# THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

***As of and for the Years Ended September 30, 2020 and 2019***

***And Report of Independent Auditor***

Cherry Bekaert LLP
CPAs & Advisors

## OFFICERS

Farad Ali
Chief Volunteer Officer

Peter Williams
Immediate Past
Chief Volunteer Officer

John Linderman
Vice President

Deana Labriola
Secretary

Hamilton Sloan
Treasurer

Jill Heath
Assistant Secretary

## PROFESSIONAL ADMINISTRATIVE STAFF

Douglas W. McMillan
Chief Executive Officer

W. Tracy Howe
Chief Operating Officer

Bryan Huffman
Chief Financial Officer

Tony Campione
Chief Experience Officer

Bruce Ham
Chief Development Officer

Lisa Humphreys
Chief Strategy Officer

James A. White
Executive Vice President,
Organizational Relations

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY**

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Cherry Bekaert LLP
CPAs & Advisors

# Report of Independent Auditor

To the Board of Directors
The Young Men's Christian Association of the Triangle Area, Inc. and Development Company
Raleigh, North Carolina

We have audited the accompanying consolidated financial statements of The Young Men's Christian Association of the Triangle Area, Inc. (a North Carolina nonprofit organization) and Development Company (collectively referred to as the "Association"), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2020 and 2019, and the changes in its net assets, and its cash flows for the years then ended in accordance with U.S. GAAP.

## Other Matters

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2021 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal controls over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
January 19, 2021

# THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*SEPTEMBER 30, 2020 AND 2019*

| | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 25,980,344 | $ 26,081,918 |
| Accounts receivable | 1,747,890 | 5,420,733 |
| Pledges receivable, net (Note 2) | 6,553,743 | 7,634,723 |
| Investments, at fair value (Note 3) | 10,789,203 | 10,307,275 |
| Prepaid expenses | 2,056,766 | 2,592,548 |
| Land, buildings, and equipment, net (Note 5) | 166,943,195 | 135,118,326 |
| Land held for resale | 103,605 | 524,492 |
| Net investment in lease (Note 19) | 18,312,220 | 18,687,856 |
| Other assets | 1,535,527 | 3,527,350 |
| **Total Assets** | $ 234,022,493 | $ 209,895,221 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 5,033,420 | $ 7,913,725 |
| Deferred revenue (Note 19) | 12,384,605 | 13,248,562 |
| Lease prepayments | 18,312,220 | 18,687,856 |
| Agency funds payable | 10,881,273 | 692,382 |
| Line of credit (Note 7) | 3,432,236 | - |
| Capital leases payable | 31,237 | 83,331 |
| Notes payable (Note 8) | 10,306,409 | 16,292,559 |
| Bond loans payable (Note 8) | 49,486,246 | 34,818,380 |
| Obligations under interest rate swaps and collars (Note 9) | 3,251,638 | 888,792 |
| Total Liabilities | 113,119,284 | 92,625,587 |
| Net Assets: | | |
| Without Donor Restrictions: | | |
| Undesignated | 93,489,217 | 83,524,236 |
| Board designated | 7,445,163 | 13,336,274 |
| | 100,934,380 | 96,860,510 |
| With donor restrictions (Note 10) | 19,968,829 | 20,409,124 |
| Total Net Assets | 120,903,209 | 117,269,634 |
| **Total Liabilities and Net Assets** | $ 234,022,493 | $ 209,895,221 |

# CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

*YEAR ENDED SEPTEMBER 30, 2020*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Public Support and Revenue: | | | |
| Program and camping fees | $ 19,175,447 | $ - | $ 19,175,447 |
| Membership dues and joining fees | 24,819,656 | - | 24,819,656 |
| In-kind contributions | 8,731,741 | - | 8,731,741 |
| United way | 91,591 | - | 91,591 |
| Contributions | 10,673,141 | 4,227,349 | 14,900,490 |
| Grants | 3,476,225 | - | 3,476,225 |
| Gain on disposal of fixed assets | 310,727 | - | 310,727 |
| Investment return | 455,071 | 855,316 | 1,310,387 |
| Other income | 1,065,520 | 267,074 | 1,332,594 |
| | 68,799,119 | 5,349,739 | 74,148,858 |
| Net assets released from donor restrictions (Note 11) | 5,790,034 | (5,790,034) | - |
| Total Public Support and Revenue | 74,589,153 | (440,295) | 74,148,858 |
| Expenses: | | | |
| Program services | 54,087,812 | - | 54,087,812 |
| Administrative services | 11,364,979 | - | 11,364,979 |
| Fundraising | 2,699,646 | - | 2,699,646 |
| Total Expenses | 68,152,437 | - | 68,152,437 |
| Change in net assets before change in interest rate swaps | 6,436,716 | (440,295) | 5,996,421 |
| Change in market value of interest rate swaps (Note 9) | (2,362,846) | - | (2,362,846) |
| Change in net assets | 4,073,870 | (440,295) | 3,633,575 |
| Net assets, beginning of year | 96,860,510 | 20,409,124 | 117,269,634 |
| Net assets, end of year | $ 100,934,380 | $ 19,968,829 | $ 120,903,209 |

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

*YEAR ENDED SEPTEMBER 30, 2019*

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Public Support and Revenue: | | | |
| Program and camping fees | $ 49,881,423 | $ - | $ 49,881,423 |
| Membership dues and joining fees | 31,708,562 | - | 31,708,562 |
| In-kind contributions | 421,283 | - | 421,283 |
| United way | 49,516 | - | 49,516 |
| Contributions | 6,177,886 | 6,043,275 | 12,221,161 |
| Grants | 2,487,057 | - | 2,487,057 |
| Gain on disposal of fixed assets | 170,722 | - | 170,722 |
| Investment return | 5,612 | (5,369) | 243 |
| Other income | 1,553,216 | 157,005 | 1,710,221 |
| | 92,455,277 | 6,194,911 | 98,650,188 |
| Net assets released from donor restrictions (Note 11) | 11,174,954 | (11,174,954) | - |
| Total Public Support and Revenue | 103,630,231 | (4,980,043) | 98,650,188 |
| Expenses: | | | |
| Program services | 77,833,001 | - | 77,833,001 |
| Administrative services | 12,096,295 | - | 12,096,295 |
| Fundraising | 3,045,684 | - | 3,045,684 |
| Total Expenses | 92,974,980 | - | 92,974,980 |
| Change in net assets before change in interest rate swaps and collars | 10,655,251 | (4,980,043) | 5,675,208 |
| Change in market value of interest rate swaps and collars (Note 9) | (1,453,297) | - | (1,453,297) |
| Change in net assets | 9,201,954 | (4,980,043) | 4,221,911 |
| Net assets, beginning of year | 87,658,556 | 25,389,167 | 113,047,723 |
| Net assets, end of year | $ 96,860,510 | $ 20,409,124 | $ 117,269,634 |

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

*YEAR ENDED SEPTEMBER 30, 2020*

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | Youth Programs | Adult Programs | Resident Camps | Total Programs | Administrative Services | Fundraising | Total |
| Salaries | $ 14,200,041 | $ 6,673,637 | $ 2,714,780 | $ 23,588,458 | $ 4,554,016 | $ 1,566,157 | $ 29,708,631 |
| Employee benefits | 2,169,352 | 1,004,322 | 546,735 | 3,720,409 | 900,808 | 291,222 | 4,912,439 |
| Payroll taxes | 1,117,295 | 525,593 | 211,099 | 1,853,987 | 316,915 | 120,775 | 2,291,677 |
| Total Payroll | 17,486,688 | 8,203,552 | 3,472,614 | 29,162,854 | 5,771,739 | 1,978,154 | 36,912,747 |
| Professional fees and contracts | 818,225 | 505,909 | 613,786 | 1,937,920 | 1,797,852 | 158,882 | 3,894,654 |
| Supplies | 1,921,566 | 453,841 | 196,340 | 2,571,747 | 217,488 | 16,139 | 2,805,374 |
| Telephone | 431,966 | 240,684 | 124,800 | 797,450 | 147,747 | 28,170 | 973,367 |
| Postage | 120 | 35 | 5 | 160 | 99,735 | 2,350 | 102,245 |
| Occupancy | 4,418,762 | 2,252,246 | 889,387 | 7,560,395 | 161,689 | 15,637 | 7,737,721 |
| Equipment lease and maintenance | 65,426 | 52,013 | 251,857 | 369,296 | 46,161 | 11,911 | 427,368 |
| Promotion and printing | 7,676 | 21,709 | 751 | 30,136 | 321,546 | 282,632 | 634,314 |
| Travel | 295,689 | 29,586 | 86,448 | 411,723 | 43,651 | 10,763 | 466,137 |
| Conferences and meetings | 14,934 | 29,771 | 27,662 | 72,367 | 180,913 | 2,767 | 256,047 |
| Food | 413,814 | 161,986 | 286,097 | 861,897 | 98,545 | 51,982 | 1,012,424 |
| Dues | 16,914 | 11,547 | 17,159 | 45,620 | 564,367 | 10,139 | 620,126 |
| Insurance | 386,930 | 191,866 | 808,947 | 1,387,743 | 45,959 | 15,924 | 1,449,626 |
| Interest | 689,014 | 382,786 | 183,737 | 1,255,537 | 647,204 | 45,934 | 1,948,675 |
| Miscellaneous | 65,292 | 45,546 | 16,697 | 127,535 | 106,740 | 7,033 | 241,308 |
| Total Other Expenses | 9,546,328 | 4,379,525 | 3,503,673 | 17,429,526 | 4,479,597 | 660,263 | 22,569,386 |
| Total expenses before depreciation | 27,033,016 | 12,583,077 | 6,976,287 | 46,592,380 | 10,251,336 | 2,638,417 | 59,482,133 |
| Depreciation | 3,039,826 | 2,891,832 | 1,563,774 | 7,495,432 | 1,113,643 | 61,229 | 8,670,304 |
| Total Expenses | $ 30,072,842 | $ 15,474,909 | $ 8,540,061 | $ 54,087,812 | $ 11,364,979 | $ 2,699,646 | $ 68,152,437 |

## THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

*YEAR ENDED SEPTEMBER 30, 2019*

| | Program Services | | | | | | |
|---|---|---|---|---|---|---|---|
| | Youth Programs | Adult Programs | Resident Camps | Total Programs | Administrative Services | Fundraising | Total |
| Salaries | $ 17,962,040 | $ 10,201,851 | $ 5,563,660 | $ 33,727,551 | $ 4,671,492 | $ 1,355,252 | $ 39,754,295 |
| Employee benefits | 2,337,818 | 1,461,027 | 900,577 | 4,699,422 | 1,131,561 | 266,788 | 6,097,771 |
| Payroll taxes | 1,360,359 | 753,231 | 380,300 | 2,493,890 | 373,301 | 102,976 | 2,970,167 |
| Total Payroll | 21,660,217 | 12,416,109 | 6,844,537 | 40,920,863 | 6,176,354 | 1,725,016 | 48,822,233 |
| Professional fees and contracts | 330,250 | 472,044 | 1,203,490 | 2,005,784 | 2,215,061 | 286,043 | 4,506,888 |
| Supplies | 3,577,080 | 866,226 | 852,584 | 5,295,890 | 288,132 | 50,631 | 5,634,653 |
| Telephone | 317,092 | 316,714 | 226,552 | 860,358 | 30,135 | 9,942 | 900,435 |
| Postage | 952 | 386 | 5,090 | 6,428 | 127,300 | 13,557 | 147,285 |
| Occupancy | 5,529,450 | 5,910,814 | 2,872,114 | 14,312,378 | 453,665 | 72,022 | 14,838,065 |
| Equipment lease and maintenance | 231,430 | 136,928 | 520,264 | 888,622 | 37,868 | 1,385 | 927,875 |
| Promotion and printing | 15,580 | 11,903 | 166 | 27,649 | 652,233 | 380,169 | 1,060,051 |
| Travel | 615,663 | 51,911 | 140,676 | 808,250 | 88,956 | 15,128 | 912,334 |
| Conferences and meetings | 74,578 | 54,478 | 62,803 | 191,859 | 470,217 | 245,540 | 907,616 |
| Food | 884,002 | 431,259 | 1,124,713 | 2,439,974 | 245,752 | 143,731 | 2,829,457 |
| Dues | 187,909 | 219,101 | 133,037 | 540,047 | 168,850 | 9,436 | 718,333 |
| Insurance | 224,400 | 241,154 | 577,154 | 1,042,708 | 13,298 | - | 1,056,006 |
| Interest | 340,395 | 454,920 | 795,316 | 1,590,631 | 153,311 | - | 1,743,942 |
| Miscellaneous | 16,487 | 26,922 | 1,186 | 44,595 | 407,292 | 17,035 | 468,922 |
| Total Other Expenses | 12,345,268 | 9,194,760 | 8,515,145 | 30,055,173 | 5,352,070 | 1,244,619 | 36,651,862 |
| Total expenses before depreciation | 34,005,485 | 21,610,869 | 15,359,682 | 70,976,036 | 11,528,424 | 2,969,635 | 85,474,095 |
| Depreciation | 1,670,522 | 3,610,615 | 1,575,828 | 6,856,965 | 567,871 | 76,049 | 7,500,885 |
| Total Expenses | $ 35,676,007 | $ 25,221,484 | $ 16,935,510 | $ 77,833,001 | $ 12,096,295 | $ 3,045,684 | $ 92,974,980 |

The accompanying notes to the consolidated financial statements are an integral part of this statement.

# THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

*YEARS ENDED SEPTEMBER 30, 2020 AND 2019*

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 3,633,575 | $ 4,221,911 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | | |
| Depreciation | 8,670,304 | 7,500,885 |
| Amortization of debt issuance costs included in interest expense | 64,213 | 37,828 |
| Amortization of investment in lease | 375,636 | 93,909 |
| Unrealized loss (gain) on charitable trusts | (4,791) | 44,123 |
| Unrealized loss (gain) on investments | (651,458) | 217,468 |
| Gain on disposal of investments | - | (41,181) |
| Gain on disposal of fixed assets | (310,727) | (170,722) |
| Change in swaps and collars | 2,362,846 | 1,453,297 |
| Contributions received for capital campaign | (5,517,428) | (5,915,075) |
| Noncash land and building in-kind contributions | (8,600,044) | - |
| Net changes in operating assets and liabilities: | | |
| Accounts receivable | 3,672,843 | (1,741,535) |
| Pledges receivable | 1,080,980 | 509,257 |
| Prepaid expenses | 535,782 | 1,051,659 |
| Other assets | 1,996,614 | (758,320) |
| Accounts payable and accrued expenses | (2,880,305) | (1,362,999) |
| Agency funds payable | 10,188,891 | (215,618) |
| Deferred revenue | (863,957) | 4,396,037 |
| Lease prepayments | (375,636) | 15,349,311 |
| Net cash flows from operating activities | 13,377,338 | 24,670,235 |
| **Cash flows from investing activities:** | | |
| Additions to land, buildings, and equipment | (9,399,209) | (39,000) |
| Proceeds from sale of land, building, and equipment | 200,305 | 557,320 |
| Proceeds from sale of land held for sale | 560,784 | 2,155,000 |
| Purchase of investments | (2,790,209) | (6,152,499) |
| Proceeds from sale of investments | 2,959,739 | 4,718,115 |
| Net cash flows from investing activities | (8,468,590) | 1,238,936 |

*YEARS ENDED SEPTEMBER 30, 2020 AND 2019*

| | 2020 | 2019 |
|---|---|---|
| **Cash flows from financing activities:** | | |
| Net proceeds on line of credit | 51,608 | - |
| Principal payments on capitalized lease financing | (52,094) | (40,783) |
| Borrowing on note payable | - | 7,281,110 |
| Principal payments on note payable | (5,995,008) | (14,375,191) |
| Principal payments on bond payables | (4,476,552) | (3,788,801) |
| Payments of debt issuance costs | (55,704) | (206,870) |
| Additions to investment in lease | - | (18,781,765) |
| Contributions restricted for capital campaign | 5,517,428 | 5,915,075 |
| Net cash flows from financing activities | (5,010,322) | (23,997,225) |
| Net change in cash and cash equivalents | (101,574) | 1,911,946 |
| Cash and cash equivalents, beginning of year | 26,081,918 | 24,169,972 |
| Cash and cash equivalents, end of year | $ 25,980,344 | $ 26,081,918 |
| **Supplemental information:** | | |
| Interest paid | $ 1,582,882 | $ 1,310,433 |
| **Noncash investing and financing activities:** | | |
| Land and building (Northwest Cary) acquired through bond payable | $ 19,125,000 | $ - |
| Land and building (Northwest Cary) acquired through line of credit | $ 3,400,395 | $ - |
| Donation of land and building (Northwest Cary) | $ 2,049,244 | $ - |
| Donation of land and building (East Triangle) | $ 6,550,800 | $ - |

## Note 1—Nature of activities and summary accounting policies

*Mission and Nature of Activities* – The Young Men's Christian Association of the Triangle Area, Inc. and development company (the "YMCA") is an association of volunteers, members, and staff incorporated in 1911 for the purpose of putting Christian principles into practice through programs that build healthy spirit, mind, and body for all. The Association is comprised of 15 branches, three resident camps, and administrative offices. Members and participants primarily come from Wake, Durham, Orange, Johnston, Lee, Pamlico, Chatham, and surrounding counties.

SER Development I, Inc. (the "Organization") is an organization incorporated on February 16, 2018. It was formed for the exclusive purpose of holding the title to a parcel of real property located at 1436 Rock Quarry Road, Raleigh, North Carolina, collecting income therefrom, and turning over the entire amount thereof, less expenses to the YMCA. The Organization completed the Southeast Raleigh YMCA facility during the fiscal year and leased the facility to the Association.

The transactions of the Association and the Organization (collectively referred to as the "Association") have been consolidated in these statements in accordance with Accounting Standards Codification ("ASC") 958-810. All intercompany balances and transactions have been eliminated.

*Basis of Accounting* – The Association's consolidated financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Basis of Presentation* – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets without donor restrictions are not subject to donor-imposed stipulations. All net assets without donor restrictions, including board designated funds, may be used by the Association for general operations as determined by management or the Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor are otherwise removed by the Association's actions.

*Estimates* – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Tax Exempt Status* – The YMCA is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the IRC and qualifies for the 50% of adjusted gross income charitable contributions deduction for individual donors. The Financial Accounting Standards Board ("FASB") ASC 740, *Income Taxes*, requires the YMCA to estimate the likelihood that a potential income tax liability, including penalties and interest, exists for any income tax position taken on a return that has a more likely than not chance that the position would fail under a federal or state revenue audit. This estimated liability is known as an uncertain tax position. The YMCA has evaluated their income tax positions and has determined that they have no uncertain tax positions that should be accounted for under ASC 740. The YMCA is not currently under examination by the Internal Revenue Service ("IRS") or the state of North Carolina.

## Note 1—Nature of activities and summary accounting policies (continued)

*Tax Exempt Status* – The Organization is a not-for-profit organization exempt from federal income taxes under Section 501(c)(2) of the IRC. It has been classified as an organization that is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization which itself is exempt under IRC 501(a). The Organization has evaluated their income tax positions and has determined that they have no uncertain tax positions that should be accounted for under ASC 740. The Organization is not currently under examination by the IRS or the state of North Carolina.

*Cash and Cash Equivalents* – For purposes of the consolidated statements of cash flows, cash and cash equivalents represent cash in bank demand accounts and short-term highly liquid investments with original maturities of three months or less.

*Accounts Receivable* – Based upon a periodic review of receivables, accounts deemed uncollectible are charged back against the accounts receivable balance with the corresponding revenue account being reduced.

*Contributions and Promises to Give* – Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction has been satisfied, the net assets with donor restrictions are released to net assets without donor restrictions. If a donor imposes a restriction on a contribution and the restrictions are met in the same fiscal year, the Association may report all such contributions as net assets without donor restrictions.

*Investments* – Investments in equity and debt securities are recorded at fair value based on closing market prices or bid quotations in accordance with professional standards. The resulting unrealized gain or loss is reflected in the statements of activities.

*Prepaid Expenses* – Prepaid expenses consist of routine business expenses paid in advance (primarily insurance and leases).

*Land, Buildings, and Equipment* – Land, buildings, and equipment that are purchased is valued at historical cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

| | Life |
|---|---|
| Land improvements | 5 - 40 years |
| Buildings | 1 - 40 years |
| Vehicles and boats | 3 - 10 years |
| Furnishings and equipment | 3 - 44 years |

*Construction in Progress* – Amounts represent the accumulated cost of a project that has not yet been placed into service. When the project is complete and placed into service, the cost is removed from this account and recorded as a long-term asset.

*Deferred Revenue* – Deferred revenue consist of membership and program fees and a lease which are paid in advance are deferred and subsequently recognized as earned in the periods to which they relate.

## Note 1—Nature of activities and summary accounting policies (continued)

*Contributed Assets, Materials, and Services* – Donations of property, equipment, and materials are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the YMCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

For the years ended September 30, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was approximately $59,200 and $242,000, respectively. The services were primarily medical services for the resident camping programs and architectural services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the YMCA at their various facilities. During the years ended September 30, 2020 and 2019, the value of contributed supplies, materials, and space was approximately $72,500 and $145,000, respectively.

*Consolidated Statements of Functional Expenses* – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates functional expenses based on program delivery. Program expenses directly incurred to support program delivery, as well as indirect costs allocated by applying program expense percentages, are allocated to the program. The Organization captures administrative and fundraising costs through dedicated cost centers assigned to those functions, as well as indirectly by applying program expense percentages.

*Agency Funds Payable* – The Association considers all cash held in the agency capacity to be restricted cash. The Organization does not have variance power over the cash and has properly recognized the full amount at year-end. The Association had agency funds in the amount of $10,881,273 and $692,382, respectively, for the years ended September 30, 2020 and 2019. Included in agency fund payable, the Association is holding $9,925,000 and $-0- of CARES Act funds for other entities at September 30, 2020 and 2019, respectively.

*Concentrations* – The Association places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") permanently increased coverage to $250,000 for substantially all depository accounts. Effective January 1, 2013, all funds in certain noninterest-bearing transaction accounts will be insured in full by the FDIC with coverage to $250,000. During the year, the Association from time to time may have had amounts on deposit in excess of the insured limits. At September 30, 2020 and 2019, the Association exceeded the federally insured limit by approximately $23,633,300 and $19,615,700, respectively. At September 30, 2020 and 2019, 19% and 24% of the Association's rent expense was paid to the Wake County Public School System, respectively.

*New Accounting Pronouncements* – The Association implemented the FASB ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* during the year ended September 30, 2020. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments should be applied on a modified prospective basis. Under a modified prospective basis, in the first set of financial statements following the effective date, the amendments should be applied to agreements that are either not completed as of the effective date or entered into after the effective date. Retrospective application is permitted. The Association evaluated the effect of the standard on the consolidated financial statements and determined there was no impact on previously reported net assets.

## Note 1—Nature of activities and summary accounting policies (continued)

*Upcoming Accounting Pronouncements* – In May 2014, FASB issued ASU 2014-09. The amendments in this update create Topic 606, *Revenue from Contracts with Customers,* and supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition,* including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. Subsequently, on June 3, 2020, FASB issued ASU 2020-05, which delayed the effective date by one year, to the calendar year ending December 31, 2020. As such, the Organization elected to postpone implementation and is currently in the process of evaluating the impact of this ASU on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the calendar year ending December 31, 2021. The Association is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. The Association is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

*Advertising* – Advertising costs are expensed as incurred and totaled $359,819 and $837,573, respectively, for the years ended September 30, 2020 and 2019. The advertising costs are included in promotion and printing on the statement of functional expenses.

*Reclassifications* – Certain reclassifications have been made to the 2019 financial statement presentation on the Statement of Cash Flows to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

## Note 2—Pledges receivable, net

As of September 30, 2020 and 2019, the present value of pledges receivable, net of allowance for uncollectible accounts are due as follows:

| | 2020 | 2019 |
|---|---|---|
| Receivable in less than one year | $ 4,750,606 | $ 3,846,006 |
| Receivable in one to five years | 2,100,602 | 4,141,594 |
| Receivable in more than five years | 928,949 | 994,406 |
| | 7,780,157 | 8,982,006 |
| Less present value discount | (277,815) | (610,615) |
| | 7,502,342 | 8,371,391 |
| Less allowance for uncollectible accounts | (948,599) | (736,668) |
| Pledges receivable, net | $ 6,553,743 | $ 7,634,723 |

To reflect the value of its long-term pledges in today's dollars, the Association used a 3% discount rate for the fiscal years ended September 30, 2020 and 2019. The pledges are made, predominately, for branch-specific scholarships and outreach programs, capital improvements, and an endowment for underprivileged children.

## Note 3—Investments

Investments reported at market values consisted of the following as of September 30:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Cost | Fair Value | Carrying Value | Cost | Fair Value | Carrying Value |
| Equity funds | $ 6,423,642 | $ 7,928,389 | $ 7,928,389 | $ 5,942,749 | $ 7,181,057 | $ 7,181,057 |
| Bond funds | 2,815,481 | 2,868,517 | 2,868,517 | 3,120,002 | 3,133,720 | 3,133,720 |
| | $ 9,239,123 | $ 10,796,906 | $ 10,796,906 | $ 9,062,751 | $ 10,314,777 | $ 10,314,777 |

Market values are determined by market quotations at year-end. At September 30, 2020 and 2019, investment income includes realized gains on the sale of securities in the amount of $428,424 and $352,288, respectively. At September 30, 2020 and 2019, the Association's Investments in Partnerships decreased in value by $201 and $981, respectively. At September 30, 2020 and 2019, the net reported negative basis value of all K-1s received is ($7,703) and ($7,502), respectively.

## Note 4—Fair value measurements

The Association applies U.S. GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Association applies U.S. GAAP for fair value measurements of financial assets that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

*Level 1* – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

*Level 2* – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3* – Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy, within which a fair measurement in its entirety falls, is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2020:

| | Fair Value Measurements at September 30, 2020 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| Investments, at fair value: | | | | |
| Large cap | $ 4,631,635 | $ - | $ - | $ 4,631,635 |
| Mid cap | 902,646 | - | - | 902,646 |
| Small cap | 433,000 | - | - | 433,000 |
| International | 1,691,284 | - | - | 1,691,284 |
| Alternative mutual funds | 269,824 | - | - | 269,824 |
| Fixed income | 2,868,517 | - | - | 2,868,517 |
| Investment in partnerships | - | - | (7,703) | (7,703) |
| Total investments, at fair value | 10,796,906 | - | (7,703) | 10,789,203 |
| Obligations under the interest rate swaps | - | (3,251,638) | - | (3,251,638) |
| | $ 10,796,906 | $ (3,251,638) | $ (7,703) | $ 7,529,862 |

### Note 4—Fair value measurements (continued)

The following table presents assets and liabilities that are measured at fair value on a recurring basis at September 30, 2019:

| | Fair Value Measurements at September 30, 2019 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| Investments, at fair value: | | | | |
| Large cap | $ 3,570,303 | $ - | $ - | $ 3,570,303 |
| Mid cap | 988,676 | - | - | 988,676 |
| Small cap | 434,103 | - | - | 434,103 |
| International | 1,720,700 | - | - | 1,720,700 |
| Alternative mutual funds | 467,275 | - | - | 467,275 |
| Fixed income | 3,133,720 | - | - | 3,133,720 |
| Investment in partnerships | - | - | (7,502) | (7,502) |
| Total investments, at fair value | 10,314,777 | - | (7,502) | 10,307,275 |
| Obligations under interest rate swaps and collars | - | (888,792) | - | (888,792) |
| | $ 10,314,777 | $ (888,792) | $ (7,502) | $ 9,418,483 |

The following is a reconciliation of activity for Level 3 assets measured at September 30, 2020 and 2019, at fair value based on significant unobservable (non-market) information:

| | Investment in Partnership | |
|---|---|---|
| | 2020 | 2019 |
| Beginning balance | $ (7,502) | $ (6,521) |
| Realized losses | (201) | (981) |
| Ending balance | $ (7,703) | $ (7,502) |

## Note 5—Land, buildings, and equipment

Land, buildings, and equipment and related accumulated depreciation at September 30, 2020 and 2019, consisted of the following:

| | 2020 | 2019 |
|---|---|---|
| Land and land improvements | $ 49,660,859 | $ 41,765,722 |
| Buildings | 171,451,869 | 140,148,261 |
| Vehicles and boats | 5,892,378 | 6,073,351 |
| Furnishings and equipment | 22,240,033 | 21,570,755 |
| Construction in progress | 1,464,735 | 2,064,989 |
| | 250,709,874 | 211,623,078 |
| Less accumulated depreciation | (83,766,679) | (76,504,752) |
| | $ 166,943,195 | $ 135,118,326 |

Depreciation expense for the years ended September 30, 2020 and 2019 was $8,670,304 and $7,500,885, respectively.

During the year ended September 30, 2020, the Association received a donation of land and buildings at what will become its new East Triangle location. The Association estimated the fair value of the land and buildings to be $6,550,800 at the time the donation based on an independent appraisal and local real estate study.

## Note 6—Defined contribution plan

The Association participates in The YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the IRC of 1986, as amended and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in Section 403(b)(9) of the code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund ("Fund"). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the state of New York (1922) and 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.

## Note 6—Defined contribution plan (continued)

In accordance with the agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the Association. Contributions charged to retirement costs for fiscal years ended September 30, 2020 and 2019 totaled $1,683,737 and $2,690,269, respectively, of which $-0- was unpaid at year-end for September 30, 2020 and 2019. Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the Fund. There is no matching employer contribution in this plan.

## Note 7—Line of credit

On May 1, 2017, the Association entered into a $1,000,000 unsecured line of credit with Truist Bank, which was renewed on September 30, 2019 and the available credit limit was increased to $4,000,000. The Association financed the purchase of the Northwest Cary project using the line of credit. Net of debt issuance costs, the Association owed $3,432,236 and $-0- on the line of credit at September 30, 2020 **and 2019** and 2019, respectively. All outstanding principal and accrued interest are due on May 31, 2021 when the line of credit matures. The Association incurred $33,886 of debt issuance costs from the Northwest Cary project and amortized $14,119 of costs for the year ended September 30, 2020. Debt issuance costs are being amortized over the life of the line of credit.

On April 22, 2020, the Association entered into a $19,000,000 secured line of credit with Truist bank. The Association pledged the Alexander Family YMCA at 1603 Hillsborough St. as collateral. The line of credit was not used during the fiscal year ended September 30, 2020.

## Note 8—Debt obligations

**Bonds Payable**
On May 1, 2017, the Association entered into a Bond Purchase and Loan Agreement with the North Carolina Capital Facilities Finance Agency (the "Agency") in which the Agency committed to make loans to the Association from the proceeds of its Bonds in the principal amounts of $7,410,000, $12,725,000 and not to exceed $22,000,000 for the Series 2017A, Series 2017B, and Series 2017C, respectively. The funds were provided from the proceeds of the Agency's issuance of $7,410,000 Revenue Refunding Bond (YMCA of the Triangle) Series 2017A (the "2017A Bond"), $12,725,000 Revenue Refunding Bonds (YMCA of the Triangle) Series 2017B (the "2017B Bond"), and not to exceed $22,000,000 Revenue Bonds (YMCA of the Triangle) Series 2017C (the "2017C Bond") (collectively referred to as the "2017 Bonds" which were purchased by Truist Bank). The Association used the proceeds of the 2017A Bonds to prepay the 2002 Bonds, the 2017B Bonds to prepay the 2006 Bonds, and the 2017C Bonds to pay or reimburse itself for the costs of certain projects and pay certain expenses incurred in connection with the authorization and issuance of the 2017 Bonds. The YMCA was in compliance with all covenants at September 30, 2020.

The term of the 2017 Bonds included that interest shall accrue on the outstanding principal amount of each series of the 2017 Bonds, and shall initially be calculated at the Adjusted LIBOR Rate applicable to each such series on the basis of actual days elapsed over a 360-day year and shall be payable as provided in the form of the 2017 Bonds. Interest on the outstanding principal amount of the 2017 Bonds shall be payable on the first business day of each month.

## Note 8—Debt obligations (continued)

On October 1, 2019, the Association entered into a Bond Purchase and Loan Agreement with the Public Finance Authority (the "Authority") in which the Authority committed to make a loan to the Association from the proceeds of its Bonds in the principal amount of $19,125,000 for the Series 2019 Revenue Bond. The funds were provided from the Authority's issuance of $19,125,000 Revenue Bond (YMCA of the Triangle – Northwest Cary Project), Series 2019 (the "Bond') which were purchased by Truist Bank. The Association used the proceeds of the Series 2019 Bond to purchase property at 6903 Carpenter Fire Station Road, Cary, North Carolina. The YMCA was in compliance with all covenants at September 30, 2020.

The term of the 2019 Bond included that interest shall accrue on the outstanding principal amount of the Bond, and shall initially be calculated at the Adjusted Fed Funds Rate on the basis of actual days elapsed over a 360-day year and shall be payable as provided in the form of the bond. Interest on the outstanding principal amount of the Bond shall be payable on the first business day of each month.

The Association and Truist Bank entered into a Continuing Covenant Agreement which contains the financial covenants applicable to the Association going forward, including a requirement for unrestricted liquidity of not less than $6,000,000, measured each March 31 and September 30, and a Debt Service Coverage Ratio, tested each September 30 of 1.2 to 1.0. The Association's unrestricted liquidity as of September 30, 2020 was $9,389,820 and its debt service coverage ratio was 1.27 to 1.0.

Bonds payable consisted of the following at September 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| Series 2017A - matures, subject to the right of prior redemption, on May 1, 2022. Interest rate as September 30, 2020 was 1.92%. | $ 3,010,000 | $ 4,550,000 |
| Series 2017B - matures, subject to the right of prior redemption, on May 1, 2027. Interest rate at September 30, 2020 was 2.21%. | 9,520,000 | 10,640,000 |
| Series 2017C - matures, subject to the right of prior redemption, on May 1, 2032. Interest rate at September 30, 2020 was 2.44%. | 18,662,714 | 19,954,637 |
| Series 2019 (Northwest Cary Project) - matures, subject to the right of prior redemption on October 1, 2044. Interest rate at September 30, 2020 was 2.30%. | 18,600,369 | - |
| Less bond issuance costs | (306,837) | (326,257) |
| Total bonds payable | $ 49,486,246 | $ 34,818,380 |

**Notes Payable**

On April 12, 2018, the Organization entered into a loan agreement with CAHEC Sub-CDE XIV, LLC, a North Carolina limited liability company and ST CDE XLVI, LLC, a Georgia limited liability company (collectively referred to as the "Lenders"). The Lenders will fund the loan in the original aggregate principal amount of $21,000,000 using the New Markets Tax Credit (the "NMTC") and the Organization intends to develop, construct, equip, and lease the development project for use as a YMCA facility, which will include a wellness center, parking lot, gymnasium, outdoor swimming pool, exercise studios, and other athletic and recreational amenities. The Organization is expected to constitute a "qualified active low-income community business" within the meaning of Section 45D of the Code and the Treasury Regulations and guidance thereunder.

### Note 8—Debt obligations (continued)

The NMTC program was established under IRC Section 45D and is administered through the Community Development Financial Institutions ("CFDI") fund, which is a division of the U.S. Department of Treasury. The CFDI provides authority for Community Development Entities ("CDE") to sell the provided tax credits to qualified investors. The mission of CDEs is to provide capital to low-income communities for eligible projects such as for-profit retail, manufacturing plants, service businesses, and nonprofit businesses. Once the tax credits are received by the CDE, investors, such as local corporations, banks or insurance companies, invest (equity) in the CDE, which in turn allows the CDE to invest in qualifying businesses. This investment made into the CDE is called a qualified equity investment ("QEI") and can be made either as an equity investment or a loan. That investment is typically made with a combination of funds contributed by the investor and loaned by a lender, allowing the investor to take tax credits on the combined amount. The investor receives new market tax credits calculated on that aggregate amount equal to 39% of the QEI and is spread out over 7 years (5% in years 1 to 3 and 6% in years 4 to 7). The investment made by the CDE is typically structured as 7-year, below-market interest rate, interest-only loans. These loans are typically split into two loans, one corresponding to the equity portion of the investment and the second corresponding to the loan portion of the investment. At the end of the 7-year compliance period, there are mechanisms in place that would result in the portion of the loan relating to the equity being forgiven, as the equity investor made its investment in return for the tax credits, and is not looking for a return of its equity investment.

Notes payable consisted of the following at September 30:

| | 2020 | 2019 |
|---|---|---|
| Construction loan with Truist Bank for the Southeast Raleigh YMCA branch and school; secured by a double negative pledge on all assets and assignment of rent under lease with the Wake County Board of Education. Interest is payable monthly at LIBOR plus .75%. First payment of up to $18,530,000 due no later than 12/31/20, with final payment of $6,170,000 due at 3/31/23. Interest rate at September 30, 2020 was 0.898%. | $ 3,946,267 | $ 9,713,490 |
| Term loan agreement with Truist Bank with the proceeds of which was used to pay off a term loan from a different financial institution which financed the termination and payout of a defined benefit plan obligation. The monthly repayment of principal and interest is amortized over 60 months at the one-month LIBOR rate plus 0.68% (rate at September 30, 2020 was 0.828%) continuing up to May 1, 2022. | 545,000 | 872,000 |
| Loan agreement with Miracle League of the Triangle to pay $150,000 starting October 1, 2014 over ten years in annual installments bearing no interest for the shared use of facilities built by the Miracle League on the Association's property. An imputed present value interest factor of 5% was attributed to the loan and the discounted value of the loan for the structures was capitalized on the books at $115,826. The amounts shown are net of imputed interest of $6,811 and $10,058, respectively. | 53,189 | 64,943 |

## Note 8—Debt obligations (continued)

Notes payable consisted of the following at September 30 (continued):

| | 2020 | 2019 |
|---|---|---|
| Loan agreement with CAHEC SUB-CDE XIV, LLC and ST CDE XLVI, LLC for a principal amount of $21,000,000 to be paid for under the terms of the NMTC. | 5,785,295 | 5,674,326 |
| Less debt issuance costs | (23,342) | (32,200) |
| Total notes payable | $ 10,306,409 | $ 16,292,559 |

The following are maturities of bonds and notes payable for each of the next five years and in the aggregate:

| | Notes Payable | Bonds Payable | Total |
|---|---|---|---|
| 2021 | $ 339,341 | $ 4,709,789 | $ 5,049,130 |
| 2022 | 230,958 | 4,585,301 | 4,816,259 |
| 2023 | 3,959,873 | 3,307,597 | 7,267,470 |
| 2024 | 14,286 | 3,425,354 | 3,439,640 |
| 2025 | - | 3,546,707 | 3,546,707 |
| Thereafter | 5,785,293 | 30,218,335 | 36,003,628 |
| | 10,329,751 | 49,793,083 | 60,122,834 |
| Less unamortized debt issuance costs | (23,342) | (306,837) | (330,179) |
| | $ 10,306,409 | $ 49,486,246 | $ 59,792,655 |

The Association paid $55,704 and $206,870 related to the issuance of the bonds for the years ended September 30, 2020 and 2019, respectively, and these costs are being amortized over the life of bond. Unamortized debt issuance costs as of September 30, 2020 and 2019 totaled $330,179 and $358,457, respectively. Debt issuance costs are presented in the consolidated statements of financial position as a reduction to the related debt. Interest expense for notes and bonds payable was $1,473,520 and $1,582,882 for the years ended September 30, 2020 and 2019, respectively.

## Note 9—Interest rate swaps

The Association holds derivative financial instruments for the purpose of hedging the risks of certain identifiable and anticipated transactions. In general, the type of risk hedged relates to reducing the impact of changes in interest rates on its bonds. In hedging these transactions, the Association, in the normal course of business, holds both interest rate swaps and interest rate collars. Derivatives are held only for the purpose of hedging such risk, not for speculation.

*Interest Rate Swaps* – The Association entered into interest rate swap agreements to reduce the impact of changes in interest rates on its variable rate bonds.

## Note 9—Interest rate swaps (continued)

On May 1, 2017, the Association entered into three interest rate swap agreements with Truist Bank, having total beginning notional amounts of $34,030,000. These agreements effectively change the Association's interest rate exposure on all of its of $7,410,000 (Series 2017A) floating rate note due 2022 to a fixed 1.92%, on its $12,725,000 (Series 2017B) floating rate note due 2027 to a fixed 2.205%, and $13,895,000 (Series 2017C) floating rate note due 2032 to a fixed 2.443%. The Association is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Association does not anticipate nonperformance by the counterparty. The interest rate swap agreements mature on May 1, 2022 (Series 2017A), May 1, 2027 (Series 2017B), and May 1, 2030 (Series 2017C). However, the Series 2017 C is cancellable by the Association at any time.

On July 31, 2018 the Association entered into interest rate swap agreement with Truist Bank, having total beginning notional amounts of $8,100,000. The agreement effectively changes the Association's interest rate exposure on an additional $8,100,000 taken out on its Series 2017C Bond which has a floating rate note due 2032 to a fixed 3.0%. The Association is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Association does not anticipate nonperformance by the counterparty. The interest rate swap agreement matured on July 31, 2020 and the interest rate swap was paid off.

On October 3, 2019, the Association entered into an interest rate swap agreement with Truist Bank, having a beginning notional amount of $19,125,000. This agreement effectively changed the Association's interest exposure on its $19,125,000 (Series 2019) floating rate note due 2044 to a fixed 2.30%. The Association is exposed to credit loss in the event of nonperformance by the other parties to the interest rate swap agreement. However, the Association does not anticipate nonperformance by the counterparty. The interest rate swap agreement matures on October 3, 2034.

## Note 10—Net assets with donor restrictions

Net assets with donor restrictions at September 30, 2020 and 2019 are available for the following purposes or periods:

| | 2020 | 2019 |
|---|---|---|
| Restricted accumulated earnings on permanent endowment | $ 2,019,120 | $ 1,549,744 |
| Assets restricted in perpetuity | 190,102 | 201,271 |
| Land, buildings, and equipment | 8,246,453 | 10,169,941 |
| Contributions for program services and scholarships | 400,000 | 33,480 |
| Endowments | 9,113,154 | 8,454,688 |
| | $ 19,968,829 | $ 20,409,124 |

Included in net assets without donor restrictions are board-designated net assets representing funds set aside for endowment funds, maintenance and capital improvements at the various facilities.

## Note 11—Net assets released from restrictions

Net assets released from restrictions for the years ended September 30, 2020 and 2019 consist of:

| | 2020 | 2019 |
|---|---|---|
| Purpose restrictions accomplished: | | |
| Contributions for program services and scholarships | $ 200,000 | $ - |
| Construction of buildings and improvements | 5,221,040 | 10,827,821 |
| Grant monies expended | 368,994 | 347,133 |
| Net assets released from restrictions | $ 5,790,034 | $ 11,174,954 |

## Note 12—Leases - operating

The Association leases certain facilities and equipment under operating leases expiring at various dates. In addition, the Association leases certain facilities on a month-to-month basis and on an as needed basis.

Due to the COVID-19 pandemic during the 2020 fiscal year, the YMCA negotiated lease modification with two facility leases. The lease modifications included deferral or abatement of rental payments for March 2020 through year-end. The future minimal rental payments incorporate the deferred rental modifications.

Future minimum rental payments under operating leases extending beyond 12 months from September 30, 2020 are as follows:

| Years Ending September 30, | |
|---|---|
| 2021 | $ 1,695,809 |
| 2022 | 2,383,822 |
| 2023 | 2,439,349 |
| 2024 | 2,496,444 |
| 2025 | 2,559,456 |
| Thereafter | 4,858,833 |
| | $ 16,433,713 |

Total rent expense under operating leases for the fiscal periods ended September 30, 2020 and 2019 was $3,342,315 and $6,428,308, respectively.

## Note 13—Related parties

The Association has many volunteers from the community, and it is common practice that various transactions take place between the Association and companies that may be related to board members, officers, and other volunteers. These transactions take place through the normal course of business. All decisions about investments, major purchases, and policy require the consensus of committees and the approval of the Board of Directors or the Executive Committee.

## Note 13—Related parties (continued)

The Association leases office space from an entity whose former Chief Executive Officer is a former board member of the Association. The term of the lease was renewed for another 132 months on September 25, 2015 and expires on September 30, 2026. The lease calls for cumulative base rents of $7,478,190 payable in monthly installments over the term of the lease.

The Organization owed the YMCA $-0- and $1,001,672 for prepaid insurance for directors and officers and a construction draw at September 30, 2020 and 2019, respectively. The Organization had $1,543,702 and $1,559,617 in a prepaid lease related to a contribution received from the YMCA for land which the Organization leases from the YMCA at September 30, 2020 and 2019, respectively. The respective assets, liabilities, revenue, and expenses between the YMCA and Organization have been eliminated on the consolidated financial statements.

## Note 14—Contingencies

*Legal Issues* – The Association has received various civil summonses under separate incidents where program participants and members have allegedly sustained injuries while using the Association's facilities and/or participating in program activities. These are being handled by Counsel designated by the Association's insurance companies. The Association does not anticipate any financial exposure beyond its insurance coverage.

During 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Association's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.

## Note 15—Endowment

The Association's endowment consists of individual funds established for various purposes in accordance with explicit donor restrictions. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law* – On March 19, 2009, North Carolina enacted its version of the Uniform Prudent Management of Institutional Funds Act, which in the absence of explicit donor restrictions, allows spending of the corpus of certain donor-restricted and board-designated endowments, so long as it is necessary for the continuing operation of the entity and is managed in a responsible and prudent manner. However, it is the Association's policy to maintain any original corpus that was restricted by the donor and to recognize any other donor restrictions related to endowment gifts, such as restrictions on earnings. As a result, the Association classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment. The investment returns and any appreciation or depreciation of the endowment assets are classified as net assets with donor restrictions.

Endowment Net Asset Composition by Type of Fund as of September 30, 2020:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 11,132,274 | $ 11,132,274 |
| Board-designated endowment funds | 561,182 | - | 561,182 |
| Total mutual funds | $ 561,182 | $ 11,132,274 | $ 11,693,456 |

### Note 15—Endowment (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2020:

| | Without Donor Restrictions Board-Designated | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 527,627 | $ 10,205,703 | $ 10,733,330 |
| Investment return: | | | |
| Investment income | 9,924 | 186,298 | 196,222 |
| Net depreciation (depreciation) | 26,639 | 649,837 | 676,476 |
| Total investment return | 36,563 | 836,135 | 872,698 |
| Contributions | - | 459,413 | 459,413 |
| Distributions | (15,910) | (368,977) | (384,887) |
| Other changes: | | | |
| Board-designated transfers | 12,902 | - | 12,902 |
| Reclass to nonendowment donor restricted assets | - | - | - |
| | (3,008) | 90,436 | 87,428 |
| Total funds | $ 561,182 | $ 11,132,274 | $ 11,693,456 |

Endowment Net Asset Composition by Type of Fund as of September 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 10,205,703 | $ 10,205,703 |
| Board-designated endowment funds | 527,627 | - | 527,627 |
| Total mutual funds | $ 527,627 | $ 10,205,703 | $ 10,733,330 |

## Note 15—Endowment (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2019:

| | Without Donor Restrictions Board-Designated | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 994,017 | $ 9,244,252 | $ 10,238,269 |
| Change in accounting principles | (620,770) | 620,770 | - |
| Investment return: | | | |
| Investment income | 6,052 | 278,828 | 284,880 |
| Net depreciation (depreciation) | (440) | (284,197) | (284,637) |
| Total investment return | 5,612 | (5,369) | 243 |
| Contributions | - | 853,749 | 853,749 |
| Distributions | (8,237) | (347,133) | (355,370) |
| Other changes: | | | |
| Board-designated transfers | 157,005 | - | 157,005 |
| Reclass to nonendowment donor restricted assets | - | (160,566) | (160,566) |
| | 148,768 | 346,050 | 494,818 |
| Total funds | $ 527,627 | $ 10,205,703 | $ 10,733,330 |

*Funds with Deficiencies* – From time to time, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. There were no such deficiencies as of September 30, 2020 and 2019.

*Return Objectives and Risk Parameters* – The Association has adopted investment policies for the long-term endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the corpus of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment portfolio is invested with a target of 35% in fixed income funds and cash equivalents, 55% in equity securities, and 10% in alternative investments. Because market timing has historically impaired the ability of portfolios to perform over a long period, the funds deemed long-term investments are invested within the guideline ranges at all times. The Association's goal is that these investments shall be able to achieve an average annual rate of return over a period of three years that meets or exceeds the weighted composite market indices comprised of 30% Russell 1000 Growth, 30% Russell 1000 Value, and 40% Barclays Capital Aggregate Bond Index as well as achieving the portfolio goal that ranks in the top 50% of similarly managed portfolios.

## Note 15—Endowment (continued)

*Strategies Employed for Achieving Objectives* – The Association's strategy is to maximize the total return of the Endowment funds consistent with prudent levels of risk by preserving and protecting the purchasing power of the Endowment assets and earning a total return for each fund appropriate to each fund's duration, liquidity needs and risk tolerance. The total return should exceed the inflation rate plus the spending rate.

*Spending Policy and How the Investment Objectives Relate to Spending Policy* – The Association has a policy of appropriating for distribution each year at a maximum of 5% of its endowment funds as measured by a 12-quarter rolling average of the fair market value of the assets. Per board policy, the investment committee has the option to recommend adjustments due to unexpected market fluctuations.

## Note 16—Split-interest agreements

The Association is a beneficiary of several charitable remainder unitrusts. The beneficial interests of these trusts have been initially recorded as permanently and temporarily restricted contribution revenue in the year the trusts were established; measured using a valuation method which approximates the present value of the estimated expected future benefits to be received when the trust assets are distributed.

Adjustments to the value of the Association's beneficial interest are made annually and are recorded on the consolidated statements of activities and changes in net assets as a part of investment return under permanently and temporarily restricted net assets. The value of the Association's beneficial interest is recorded in the consolidated statements of financial position as part of other assets.

As of September 30, 2020 and 2019, the value of the Association's beneficial interest in the various charitable remainder unitrusts totaled $208,856 and $204,065, respectively. For the years ended September 30, 2020 and 2019, the change in value of the Association's beneficial interest in the various charitable remainder unitrusts resulted in a gain of $4,791 and a loss of $44,123, respectively.

The Association is a lifetime income beneficiary of a permanently restricted Triangle Community Foundation account. The Association is entitled to receive up to 5% of the income earned in these funds for the life of the Association.

## Note 17—Grants

Grant revenue for the years ended September 30, 2020 and 2019 totaled $3,476,225 and $2,487,057, respectively.

## Note 18—Liquidity and availability of resources

The following presents the Association's financial assets as of September 30, 2020 and 2019 reduced by amounts not available for general use:

| | 2020 | 2019 |
|---|---|---|
| Financial assets at September 30: | | |
| Cash and cash equivalents | $ 25,980,344 | $ 26,081,918 |
| Accounts receivable | 1,689,961 | 5,420,733 |
| Corporate subsidy accounts receivable | 57,929 | 79,479 |
| Miscellaneous receivables | 368,502 | 1,534,380 |
| Accrued interest receivable - note | 122,613 | 122,613 |
| Pledge receivable, net - due within one year | 4,421,639 | 3,130,937 |
| Investments | 10,789,203 | 10,307,275 |
| Total financial assets | 43,430,191 | 46,677,335 |
| Less those unavailable for general expenditures within one year: | | |
| Donor-restricted assets and board-designated endowment less appropriation for 2020 | 15,978,469 | 19,558,100 |
| Held for certain activities of SER Development I, Inc. | 614,973 | 2,873,550 |
| Funds held for others | 10,881,273 | 692,382 |
| 457 retirement plan funds | 621,130 | 587,371 |
| Debt service | 552,657 | 1,295,254 |
| Board-designated unrestricted reserves | 6,883,981 | 12,808,647 |
| Total financial assets available for general expenditure | $ 7,897,708 | $ 8,862,031 |

The Association regularly monitors the availability of resources required to meet its operating needs. Taking the seasonal nature of its cash flow into account, the Association structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association may utilize any available portion of its line of credit for liquidity or other purposes. Funds in excess of daily operating requirements are invested in a daily liquidity investment account.

The Association maintains a line of credit with Truist Bank with a credit limit of $19 million. The line of credit may be used to fund current operations and working capital requirements if needed.

The Board of Directors has designated a portion of assets without donor restrictions for capital expansion, facility maintenance, self-insurance, and contingency purposes. Although designated for specific purposes, these unrestricted funds are considered a part of the Association's liquidity reserve and may be utilized for liquidity purposes per the board's discretion through interfund borrowings and transfers. The Board of Directors has also designated a portion of its assets without donor restrictions as certain quasi-endowment funds. Those funds could be drawn upon for liquidity or other purposes with board approval.

## Note 19—Net investment in lease

The Association entered into a lease agreement with the Wake County Board of Education (the tenant) on March 15, 2018. The property covered by the lease is approximately 76,000 square feet of interior space to be used as a school. The property adjoins the Southeast Raleigh YMCA building located at 1436 Rock Quarry Road in Raleigh, North Carolina.

The initial term of the lease is 20 years, with options to extend the term for three additional successive periods of 10 years each. The lease specifies that the tenant pay Tenant Improvement Costs based on the Tenant's share of the actual cost of the building and its allocated share of the cost of development of the property.

Over the course of the construction period, the tenant made payments of $18,781,776 to the Association. The tenant occupied the space in June 2019. The net investment in lease is amortized over the 50 year life of the lease. The amortization reduces the lease prepayments recorded as deferred revenue by the Association. Amortization for the years ended September 30, 2020 and 2019 totaled $375,636 and $93,909, respectively.

## Note 20—Subsequent events

On September 22, 2020, the Association's Board approved a one-time change to the spending policy of the endowment from a distribution each year at a maximum of 5% of its endowment funds as measured by a 12-quarter rolling average of the fair market value of the assets to 8% of the balance on October 1, 2020.

On December 2, 2020, the Association received an $18 million unrestricted gift from a donor. The gift can be used solely at the discretion of the Association. Association leadership developed a plan for the use of the funds that includes restoring internal reserves and maintaining a portion for operating cash needs.

The Association has evaluated events and transactions through January 19, 2021, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

# SUPPLEMENTARY INFORMATION

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY**

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

*SEPTEMBER 30, 2020*

| | YMCA Funds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Operating Fund | Endowment Fund | Maintenance Reserve | YMCA Total | Organization | Total | Eliminating Entries | Consolidated |
| **ASSETS** | | | | | | | | |
| Cash and cash equivalents | $ 20,655,685 | $ 1,049,438 | $ 3,422,495 | $ 25,127,618 | $ 852,726 | $ 25,980,344 | $ - | $ 25,980,344 |
| Accounts receivable | 1,747,890 | - | - | 1,747,890 | - | 1,747,890 | - | 1,747,890 |
| Pledges receivable, net | 2,310,936 | 43,674 | 4,199,133 | 6,553,743 | 235,270 | 6,789,013 | (235,270) | 6,553,743 |
| Notes receivable | 14,713,500 | - | - | 14,713,500 | - | 14,713,500 | (14,713,500) | - |
| Investments, at market | 535,942 | 10,253,261 | - | 10,789,203 | - | 10,789,203 | - | 10,789,203 |
| Prepaid expenses | 2,050,226 | - | - | 2,050,226 | 1,550,242 | 3,600,468 | (1,543,702) | 2,056,766 |
| Land, building, and equipment - net | 146,824,847 | - | 900,951 | 147,725,798 | 19,217,397 | 166,943,195 | - | 166,943,195 |
| Land held for resale | 59,605 | - | 44,000 | 103,605 | - | 103,605 | - | 103,605 |
| Net investment in lease | 18,312,220 | - | - | 18,312,220 | - | 18,312,220 | - | 18,312,220 |
| Other assets | 944,617 | 536,186 | 54,724 | 1,535,527 | 891,521 | 2,427,048 | (891,521) | 1,535,527 |
| Intercompany due from | 568,539 | - | 2,234,372 | 2,802,911 | - | 2,802,911 | (2,802,911) | - |
| **Total Assets** | $ 208,724,007 | $ 11,882,559 | $ 10,855,675 | $ 231,462,241 | $ 22,747,156 | $ 254,209,397 | $ (20,186,904) | $ 234,022,493 |
| **LIABILITIES AND NET ASSETS** | | | | | | | | |
| Accounts payable and accrued expenses | $ 5,954,012 | $ - | $ - | $ 5,954,012 | $ 206,199 | $ 6,160,211 | $ (1,126,791) | $ 5,033,420 |
| Deferred revenues | 13,928,307 | - | - | 13,928,307 | - | 13,928,307 | (1,543,702) | 12,384,605 |
| Lease prepayments | 18,312,220 | - | - | 18,312,220 | - | 18,312,220 | - | 18,312,220 |
| Agency funds payable | 10,881,273 | - | - | 10,881,273 | - | 10,881,273 | - | 10,881,273 |
| Line of credit | 3,432,236 | - | - | 3,432,236 | - | 3,432,236 | - | 3,432,236 |
| Long-term capital leases | 31,237 | - | - | 31,237 | - | 31,237 | - | 31,237 |
| Notes payable | 4,521,114 | - | - | 4,521,114 | 20,498,795 | 25,019,909 | (14,713,500) | 10,306,409 |
| Long-term obligations | 49,486,246 | - | - | 49,486,246 | - | 49,486,246 | - | 49,486,246 |
| Obligations under interest rate swaps and collars | 3,251,638 | - | - | 3,251,638 | - | 3,251,638 | - | 3,251,638 |
| Intercompany due to | - | 2,769,404 | - | 2,769,404 | 33,507 | 2,802,911 | (2,802,911) | - |
| Total Liabilities | 109,798,283 | 2,769,404 | - | 112,567,687 | 20,738,501 | 133,306,188 | (20,186,904) | 113,119,284 |
| Total Net Assets | 98,925,724 | 9,113,155 | 10,855,675 | 118,894,554 | 2,008,655 | 120,903,209 | - | 120,903,209 |
| **Total Liabilities and Net Assets** | $ 208,724,007 | $ 11,882,559 | $ 10,855,675 | $ 231,462,241 | $ 22,747,156 | $ 254,209,397 | $ (20,186,904) | $ 234,022,493 |

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE TRIANGLE AREA, INC. AND DEVELOPMENT COMPANY**
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

*YEAR ENDED SEPTEMBER 30, 2020*

| | YMCA Funds | | | | | | |
|---|---|---|---|---|---|---|---|
| | Operating Fund | Endowment Fund | Maintenance Reserve | YMCA | Organization | Eliminating Entries | Consolidated |
| Public Support and Revenue: | | | | | | | |
| Program and camping fees | $ 19,175,447 | $ - | $ - | $ 19,175,447 | $ - | $ - | $ 19,175,447 |
| Membership and joining dues | 24,819,656 | - | - | 24,819,656 | - | - | 24,819,656 |
| In-kind contributions | 8,731,741 | - | - | 8,731,741 | - | - | 8,731,741 |
| United way | 91,591 | - | - | 91,591 | - | - | 91,591 |
| Contributions | 10,690,930 | 444,169 | 3,765,391 | 14,900,490 | - | - | 14,900,490 |
| Grants | 3,475,225 | 1,000 | - | 3,476,225 | - | - | 3,476,225 |
| Gain on disposal of fixed assets | 310,727 | - | - | 310,727 | - | - | 310,727 |
| Investment return, net | 455,071 | 12,027 | 843,289 | 1,310,387 | - | - | 1,310,387 |
| Other income | 7,039,683 | - | (5,740,035) | 1,299,650 | 960,946 | (928,002) | 1,332,594 |
| Total Public Support and Revenue | 74,790,071 | 457,196 | (1,131,355) | 74,115,914 | 960,946 | (928,002) | 74,148,858 |
| Expenses: | | | | | | | |
| Program services | 53,825,885 | - | 33,210 | 53,859,095 | 1,140,805 | (912,088) | 54,087,812 |
| Administrative services | 11,380,893 | - | - | 11,380,893 | - | (15,914) | 11,364,979 |
| Fundraising | 2,699,646 | - | - | 2,699,646 | - | - | 2,699,646 |
| Total Expenses | 67,906,424 | - | 33,210 | 67,939,634 | 1,140,805 | (928,002) | 68,152,437 |
| Change in net assets before change in interest rate swaps | 6,883,647 | 457,196 | (1,164,565) | 6,176,280 | (179,859) | - | 5,996,421 |
| Change in market value of Interest rate swaps | (2,362,846) | - | - | (2,362,846) | - | - | (2,362,846) |
| Change in net assets | 4,520,801 | 457,196 | (1,164,565) | 3,813,434 | (179,859) | - | 3,633,575 |
| Net assets, beginning of the year | 94,404,921 | 8,655,959 | 12,020,240 | 115,081,120 | 2,188,514 | - | 117,269,634 |
| Net assets, end of the year | $ 98,925,722 | $ 9,113,155 | $ 10,855,675 | $ 118,894,554 | $ 2,008,655 | $ - | $ 120,903,209 |

**COMPLIANCE REPORT**

Cherry Bekaert LLP
CPAs & Advisors

# Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Young Men's Christian Association of the Triangle Area, Inc. and Development Company
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Young Men's Christian Association of the Triangle Area, Inc. (a North Carolina nonprofit organization) and development company (collectively referred to as the "Association"), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 19, 2021.

## Internal Control over Financial Reporting

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

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

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

Cherry Bekaert LLP

Raleigh, North Carolina
January 19, 2021