The Young Men's Christian Association of Birmingham, Inc.
Birmingham, Alabama

# Financial Report
# December 31, 2022

Including Report of
Independent Auditors

## CONTENTS

# INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Young Men's Christian Association of Birmingham, Inc.
Birmingham, Alabama

**Opinion**
We have audited the accompanying financial statements of The Young Men's Christian Association of Birmingham, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Young Men's Christian Association of Birmingham, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Young Men's Christian Association of Birmingham, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Young Men's Christian Association of Birmingham, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Young Men's Christian Association of Birmingham, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Young Men's Christian Association of Birmingham, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activities – Endowment Funds and the Schedule of Property and Equipment by Branch are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Dent Moses LLP

Birmingham, Alabama
May 16, 2023

# The Young Men's Christian Association of Birmingham, Inc.
# Statements of Financial Position
# December 31, 2022 and 2021

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ | 6,428,071 | $ | 8,657,210 |
| Restricted cash | | 2,264,034 | | 134,931 |
| Pledges receivable, net | | 1,299,648 | | 1,319,762 |
| Accounts receivable, net | | 1,109,392 | | 907,876 |
| Prepaid expenses and supplies | | 319,966 | | 261,157 |
| Notes receivable | | - | | 383,403 |
| Investments | | 7,613,904 | | 9,188,248 |
| Property and equipment, net | | 37,688,001 | | 38,030,370 |
| Operating lease right of use assets, net | | 1,904,142 | | - |
| **TOTAL ASSETS** | $ | 58,627,158 | $ | 58,882,957 |
| **LIABILITIES AND NET ASSETS** | | | | |
| **Liabilities** | | | | |
| Accounts payable and accrued expenses | $ | 957,869 | $ | 842,009 |
| Deferred revenue | | 1,510,993 | | 1,208,683 |
| PPP loan payable | | - | | 1,831,835 |
| Obligations under finance leases | | 18,378,261 | | 19,250,192 |
| Obligations under operating leases | | 1,904,142 | | - |
| **Total liabilities** | | 22,751,265 | | 23,132,719 |
| **Net Assets** | | | | |
| Without donor restrictions: | | | | |
| Undesignated | | 25,694,852 | | 25,932,386 |
| Designated by the board for endowments | | 6,088,932 | | 7,606,346 |
| With donor restrictions | | 4,092,109 | | 2,211,506 |
| **Total net assets** | | 35,875,893 | | 35,750,238 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ | 58,627,158 | $ | 58,882,957 |

The Notes to Financial Statements are an integral part of these statements.

# The Young Men's Christian Association of Birmingham, Inc.
## Statement of Activities
## Year ended December 31, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Support and revenue** | | | |
| Contributions and grants | $ 2,517,627 | $ 2,129,565 | $ 4,647,192 |
| Membership dues | 11,144,134 | - | 11,144,134 |
| Program service fees | 7,593,095 | - | 7,593,095 |
| **Total support and revenue** | 21,254,856 | 2,129,565 | 23,384,421 |
| Net assets released from restrictions | 248,962 | (248,962) | - |
| **Total support, revenue and net assets released from restrictions** | 21,503,818 | 1,880,603 | 23,384,421 |
| **Expenses** | | | |
| Program services | 21,004,627 | - | 21,004,627 |
| Management and general | 2,491,163 | - | 2,491,163 |
| Fundraising | 406,996 | - | 406,996 |
| **Total expenses** | 23,902,786 | - | 23,902,786 |
| **Changes in net assets from operating activities** | (2,398,968) | 1,880,603 | (518,365) |
| **NON-OPERATING ACTIVITIES** | | | |
| Investment return, net | (1,216,077) | - | (1,216,077) |
| Gain on forgiveness of PPP loan | 1,831,835 | - | 1,831,835 |
| Gain on disposal of assets | 33,104 | - | 33,104 |
| Other income (expense) | (4,842) | - | (4,842) |
| **Changes in net assets from non-operating activities** | 644,020 | - | 644,020 |
| **Changes in net assets** | (1,754,948) | 1,880,603 | 125,655 |
| **NET ASSETS - BEGINNING OF YEAR** | 33,538,732 | 2,211,506 | 35,750,238 |
| **NET ASSETS - END OF YEAR** | $ 31,783,784 | $ 4,092,109 | $ 35,875,893 |

The Notes to Financial Statements are an integral part of these statements.

# The Young Men's Christian Association of Birmingham, Inc.
## Statement of Activities
## Year ended December 31, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Support and revenue** | | | |
| Contributions and grants | $ 1,965,262 | $ 1,750,717 | $ 3,715,979 |
| Membership dues | 9,151,980 | - | 9,151,980 |
| Program service fees | 5,001,653 | - | 5,001,653 |
| **Total support and revenue** | 16,118,895 | 1,750,717 | 17,869,612 |
| Net assets released from restrictions | 55,061 | (55,061) | - |
| **Total support, revenue and net assets released from restrictions** | 16,173,956 | 1,695,656 | 17,869,612 |
| **Expenses** | | | |
| Program services | 17,725,567 | - | 17,725,567 |
| Management and general | 2,698,093 | - | 2,698,093 |
| Fundraising | 408,057 | - | 408,057 |
| **Total expenses** | 20,831,717 | - | 20,831,717 |
| **Changes in net assets from operating activities** | (4,657,761) | 1,695,656 | (2,962,105) |
| **NON-OPERATING ACTIVITIES** | | | |
| Investment return, net | 890,963 | - | 890,963 |
| Gain on forgiveness of PPP loan | 1,831,835 | | 1,831,835 |
| Employee retention credit income | 2,143,215 | - | 2,143,215 |
| Gain on disposal of assets | 4,855 | - | 4,855 |
| Other income | 9,173 | - | 9,173 |
| **Changes in net assets from non-operating activities** | 4,880,041 | - | 4,880,041 |
| **Changes in net assets** | 222,280 | 1,695,656 | 1,917,936 |
| **NET ASSETS - BEGINNING OF YEAR** | 33,316,452 | 515,850 | 33,832,302 |
| **NET ASSETS - END OF YEAR** | $ 33,538,732 | $ 2,211,506 | $ 35,750,238 |

The Notes to Financial Statements are an integral part of these statements.

# The Young Men's Christian Association of Birmingham, Inc.
## Statement of Functional Expenses
## Year ended December 31, 2022

| | | Supporting Services | | |
|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total |
| Salaries | $ 8,084,984 | $ 1,491,641 | $ 219,548 | $ 9,796,173 |
| Payroll taxes and employee benefits | 1,641,982 | 340,406 | 66,926 | 2,049,314 |
| Utilities | 2,194,982 | - | - | 2,194,982 |
| Maintenance and repairs | 1,383,478 | 28,889 | - | 1,412,367 |
| Rentals | 1,354,851 | 5,962 | - | 1,360,813 |
| Programs | 670,816 | 8,087 | - | 678,903 |
| Media, publications, and promotions | 267,388 | 55,331 | 52,267 | 374,986 |
| Professional fees and contract labor | 200,554 | 157,559 | 49,199 | 407,312 |
| Supplies | 477,259 | 11,479 | 120 | 488,858 |
| Computer support fees | 475,408 | 88,175 | 528 | 564,111 |
| Bank and credit card fees | 392,605 | 5,240 | 46 | 397,891 |
| Insurance | 385,127 | 121,874 | - | 507,001 |
| Transportation, travel, and training | 196,285 | 72,424 | 6,245 | 274,954 |
| National YMCA support | 231,951 | - | - | 231,951 |
| Communications | 258,643 | 50,942 | 1,500 | 311,085 |
| Cost of merchandise sold | 99,820 | - | - | 99,820 |
| Bad debts | 68,699 | 3,598 | - | 72,297 |
| Dues | 61,657 | 4,315 | - | 65,972 |
| Other expenses, net | 19,776 | 13,075 | 10,617 | 43,468 |
| **Total expenses before interest and depreciation** | 18,466,265 | 2,458,997 | 406,996 | 21,332,258 |
| Interest | 509,671 | - | - | 509,671 |
| Depreciation and amortization | 2,028,691 | 32,166 | - | 2,060,857 |
| **Total expenses** | $ 21,004,627 | $ 2,491,163 | $ 406,996 | $ 23,902,786 |

The Notes to Financial Statements are an integral part of these statements.

# The Young Men's Christian Association of Birmingham, Inc.
## Statement of Functional Expenses
## Year ended December 31, 2021

| | Program Services | Supporting Services: Management and General | Supporting Services: Fundraising | Total |
|---|---|---|---|---|
| Salaries | $ 6,552,208 | $ 1,367,211 | $ 234,406 | $ 8,153,825 |
| Payroll taxes and employee benefits | 1,399,261 | 390,113 | 51,895 | 1,841,269 |
| Utilities | 2,094,924 | - | - | 2,094,924 |
| Maintenance and repairs | 1,294,973 | 15,628 | 241 | 1,310,842 |
| Rentals | 855,391 | 878 | - | 856,269 |
| Programs | 396,343 | 1,786 | - | 398,129 |
| Media, publications, and promotions | 312,966 | 5,661 | 52,573 | 371,200 |
| Professional fees and contract labor | 97,417 | 484,361 | 52,406 | 634,184 |
| Supplies | 366,659 | 6,139 | 632 | 373,430 |
| Computer support fees | 463,703 | 71,402 | 2,629 | 537,734 |
| Bank and credit card fees | 286,220 | 5,581 | - | 291,801 |
| Insurance | 334,342 | 113,969 | - | 448,311 |
| Transportation, travel, and training | 97,381 | 39,644 | 6,601 | 143,626 |
| National YMCA support | 222,926 | - | - | 222,926 |
| Communications | 225,078 | 48,907 | 1,250 | 275,235 |
| Cost of merchandise sold | 64,898 | - | - | 64,898 |
| Bad debts | 23,856 | 3,405 | - | 27,261 |
| Dues | 76,036 | 10,650 | - | 86,686 |
| Other expenses, net | 6,197 | 8,516 | 5,424 | 20,137 |
| **Total expenses before interest and depreciation** | 15,170,779 | 2,573,851 | 408,057 | 18,152,687 |
| Interest | 551,151 | - | - | 551,151 |
| Depreciation and amortization | 2,003,637 | 124,242 | - | 2,127,879 |
| **Total expenses** | $ 17,725,567 | $ 2,698,093 | $ 408,057 | $ 20,831,717 |

The Notes to Financial Statements are an integral part of these statements.

# The Young Men's Christian Association of Birmingham, Inc.
# Statements of Cash Flows
# Years ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 125,655 | $ 1,917,936 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 2,060,857 | 2,127,879 |
| Amortization of debt issue costs | 26,011 | 26,011 |
| (Gain) on forgiveness of PPP loan | (1,831,835) | (1,831,835) |
| (Gain) loss on disposal of property and equipment | (33,104) | (4,855) |
| (Gain) loss on disposal of construction in progress | - | 327,500 |
| (Gain) loss from insurable events | 4,842 | (9,173) |
| Net realized and unrealized (gain) loss on investments | 1,497,817 | (512,277) |
| Investment (income) loss restricted for endowment | (234,714) | (306,806) |
| Change in pledges receivable | 20,114 | (1,248,506) |
| Change in accounts receivable | (201,516) | (451,228) |
| Change in prepaid expenses and supplies | (58,809) | (2,393) |
| Change in accounts payable and accrued expenses | 115,860 | (249,783) |
| Change in deferred revenue | 302,310 | 538,398 |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | 1,793,488 | 320,868 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (1,721,062) | (378,184) |
| Proceeds from sales of property and equipment | 35,678 | 6,800 |
| Net proceeds (purchase) from insurance recovery | (4,842) | 9,173 |
| Net proceeds from sale of investments | 76,527 | 80,201 |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** | (1,613,699) | (282,010) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Investment income (loss) restricted for endowment | 234,714 | 306,806 |
| Proceeds from notes receivable | 383,403 | 243,285 |
| Payments of finance lease obligations | (897,942) | (242,843) |
| Proceeds from PPP loans payable | - | 3,663,670 |
| **NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES** | (279,825) | 3,970,918 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | (100,036) | 4,009,776 |
| **CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR** | 8,792,141 | 4,782,365 |
| **CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR** | $ 8,692,105 | $ 8,792,141 |

The Notes to Financial Statements are an integral part of these statements.

# The Young Men's Christian Association of Birmingham, Inc.
## Statements of Cash Flows (Continued)
## Years ended December 31, 2022 and 2021

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH** | | | | |
| Amounts reported within the statement of financial position that sum to the total above: | | | | |
| Cash and cash equivalents | $ | 6,428,071 | $ | 8,657,210 |
| Restricted cash | | 2,264,034 | | 134,931 |
| **TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH** | $ | 8,692,105 | $ | 8,792,141 |
| **SUPPLEMENTAL CASH FLOW INFORMATION** | | | | |
| Cash paid during the year for interest | $ | 496,678 | $ | 514,585 |
| **NONCASH INVESTING AND FINANCING ACTIVITIES** | | | | |
| Acquisition of property and equipment under finance lease obligations | $ | - | $ | 72,880 |

The Notes to Financial Statements are an integral part of these statements.

# The Young Men's Christian Association of Birmingham, Inc.
# Notes to Financial Statements
# December 31, 2022 and 2021

## NOTE 1 – DESCRIPTION OF ORGANIZATION

The Young Men's Christian Association of Birmingham, Inc. ("the YMCA"), is a charitable organization that opens its doors to all women, men, families, teenagers and children regardless of their ability to pay. The mission of the YMCA is to put Judeo-Christian principles into practice through programs that build healthy spirit, mind and body for all.

As of December 31, 2022, the YMCA is comprised of eight community branches, two youth centers, and one resident camp. Incorporating the core character values of caring, respect, honesty and responsibility into all of its programs, the YMCA is dedicated to providing a firm foundation and support system promoting healthy lifestyles, leadership development, community interaction and collaboration, volunteerism and philanthropy.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting and Financial Statement Presentation

The financial statements of the YMCA have been prepared on the accrual basis of accounting.

The YMCA reports information regarding its financial position and activities according to two net asset classifications based on the existence and nature of any donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions. Board designated endowment funds are recorded as net assets without donor restrictions.

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

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time or purpose for which the resource was restricted has elapsed, been fulfilled, or both.

### Income Taxes

The YMCA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes that all revenue-producing activities of the YMCA comply with Section 501(c)(3) of the Internal Revenue Code. Accordingly, no accrual for taxes has been made.

The YMCA has no significant uncertain tax positions that would require either recognition or disclosure in the financial statements. No interest or penalties related to income taxes have been recognized in the financial statements.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02*, Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The YMCA adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard as of the beginning of the period of adoption. The adoption had a material impact on the Company's balance sheet at January 1, 2022. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard resulted in an increase in operating lease ROU assets of $920,460 and an increase in operating lease liabilities of $920,460 as of January 1, 2022. There was no impact on net assets.

### Cash and Cash Equivalents

The YMCA defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less, excluding amounts held as long-term investments (quasi-endowments) in the YMCA's investment portfolio. The cash maintained in the YMCA's bank accounts may, at times, exceed federally insured limits. However, management believes the credit risk related to these amounts is minimal.

### Restricted Cash

Restricted cash represents monies held in a separate bank account to satisfy certain donor-imposed restrictions.

### Investments

Investments are stated at fair value based on published market quotations. Unrealized holding gains and losses are reflected in investment income. Marketable securities that are donated are recorded at fair value as of the date received. Certain investments of board designated endowment funds have been jointly invested for the purpose of maximizing income. Investment income is shared based on each fund's total investments. Investment income (interest and dividends) is recognized when earned or declared, and the YMCA has rights to the respective income.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Board designated endowment funds are administered by Trustees who are nominated by the Board of Directors of the YMCA. The Trustees have sole authority to invest, sell, pledge and otherwise administer these funds for the sole benefit of the YMCA. Annual distributions from endowment assets are used to fund programs and supporting services.

### Pledges Receivable

Contributors include businesses and individuals primarily located in Birmingham and the surrounding area. Contributions are recognized when the donor makes a pledge to the YMCA that is, in substance, unconditional. Contributions that are unrestricted are recorded as increases in net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in donor restricted net assets. When restrictions expire and/or are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

An allowance for uncollectible pledges is maintained in amounts estimated to provide adequate reserves to cover anticipated losses based on historical bad debt experience and periodic evaluation of the accounts. As of December 31, 2022 and 2021, an allowance of $7,000 and $500, respectively, was recorded.

### Accounts Receivable

Accounts receivable are reported at their estimated net realizable value, which is based on management's review of material balances outstanding and historical collection experience. Accounts receivable are presented net of an allowance for doubtful accounts of $3,500 and $3,058 at December 31, 2022 and 2021. Management will write off any balance that remains after it has exhausted all reasonable collection efforts and concludes that additional efforts are not cost-justified.

### Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair value at the date of gift. It is the YMCA's policy to capitalize expenditures for property and equipment in excess of $2,000 having estimated useful lives in excess of one year. Charges for depreciation are provided on a straight-line basis over the estimated useful lives of the assets or the shorter of the life of the lease or estimated useful life for donated, leased buildings. Property and equipment under finance lease obligations and leasehold improvements are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset and are included with depreciation in the accompanying financial statements.

### Leases

The YMCA has both operating and financing leases for certain land, buildings, and equipment. The YMCA determines if an arrangement is a lease at inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Effective with the implementation of ASU 2016-02, *Leases (Topic 842)* and subsequent amendments to the initial guidance (collectively, Topic 842) on January 1, 2022, operating leases (with the exception of leases with a term of twelve months or less) are recorded in operating lease right of use assets and obligations under operating leases liabilities in the statements of financial position. Finance leases are recorded in property and equipment, net and obligations under finance leases in the statements of financial position. Leases with a term of twelve months or less are considered short term leases and are accounted for as program services or management and general expenses in the statement of activities as rental payments are incurred. The YMCA elected the practical expedient permitted under the transition guidance within the standard, which among other things, allowed the YMCA to carry forward the historical lease classification. The YMCA also elected the practical expedient to not separate lease components from nonlease components.

Operating and finance lease assets represent the YMCA's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating and finance lease assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When the lease does not provide an implicit rate, the YMCA uses a risk-free rate using a period comparable with that of the lease term in determining the present value of lease payments. The YMCA uses the implicit rate when readily determinable. The YMCA's lease terms may include options to extend. Operating lease expense for lease payments are recognized on a straight-line basis over the lease term. Finance lease expense includes two components: straight line amortization expense over the life of the underlying equipment and interest expense on the outstanding liability.

Prior to January 1, 2022 and the implementation of ASU 2016-02, *Leases (Topic 842)* and subsequent amendments to the initial guidance (collectively, Topic 842), facility and equipment operating leases were accounted for as program services or management and general expenses in the statement of activities when the rental payment expense was incurred. No asset or liability was recorded for operating leases.

**Donated Property, Leases, Materials and Services**

Donated materials are recorded as contributions at the time the donated items are placed into service or distributed. Donated property and leases are reflected as contribution revenue and property and equipment in the accompanying financial statements at their estimated fair value at the date the contribution becomes an unconditional promise to give. Volunteers devote significant amounts of time to the YMCA's various program services and fundraising activities; however, no objective basis exists for assigning value to their services. Accordingly, such donated services are not reflected in the accompanying financial statements.

**Deferred Revenue**

Deferred revenue represents revenues collected or billed but not earned. This is comprised primarily of summer camp registrations and membership dues received in advance.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Contributions and Grants

Unconditional contributions, grants, and pledges, are recognized in the period received or made. All contributions are considered available for unrestricted use unless specifically restricted by the donor. The YMCA has adopted a policy to classify donor restricted contributions as without restrictions to the extent that donor restrictions were met in the year the contribution was received. Conditional contributions and grants are recorded as revenue in the year the conditions are satisfied.

### Revenue Recognition

The YMCA recognizes revenue accounted for as exchange transactions from two major sources, which are as follows:

#### Membership Dues

Membership dues are recognized ratably over the period of membership, which varies based on when members join or leave the YMCA. Unearned membership revenue is reflected as deferred revenue on the statements of financial position. Members are provided with monthly access to the YMCA locations and a variety of services, and revenue is recognized monthly as the services are provided. Management has adopted the practical expedient whereby costs to obtain membership contracts are not capitalized as the average length of a membership contract is less than one year. Membership dues are reported net of scholarships and discounts.

#### Program Service Fees

Program Service Fees are reported at the amount that reflects the consideration to which the YMCA expects to be entitled in exchange for providing services to their program participants. Program fees include fitness classes, child care, day camps, overnight camps, swim lessons, sales of merchandise, and various other programs operating at YMCA locations, program sites, camps, or schools. Performance obligations are determined based on the nature of the services provided by the YMCA. Performance obligations are generally providing a service at a point in time. Revenue is recognized at the time the program is held or merchandise is sold. Unearned program fees are reflected as deferred revenue on the statements of financial position. Program service fees are reported net of scholarships and discounts.

### Functional Allocation of Expenses

The costs of program services, management and general, and fundraising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time, effort and utilization, and other appropriate methods based on the nature of the expenditure.

### Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2022 and 2021 totaled $364,899 and $359,100, respectively.

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Non-operating Activities

Non-operating activities include all investment income, including gains and losses on investments held for long-term purposes or capital expenditures, gains and losses on sales of assets, and income related to COVID-19 relief programs described in Note 12 and Note 19. Non-operating activities are reflected in the accompanying statement of activities.

### Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on total net assets or the change in net assets.

### Evaluation of Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

## NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The YMCA's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

| | |
|---|---|
| Financial assets: | |
| Cash | $ 8,692,105 |
| Investments | 7,613,904 |
| Pledges receivable | 1,299,648 |
| Accounts receivable | 1,109,392 |
| Total financial assets, at year-end | 18,715,049 |
| Less those with contractual or donor-imposed restrictions: | |
| Restricted by donor with time or purpose restrictions | (3,701,327) |
| Less financial assets held as board designated endowments | (6,088,932) |
| Financial assets available to meet cash needs for expenditures within one year | $ 8,924,790 |

As part of the YMCA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The YMCA also has a line of credit in the amount of $2,000,000 available to draw upon.

## NOTE 4 – INVESTMENTS

Investments at December 31, 2022 and 2021 are stated at fair value and consist primarily of corporate bonds and notes, cash management funds, commercial paper and equity securities as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| Common stocks | $ 2,282,990 | $ 2,315,168 | $ 2,549,274 | $ 3,143,075 |
| Corporate bonds | 2,904,597 | 2,675,768 | 2,680,739 | 2,694,063 |
| Mutual funds | 1,347,744 | 1,388,660 | 1,387,932 | 1,518,105 |
| International | 1,419,431 | 1,125,356 | 1,583,580 | 1,682,237 |
| Money market funds | 108,952 | 108,952 | 150,768 | 150,768 |
| Totals | $ 8,063,714 | $ 7,613,904 | $ 8,352,293 | $ 9,188,248 |

## NOTE 5 – FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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 prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

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

Level 2: Inputs to the valuation methodology include:

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

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

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

## NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis at December 31, 2022 and 2021:

Common stocks, mutual funds, and international securities are valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

Corporate bonds are valued based on quoted prices for identical or similar assets in non-active or less active markets (Level 2).

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

The following is a summary of the fair value measurements used for assets measured at fair value on a recurring basis as of December 31, 2022 and 2021:

| | | Fair Value Measurements at December 31, 2022 | | |
|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Common stocks | $ 2,315,168 | $ 2,315,168 | $ - | $ - |
| Corporate bonds | 2,675,768 | - | 2,675,768 | - |
| Mutual funds | 1,388,660 | 1,388,660 | - | - |
| International | 1,125,356 | 1,125,356 | - | - |
| Money market funds | 108,952 | 108,952 | - | - |
| Totals | $ 7,613,904 | $ 4,938,136 | $ 2,675,768 | $ - |

| | | Fair Value Measurements at December 31, 2021 | | |
|---|---|---|---|---|
| | Fair Value | Level 1 | Level 2 | Level 3 |
| Common stocks | $ 3,143,075 | $ 3,143,075 | $ - | $ - |
| Corporate bonds | 2,694,063 | - | 2,694,063 | - |
| Mutual funds | 1,518,105 | 1,518,105 | - | - |
| International | 1,682,237 | 1,682,237 | - | - |
| Money market funds | 150,768 | 150,768 | - | - |
| Totals | $ 9,188,248 | $ 6,494,185 | $ 2,694,063 | $ - |

# The Young Men's Christian Association of Birmingham, Inc.
# Notes to Financial Statements
# December 31, 2022 and 2021

## NOTE 6 – CAPITAL CAMPAIGN

During the year ending December 31, 2021, the YMCA announced a capital campaign to revitalize the Northeast YMCA and the surrounding Roebuck community through a collaboration with Habitat for Humanity (Habitat) and other community partners. The YMCA will convert the Northeast YMCA into a community center, Habitat will build 22 single family homes surrounding the Northeast YMCA, and a community-based family medicine clinic will be attached to the renovated Northeast YMCA. The YMCA plans to raise $3.5 million of the funding for the Roebuck Project through pledges and contributions. Additional funding will be achieved through the sale of land to Habitat and the use of New Market Tax Credits. Building of the project should begin during the year ending December 31, 2023. Pledges and contributions to the capital campaign amounted to $1,998,979 and $1,438,122 during the years ended December 31, 2022 and 2021, respectively.

## NOTE 7 – PLEDGES RECEIVABLE

At December 31, 2022 and 2021, pledges receivable are as follows:

| | 2022 | 2021 |
|---|---|---|
| Annual campaign | $ 134,149 | $ 17,640 |
| Capital campaign | 1,216,397 | 1,317,000 |
| Totals | 1,350,546 | 1,334,640 |
| Less allowances for uncollectible pledges | (7,000) | (500) |
| Less discounts on pledges receivable | (43,898) | (14,378) |
| Net pledges receivable | $ 1,299,648 | $ 1,319,762 |

Pledges receivable due in more than one year are discounted at 7.50%.

At December 31, 2022, pledges receivable are due as follows:

| | |
|---|---|
| Less than one year | $ 872,379 |
| One to five years | 478,167 |
| Total | $ 1,350,546 |

## NOTE 8 – NOTES RECEIVABLE

In 2019, the YMCA sold property to an unrelated party in exchange for a $740,000 non-interest bearing mortgage note receivable. The note balance was discounted to an estimated present value of $665,490, assuming a 5.5% interest rate over a three-year term. The note receivable is due in annual installments of $273,333, $273,333, and $193,334 beginning March 2020 through March 2022. The discounted balance as of December 31, 2021 of $183,403 was paid in full during the year ended December 31, 2022.

In 2020, the YMCA sold property to an unrelated party in exchange for a $200,000 non-interest bearing mortgage note receivable. The note balance was discounted to an estimated present value of $193,903, assuming a 3.25% interest rate over a one-year term. The note receivable was paid in full during the year ended December 31, 2022.

Amortization of the discounts on notes receivable is reported as interest income.

## NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 and 2021 consists of the following:

| | 2022 | 2021 |
|---|---|---|
| Land and donated land leases | $ 13,593,874 | $ 13,593,874 |
| Buildings | 41,392,604 | 41,366,543 |
| Building and leasehold improvements | 18,691,023 | 17,793,267 |
| Equipment and vehicles | 7,921,862 | 7,665,216 |
| Construction in progress | 196,304 | 137,603 |
| Total property and equipment | 81,795,667 | 80,556,503 |
| Less accumulated depreciation and amortization | (44,107,666) | (42,526,133) |
| Net property and equipment | $ 37,688,001 | $ 38,030,370 |

Depreciation expense, including amortization expense, amounted to $2,060,857 and $2,127,879 for the years ended December 31, 2022 and 2021, respectively.

Included in property and equipment are assets under finance lease obligations at December 31, 2022 and 2021 as follows:

| | 2022 | 2021 |
|---|---|---|
| Land | $ 11,122,278 | $ 11,122,278 |
| Building and leasehold improvements | 28,786,413 | 28,786,413 |
| Equipment and vehicles | 133,869 | 177,810 |
| Total assets under finance lease | 40,042,560 | 40,086,501 |
| Less accumulated depreciation and amortization | (12,422,272) | (11,554,068) |
| Net assets under finance lease | $ 27,620,288 | $ 28,532,433 |

## NOTE 10 – LEASING ACTIVITIES

The YMCA has entered into various noncancelable operating and financing leases for land, buildings, and equipment.

The components of lease costs were as follows for the year ended December 31, 2022:

| | Statement of Activities Classification | |
|---|---|---|
| Operating lease costs | Program services | $ 824,071 |
| Amortization of lease assets | Program services | 37,129 |
| Interest on lease liabilities | Program services | 7,784 |
| Total finance lease costs | | 44,913 |
| Short term lease costs | Program services | 530,780 |
| Short term lease costs | Management and general | 5,962 |
| Total short term lease costs | | 536,742 |
| Total lease costs | | $ 1,405,726 |

The future maturities of operating and finance lease liabilities as of December 31, 2022 are as follows:

| Year Ending December 31: | Operating | Finance |
|---|---|---|
| 2023 | $ 750,548 | $ 1,348,547 |
| 2024 | 647,692 | 1,322,707 |
| 2025 | 575,733 | 1,317,663 |
| 2026 | 80,800 | 1,312,149 |
| 2027 | - | 1,301,740 |
| Thereafter | - | 14,679,845 |
| Total lease payments | 2,054,773 | 21,282,651 |
| Less: interest | (150,631) | (2,730,983) |
| Present value of lease liabilities | 1,904,142 | 18,551,668 |
| Less: Unamortized debt issue costs | - | (173,407) |
| Total lease liability, net | $ 1,904,142 | $ 18,378,261 |

Total rent expense was $1,360,813 and $856,269 in the years ended December 31, 2022 and 2021, respectively.

**NOTE 10 – LEASING ACTIVITIES (CONTINUED)**

The weighted average remaining lease term and weighted average discount rate were as follows as of December 31, 2022:

| | |
|---|---|
| **Weighted Average Remaining Lease Term** | |
| Operating leases | 34 months |
| Finance leases | 80 months |
| | |
| **Weighted Average Discount Rate** | |
| Operating leases | 5.43% |
| Finance leases | 2.57% |

Supplemental cash flow information related to leases was as follows for the year ended December 31, 2022:

| | | |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ | 824,071 |
| Operating cash flows from finance leases | | 7,784 |
| Financing cash flows from finance leases | | 897,942 |
| Lease assets obtained in exchange for lease liabilities: | | |
| Operating leases | $ | 1,659,883 |

**<u>Finance Leases</u>**

Finance lease obligations represent lease agreements that the YMCA has entered into with a local municipal park and recreation board and redevelopment authority to lease certain facilities that the park and recreation board and the redevelopment authority purchased with proceeds from municipal bond issues as well as equipment acquired under leases determined to be accounted for as finance leases.

## NOTE 10 – LEASING ACTIVITIES (CONTINUED)

A summary of all finance lease obligations at December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| 2019-A bond issue - interest at fixed rate of 2.55% monthly, interest only payments through March 2023 and thereafter principal and interest payments due in variable payment amounts and maturing in September 2029, secured by real estate | $ 9,057,312 | $ 9,057,312 |
| 2019-B bond issue - interest at fixed rate of 2.55% monthly, interest only payments until September 2021 and thereafter principal and interest payments due in variable payment amounts and maturing in September 2029, secured by real estate | 9,302,623 | 9,683,460 |
| 2019-C bond issue - interest at fixed rate of 2.76% monthly, interest only payments through September 2021 and thereafter principal and interest payments due in variable payment amounts and maturing in March 2023, secured by real estate | 122,101 | 602,077 |
| Leases payable - interest at implicit rates ranging from 5.50% to 15.39% at December 31, 2022, due in monthly principal and interest payments and maturing May 2022 through September 2026, secured by equipment | 69,632 | 106,761 |
| Subtotal | 18,551,668 | 19,449,610 |
| Less: Unamortized debt issue costs | (173,407) | (199,418) |
| Total obligations under finance leases | $ 18,378,261 | $ 19,250,192 |

Facility Leases

During 2019, the YMCA refinanced its existing bonds through financing with the Public Park and Recreation Board of Jefferson County (PPRBJC). Details of the refinancing are presented below.

During 2019, the YMCA issued series 2019-A revenue bonds totaling $9,057,312, which refinanced $8,698,672 of PPRBJC revenue bonds issued in 2016, $346,324 of PPRBJC revenue bonds issued in 2008, and expenses of $12,316 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated August 29, 2019. Beginning October 1, 2019 through March 2023, monthly lease payments of interest only are required at a fixed rate. Beginning April 1, 2023, monthly lease payments of principal and interest are required to be made beginning through the maturity date of September 1, 2029, at which time the entire principal amount outstanding shall be due and payable. Each payment is in an amount equal to the debt service and accrued interest due on that date.

**NOTE 10 – LEASING ACTIVITIES (CONTINUED)**

During 2019, the YMCA issued series 2019-B revenue bonds totaling $9,777,312, which refinanced $3,180,137 Homewood Downtown Redevelopment Authority (HDRA) revenue bonds issued in 2017, $1,558,797 of Shelby County Park and Recreation Authority (SCPRA) revenue bonds issued in 2012, $4,475,980 2008 PPRBJC revenue bonds issued in 2008, $398,900 to terminate the interest rate swap agreement on the 2008 PPRBJC revenue bonds, and expenses of $163,498 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated August 29, 2019. Beginning October 1, 2019 through September 2021, monthly lease payments of interest only are required at a fixed rate. Beginning October 1, 2021, monthly lease payments of principal and interest are required to be made beginning through the maturity date of September 1, 2029, at which time the entire principal amount outstanding shall be due and payable. Each payment is in an amount equal to the debt service and accrued interest due on that date.

During 2019, the YMCA issued series 2019-C taxable revenue bonds totaling $720,000, which refinanced $720,000 of PPRBJC revenue bonds issued in 2008. Beginning October 1, 2019 through September 2021, monthly lease payments of interest only are required at a fixed rate. Beginning October 1, 2021, monthly lease payments of principal and interest are required to be made beginning through the maturity date of March 1, 2023, at which time the entire principal amount outstanding shall be due and payable. Each payment is in an amount equal to the debt service and accrued interest due on that date.

Facility Leases - Common Lease Terms
With respect to the bond issues and related lease agreements mentioned above, the park and recreation boards and redevelopment authorities each have entered into trust indentures with financial institutions designating the financial institutions as trustees. The YMCA and the park and recreation board have conveyed title to the financial institutions of all real property and interests therein together with the buildings, structures and improvements at the sites. The leases contain bargain purchase options whereby the YMCA can purchase the facilities at a nominal cost at the end of the lease terms. Accordingly, the agreements are classified as capital leases with the related assets recorded as property and equipment and the lease obligations recorded as liabilities in the accompanying statement of financial position.

Under the terms of the bond agreements, the YMCA is required to maintain certain financial ratios relating to adjusted tangible net worth and debt service coverage.

Equipment Leases
At December 31, 2022, there were a total of seven equipment leases. Amounts related to the leases are aggregated due to their similarities in treatment and terms.

**Operating Leases**

The YMCA leases equipment from an unrelated party under nine non-cancelable operating leases expiring in 2026. Total expense for rental of equipment under the operating leases was $824,071 and $603,203 for the year ended December 31, 2022 and 2021, respectively.

## NOTE 11 – LINE OF CREDIT

The YMCA has entered into a line of credit facility with a bank having maximum availability of $2,000,000, none of which was outstanding at December 31, 2022 and 2021. The line renews annually and is subject to renewal in August 2023. Under the terms of this facility, the YMCA is required to maintain certain financial ratios relating to debt service coverage.

## NOTE 12 – PPP LOANS PAYABLE

In March 2021, the YMCA qualified for and received a first draw loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), as amended by the Consolidated Appropriations Act, 2021 and American Rescue Plan Act, for an aggregate principal amount of $1,831,835. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP loan is subject to forgiveness under the Paycheck Protection Program upon the YMCA's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including certain payroll and employee benefit costs and certain operating expenses incurred by the YMCA. During the year ending December 31, 2021, the YMCA applied for and received full forgiveness of the first draw PPP loan with respect to the permitted expenses. Therefore, a gain on PPP loan forgiveness of $1,831,835 is recognized in the accompanying statement of activities for the year ended December 31, 2021. No interest is required to be paid because the loan was forgiven.

In May 2021, the YMCA qualified for and received a second draw PPP loan for an aggregate principal amount of $1,831,835. The second draw PPP loan terms are similar to the first draw PPP loan. During the year ending December 31, 2022, the YMCA applied for and received forgiveness of the second draw PPP loan with respect to the permitted expenses. Therefore, a gain on PPP loan forgiveness of $1,831,835 is recognized in the accompanying statement of activities for the year ended December 31, 2022. No interest is required to be paid because the loan was forgiven.

## NOTE 13 – EMPLOYEE BENEFIT PLAN

The YMCA participates in a defined contribution pension plan of The National YMCA. All employees with service hours in excess of 1,000 hours for two years are covered under provisions of the plan. Employee contributions are not mandatory; however, employees may elect to contribute a portion of their earnings. The Plan is operated as a church pension plan and is a non-profit tax-exempt corporation. As a defined contribution plan, the Plan has no unfunded benefit obligations.

In accordance with the Pension Plan, contributions, determined based on a percentage of the participating employee's salary, are paid monthly by the YMCA to The National YMCA Pension Plan (the Plan). Total YMCA contributions charged as retirement expense were $628,699 and $566,845 for the years ended December 31, 2022 and 2021.

## NOTE 14 – RELATED PARTY TRANSACTIONS

The members of the YMCA'S governing body consist of many individuals and business leaders in the local community. At times, throughout the normal course of business, the YMCA transacts with certain local businesses whose management, ownership or governance consists of YMCA board members. All related party transactions with board members are governed by a conflict of interest policy. In 2022 and 2021, the YMCA paid operating expenses of $188,424 and $222,722, respectively, to these companies.

## NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of pledges receivable, investments and cash and cash equivalents, which are available for the following purposes or periods:

| | 2022 | 2021 |
|---|---|---|
| Restricted contributions and grants | $ 239,226 | $ 341,181 |
| Restricted capital campaign | 3,437,101 | 1,438,122 |
| Endowment for Camp Cosby scholarships | 25,000 | 25,000 |
| Donated land lease | 390,782 | 407,203 |
| Totals | $ 4,092,109 | $ 2,211,506 |

## NOTE 16 – DOWNTOWN YOUTH CENTER

During 2006, the YMCA entered into a 50-year lease agreement (ten successive five-year renewal options) with the Birmingham Board of Education (BBOE) for the gymnasium and certain other facilities of the former Phillips High School. The lease agreement called for the YMCA to make significant improvements to the leased premises, to allow the BBOE and other parties to use the facilities as authorized by the YMCA, and to establish an endowment to fund and support the maintenance of the improvements and the delivery of programs. The YMCA pays the BBOE $1.00 per year in rent for the facilities. The excess of the fair value of the BBOE lease over the required lease payments resulted in $600,000 donated land lease to be recorded as a capital asset. The land lease is amortized on the straight-line basis over the term of the lease. This amortization is included with depreciation expense.

## NOTE 17 – ENDOWMENT FUNDS

The YMCA's endowment includes both donor-restricted funds and funds designated by the Trustees to function as an endowment. These funds consist of three individual funds held within two investment accounts. The General Endowment consists of the Camp Cosby fund, a portion of which is donor-restricted, and the General fund. The board-designated funds were established for the purpose of securing the long-term financial viability of Camp Cosby and the Association. The donor-restricted portion of the Camp Cosby fund was established for the purpose of providing camp scholarships. The Youth Center Endowment was established to fund and support the maintenance and delivery of programming at the Downtown Youth Center. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**NOTE 17 – ENDOWMENT FUNDS (CONTINUED)**

The YMCA has a spending policy on the endowment funds which states that the annual distribution will be at the rate of 5% of the average market value of the endowment measured over the previous 12 quarters ending June 30 prior to the beginning of the next calendar year. The trustees do have the discretion to spend all or any portion of that amount, or an amount in excess of the 5% depending on the needs of the YMCA or the Downtown Youth Center. The objective of the YMCA board trustees is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

To achieve the objective, the YMCA has adopted an investment policy for the funds which is moderately aggressive, with an emphasis on long term growth. The target asset allocation for the funds is 65% equities, 20% diversified strategies, and 15% fixed income. However, the investment manager does have discretion with respect to the allocation of assets among the asset classes within specific guidelines. The goal for growth after distributions and fees for investment management and administration is earnings in excess of the inflation rate over a full market cycle. The funds are expected to maintain or grow, on an inflation adjusted basis, over a full market cycle.

Changes in endowment net assets as of December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance, beginning of year | $ 7,631,346 | $ 7,166,569 |
| Allocated for expenditures | (338,835) | (393,363) |
| Investment income (loss) | (1,142,124) | 899,049 |
| Investment fees | (36,455) | (40,909) |
| Balance, end of year | $ 6,113,932 | $ 7,631,346 |

Endowment net assets as of December 31, 2022 and 2021 consist of the following:

| | 2022 | 2021 |
|---|---|---|
| Designated by the board | | |
| Youth Center Endowment (See Note 16) | $ 3,226,995 | $ 4,030,158 |
| General Endowment | | |
| Camp Cosby | 789,473 | 991,098 |
| Regular | 2,072,464 | 2,585,090 |
| Total designated by the board | 6,088,932 | 7,606,346 |
| With donor restrictions | | |
| General Endowment | | |
| Camp Cosby | 25,000 | 25,000 |
| Total with donor restrictions | 25,000 | 25,000 |
| Balance, end of year | $ 6,113,932 | $ 7,631,346 |

## NOTE 18 – CONTINGENT LIABILITIES

The YMCA is involved in certain litigation in the ordinary course of business. Management does not anticipate these claims to have a significant adverse impact on the financial position of the YMCA.

The YMCA has opted out of the state unemployment insurance system, requiring the YMCA to reimburse the state for unemployment benefits actually paid to each employee. Management has accrued a liability of approximately $1,000 and $5,000 as of December 31, 2022 and 2021, respectively.

## NOTE 19 – EMPLOYEE RETENTION CREDITS

During the year ending December 31, 2021, the YMCA applied for and received Employee Retention Credits. The Employee Retention Credit, which was established by the CARES Act, is a refundable credit allowed to an eligible employer for qualifying wages. The YMCA recognized income from Employee Retention Credits for the year ended December 31, 2021 of $2,143,215.

# SUPPLEMENTAL INFORMATION

# The Young Men's Christian Association of Birmingham, Inc.
## Schedule of Activities – Endowment Funds
## Year ended December 31, 2022 and 2021

| | General Endowment Funds * | | | | | | Endowment Totals | |
|---|---|---|---|---|---|---|---|---|
| | Regular Fund | Camp Cosby Fund | Shades Valley Fund | Downtown Fund | Total General Endowment | Youth Center | 2022 | 2021 |
| **Income and gains** | | | | | | | | |
| Dividends and interest | $ 70,167 | $ 31,223 | $ 2,608 | $ 6,662 | $ 110,660 | $ 124,728 | $ 235,388 | $ 307,523 |
| Net gain on investment | (413,241) | (183,887) | (15,360) | (39,232) | (651,720) | (725,792) | (1,377,512) | 591,526 |
| **Total income and gains** | (343,074) | (152,664) | (12,752) | (32,570) | (541,060) | (601,064) | (1,142,124) | 899,049 |
| **Expenses and allocations** | | | | | | | | |
| Professional investment fees | (7,956) | (3,540) | (296) | (755) | (12,547) | (23,908) | (36,455) | (40,909) |
| Distribution for programs | (101,890) | (206) | (3,753) | (9,580) | (115,429) | (152,058) | (267,487) | (321,727) |
| Distribution for equipment and maintenance purchases | - | (45,215) | - | - | (45,215) | (26,133) | (71,348) | (71,636) |
| **Total expenses and allocations** | (109,846) | (48,961) | (4,049) | (10,335) | (173,191) | (202,099) | (375,290) | (434,272) |
| **Change in investments** | (452,920) | (201,625) | (16,801) | (42,905) | (714,251) | (803,163) | (1,517,414) | 464,777 |
| **Investments at beginning of year** | 2,283,431 | 1,016,098 | 84,873 | 216,786 | 3,601,188 | 4,030,158 | 7,631,346 | 7,166,569 |
| **Investments at end of year** | $ 1,830,511 | $ 814,473 | $ 68,072 | $ 173,881 | $ 2,886,937 | $ 3,226,995 | $ 6,113,932 | $ 7,631,346 |

** Activity within the General Endowment Funds is allocated based on the percentage of the individual branch's funds.*

# The Young Men's Christian Association of Birmingham, Inc.
## Schedule of Property and Equipment by Branch
## December 31, 2022 and 2021

| | Land and Donated Land Leases | Buildings | Building and Leasehold Improvements | Equipment and Vehicles | Construction in Progress | Totals 2022 | Totals 2021 |
|---|---|---|---|---|---|---|---|
| Hoover | $ 1,922,537 | 8,520,864 | 590,535 | 752,992 | $ - | $ 11,786,928 | $ 11,706,641 |
| Hoover City Schools | - | - | - | 17,755 | - | 17,755 | 17,755 |
| Downtown | 1,161,232 | 6,679,460 | 2,546,109 | 478,107 | - | 10,864,908 | 10,851,108 |
| Shades Valley | 271,887 | 7,012,266 | 797,210 | 570,155 | - | 8,651,518 | 8,513,984 |
| Greystone | 3,750,000 | 2,947,890 | 1,256,685 | 662,641 | - | 8,617,216 | 8,255,151 |
| Mountain Brook | 2,300,000 | 3,152,000 | 1,051,797 | 587,641 | - | 7,091,438 | 6,886,128 |
| Youth Center | 600,000 | - | 5,779,779 | 50,991 | - | 6,430,770 | 6,409,401 |
| Alabaster | 877,853 | 4,510,393 | 304,713 | 621,442 | - | 6,314,401 | 6,297,318 |
| Pelham | 394,568 | 2,870,606 | 1,792,690 | 839,080 | - | 5,896,944 | 6,118,787 |
| Trussville | 2,000,000 | 2,643,000 | 741,479 | 539,973 | - | 5,924,452 | 5,793,222 |
| Western Area | 35,000 | 2,126,283 | 334,365 | - | 12,765 | 2,508,413 | 2,495,648 |
| Camp Cosby | 169,392 | 427,108 | 2,268,562 | 671,473 | 80,338 | 3,616,873 | 3,254,446 |
| Metropolitan | - | - | 266,926 | 1,957,522 | - | 2,224,448 | 2,208,246 |
| Northeast | 111,405 | 502,734 | 960,173 | 172,090 | 103,201 | 1,849,603 | 1,748,668 |
| **Total cost** | 13,593,874 | 41,392,604 | 18,691,023 | 7,921,862 | 196,304 | 81,795,667 | 80,556,503 |
| Less accumulated depreciation and amortization | 209,218 | 23,929,634 | 13,006,448 | 6,962,366 | - | 44,107,666 | 42,526,133 |
| **Property and equipment, net** | $ 13,384,656 | $ 17,462,970 | $ 5,684,575 | $ 959,496 | $ 196,304 | $ 37,688,001 | $ 38,030,370 |