual payroll and other qualified costs for the eight week period following receipt of the loan.