

**Young Men's Christian Association  
of the Greater Houston Area**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2020 and 2019

# Young Men’s Christian Association of the Greater Houston Area

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## Independent Auditors' Report

To the Board of Directors of  
Young Men's Christian Association of the Greater Houston Area:

### Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of the Greater Houston Area (the YMCA) and its affiliate, YMCA of the Greater Houston Area Endowment Foundation (collectively the Association), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

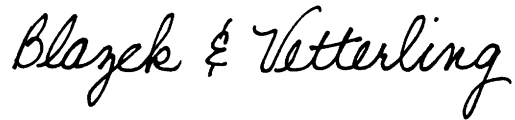
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the consolidating statement of financial position as of December 31, 2020 and consolidating statement of activities for the year ended December 31, 2020 is presented for purposes of additional analysis and is 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.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Blazek & Vetterling". The signature is written in a cursive, flowing style.

May 7, 2021

## Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Financial Position as of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 10,219,868	\$ 1,795,687
Accounts receivable	441,017	564,577
Interest receivable	115	235,341
Contributions receivable, net ( <i>Note 3</i> )	8,738,083	12,622,219
Prepaid expenses and other assets	2,480,845	2,063,791
Land and buildings held for sale	4,712,759	264,594
Investments ( <i>Notes 4 and 5</i> )	62,679,306	57,628,679
Bond proceeds held in trust ( <i>Note 9</i> )	5,670,000	5,670,000
Right to use facilities ( <i>Note 6</i> )	3,673,224	3,244,419
Operating lease right-of-use assets ( <i>Note 7</i> )	249,629	534,258
Property and equipment, net ( <i>Notes 7 and 8</i> )	<u>233,503,423</u>	<u>243,608,984</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 332,368,269</u></b>	<b><u>\$ 328,232,549</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 1,774,784	\$ 2,608,625
Subrecipient payables	1,486,230	1,369,096
Construction payable	370,363	45,186
Salaries and benefits payable	4,826,601	2,513,832
Other accrued expenses	582,354	281,604
Finance lease liabilities ( <i>Note 7</i> )	3,619,038	4,224,359
Operating lease liabilities ( <i>Note 7</i> )	249,629	534,258
Deferred contract revenue	579,823	2,410,352
Bonds payable, net ( <i>Note 9</i> )	<u>130,479,480</u>	<u>132,229,588</u>
Total liabilities	<u>143,968,302</u>	<u>146,216,900</u>
Commitments and contingencies ( <i>Note 13</i> )		
Net assets ( <i>Note 12</i> ):		
Without donor restrictions ( <i>Note 10</i> )	175,440,793	167,776,965
With donor restrictions ( <i>Note 11</i> )	<u>12,959,174</u>	<u>14,238,684</u>
Total net assets	<u>188,399,967</u>	<u>182,015,649</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 332,368,269</u></b>	<b><u>\$ 328,232,549</u></b>

*See accompanying notes to consolidated financial statements.*

## Young Men’s Christian Association of the Greater Houston Area

Consolidated Statement of Activities for the year ended December 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>OPERATING REVENUE:</b>			
Contracts revenue:			
Membership	\$ 24,676,357		\$ 24,676,357
Program	11,031,090		11,031,090
Other contract services	8,188,706		8,188,706
Contributions:			
Government agencies ( <i>Note 13</i> )		\$ 21,881,695	21,881,695
In-kind	1,138,023		1,138,023
United Way	2,229,060		2,229,060
Other	25,483,920	6,102,336	31,586,256
Special events	315,691		315,691
Direct donor benefit costs	(92,203)		(92,203)
Net investment return	6,156,791	400,847	6,557,638
Loss on disposal property and equipment	(269,350)		(269,350)
Loss on valuation of land and buildings held for sale	(792,097)		(792,097)
Other income	<u>77,597</u>		<u>77,597</u>
Total operating revenue	78,143,585	28,384,878	106,528,463
Net assets released from restrictions:			
Capital expenditures	1,143,575	(1,143,575)	
Expenditure for program purposes	25,806,600	(25,806,600)	
Expiration of time restrictions	<u>2,714,213</u>	<u>(2,714,213)</u>	
Total	<u>107,807,973</u>	<u>(1,279,510)</u>	<u>106,528,463</u>
<b>OPERATING EXPENSES:</b>			
Program services:			
Healthy Living	40,124,404		40,124,404
Social Responsibility	25,721,672		25,721,672
Youth Development	<u>22,202,043</u>		<u>22,202,043</u>
Total program services	88,048,119		88,048,119
Management and general	13,236,687		13,236,687
Fundraising	<u>1,893,464</u>		<u>1,893,464</u>
Total operating expenses	<u>103,178,270</u>		<u>103,178,270</u>
Changes in net assets from operating activities	4,629,703	(1,279,510)	3,350,193
Net results of involuntary conversion ( <i>Note 15</i> )	<u>3,034,125</u>		<u>3,034,125</u>
<b>CHANGES IN NET ASSETS</b>	7,663,828	(1,279,510)	6,384,318
Net assets, beginning of year	<u>167,776,965</u>	<u>14,238,684</u>	<u>182,015,649</u>
Net assets, end of year	<u>\$ 175,440,793</u>	<u>\$ 12,959,174</u>	<u>\$ 188,399,967</u>

*See accompanying notes to consolidated financial statements.*

## Young Men's Christian Association of the Greater Houston Area

Consolidated Statement of Activities for the year ended December 31, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>OPERATING REVENUE:</b>			
Contracts revenue:			
Membership	\$ 56,815,023		\$ 56,815,023
Program	33,397,921		33,397,921
Other contract services	2,897,122		2,897,122
Contributions:			
Government agencies ( <i>Note 13</i> )		\$ 21,633,987	21,633,987
In-kind	303,353	7,277,248	7,580,601
United Way	2,329,366		2,329,366
Other	1,894,324	9,196,163	11,090,487
Land grant reversion	(458,000)		(458,000)
Loss on valuation of contributions receivable		(500,000)	(500,000)
Special events	1,386,337		1,386,337
Direct donor benefit costs	(464,221)		(464,221)
Net investment return	4,284,149	586,032	4,870,181
Net gain on sale of property and equipment	2,497,003		2,497,003
Other income	446,836		446,836
	<u>105,329,213</u>	<u>38,193,430</u>	<u>143,522,643</u>
Net assets released from restrictions:			
Capital expenditures	11,976,514	(11,976,514)	
Expenditure for program purposes	27,483,529	(27,483,529)	
Expiration of time restrictions	3,008,229	(3,008,229)	
	<u>147,797,485</u>	<u>(4,274,842)</u>	<u>143,522,643</u>
<b>OPERATING EXPENSES:</b>			
Program services:			
Healthy Living	55,727,498		55,727,498
Social Responsibility	23,690,051		23,690,051
Youth Development	40,160,937		40,160,937
	<u>119,578,486</u>		<u>119,578,486</u>
Management and general	16,625,840		16,625,840
Fundraising	2,249,715		2,249,715
	<u>138,454,041</u>		<u>138,454,041</u>
Changes in net assets from operating activities	9,343,444	(4,274,842)	5,068,602
Loss on early extinguishment of debt ( <i>Note 9</i> )	(2,591,963)		(2,591,963)
Change in value of derivative agreements	(62,986)		(62,986)
Net results of involuntary conversion ( <i>Note 15</i> )	2,111,115		2,111,115
	<u>8,799,610</u>	<u>(4,274,842)</u>	<u>4,524,768</u>
<b>CHANGES IN NET ASSETS</b>			
Net assets, beginning of year	<u>158,977,355</u>	<u>18,513,526</u>	<u>177,490,881</u>
Net assets, end of year	<u>\$ 167,776,965</u>	<u>\$ 14,238,684</u>	<u>\$ 182,015,649</u>

*See accompanying notes to consolidated financial statements.*

## Young Men's Christian Association of the Greater Houston Area

Consolidated Statement of Functional Expenses for the year ended December 31, 2020

<u>EXPENSES</u>	<u>HEALTHY LIVING</u>	<u>SOCIAL RESPONSIBILITY</u>	<u>YOUTH DEVELOPMENT</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries, related taxes, and benefits	\$ 13,875,103	\$ 11,532,182	\$ 15,199,651	\$ 40,606,936	\$ 6,022,810	\$ 1,469,526	\$ 48,099,272
Occupancy	10,032,472	611,727	1,457,945	12,102,144	804,219	32,540	12,938,903
Depreciation and amortization	10,333,419	22,925	1,146,920	11,503,264	438,133	23,931	11,965,328
Allocations to service providers		9,310,003	1,000,000	10,310,003			10,310,003
Interest expense	2,499,950	384,608	961,519	3,846,077	531,283		4,377,360
Professional fees and contract services	821,037	399,608	491,568	1,712,213	2,083,832	264,302	4,060,347
Supplies	987,557	636,177	1,526,317	3,150,051	106,310	18,259	3,274,620
Specific assistance to individuals		2,406,297		2,406,297			2,406,297
Communications	996,334	68,623	74,305	1,139,262	737,821	49,383	1,926,466
Printing, publication, and promotion	46,166	38,393	23,332	107,891	1,254,182	261	1,362,334
Bad debt expense					885,982		885,982
Travel and transportation	69,714	120,759	159,804	350,277	130,396	17,044	497,717
Membership dues	289,938	67,920	99,363	457,221	13,188	6,035	476,444
Equipment rental and maintenance	152,401	6,914	7,289	166,604	53,116		219,720
Camping activity supplies		99,796	34,977	134,773			134,773
Professional development and staff training	12,724	15,740	18,944	47,408	35,496	1,221	84,125
Conferences, conventions, and meetings	7,049			7,049	32,368	10,962	50,379
Other	540		109	649	107,551		108,200
Total expenses	<u>\$ 40,124,404</u>	<u>\$ 25,721,672</u>	<u>\$ 22,202,043</u>	<u>\$ 88,048,119</u>	<u>\$ 13,236,687</u>	<u>\$ 1,893,464</u>	103,178,270
Direct donor benefit costs							<u>92,203</u>
Total							<u>\$ 103,270,473</u>

*See accompanying notes to consolidated financial statements.*



## Young Men's Christian Association of the Greater Houston Area

Consolidated Statement of Functional Expenses for the year ended December 31, 2019

EXPENSES	HEALTHY LIVING	SOCIAL RESPONSIBILITY	YOUTH DEVELOPMENT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	\$ 24,684,110	\$ 8,543,352	\$ 25,882,021	\$ 59,109,483	\$ 8,148,565	\$ 1,661,772	\$ 68,919,820
Occupancy	11,762,397	632,036	2,366,145	14,760,578	991,626	32,540	15,784,744
Depreciation and amortization	10,016,797	25,996	1,095,057	11,137,850	472,225	23,267	11,633,342
Allocations to service providers		8,685,770		8,685,770			8,685,770
Interest expense	3,008,120	462,788	1,156,970	4,627,878	675,743		5,303,621
Professional fees and contract services	1,597,648	288,506	1,474,930	3,361,084	1,919,046	219,646	5,499,776
Supplies	2,130,342	623,811	6,687,028	9,441,181	69,532	48,652	9,559,365
Specific assistance to individuals		3,531,353		3,531,353			3,531,353
Communications	1,060,983	25,577	78,400	1,164,960	1,178,577	38,934	2,382,471
Printing, publication, and promotion	135,007	25,815	41,382	202,204	1,323,084	358	1,525,646
Bad debt expense					468,394		468,394
Travel and transportation	189,907	521,027	851,553	1,562,487	432,945	74,355	2,069,787
Membership dues	591,962	37,235	4,350	633,547	66,549	17,413	717,509
Equipment rental and maintenance	426,313	16,824	46,844	489,981	425,688		915,669
Camping activity supplies		248,726	328,703	577,429			577,429
Professional development and staff training	42,570	15,938	136,290	194,798	375,463	8,613	578,874
Conferences, conventions, and meetings	49,376	51	3,611	53,038	47,163	124,099	224,300
Other	31,966	5,246	7,653	44,865	31,240	66	76,171
Total expenses	<u>\$ 55,727,498</u>	<u>\$ 23,690,051</u>	<u>\$ 40,160,937</u>	<u>\$ 119,578,486</u>	<u>\$ 16,625,840</u>	<u>\$ 2,249,715</u>	138,454,041
Expenses on involuntary conversion							71,432
Direct donor benefit costs							<u>464,221</u>
Total							<u>\$ 138,989,694</u>

*See accompanying notes to consolidated financial statements.*

## Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 6,384,318	\$ 4,524,768
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for building construction	(983,560)	(4,357,345)
Contributions restricted for endowment	(15,500)	(314,700)
Contributed land		(3,484,800)
Bad debt expense and loss on valuation of contributions receivable	885,982	968,394
Net realized and unrealized gain on investments	(5,643,368)	(3,348,196)
Net (gain) loss on sale or disposal of property and equipment	269,350	(2,497,003)
Loss on valuation of land and buildings held for sale	792,097	
Loss on land grant reversion		458,000
Depreciation and amortization	11,965,328	11,633,342
Amortization of right to use facilities	370,481	192,862
Amortization of bond issuance costs and bond premium	(250,108)	(258,241)
Loss on early extinguishment of debt		2,591,963
Change in value of derivative agreements		62,986
Insurance proceeds	(3,034,125)	(2,182,547)
Changes in operating assets and liabilities:		
Accounts receivable	123,560	35,325
Interest receivable	235,226	12,900
Contributions receivable	(161,888)	(3,083,258)
Prepaid expenses and other assets	(417,054)	(531,773)
Accounts payable and accrued expenses	1,896,812	(400,794)
Deferred contract revenue	<u>(1,830,529)</u>	<u>984,136</u>
Net cash provided by operating activities	<u>10,587,022</u>	<u>1,006,019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments	(61,161,947)	(16,613,641)
Proceeds from sale of investments	85,226,003	16,383,165
Net change in money market mutual funds held as investments	(23,471,315)	8,578,933
Purchases of property and equipment	(7,444,712)	(17,435,869)
Proceeds from sale of property and equipment		4,401,947
Insurance proceeds for building construction and equipment, net	<u>3,034,125</u>	<u>2,182,547</u>
Net cash used by investing activities	<u>(3,817,846)</u>	<u>(2,502,918)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on bonds	(1,500,000)	(1,410,000)
Principal payments on financing leases	(1,004,097)	(871,283)
Proceeds from contributions restricted for building construction	4,143,602	3,737,373
Contributions restricted for endowment	15,500	314,700
Proceeds from issuance of bonds		515,000
Bond issuance costs		(487,998)
Termination fee for derivative agreement		<u>(441,700)</u>
Net cash provided by financing activities	<u>1,655,005</u>	<u>1,356,092</u>
<b>NET CHANGE IN CASH</b>	<b>8,424,181</b>	<b>(140,807)</b>
Cash, beginning of year	<u>1,795,687</u>	<u>1,936,494</u>
Cash, end of year	<u>\$ 10,219,868</u>	<u>\$ 1,795,687</u>

(continued)

## Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019 *(continued)*

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	<u>2020</u>	<u>2019</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$4,442,322	\$5,095,546
Noncash financing transactions:		
Issuance of Series 2019 Bonds		\$69,320,000
Refund of Series 2016 Bonds		\$(69,320,000)
Finance lease obligation for equipment	\$398,776	\$1,755,907
Operating lease obligation for office space and equipment	\$397,112	\$1,010,127
In-kind construction		\$108,446

*See accompanying notes to consolidated financial statements.*

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## Young Men’s Christian Association of the Greater Houston Area

Notes to Consolidated Financial Statements for the years ended December 31, 2020 and 2019

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### NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Young Men’s Christian Association of the Greater Houston Area (the YMCA) was founded in 1886 to put Judeo-Christian principles into practice through programs that build a healthy spirit, mind, and body for all. The YMCA seeks to promote its mission and core values by focusing on Healthy Living, Youth Development and Social Responsibility in programs conducted at 26 centers, 1 resident camp, 20 apartment outreach sites, and 200 childcare sites. The YMCA is committed to improving the quality of life through programs and services which provide opportunities for people to reach their highest potential, develop a positive attitude of self and others, appreciate good health and fitness, acquire a value system, and maintain spiritual awareness that manifests itself in our daily lives.

YMCA of the Greater Houston Area Endowment Foundation (the Foundation) was incorporated in 1997 to furnish assistance and support to the charitable and educational undertakings of the YMCA.

Basis of consolidation – These financial statements include the consolidated assets, liabilities, net assets and activities of the YMCA and the Foundation (collectively the Association). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The YMCA and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The YMCA is classified as a public charity under §509(a)(2). The Foundation is classified as a public charity under §509(a)(3) as a Type I supporting organization.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Accounts receivable represent amounts due from exchange transactions and are based on amounts that reflect the consideration to which the Association expects to be entitled to in exchange for services already provided. An allowance for accounts receivable is established when there has been an adverse change in the customer’s ability to pay. Accounts are written off after collection efforts have been exhausted and an account is deemed uncollectible. The Association believes that all accounts receivable at December 31, 2020 will be fully collected. Accordingly, no allowance for doubtful accounts is required. The Association does not have any financing components associated with its receivables nor does it require collateral.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue. An allowance for contributions receivable is provided when it is believed balances may not be collected in full. The amount of loss on contributions recognized each period and the resulting adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and individual account-by-account analysis of contributions receivable balances. It is possible that management’s estimate regarding collectability will change in the near term resulting in a change in the carrying value of contributions receivable.

Land and buildings held for sale is reported at the lower of cost or fair market value less cost to sell.

Investments are reported at fair value. Net investment return consists of interest and dividends, realized and unrealized gains and losses, net of external and direct internal investment expenses.

Property and equipment are reported at cost if purchased or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 50 years. The YMCA capitalizes additions and improvements that have a tangible future economic life and a cost of more than \$5,000.

Deferred contract revenue results from payments received before the performance obligations are satisfied and is expected to be recognized as revenue in the following year. At December 31, 2020, 2019 and 2018, deferred contract revenue was \$579,823, \$2,410,352 and \$1,426,216, respectively.

Bond issuance costs represent costs incurred related to the issuance of debt and are amortized over the term of the debt. Bond premium is the excess of net proceeds, after expenses, received upon issuance of debt over the amount repayable at its maturity. Unamortized bond issuance costs and unamortized premium costs are reported along with the related debt.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service unless the donor also has placed a time restriction on the use of the long-lived asset, in which case the release occurs over the term of the time restriction. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contract revenue is derived primarily from the sale of memberships which grants access to all YMCA of Greater Houston locations, and program fees for camps, youth sports, childcare, fitness training, and other sponsored activities. Additionally, the Association provides various contract services for other social service agencies such as childcare, immigration education and legal services. During fiscal year 2020, the Association provided employee contracting services to other agencies providing essential services. Revenue is recognized when the services are provided to a customer, in an amount that reflects the consideration the Association expects to be entitled to in exchange for those services.

All of the Association's revenue from contracts with customers are from performance obligations satisfied over a period of time and are provided to residents or social service agencies in the Greater Houston area. Revenue is recognized based on service output as services are rendered over the membership period, the term of the enrollment period for camps, youth sports, childcare, and fitness training, or the term of the contract for services. Membership discounts are provided to individuals as needed and reduces the amount of consideration the Association expects to be entitled to receive. Payment is due prior to the month of membership or prior to the service date for camps, youth sports, childcare, and fitness training. Payment for contract services is due upon receipt of invoice.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from a donor or grantor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. A contribution from one donor in fiscal year 2020 represents 51% of nongovernmental contributions.

Donated goods and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Special events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Special event revenue is recognized when the event occurs. Direct donor benefit costs represent the cost of goods and services provided to attendees of the special events.

Advertising costs are expensed as incurred. The Association recognized advertising costs totaling approximately \$1,071,000 and \$828,000 for the years ended December 31, 2020 and 2019, respectively, which is reported with printing, publication and promotion in the consolidated statement of functional expenses.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation, interest expense, and occupancy costs are allocated based on square footage. Information technology costs are allocated based on estimates of time and costs of specific technology utilized.

Changes in net assets from operating activities – The Association includes in its definition of operations all revenue and expenses that are an integral part of its program and supporting activities. Loss on early extinguishment of debt, change in fair value of derivative agreements and the net results of involuntary conversion are excluded from the changes in net assets from operating activities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of December 31 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 10,219,868	\$ 1,795,687
Accounts receivable	441,017	564,577
Interest receivable	115	235,341
Contributions receivable, net	8,738,083	12,622,219
Investments	62,679,306	57,628,679
Bond proceeds held in trust	<u>5,670,000</u>	<u>5,670,000</u>
Total financial assets	<u>87,748,389</u>	<u>78,516,503</u>
Less financial assets not available for general expenditure:		
Donor-restricted and board-designated endowment assets less appropriation	13,576,717	12,692,711
Debt service reserve fund and sinking funds held in trust	31,453,000	31,753,000
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	<u>7,408,785</u>	<u>6,496,800</u>
Total financial assets available for general expenditure	<u>\$ 35,309,887</u>	<u>\$ 27,573,992</u>

Financial assets available for general expenditure include amounts expected to be appropriated by the Board of Directors from endowment earnings during the upcoming year. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities of providing Healthy Living, Youth Development, and Social Responsibility programs, capital projects, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The Association is substantially supported by program revenues and regularly monitors liquidity required to meet its operating needs while striving to maximize the investment of available funds. As part of the organization'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 Association's Board of Directors has designated a portion of its resources without donor restrictions as board-designated for endowment. These funds are invested for long-term appreciation and current income but remain available to be spent at the Board of Directors' discretion. To enhance the Association's liquidity, it is participating in the government program to defer the payment of Social Security employer tax payments. The deferred amount is due 50% on December 31, 2021 and 50% on December 31, 2022. Additionally, subsequent to year end, the Association applied for and received a \$10 million PPP loan (Note 16).

### NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Receivables for building construction	\$ 1,857,449	\$ 5,572,895
Receivables from government agencies	4,350,445	4,358,405
Receivables from others	1,893,318	2,080,643
Receivables from the United Way	521,761	621,891
Unamortized contributed use of facilities	<u>444,783</u>	<u>459,130</u>
Contributions receivable	9,067,756	13,092,964
Allowance for uncollectible receivables	(188,302)	(310,296)
Discount to net present value	<u>(141,371)</u>	<u>(160,449)</u>
Contributions receivable, net	<u>\$ 8,738,083</u>	<u>\$ 12,622,219</u>

Contributions receivable at December 31, 2020 are expected to be collected as follows:

2021	\$ 7,673,936
2022	485,797
2023	480,797
2024	<u>427,226</u>
Total contributions receivable	<u>\$ 9,067,756</u>

In January 2006, the Association entered into a 46-year lease agreement for \$1 per year with the City of Alvin for the use of the land on which a YMCA facility is located. The estimated fair value of this agreement of approximately \$660,000 was recognized in 2006 and is being amortized over the life of the lease. At December 31, 2020 and 2019, unamortized balances of \$444,783 and \$459,130, respectively, are reflected as contributions receivable.

*Conditional contributions* – At December 31, 2020, the Association has a \$1,000,000 conditional contribution from a foundation. The commitment is conditioned upon the YMCA raising the balance needed to fund the COVID-19 Respond and Reinvent project. This gift will be recognized as contribution revenue when the condition is substantially met.

*Conditional contributions from government agencies* – At December 31, 2020, the Association has approximately \$9,340,000 of conditional contributions from various government agencies primarily for refugee assistance. The contributions will be recognized as revenue when the conditions are met, which include performance of allowable activities and incurring allowable expenses.

### NOTE 4 – INVESTMENTS

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Money market mutual funds	\$ 24,323,798	\$ 852,483
Fixed-income mutual funds	11,675,274	
Common stock	9,466,470	8,138,653
Equity mutual funds	8,601,768	
Exchange-traded funds	5,985,420	1,340,743
Corporate bonds	1,166,598	16,066,870
U. S. Treasury securities	1,057,356	19,485,634
Real estate investment trusts	402,622	365,995
Government agency securities	<u>                    </u>	<u>11,378,301</u>
Total investments	<u>\$ 62,679,306</u>	<u>\$ 57,628,679</u>

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

## NOTE 5 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at December 31, 2020 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 24,323,798			\$ 24,323,798
Fixed-income mutual funds	11,675,274			11,675,274
Common stock:				
Information technology	1,862,874			1,862,874
Financials	1,633,968			1,633,968
Healthcare	1,380,195			1,380,195
Industrials	1,314,509			1,314,509
Consumer staples	1,101,485			1,101,485
Consumer discretionary	860,788			860,788
Telecommunication services	517,185			517,185
Energy	329,493			329,493
Materials	270,974			270,974
Utilities	156,023			156,023
Other	38,976			38,976
Equity mutual funds	8,601,768			8,601,768
Exchange-traded funds	5,985,420			5,985,420
Corporate bonds:				
0-12 months		\$ 10,111		10,111
1-5 years		208,040		208,040
5-10 years		769,502		769,502
10+ years		178,945		178,945
U. S. Treasury securities:				
1-5 years	699,163			699,163
5-10 years	264,215			264,215
10+ years	93,978			93,978
Real estate investment trusts	402,622			402,622
Total assets measured at fair value	<u>\$ 61,512,708</u>	<u>\$ 1,166,598</u>	<u>\$ 0</u>	<u>\$ 62,679,306</u>



Assets measured at fair value at December 31, 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Investments:				
Money market mutual funds	\$ 852,483			\$ 852,483
Common stock:				
Information technology	1,283,844			1,283,844
Financials	1,387,786			1,387,786
Healthcare	1,469,977			1,469,977
Industrials	1,003,611			1,003,611
Consumer staples	995,436			995,436
Consumer discretionary	609,688			609,688
Telecommunication services	485,805			485,805
Energy	389,617			389,617
Materials	146,907			146,907
Utilities	339,466			339,466
Other	26,516			26,516
Exchange-traded funds	1,340,743			1,340,743
Corporate bonds:				
0-12 months		\$ 739,534		739,534
1-5 years		10,055,383		10,055,383
5-10 years		5,110,969		5,110,969
10+ years		160,984		160,984
U. S. Treasury securities:				
0-12 months	4,530,092			4,530,092
1-5 years	9,190,417			9,190,417
5-10 years	5,411,243			5,411,243
10+ years	353,882			353,882
Real estate investment trusts	365,995			365,995
Government agency securities:				
1-5 years		1,489,345		1,489,345
5-10 years		3,388,273		3,388,273
10+ years		6,500,683		6,500,683
Total assets measured at fair value	<u>\$ 30,183,508</u>	<u>\$ 27,445,171</u>	<u>\$ 0</u>	<u>\$ 57,628,679</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Common stock, exchange-traded funds* and *real estate investment trusts* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate bonds* and *government agency securities* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

#### **NOTE 6 – RIGHT TO USE FACILITIES**

The YMCA and Humble Independent School District (ISD) entered into a Joint Use Agreement in February 2017, whereby the YMCA can utilize the Miracle League facilities based on an agreed-upon use schedule for a term of

20 years. Subsequently, the Joint Use Agreement will automatically renew for one-year terms. In exchange for the right to use the Miracle League facilities, the YMCA donated land improvements to Humble ISD. The fair value of the right to use the Miracle League facilities is reported in the consolidated statement of financial position and is being amortized over the 20-year term of the agreement. Rent expense of approximately \$177,000 was recognized in both years ended December 31, 2020 and 2019.

In 2018, the YMCA entered into an agreement with the City of Houston (the City), whereby the YMCA can reserve time and space at the North Wayside Sports and Recreation Center (the Center) for a term of 5 years. In exchange for the right to use the Center, the YMCA donated land and buildings to the City. The fair value of the right to use the Center is reported in the statement of financial position and is being amortized over the 5-year term of the agreement. Rent expense of approximately \$15,800 was recognized in both years ended December 31, 2020 and 2019.

In 2020, the YMCA entered into an agreement with the City, whereby the YMCA can utilize the Mason Park Pool House (Pool House) for a term of 3 years. In exchange for the right to use the Pool House, the YMCA donated building improvements to the City. The fair value of the right to use the Pool House is reported in the consolidated statement of financial position and is being amortized over the 3-year term of the agreement. Rent expense of approximately \$178,000 was recognized in the year ended December 31, 2020.

#### NOTE 7 – OPERATING AND FINANCE LEASES

The Association leases certain office space and other office equipment used in its operations that are classified as operating leases. Payments due under these lease contracts are fixed. The Association also entered into finance leases for fitness and copier equipment.

Right of use (ROU) assets and lease liabilities related to operating and finance leases are as follows:

	<u>2020</u>	<u>2019</u>
Operating lease ROU assets	\$249,629	\$534,258
Finance lease ROU assets included in property and equipment, net of accumulated amortization of \$2,000,954	\$3,220,963	\$4,166,410
Operating lease liabilities	\$249,629	\$534,258
Finance lease liabilities	\$3,619,038	\$4,224,359

Lease costs associated with operating and finance leases are as follows:

	<u>2020</u>	<u>2019</u>
Operating lease cost:		
Fixed rent expense	\$ 708,103	\$ 498,256
Finance lease cost:		
Amortization of ROU assets	1,088,865	871,283
Interest expense	<u>135,022</u>	<u>229,193</u>
Total lease costs	<u>\$ 1,931,990</u>	<u>\$ 1,598,732</u>

Cash and non-cash activities associated with operating and finance leases are as follows:

	<u>2020</u>	<u>2019</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$708,103	\$498,256
Operating cash flows from finance leases	\$135,022	\$229,193
Financing cash flows from finance leases	\$1,088,865	\$871,283
Non-cash investing and financing liabilities:		
New operating lease liabilities	\$397,112	\$1,010,127
New finance lease liabilities	\$398,776	\$1,755,907

Future payments due under operating and finance leases as of December 31, 2020 is as follows:

	<u>OPERATING</u>	<u>FINANCE</u>
2021	\$ 176,435	\$ 1,052,946
2022	49,799	1,191,903
2023	28,820	1,453,058
2024		153,576
2025		<u>21,998</u>
Total minimum lease payments	255,054	3,873,481
Less effects of discounting	<u>(5,425)</u>	<u>(254,443)</u>
Lease liabilities recognized	<u>\$ 249,629</u>	<u>\$ 3,619,038</u>

As of December 31, 2020, the weighted-average remaining lease term for all operating leases is 17.99 months, while the weighted-average remaining lease term for all finance leases is 2.78 years. The weighted average discount rate associated with operating leases as of December 31, 2020 is 3.81%, while the weighted-average discount rate associated with finance leases is 4.33%.

#### **NOTE 8 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 25,740,061	\$ 26,326,691
Buildings and improvements	282,339,598	287,943,706
Furniture and equipment	28,643,639	28,288,915
Vehicles	1,837,975	1,837,975
Construction in progress	<u>2,110,248</u>	<u>244,663</u>
Total property and equipment, at cost	340,671,521	344,641,950
Accumulated depreciation	<u>(107,168,098)</u>	<u>(101,032,966)</u>
Property and equipment, net	<u>\$ 233,503,423</u>	<u>\$ 243,608,984</u>

*Commitments* – The Association entered into contracts with construction contractors and architects for the repair and renovation of multiple center locations. At December 31, 2020, outstanding commitments under these contracts are approximately \$2,087,000.

#### **NOTE 9 – BONDS PAYABLE**

In February 2013, on behalf of the Association, the Harris County Cultural Education Facilities Finance Corporation issued four bonds in the aggregate principal amount of \$151,625,000 (Series 2013 Bonds), the proceeds of which were used to refund outstanding Harris County Health Facilities Development Corporation revenue bonds (Series 2008 Bonds), fund the cost of issuance of the Series 2013 Bonds, and fund a debt service reserve fund securing only the Series 2013A Bonds. At December 31, 2020, the balance of the debt service reserve fund is \$25,783,000 and is included in investments in the consolidated statement of financial position.

In May 2019, on behalf of the Association, the Harris County Cultural Education Facilities Finance Corporation issued bonds in the aggregate principal amount of \$69,835,000 (Series 2019 Bonds), the proceeds of which were used to refund outstanding Harris County Cultural Education Facilities Finance Corporation revenue refunding bonds (Series 2016A and B Bonds) and fund a portion of the cost of issuance of the Series 2019 Bonds. A loss on early extinguishment of debt of \$2,591,963 was recognized in fiscal year 2019 and is comprised of a write off of \$2,150,263 of bond issuance costs and a \$441,700 termination fee for the derivative agreement.

The interest rate of the Series 2013A Bonds is a fixed rate of 5% at December 31, 2020. The interest rate of the Series 2019 Bonds is a fixed rate of 2.7% at December 31, 2020. The bonds contain various covenants related to fiscal operations and financial performance, including limitations on additional borrowings. The Series 2013A and 2019 Bonds are redeemable upon demand by the bondholders.

Additionally, the Association is required to maintain a cash balance at the Bank of New York of \$5,670,000, which is reported as bond proceeds held in trust in the consolidated statement of financial position at December 31, 2020.

Principal amounts due under each bond are as follows:

	SERIES <u>2013A</u>	SERIES <u>2019</u>	TOTAL <u>2020</u>	TOTAL <u>2019</u>
Series 2013A	\$ 59,080,000		\$ 59,080,000	\$ 60,580,000
Series 2019		<u>\$ 69,835,000</u>	<u>69,835,000</u>	<u>69,835,000</u>
Total bonds payable	59,080,000	69,835,000	128,915,000	130,415,000
Bond premium – Series 2013A	3,608,372		3,608,372	3,967,819
Bond issuance costs:				
Series 2013A	(1,586,801)		(1,586,801)	(1,676,620)
Series 2019		<u>(457,091)</u>	<u>(457,091)</u>	<u>(476,611)</u>
Bonds payable, net	<u>\$ 61,101,571</u>	<u>\$ 69,377,909</u>	<u>\$ 130,479,480</u>	<u>\$ 132,229,588</u>

Bonds payable are due in the fiscal year ended December 31 as follows:

2021	\$ 3,705,000
2022	3,860,000
2023	4,045,000
2024	4,215,000
Thereafter	<u>113,090,000</u>
Total bonds payable	<u>\$ 128,915,000</u>

Interest expense, including amortization of bond issuance costs and bond premium, was approximately \$4,217,000 and \$5,075,000 for the years ended December 31, 2020 and 2019, respectively. The effective interest rates for the years ended December 31, 2020 and 2019 were 3.25% and 3.88%, respectively.

#### **NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions consist of the following:

	<u>2020</u>	<u>2019</u>
Board-designated endowment for operations	\$ 9,730,646	\$ 8,998,445
Cash and investments designated for debt service and sinking funds held in trust	31,453,000	31,753,000
Property and equipment, net of acquisition debt	99,404,905	107,109,851
Undesignated	<u>34,852,242</u>	<u>19,915,669</u>
Total net assets without donor restrictions	<u>\$ 175,440,793</u>	<u>\$ 167,776,965</u>

The Board of Directors does not have a specific policy in regards to establishing board-designated endowments or reserves. However, the Board of Directors may designate excess cash flow for reserves, specific projects, or endowments, as deemed prudent.

## NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Capital projects	\$ 7,358,785	\$ 7,518,800
Other programs	504,500	
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	744,540	2,714,213
General endowment subject to spending policy and appropriation	<u>4,351,349</u>	<u>4,005,671</u>
Total net assets with donor restrictions	<u>\$ 12,959,174</u>	<u>\$ 14,238,684</u>

## NOTE 12 – ENDOWMENTS

The Foundation's endowment funds were established for the purpose of supporting operating needs and program services that are consistent with the Association's mission, and to provide growth and expansion of programs and/or creation of new programs. The funds include both donor-restricted endowment funds and funds designated by the Board of Directors (the Board) of the Foundation to function as endowments.

Donor-restricted endowment funds are subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA). The Board has interpreted TUPMIFA as allowing the Foundation to appropriate for expenditure or accumulate as much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund was established, subject to explicit donor stipulations.

Donor-restricted endowment net assets are classified as *net assets with donor restrictions* until appropriated in accordance with spending policies and used for the stipulated purpose, if any. The Foundation classifies contributions to an endowment plus any donor-stipulated accumulations as *net assets with donor restrictions* required to be maintained in perpetuity. The unappropriated accumulated investment return on donor-restricted endowments also are classified as *net assets with donor restrictions* – accumulated net investment return. The Board has interpreted TUPMIFA as not precluding the Foundation from spending below the amount required to be maintained in perpetuity subject to prudent standards. An endowment fund is *underwater* if the fair value of the fund's investments falls below the amount required to be maintained in perpetuity because of declines in the fair value of investments and/or continued appropriation and spending in accordance with prudent measures. There were no underwater funds at December 31, 2020 and 2019.

Board-designated endowment funds are classified as *net assets without donor restrictions* and represents funds the Board has internally designated to be invested to provide support for the Association generally for a long-term, but not necessarily a specified period of time. The Board retains discretion over the use of these funds.

### Investment Policies and Strategy

The purpose of the Foundation is to provide an endowment fund that will support the YMCA for generations to come. The Foundation's strategic asset allocation is based on this long-term perspective.

The Foundation has adopted investment policies for endowment assets that attempt to maximize return within reasonable and prudent levels of risk determined from one or more asset allocation studies conducted from time to time, as well as to maintain the purchasing power of the current assets and all future contributions. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of the Foundation, the assets of the Foundation are invested in a manner that seek to maintain an appropriate, diversified asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns.

## Spending Policy

The Foundation has a policy of appropriating net investment return on the general endowment toward operations and program delivery. The Foundation distributes 50% of the sum of net realized gains (losses), interest and dividends, less management fees as of the December 31<sup>st</sup> fiscal year for the upcoming fiscal year on all funds with assets valued at or above \$10,000 as of the previous year-end date. If the sum of net realized gains (losses) and interest and dividends is less than zero, no distribution will be made. However, in the event that the YMCA is unable to fulfill its current mission, the Board of the Foundation may authorize distributions to meet the YMCA's objectives. This policy is consistent with the Foundation's objective to maintain the purchasing power of the investments held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets are as follows:

	BOARD- DESIGNATED ENDOWMENT	WITH DONOR RESTRICTIONS		TOTAL
		ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	
Endowment net assets, December 31, 2018	\$ 7,676,191	\$ 1,232,108	\$ 1,901,420	\$ 10,809,719
Contributions and other additions	15,360		314,700	330,060
Net investment return	1,436,768	586,032		2,022,800
Distribution to the Association	(75,277)	(28,589)		(103,866)
Expenses	<u>(54,597)</u>			<u>(54,597)</u>
Endowment net assets, December 31, 2019	<u>8,998,445</u>	<u>1,789,551</u>	<u>2,216,120</u>	<u>13,004,116</u>
Contributions and other additions	56,260		15,500	71,760
Net investment return	900,475	400,847		1,301,322
Distribution to the Association	(172,009)	(70,669)		(242,678)
Expenses	<u>(52,525)</u>			<u>(52,525)</u>
Endowment net assets, December 31, 2020	<u>\$ 9,730,646</u>	<u>\$ 2,119,729</u>	<u>\$ 2,231,620</u>	<u>\$ 14,081,995</u>

## **NOTE 13 – CONTRIBUTIONS FROM GOVERNMENT AGENCIES**

The Association is the recipient of contributions from various federal, state, and local agencies. Should these awards not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Contributions from government agencies include the following:

	<u>2020</u>	<u>2019</u>
Federal grants and contracts:		
U. S. Department of Health and Human Services	\$ 14,800,188	\$ 15,636,739
U. S. Department of Treasury	4,216,639	
U. S. Department of Education	989,963	1,470,665
U. S. Department of Justice	798,498	747,498
U. S. Department of State	707,618	728,858
U. S. Department of Homeland Security		<u>2,555,594</u>
Total federal grants and contracts	21,512,906	21,139,354
School districts	185,236	321,650
County	170,100	150,100
Colleges	<u>13,453</u>	<u>22,883</u>
Total contributions from government agencies	<u>\$ 21,881,695</u>	<u>\$ 21,633,987</u>

The Association's government contributions require fulfillment of certain conditions as set forth in the awards and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion,

request reimbursement for expenses or return of funds as a result of non-compliance by the Association with the terms of the awards. Management believes such disallowances, if any, would not be material to the Association's financial position or changes in net assets.

#### **NOTE 14 – EMPLOYEE BENEFIT PLAN**

The Association participates in a defined contribution retirement plan administered by the Young Men's Christian Association Retirement Fund. Employees may elect to participate following two years of service. The Association contributes 12% of the eligible employee's compensation into the plan. The Association contributed approximately \$1,151,000 and \$3,479,000 to this plan during the years ended December 31, 2020 and 2019, respectively.

#### **NOTE 15 – INVOLUNTARY CONVERSION**

The Association incurred significant damage to Camp Cullen in April 2020 due to a series of wind and hail storms. Transactions related to the involuntary conversion include insurance proceeds of \$3,034,125 that are recognized in the consolidated statement of activities for the year ended December 31, 2020. The Association capitalized \$850,000 of costs related to repairing the damage caused by the storm.

In August 2017, over twenty facilities experienced some degree of damage as a result of Hurricane Harvey. Although much of the damage was minor enough for the centers to only be closed for a few days, four centers experienced significant flooding and damage. Of those four, two did not reopen, although operations will continue in both of those communities in various capacities. The remaining two reopened in 2019. In 2019, the following transactions related to the involuntary conversion were recognized in the consolidated statement of activities:

Insurance proceeds	\$ 2,182,547
Professional fees for insurance consultants and other costs	<u>(71,432)</u>
Total	<u>\$ 2,111,115</u>

#### **NOTE 16 – SUBSEQUENT EVENTS**

In March 2020, the Director-General of the World Health Organization declared a pandemic related to the global outbreak of the new coronavirus COVID-19 and a national emergency was declared in the United States. As a result of stay-at-home orders and other restrictions, the Association temporarily closed its fitness facilities resulting in a decrease in membership revenue. The Association was able to continue employment for a portion of its staff by contracting out their services to other agencies providing essential services, but also implemented pay reductions and mandatory two-week furloughs for full-time exempt staff. Ultimately, the Association did have to furlough some staff and/or eliminate some positions due to the duration of the pandemic and the resulting shift in operations. The Association used several facilities and locations as food distribution sites, provided full day childcare for school-aged children that needed care due to the closure of schools, and reduced its membership prices as a result of reduced hours of operation. The extent of the impact of COVID-19 on the Association's future operational and financial performance will depend on developments such as the duration and spread of the outbreak, as well as the Association's donors, employees, and members, all of which are uncertain and cannot be predicted. While the Association expects this matter to negatively impact its operating results and financial position, the financial impact cannot be reasonably estimated at this time.

In April 2021, the Association was approved for an unsecured \$10 million bank loan funded under the Small Business Administration's Paycheck Protection Program (PPP) that is to be used for qualified payroll and other eligible costs. PPP loan principal and interest may be forgiven, in whole or in part, if funds are used for the intended purposes. The unsecured loan is considered to be a conditional contribution and will be recognized as contribution revenue upon forgiveness by the bank. Any amounts not forgiven bear interest at 1% and are due over a five-year period beginning in fiscal year 2022.

Management has evaluated subsequent events through May 7, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, other than the on-going uncertainty caused by the coronavirus COVID-19 pandemic, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

## Young Men's Christian Association of the Greater Houston Area

Consolidating Statement of Financial Position as of December 31, 2020

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
<b>ASSETS</b>				
Cash	\$ 10,218,410	\$ 1,458		\$ 10,219,868
Accounts receivable	441,017			441,017
Interest receivable	115			115
Due from Foundation	35,500		\$ (35,500)	
Contributions receivable, net	8,738,083			8,738,083
Prepaid expenses and other assets	2,480,845			2,480,845
Land and buildings held for sale	4,712,759			4,712,759
Investments	48,563,269	14,116,037		62,679,306
Bond proceeds held in trust	5,670,000			5,670,000
Right to use facilities	3,673,224			3,673,224
Operating lease right-of-use assets	249,629			249,629
Property and equipment, net	<u>233,503,423</u>			<u>233,503,423</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 318,286,274</u></b>	<b><u>\$ 14,117,495</u></b>	<b><u>\$ (35,500)</u></b>	<b><u>\$ 332,368,269</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable	\$ 1,774,784			\$ 1,774,784
Subrecipient payables	1,486,230			1,486,230
Construction payable	370,363			370,363
Salaries and benefits payable	4,826,601			4,826,601
Other accrued expenses	582,354			582,354
Finance lease liabilities	3,619,038			3,619,038
Operating lease liabilities	249,629			249,629
Deferred contract revenue	579,823			579,823
Due to YMCA		\$ 35,500	\$ (35,500)	
Bonds payable, net	<u>130,479,480</u>			<u>130,479,480</u>
<b>Total liabilities</b>	<b><u>143,968,302</u></b>	<b><u>35,500</u></b>	<b><u>(35,500)</u></b>	<b><u>143,968,302</u></b>
Net assets:				
Without donor restrictions	165,710,147	9,730,646		175,440,793
With donor restrictions	<u>8,607,825</u>	<u>4,351,349</u>		<u>12,959,174</u>
<b>Total net assets</b>	<b><u>174,317,972</u></b>	<b><u>14,081,995</u></b>		<b><u>188,399,967</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 318,286,274</u></b>	<b><u>\$ 14,117,495</u></b>	<b><u>\$ (35,500)</u></b>	<b><u>\$ 332,368,269</u></b>



## Young Men's Christian Association of the Greater Houston Area

Consolidating Statement of Activities for the year ended December 31, 2020

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
<b>OPERATING REVENUE:</b>				
Contract revenue:				
Membership	\$ 24,676,357			\$ 24,676,357
Program	11,031,090			11,031,090
Other contract services	8,188,706			8,188,706
Contributions:				
Government agencies	21,881,695			21,881,695
In-kind	1,138,023			1,138,023
United Way	2,229,060			2,229,060
Other	31,514,496	\$ 71,760		31,586,256
Special events	315,691			315,691
Direct donor benefit costs	(92,203)			(92,203)
Net investment return	5,498,994	1,301,322	\$ (242,678)	6,557,638
Loss on disposal of property and equipment	(269,350)			(269,350)
Loss on valuation of land and buildings held for sale	(792,097)			(792,097)
Other income	128,622		(51,025)	77,597
Total operating revenue	<u>105,449,084</u>	<u>1,373,082</u>	<u>(293,703)</u>	<u>106,528,463</u>
<b>OPERATING EXPENSES:</b>				
Program services:				
Healthy Living	40,124,404	242,678	(242,678)	40,124,404
Social Responsibility	25,721,672			25,721,672
Youth Development	22,202,043			22,202,043
Total program services	88,048,119	242,678	(242,678)	88,048,119
Management and general	13,235,187	11,900	(10,400)	13,236,687
Fundraising	1,893,464	40,625	(40,625)	1,893,464
Total operating expenses	<u>103,176,770</u>	<u>295,203</u>	<u>(293,703)</u>	<u>103,178,270</u>
Changes in net assets from operating activities	2,272,314	1,077,879	0	3,350,193
Net results of involuntary conversion	<u>3,034,125</u>			<u>3,034,125</u>
<b>CHANGES IN NET ASSETS</b>	5,306,439	1,077,879	0	6,384,318
Net assets, beginning of year	<u>169,011,533</u>	<u>13,004,116</u>		<u>182,015,649</u>
Net assets, end of year	<u>\$ 174,317,972</u>	<u>\$ 14,081,995</u>	<u>\$ 0</u>	<u>\$ 188,399,967</u>