

CONSOLIDATED FINANCIAL STATEMENTS

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION,  
A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018



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September 16, 2020

Board of Trustees  
Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation  
Summit, New Jersey

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation, and its wholly-owned subsidiary, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the 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; 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 entity'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 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 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 Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation and its wholly-owned subsidiary, as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited the Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation and its wholly-owned subsidiary's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 16, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Hill, Barth & King LLC*  
Certified Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 5,561,292	\$ 13,746,036
Restricted cash	1,443,843	305,608
Accounts receivable	27,379	178
Pledges receivable - net	565,749	389,246
Prepaid expenses and other assets	61,675	116,341
TOTAL CURRENT ASSETS	<u>7,659,938</u>	<u>14,557,409</u>
<u>PROPERTY AND EQUIPMENT - NET</u>	<u>23,484,150</u>	<u>13,815,222</u>
<u>OTHER ASSETS</u>		
Investments - at fair value	7,222,071	7,167,508
Long-term pledges receivable - net	389,853	582,520
TOTAL OTHER ASSETS	<u>7,611,924</u>	<u>7,750,028</u>
TOTAL ASSETS	<u>\$ 38,756,012</u>	<u>\$ 36,122,659</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 1,031,180	\$ 545,070
Accrued expenses	806,720	713,500
Deferred revenue	443,609	137,656
Capital lease obligations - current portion	101,993	134,778
Long-term debt - current portion	387,245	370,851
TOTAL CURRENT LIABILITIES	<u>2,770,747</u>	<u>1,901,855</u>
<u>LONG-TERM LIABILITIES</u>		
Capital lease obligations - less current portion	26,741	80,027
Long-term debt - less current portion	11,099,680	11,480,980
TOTAL LONG-TERM LIABILITIES	<u>11,126,421</u>	<u>11,561,007</u>
TOTAL LIABILITIES	<u>13,897,168</u>	<u>13,462,862</u>
<u>NET ASSETS</u>		
Without donor restrictions	14,941,784	14,058,033
With donor restrictions	9,917,060	8,601,764
TOTAL NET ASSETS	<u>24,858,844</u>	<u>22,659,797</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,756,012</u>	<u>\$ 36,122,659</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2019

(With Summarized Comparative Information for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<u>OPERATING ACTIVITIES</u>				
<u>PUBLIC SUPPORT</u>				
Contributions	\$ 988,022	\$ 103,880	\$ 1,091,902	\$ 1,851,330
Foundation grants	50,315	-	50,315	134,526
Special events (net of expenses of \$38,185 and \$54,899, respectively)	100,210	-	100,210	171,080
Government grants and contracts	98,118	-	98,118	123,695
Net assets released from restrictions	136,697	(136,697)	-	-
TOTAL PUBLIC SUPPORT	1,373,362	(32,817)	1,340,545	2,280,631
<u>REVENUE</u>				
Membership fees - net	4,472,925	-	4,472,925	4,615,305
Program fees - net	8,885,726	-	8,885,726	8,713,823
Gain on sale of equipment	26,929	-	26,929	-
Miscellaneous income	171,607	-	171,607	252,213
TOTAL REVENUE	13,557,187	-	13,557,187	13,581,341
TOTAL PUBLIC SUPPORT AND REVENUE	14,930,549	(32,817)	14,897,732	15,861,972
<u>EXPENSES</u>				
<u>PROGRAM SERVICES</u>				
Youth Development	6,028,188	-	6,028,188	5,836,338
Healthy Living	5,592,034	-	5,592,034	5,746,093
Social Responsibility	283,635	-	283,635	275,373
TOTAL PROGRAM SERVICES	11,903,857	-	11,903,857	11,857,804
<u>SUPPORTING SERVICES</u>				
Management and general	2,055,901	-	2,055,901	2,140,530
Fundraising	280,623	-	280,623	274,536
TOTAL SUPPORTING SERVICES	2,336,524	-	2,336,524	2,415,066
TOTAL EXPENSES	14,240,381	-	14,240,381	14,272,870
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES - CARRIED FORWARD	690,168	(32,817)	657,351	1,589,102

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2019

(With Summarized Comparative Information for the Year Ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES - BROUGHT FORWARD	\$ 690,168	\$ (32,817)	\$ 657,351	\$ 1,589,102
<u>NON-OPERATING ACTIVITIES</u>				
Investment gain (loss)	193,583	1,348,113	1,541,696	(507,168)
CHANGES IN NET ASSETS	883,751	1,315,296	2,199,047	1,081,934
<u>NET ASSETS</u>				
Beginning of year	14,058,033	8,601,764	22,659,797	21,577,863
End of year	<u>\$ 14,941,784</u>	<u>\$ 9,917,060</u>	<u>\$ 24,858,844</u>	<u>\$ 22,659,797</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2019

	Program Services				Support Services			2019 Total
	Youth Development	Healthy Living	Social Responsibility	Total	Mangement and General	Fundraising	Total	
Salaries	\$ 3,028,835	\$ 2,965,913	\$ 167,795	\$ 6,162,543	\$ 1,344,535	\$ 202,538	\$ 1,547,073	\$ 7,709,616
Employee benefits and payroll taxes	994,473	693,335	36,046	1,723,854	333,519	40,956	374,475	2,098,329
TOTAL SALARIES, BENEFITS AND PAYROLL TAXES	4,023,308	3,659,248	203,841	7,886,397	1,678,054	243,494	1,921,548	9,807,945
Professional fees	104,359	102,957	2,040	209,356	122,317	9,549	131,866	341,222
Program supplies	263,316	393,426	49,503	706,245	43,916	17,947	61,863	768,108
Telephone	30,883	30,266	618	61,767	11,990	-	11,990	73,757
Postage and shipping	4,587	4,495	92	9,174	3,963	1,554	5,517	14,691
Occupancy	704,354	636,026	12,799	1,353,179	15,524	-	15,524	1,368,703
Equipment repair and maintenance	26,205	27,079	328	53,612	8,453	-	8,453	62,065
Printing and publications	19,870	14,649	299	34,818	20,198	5,994	26,192	61,010
Travel and transportation	148,684	5,863	71	154,618	172	-	172	154,790
Conference, convention and meetings	8,808	8,742	169	17,719	11,802	372	12,174	29,893
Interest	10,702	25,932	214	36,848	21,404	-	21,404	58,252
Dues and subscriptions	2,464	2,415	49	4,928	8,146	1,713	9,859	14,787
Liability insurance	67,973	66,614	1,359	135,946	-	-	-	135,946
National YMCA dues	105,375	103,267	2,107	210,749	-	-	-	210,749
Miscellaneous	132,386	123,794	2,648	258,828	23,529	-	23,529	282,357
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	5,653,274	5,204,773	276,137	11,134,184	1,969,468	280,623	2,250,091	13,384,275
Depreciation and amortization	374,914	387,261	7,498	769,673	86,433	-	86,433	856,106
	6,028,188	5,592,034	283,635	11,903,857	2,055,901	280,623	2,336,524	14,240,381
Special event expenses	-	-	-	-	-	38,185	38,185	38,185
Financial assistance	328,700	326,756	112,850	768,306	-	-	-	768,306
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,356,888</u>	<u>\$ 5,918,790</u>	<u>\$ 396,485</u>	<u>\$ 12,672,163</u>	<u>\$ 2,055,901</u>	<u>\$ 318,808</u>	<u>\$ 2,374,709</u>	<u>\$ 15,046,872</u>

See accompanying notes to consolidated financial statements



CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2018

	Program Services				Support Services			2018 Total
	Youth Development	Healthy Living	Social Responsibility	Total	Mangement and General	Fundraising	Total	
Salaries	\$ 2,826,666	\$3,057,073	\$ 152,206	\$ 6,035,945	\$ 1,363,439	\$ 191,795	\$ 1,555,234	\$ 7,591,179
Employee benefits and payroll taxes	896,585	649,058	33,925	1,579,568	338,599	34,305	372,904	1,952,472
<b>TOTAL SALARIES, BENEFITS AND PAYROLL TAXES</b>	<b>3,723,251</b>	<b>3,706,131</b>	<b>186,131</b>	<b>7,615,513</b>	<b>1,702,038</b>	<b>226,100</b>	<b>1,928,138</b>	<b>9,543,651</b>
Professional fees	104,073	115,316	2,081	221,470	113,378	9,540	122,918	344,388
Program supplies	311,959	409,769	57,741	779,469	57,289	26,418	83,707	863,176
Telephone	31,594	32,679	632	64,905	13,366	-	13,366	78,271
Postage and shipping	1,505	1,474	30	3,009	6,066	608	6,674	9,683
Occupancy	718,211	653,622	13,034	1,384,867	122,645	-	122,645	1,507,512
Equipment repair and maintenance	38,460	36,205	595	75,260	8,885	-	8,885	84,145
Printing and publications	10,686	9,764	199	20,649	13,850	6,254	20,104	40,753
Travel and transportation	145,564	14,928	51	160,543	476	-	476	161,019
Conference, convention and meetings	8,794	14,157	176	23,127	20,867	4,106	24,973	48,100
Interest	24,801	29,062	354	54,217	-	-	-	54,217
Dues and subscriptions	3,020	3,010	60	6,090	8,627	1,510	10,137	16,227
Liability insurance	61,553	60,322	1,232	123,107	-	-	-	123,107
National YMCA dues	100,605	98,593	2,012	201,210	-	-	-	201,210
Miscellaneous	145,292	142,386	2,906	290,584	37,013	-	37,013	327,597
<b>TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION</b>	<b>5,429,368</b>	<b>5,327,418</b>	<b>267,234</b>	<b>11,024,020</b>	<b>2,104,500</b>	<b>274,536</b>	<b>2,379,036</b>	<b>13,403,056</b>
Depreciation and amortization	406,970	418,675	8,139	833,784	36,030	-	36,030	869,814
	5,836,338	5,746,093	275,373	11,857,804	2,140,530	274,536	2,415,066	14,272,870
Special event expenses	-	-	-	-	-	54,899	54,899	54,899
Financial assistance	311,371	222,067	1,135	534,573	-	-	-	534,573
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 6,147,709</b>	<b>\$ 5,968,160</b>	<b>\$ 276,508</b>	<b>\$ 12,392,377</b>	<b>\$ 2,140,530</b>	<b>\$ 329,435</b>	<b>\$ 2,469,965</b>	<b>\$ 14,862,342</b>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 2,199,047	\$ 1,081,934
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	856,106	869,814
Amortization of deferred issuance cost	5,945	1,486
Net realized and unrealized (gain) loss on investments	(1,172,408)	739,947
Donated securities	(69,683)	(126,433)
Gain on sale of fixed assets	(26,929)	-
(Increase) decrease in:		
Accounts receivable	(27,201)	31,533
Pledges receivable	16,164	(551,957)
Prepaid expenses and other assets	54,665	(20,750)
Increase (decrease) in:		
Accounts payable	486,110	341,560
Accrued liabilities	93,220	64,178
Deferred revenue	305,953	(22,374)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,720,989</u>	<u>2,408,938</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital expenditures	(10,525,034)	(2,197,899)
Proceeds from sale of fixed assets	26,929	-
Purchase of investments	(3,866,835)	(1,646,153)
Proceeds from sales of investments	5,054,363	1,633,526
NET CASH USED IN INVESTING ACTIVITIES	<u>(9,310,577)</u>	<u>(2,210,526)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal borrowing on mortgage payable	-	12,000,000
Principal repayment on mortgage payable	(370,850)	(149,655)
Principal repayment on notes payable	-	(1,089,897)
Principal repayment on capital lease obligations	(86,071)	(199,296)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(456,921)</u>	<u>10,561,152</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,046,509)	10,759,564
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	14,051,644	3,292,080
End of year	<u>\$ 7,005,135</u>	<u>\$ 14,051,644</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 52,307</u>	<u>\$ 52,731</u>

See accompanying notes to consolidated financial statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

### NOTE A – ORGANIZATION AND BUSINESS

The Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation (the "YMCA" or "Association") is a not-for-profit organization incorporated on June 18, 1889. It utilizes two fully-equipped buildings that provide year-round recreational facilities, meeting rooms, and child care facilities. In addition, it maintains another location where it operates a year-round day care center.

Berkeley Heights YMCA LLC, a New Jersey limited liability company ("BH YMCA LLC") was incorporated on April 21, 2017 and is a wholly-owned subsidiary of the YMCA. BH YMCA LLC maintains a community pool for the residents of Berkeley Heights. As further discussed in Notes I and N, the BH YMCA LLC entered into a lease of land to construct a new facility. Construction began in October 2018.

### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Adoption of New Accounting Standards:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers: Topic 606*. This ASU supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The YMCA adopted this ASU on January 1, 2019.

The YMCA implemented ASU 2014-09 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities: Topic 958*. The amendments in this Update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional. The YMCA adopted this ASU on January 1, 2019.

The YMCA implemented ASU 2018-08 using a full retrospective method of application. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2018-08. As a result, no cumulative effect adjustment was recorded upon adoption.

#### Basis of Presentation:

These consolidated financial statements include the YMCA and BH YMCA LLC and follow the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany activity is eliminated in the consolidated financial statements. The YMCA is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the YMCA. These net assets may be used at the discretion of YMCA's management and the board of trustees.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued):

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. When a restriction expires or is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Comparative Financial Information:

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Use of Estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Annual campaign contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as the promise is received.

Endowment Fund contributions may be donor restricted (See Note D). Investment earnings are recorded in net assets with donor restrictions until appropriated.

Contributions of donated noncash assets are recorded at their fair values in the period received as unrestricted revenue. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Membership Dues and Program Fees:

Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time and may cancel with 30 days' notice. Members generally pay a onetime joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The YMCA offers a variety of programs including family, childcare, day camp, resident camp, teen, scholastic, fitness, aquatics, and health services. Fee-based programs are available to the public. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees.

Membership dues and program fees are recognized ratably over the period the membership or program service is provided on a straight-line basis in an amount that reflects the consideration the YMCA expects to be entitled to in exchange for those services. All the YMCA's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Membership joining fees are ratably recognized over a one-year period from the membership start date.

Membership dues and program fees paid to the YMCA in advance represent contract liabilities and are recorded as deferred revenue. Amounts billed but unpaid are contract assets and recorded as accounts receivables.

Because the YMCA's performance obligations relate to contracts with a duration of less than one year, the YMCA has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Cash and Cash Equivalents:

The YMCA considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents. Substantially all of the instruments are restricted but can be utilized if appropriated by the Board of Trustees. See Note P.

Investments:

Investments are recorded at fair value. Donated investments are recorded as contributions at their fair values on the date of receipt.

Property and Equipment:

Property and equipment purchases are recorded at cost, except for contributed property which is recorded at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN’S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued):

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The principal rates for computing depreciation by major asset categories are as follows:

<u>Description</u>	<u>Asset Life (Years)</u>
Building and renovations	7 – 40
Office equipment	3 – 10
Transportation equipment	3 – 5

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor improvements are charged to operations as incurred.

Long-Lived Assets:

In accordance with GAAP, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

Donated Services:

The YMCA receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. Certain commercial services are provided to the YMCA gratis or at a reduced cost. No amounts have been recognized in the statements of activities because the criteria for recognition under GAAP have not been satisfied.

Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, the statements of functional expenses classify direct costs and supporting benefits by program. In addition, certain costs are allocated among the programs by their respective pro-rata share of total direct costs prior to allocation.

The expenses that are allocated include the following:

Direct classification of expenses by program:

- Youth development – childcare, toddlers, preschool, prekindergarten, kindergarten, infants/waddlers and camp
- Healthy living – membership, sports, adult wellness, pool and aquatics
- Social responsibility – youth and family programs, teen programs, teen center and outreach
- Management
- Fundraising

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued):

Expenses allocated by pro-rata share to programs:

Administration

Occupancy

Advertising Expenses:

Advertising costs are expensed when incurred. Advertising costs for the years ended December 31, 2019 and 2018 amounted to \$31,504 and \$21,786, respectively.

Income Taxes:

The YMCA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been recorded in the consolidated financial statements.

Reclassification:

Certain prior year items have been reclassified to conform to current year presentation.

NOTE C – LIQUIDITY

The YMCA's policy is to maintain a net cash position (reserve and operating cash) ideally for sixty days of operating expenses (approximately \$2,400,000). Reserve funds may be used for non-emergency expenses once total net cash equals at least thirty days of operating expense. Net cash position should never be less than thirty days of operating except for emergency expenditures. Excess cash may be invested in marketable securities. These securities are considered long-term but are available for operating expenses, if the need arises. The YMCA has a \$2,000,000 line of credit available to meet cash flow needs.

The following represents the financial assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash	\$ 7,005,135	\$ 14,051,644
Receivables	982,981	971,944
Investments	<u>7,222,071</u>	<u>7,167,508</u>
TOTAL FINANCIAL ASSETS	<u>15,210,187</u>	<u>22,191,096</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>9,917,060</u>	<u>8,601,764</u>
TOTAL NOT AVAILABLE TO BE USED WITHIN ONE YEAR	<u>9,917,060</u>	<u>8,601,764</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS \$	<u><u>5,293,127</u></u>	<u><u>13,589,332</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN’S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE D – ENDOWMENT

The YMCA’s endowment consists of only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the YMCA has interpreted the NJ Uniform Prudent Management of Institutional Funds Act (“NJ UPMIFA”) such that, unless stated otherwise in the gift instrument, the assets in the endowment fund are donor-restricted assets until appropriated for expenditure by the Association.

NJ UPMIFA also states that, subject to the intent of a donor expressed in the applicable gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) the duration and preservation of the endowment fund;
- (2) the purposes of the institution and the endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation and deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the institution; and
- (7) the investment policy of the Association

To the extent a donor’s intent is or was unclear, the YMCA has classified the donation as with donor restriction and will do so unless and until the YMCA determines otherwise or obtains a release of any such restrictions in accordance with the provisions of NJ UPMIFA.

Endowment net assets composition by type of fund as of December 31, 2019 and 2018:

	<u>With Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds	<u>\$ 5,149,730</u>	<u>\$ 5,149,665</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE D – ENDOWMENT (CONTINUED)

Changes in endowment net assets for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Endowment net assets - beginning of year	\$ 5,149,665	\$ 5,148,665
Contributions	<u>65</u>	<u>1,000</u>
Endowment net assets - end of year	<u>\$ 5,149,730</u>	<u>\$ 5,149,665</u>

Endowment net assets include the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash	\$ 1,443,843	\$ 305,608
Investments	3,704,387	4,842,621
Pledges receivable - net	<u>1,500</u>	<u>1,436</u>
TOTALS	<u>\$ 5,149,730</u>	<u>\$ 5,149,665</u>

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NJ UPMIFA requires the YMCA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

Return Objectives and Risk Parameters:

The YMCA's current policy provides that the endowment assets will be invested in a manner that is intended to produce expected return of approximately 5% per annum while maintaining an acceptable level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives:

To satisfy its objective of moderate risk, the YMCA's target asset allocation is 65% in equities including alternatives and 35% in fixed income.

NOTE E – CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE

The YMCA launched a capital campaign in 2017. Contributions are classified as with donor restrictions for the new Berkeley Heights YMCA building project, the Summit YMCA renovation project or the general capital project fund. Capital contributions are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE E – CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE (CONTINUED)

<u>Capital campaign</u>	<u>2019 Contributions</u>	<u>Cumulative Contributions Through 2019</u>	<u>Campaign Pledges Paid Through Dec19</u>	<u>Pledges Due as of December 31, 2019</u>
Berkeley Heights	\$ 102,565	\$ 842,592	\$ 566,945	\$ 275,647
Summit	127,161	463,261	326,761	136,500
General	237,500	623,000	307,196	315,804
TOTALS	<u>\$ 467,226</u>	<u>\$ 1,928,853</u>	<u>\$ 1,200,902</u>	<u>\$ 727,951</u>

<u>Capital campaign</u>	<u>2018 Contributions</u>	<u>Cumulative Contributions Through 2018</u>	<u>Campaign Pledges Paid Through Dec18</u>	<u>Pledges Due as of December 31, 2018</u>
Berkeley Heights	\$ 459,192	\$ 740,027	\$ 279,373	\$ 460,654
Summit	319,100	336,100	180,974	155,126
General	385,500	385,500	167,500	218,000
TOTALS	<u>\$ 1,163,792</u>	<u>\$ 1,461,627</u>	<u>\$ 627,847</u>	<u>\$ 833,780</u>

For both annual and capital campaigns, contributions may be paid in multi-year pledge installments. Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows utilizing a 3% discount rate.

Promises to give at December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Pledges receivable in one to five years	\$ 1,023,331	\$ 1,059,727
Less unamortized discount	<u>45,845</u>	<u>59,009</u>
	977,486	1,000,718
Less allowance for uncollectible pledges	<u>21,884</u>	<u>28,952</u>
NET PLEDGES RECEIVABLE	<u>\$ 955,602</u>	<u>\$ 971,766</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE E – CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE (CONTINUED)

Pledge receivable balances are classified as follows:

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 727,951	\$ 833,780
Annual campaign	293,880	224,447
Endowment	1,500	1,500
TOTAL RECEIVABLES	<u>\$ 1,023,331</u>	<u>\$ 1,059,727</u>

NOTE F – INVESTMENTS

The following summarizes the investments at December 31, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equities	\$ 4,130,663	\$ 5,652,710	\$ 4,069,725	\$ 4,648,906
Fixed income	1,547,206	1,569,361	2,531,022	2,518,602
TOTALS	<u>\$ 5,677,869</u>	<u>\$ 7,222,071</u>	<u>\$ 6,600,747</u>	<u>\$ 7,167,508</u>

NOTE G – FAIR VALUE MEASUREMENTS

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the YMCA would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data from independent sources and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while observable inputs reflect our market assumptions. Preference is given to observable inputs. These three types of inputs create the following fair value hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement dates.

Level 2 – unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN’S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE G – FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 – unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

	December 31, 2019	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Equities:				
Large blend	\$ 2,473,436	\$ 2,473,436	\$ -	\$ -
Foreign large blend	968,879	968,879	-	-
Small blend	821,061	821,061	-	-
Multialternative	307,053	-	307,053	-
Diversified emerging markets	396,524	396,524	-	-
Moderate allocation	225,320	225,320	-	-
Global real estate	238,573	238,573	-	-
Foreign small/mid blend	221,864	221,864	-	-
<b>TOTAL EQUITIES</b>	<b>5,652,710</b>	<b>5,345,657</b>	<b>307,053</b>	<b>-</b>
Fixed Income:				
Rated AA+	310,595	-	310,595	-
Rated AAA	255,079	-	255,079	-
Rated Aa1	40,074	-	40,074	-
Rated AA-	201,667	-	201,667	-
Corporate bond ETF	761,946	761,946	-	-
<b>TOTAL FIXED INCOME</b>	<b>1,569,361</b>	<b>761,946</b>	<b>807,415</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,222,071</b>	<b>\$ 6,107,603</b>	<b>\$ 1,114,468</b>	<b>\$ -</b>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE G – FAIR VALUE MEASUREMENTS (CONTINUED)

	December 31, 2018	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Equities:				
Large blend	\$ 1,988,121	\$ 1,988,121	\$ -	\$ -
Foreign large blend	980,516	980,516	-	-
Small blend	540,822	540,822	-	-
Multialternative	314,882	-	314,882	-
Diversified emerging markets	258,824	258,824	-	-
Moderate allocation	187,735	187,735	-	-
Global real estate	183,853	183,853	-	-
Foreign small/mid blend	135,884	135,884	-	-
Healthcare	53,195	53,195	-	-
Large Value	3,498	3,498	-	-
Technology	1,576	1,576	-	-
<b>TOTAL EQUITIES</b>	<b>4,648,906</b>	<b>4,334,024</b>	<b>314,882</b>	<b>-</b>
Fixed income:				
Rated AA+	1,606,412	-	1,606,412	-
Rated AAA	229,463	-	229,463	-
Rated Aa1	40,255	-	40,255	-
Rated AA-	20,359	-	20,359	-
Corporate bond ETF	622,113	622,113	-	-
<b>TOTAL FIXED INCOME</b>	<b>2,518,602</b>	<b>622,113</b>	<b>1,896,489</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,167,508</b>	<b>\$ 4,956,137</b>	<b>\$ 2,211,371</b>	<b>\$ -</b>

At December 31, 2019, maturity dates of corporate and government bonds of \$807,415 range from 2020 to 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 1,138,200	\$ 1,138,200
Buildings	16,694,735	16,694,735
Building improvements	2,710,532	2,674,399
Furniture and equipment	5,874,672	5,731,647
Vehicles	451,649	451,649
Construction in progress	12,475,717	2,129,840
Total	<u>39,345,505</u>	<u>28,820,470</u>
Less accumulated depreciation	<u>15,861,355</u>	<u>15,005,248</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 23,484,150</u>	<u>13,815,222</u>

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 amounted to \$856,106 and \$869,814, respectively.

Construction in progress includes preconstruction costs for a new facility which will be built on leased land and is described in Notes I and N. At December 31, 2019 and 2018, capitalized interest totaled \$514,423 and \$130,047, respectively. The construction began in October 2018. Also included in construction in progress are preconstruction costs for a renovation to the existing Summit facility. Construction for this project is expected to begin in 2020.

NOTE I – BERKELEY HEIGHTS BUILDING PROJECT

On October 5, 2018, the YMCA and BH YMCA jointly borrowed \$12,000,000 under a mortgage loan payable to Investors Bank (See Note K). The mortgage proceeds were used to repay the prior mortgage balance, and the remaining proceeds are intended to fund the construction of the new facility in Berkeley Heights. As of December 31, 2019 and 2018, approximately \$3,000,000 and \$10,900,000, respectively, is held on deposit in various bank accounts to minimize risk.

In May 2018, BH YMCA LLC entered into a construction contract with Vericon Construction Company, LLC to manage the construction of the new facility which commenced on October 6, 2018. The Guaranteed Maximum Price (GMP) of construction is \$15,016,970. As of December 31, 2019, the budgeted construction cost was \$14,091,607 including project management fees. However, management anticipates slightly higher cost to complete the project but not to exceed the GMP. For the years ended December 31, 2019 and 2018, contract payments to Vericon Construction totaled \$9,501,893 and \$409,768, respectively.

Two vendors requested to be paid directly. They were Vincent Pools, Inc. with a GMP of \$1,370,800 and JZA Enterprises, LLC with a GMP of \$562,123. The amounts owed at December 31, 2019 were \$1,370,800 and \$62,442 respectively. No amounts were owed at December 31, 2018.

In addition to the construction costs, cumulative project soft costs paid for the years ended December 31, 2019 and 2018 totaled \$1,683,889 and \$1,362,885, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE J – LINES OF CREDIT

On November 29, 2018, the YMCA entered into a new line of credit with Investors Bank in the amount of \$2,000,000, expiring December 1, 2020. The interest rate was the prime rate rounded to the nearest 0.125%. The interest rate at December 31, 2019 and 2018 was 4.75% and 5.50%, respectively. For the years ended December 31, 2019 and 2018, there was no outstanding balance on the line of credit.

The YMCA had a line of credit with Investors Bank in the amount of \$750,000, which expired October 2018. The interest rate was the prime rate rounded to the nearest 0.125%.

NOTE K – LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Mortgage payable to Investors Bank with an original principal balance of \$12,000,000, which requires monthly payments of \$77,464 including principal and interest at 4.67%. The mortgage matures in November 2038 and is secured by all real estate assets of the YMCA and BH YMCA LLC. The YMCA is subject to financial covenants typical for this type of loan and is in compliance at December 31, 2019 and 2018.	\$ 11,598,385	\$ 11,969,236
Less unamortized debt issuance cost	<u>111,460</u>	<u>117,405</u>
	11,486,925	11,851,831
Less current portion	<u>387,245</u>	<u>370,851</u>
TOTAL LONG-TERM DEBT	<u>\$ 11,099,680</u>	<u>\$ 11,480,980</u>

Principal repayment for long-term debt is as follows:

<u>Year</u>	
2020	\$ 387,245
2021	407,535
2022	427,255
2023	447,930
2024	468,280
Thereafter	<u>9,460,140</u>
TOTAL	<u>\$ 11,598,385</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE L – CAPITAL LEASES

The YMCA has entered into several capital leases for office and exercise equipment which expire through 2022 with implied interest rates ranging from 6.15% to 8.73%. The assets and liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive life. Amortization expense for the years ended December 31, 2019 and 2018 amounted to \$151,713 and \$203,342, respectively. Amortization expense is included in depreciation expense.

Property and equipment held under capital lease:

	<u>2019</u>	<u>2018</u>
Fitness equipment	\$ 467,609	\$ 620,136
Less accumulated amortization	<u>339,923</u>	<u>409,469</u>
NET	<u>\$ 127,686</u>	<u>\$ 210,667</u>

Minimum future lease payments under capital lease as of December 31, 2019 for each of the years in the aggregate are:

<u>Year</u>	
2020	\$ 106,894
2021	24,967
2022	<u>2,081</u>
Net minimum lease payment	133,942
Less amount representing interest	<u>5,208</u>
Present value of net minimum lease payments	128,734
Less current portion	<u>101,993</u>
LONG-TERM PORTION	<u>\$ 26,741</u>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE M – RETIREMENT PLANS

The YMCA 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 Internal Revenue Code 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), 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 defined contribution plans, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

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 YMCA. The total contributions charged to retirement costs amounted to \$593,695 and \$538,121 for the years ended December 31, 2019 and 2018, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the Fund. The YMCA's policy is to fully fund retirement plan costs as accrued at 12% of compensation. Employees, at their option, may also contribute to tax deferred annuities through the Fund or other commercial sources. The Association does not match these contributions.

NOTE N – OPERATING LEASES

On July 1, 1995, the YMCA entered into a lease agreement for the Berkeley Heights branch facility for a term of five years with three additional five-year options of extension. The lease was extended to January 31, 2020. The facility comprised of 22,846 square feet, has an annual rental of approximately \$314,000 not including its proportionate share of common area maintenance charges, real estate tax and other sundry charges.

In April 2006, the YMCA entered into a lease agreement for office space located at 490 Morris Avenue in Summit. During August 2016 the lease was extended to July 2018. The annual rental is approximately \$110,000 not including its proportionate share of common area maintenance charges, real estate tax, and other sundry charges. The lease was verbally extended to October 2018. The YMCA vacated the premises in December 2018.

In May 2017, BH YMCA LLC entered into a 50-year lease with the Township of Berkeley Heights regarding land on which to build a new facility. The annual rent is \$1.00 for each of the first six years, \$25,000 for years 7-20, \$50,000 for years 21-30 and \$65,000 for years 31-50 (for total rental payments of \$2,150,006).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE N – OPERATING LEASES (CONTINUED)

The lease obligated BH YMCA LLC to (a) operate each summer season and maintain a community pool for the residents of Berkeley Heights throughout the 50 year term, (b) invest approximately \$210,000 for repairs to allow for the opening of the pool for the 2017 season, which was completed, (c) assume responsibility for repayment of up to \$105,000 owed to a bank by the previous operator of the community pool (also completed) and (d) spend approximately \$900,000 to construct a new outdoor pool complex within the first six years of the lease term.

BH YMCA LLC has the option to terminate the lease within the first six years of the lease term if (a) the results of environmental and geotechnical due diligence are not satisfactory, (b) all required Municipal, County and State approvals for the construction of a new YMCA facility and community pool are not received or (c) a fundraising goal of \$1,000,000 is not achieved.

All buildings and improvements on the property will become the property of the Township of Berkeley Heights at the end of the lease.

The YMCA has a non-cancellable operating lease for office equipment expiring November 2021.

The minimum future rental payments of these leases as of December 31, 2019 are as follows:

<u>Year</u>	
2020	\$ 78,433
2021	23,145
2022	1
2023	1
2024	25,000
Thereafter	<u>2,125,000</u>
TOTAL	<u>\$ 2,251,580</u>

Total rent expense for the years ended December 31, 2019 and 2018 amounted to \$398,016 and \$480,295, respectively.

NOTE O – CONCENTRATION OF CREDIT RISKS

The vast majority of contributions and receivables are due from payers located in the Summit area and its surrounding suburbs.

The YMCA's cash is exposed to concentration of credit risk. The YMCA's cash is placed with a wide array of institutions that have high credit ratings. The balances at the financial institutions are insured by Federal Insurance Corporation "FDIC" up to \$250,000. As of December 31, 2019 and 2018, the YMCA had cash which exceeded FDIC limits by \$128,061 and \$200,331, respectively.

The YMCA's investments are subject to credit risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE P – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Specific purpose:		
Endowment	\$ 5,149,730	\$ 5,149,665
Unappropriated investment return	3,709,410	2,361,297
Capital campaign	671,392	763,310
Berkeley Heights project	321,757	244,981
Community garden	32,009	32,511
Grants	32,762	50,000
TOTALS \$	<u>9,917,060</u>	<u>8,601,764</u>

Net assets released from net assets with donor restrictions are as follows

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Investment return	\$ -	\$ 18,102
Capital campaign	91,918	400,482
Berkeley Heights project	-	21,330
Community garden	1,002	1,181
Grants	43,777	158,034
TOTALS \$	<u>136,697</u>	<u>599,129</u>

NOTE Q – RELATED PARTY TRANSACTIONS

The YMCA is affiliated by agreement with the YMCA of the USA. Under this agreement, the YMCA is obligated to pay a percentage of its revenues to the national Association. Dues paid to the YMCA of the USA for the years ended December 31, 2019 and 2018 amounted to \$210,749 and \$201,210, respectively.

The YMCA's health insurance coverage is carried through the National YMCA's policy. Health insurance costs paid to the YMCA of the USA for the years ended December 31, 2019 and 2018 amounted to \$919,127 and \$836,582, respectively.

NOTE R – LITIGATION

The YMCA is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Association.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2019 and 2018

NOTE S – SUBSEQUENT EVENTS

Management evaluated all activity of the Association through September 16, 2020, the date these consolidated financial statements were available to be issued, and concluded the following subsequent event requires disclosure.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. It has also caused significant layoffs and unemployment. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the economic effect. Therefore, the YMCA expects this matter to impact its operating results and marketable securities investment values. However, the related consolidated financial impact and duration cannot be reasonably estimated at this time.

In March 2020, the United States Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide relief to small businesses impacted by the spread of COVID-19. As part of the CARES Act, the Paycheck Protection Program offers small businesses forgivable loans to cover payroll and certain other operating expenses. In April 2020, the YMCA received a loan under the Paycheck Protection Program in the amount of \$1,765,100.