Young Men's Christian Association of the Greater Houston Area

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2021 and 2020

Young Men's Christian Association of the Greater Houston Area

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Blazek & Vetterling

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2021 and 2020, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2021 and 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Association 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 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 Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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.

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In performing an audit in accordance with generally accepted auditing standards and *Government 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 Association'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 Association'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating statement of financial position as of December 31, 2021 and consolidating statement of activities for the year ended December 31, 2021 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 our audits 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 24, 2022 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.

Blazek & Vetterling

May 24, 2022

Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Financial Position as of December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 3,464,472	$ 10,219,868
Accounts receivable	863,004	441,132
Contributions receivable, net *(Note 3)*	10,679,537	8,738,083
Prepaid expenses and other assets	2,226,547	2,480,845
Land and buildings held for sale	2,366,214	4,712,759
Investments *(Notes 4 and 5)*	56,338,800	62,679,306
Bond proceeds held in trust *(Note 9)*	5,670,000	5,670,000
Right-of-use assets – finance lease *(Note 6)*	3,213,932	3,673,224
Right-of-use assets – operating lease *(Note 6)*	227,193	249,629
Property and equipment, net *(Note 7)*	234,875,590	233,503,423
TOTAL ASSETS	$ 319,925,289	$ 332,368,269
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,483,964	$ 1,774,784
Subrecipient payables	2,532,381	1,486,230
Construction payable	1,043,673	370,363
Salaries and benefits payable	2,444,710	4,826,601
Other accrued expenses	574,521	582,354
Finance lease liabilities *(Note 6)*	2,526,019	3,619,038
Operating lease liabilities *(Note 6)*	227,193	249,629
Deferred contract revenue	1,011,942	579,823
Bonds payable, net *(Note 8)*	126,524,373	130,479,480
Total liabilities	138,368,776	143,968,302
Commitments and contingencies *(Notes 7 and 12)*		
Net assets *(Note 11)*:		
Without donor restrictions *(Note 9)*	170,345,545	175,440,793
With donor restrictions *(Note 10)*	11,210,968	12,959,174
Total net assets	181,556,513	188,399,967
TOTAL LIABILITIES AND NET ASSETS	$ 319,925,289	$ 332,368,269

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, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contract revenue:			
Membership	$ 27,055,266		$ 27,055,266
Program	17,850,874		17,850,874
Other contract services	4,947,521		4,947,521
Contributions:			
Government agencies *(Note 12)*		$ 39,474,504	39,474,504
In-kind	341,302		341,302
United Way	1,849,022		1,849,022
Other	2,120,899	11,289,783	13,410,682
Special events	726,062		726,062
Direct donor benefit costs	(330,806)		(330,806)
Net investment return	4,168,299	679,464	4,847,763
Loss on disposal of property and equipment	(97,140)		(97,140)
Other income	127,209		127,209
Total operating revenue	58,758,508	51,443,751	110,202,259
Net assets released from restrictions:			
Capital expenditures	9,529,791	(9,529,791)	
Expenditure for program purposes	42,873,456	(42,873,456)	
Expiration of time restrictions	788,710	(788,710)	
Total	111,950,465	(1,748,206)	110,202,259
OPERATING EXPENSES:			
Program services:			
Healthy Living	40,188,292		40,188,292
Social Responsibility	29,188,763		29,188,763
Youth Development	29,006,192		29,006,192
Total program services	98,383,247		98,383,247
Management and general	16,815,639		16,815,639
Fundraising	2,070,256		2,070,256
Total operating expenses	117,269,142		117,269,142
Changes in net assets from operating activities	(5,318,677)	(1,748,206)	(7,066,883)
Net results of involuntary conversion *(Note 14)*	223,429		223,429
CHANGES IN NET ASSETS	(5,095,248)	(1,748,206)	(6,843,454)
Net assets, beginning of year	175,440,793	12,959,174	188,399,967
Net assets, end of year	$ 170,345,545	$ 11,210,968	$ 181,556,513

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
OPERATING REVENUE:			
Contract revenue:			
Membership	$ 24,676,357		$ 24,676,357
Program	11,031,090		11,031,090
Other contract services	8,557,495		8,557,495
Contributions:			
Government agencies *(Note 12)*		$ 21,512,906	21,512,906
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 of property and equipment	(269,350)		(269,350)
Loss on valuation of land and buildings held for sale	(792,097)		(792,097)
Other income	77,597		77,597
Total operating revenue	78,512,374	28,016,089	106,528,463
Net assets released from restrictions:			
Capital expenditures	1,143,575	(1,143,575)	
Expenditure for program purposes	25,437,811	(25,437,811)	
Expiration of time restrictions	2,714,213	(2,714,213)	
Total	107,807,973	(1,279,510)	106,528,463
OPERATING EXPENSES:			
Program services:			
Healthy Living	40,124,404		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		88,048,119
Management and general	13,236,687		13,236,687
Fundraising	1,893,464		1,893,464
Total operating expenses	103,178,270		103,178,270
Changes in net assets from operating activities	4,629,703	(1,279,510)	3,350,193
Net results of involuntary conversion *(Note 14)*	3,034,125		3,034,125
CHANGES IN NET ASSETS	7,663,828	(1,279,510)	6,384,318
Net assets, beginning of year	167,776,965	14,238,684	182,015,649
Net assets, end of year	$ 175,440,793	$ 12,959,174	$ 188,399,967

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, 2021

EXPENSES	HEALTHY LIVING	SOCIAL RESPONSIBILITY	YOUTH DEVELOPMENT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	$ 13,879,436	$ 10,017,979	$ 19,248,868	$ 43,146,283	$ 7,424,579	$ 1,774,843	$ 52,345,705
Occupancy	10,572,644	478,930	2,006,353	13,057,927	469,358		13,527,285
Depreciation and amortization	9,822,240	6,063	1,384,477	11,212,780	379,805	23,159	11,615,744
Allocations to service providers		11,550,882		11,550,882			11,550,882
Supplies	1,011,344	358,885	4,023,094	5,393,323	240,499	36,488	5,670,310
Specific assistance to individuals		5,325,640		5,325,640			5,325,640
Interest expense	2,702,972	415,842	1,039,605	4,158,419	532,118		4,690,537
Professional fees and contract services	405,035	428,243	357,695	1,190,973	2,581,175	131,187	3,903,335
Printing, publication, and promotion	82,694	61,904	21,759	166,357	3,387,300		3,553,657
Communications	1,144,272	210,143	79,309	1,433,724	1,333,208	49,705	2,816,637
Travel and transportation	98,801	153,677	475,779	728,257	140,290	44,755	913,302
Membership dues	247,578	125,015	148,362	520,955	13,907	5,600	540,462
Equipment rental and maintenance	180,042	32,118	19,355	231,515	65,157		296,672
Camping activity supplies		12,426	146,270	158,696			158,696
Bad debt expense					156,176		156,176
Professional development and staff training	22,199	11,016	54,804	88,019	52,673	2,432	143,124
Conferences, conventions, and meetings	12,756		403	13,159	1,307	1,927	16,393
Other	6,279		59	6,338	38,087	160	44,585
Total expenses	$ 40,188,292	$ 29,188,763	$ 29,006,192	$ 98,383,247	$ 16,815,639	$ 2,070,256	117,269,142
Direct donor benefit costs							330,806
Total							$ 117,599,948

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

EXPENSES	HEALTHY LIVING	SOCIAL RESPONSIBILITY	YOUTH DEVELOPMENT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
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
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
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
Printing, publication, and promotion	46,166	38,393	23,332	107,891	1,254,182	261	1,362,334
Communications	996,334	68,623	74,305	1,139,262	737,821	49,383	1,926,466
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
Bad debt expense					885,982		885,982
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	$ 40,124,404	$ 25,721,672	$ 22,202,043	$ 88,048,119	$ 13,236,687	$ 1,893,464	103,178,270
Direct donor benefit costs							92,203
Total							$ 103,270,473

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (6,843,454)	$ 6,384,318
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted for building construction	(4,550,331)	(983,560)
Contributions restricted for endowment	(424,991)	(15,500)
Bad debt expense and loss on valuation of contributions receivable		885,982
Net realized and unrealized gain on investments	(4,196,682)	(5,643,368)
Net loss on sale or disposal of property and equipment	97,140	269,350
Loss on valuation of land and buildings held for sale		792,097
Depreciation and amortization	11,615,744	11,965,328
Amortization of right to use facilities	459,292	370,481
Amortization of bond issuance costs and bond premium	(250,107)	(250,108)
Insurance proceeds	(223,429)	(3,034,125)
Changes in operating assets and liabilities:		
Accounts receivable	(421,872)	123,560
Interest receivable		235,226
Contributions receivable	(152,448)	(161,888)
Prepaid expenses and other assets	254,298	(417,054)
Accounts payable and accrued expenses	(1,634,393)	1,896,812
Deferred contract revenue	432,119	(1,830,529)
Net cash provided (used) by operating activities	(5,839,114)	10,587,022
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(52,890,431)	(61,161,947)
Proceeds from sale of investments	40,643,875	85,226,003
Net change in money market mutual funds held as investments	22,783,744	(23,471,315)
Purchases of property and equipment	(12,908,025)	(7,444,712)
Proceeds from sale of property and equipment	2,842,829	
Insurance proceeds for building construction and equipment, net	223,429	3,034,125
Net cash provided (used) by investing activities	695,421	(3,817,846)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bonds	(3,705,000)	(1,500,000)
Principal payments on financing leases	(1,093,019)	(1,004,097)
Proceeds from contributions restricted for building construction	2,816,745	4,143,602
Proceeds from contributions restricted for endowment	369,571	15,500
Net cash provided (used) by financing activities	(1,611,703)	1,655,005
NET CHANGE IN CASH	(6,755,396)	8,424,181
Cash, beginning of year	10,219,868	1,795,687
Cash, end of year	$ 3,464,472	$ 10,219,868

	2021	2020
Supplemental disclosure of cash flow information:		
Interest paid	$4,786,351	$4,442,322
Noncash financing transactions:		
Finance lease obligation for equipment		$398,776
Operating lease obligation for office space and equipment	$107,883	$397,112

See accompanying notes to consolidated financial statements.

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, 2021 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 and right-of-use assets – finance 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. Assets held under finance leases are recorded at present value of the lease payments at the inception of the lease.

Lease elections – Certain accounting policies were required for the implementation of the new lease standard. The YMCA made the following elections:

- *Lease and non-lease components* – The YMCA elected a practical expedient by class of underlying assets and choose whether to separate non-lease components from the lease components or account for it as a single lease component. The YMCA elected not to separate the lease components and the non-lease components for real estate leases.
- *Short-term leases* – The YMCA elected not to apply the recognition requirements in Accounting Standards Codification 842 to short-term leases. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – The YMCA elected to use its incremental borrowing rate for its discount rate.
- *Portfolio approach* – The YMCA has elected to use the portfolio approach for leases with similar characteristics with the exception that the application of the portfolio model will not differ materially from the application to the individual leases in that portfolio.

Right-of-use assets – operating – A right-of-use asset – operating is recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis as rent expense in the statement of activities.

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, 2021, 2020 and 2019, deferred contract revenue was $1,011,942, $579,823 and $2,410,352, 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 years 2021 and 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 is from performance obligations satisfied over a period of time and is 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 the 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 events 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 $3,296,000 and $1,071,000 for the years ended December 31, 2021 and 2020, 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.

Recent financial accounting pronouncement – In 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This ASU will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal years beginning after June 15, 2021 and requires retrospective application.

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:

	2021	2020
Financial assets:		
Cash	$ 3,464,472	$ 10,219,868
Accounts receivable	863,004	441,132
Contributions receivable, net	10,679,537	8,738,083
Investments	56,338,800	62,679,306
Bond proceeds held in trust	5,670,000	5,670,000
Total financial assets	77,015,813	87,748,389
Less financial assets not available for general expenditure:		
Donor-restricted and board-designated endowment assets less appropriation	15,990,461	13,576,717
Debt service reserve fund and sinking funds held in trust	30,712,000	31,453,000
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	3,280,559	7,408,785
Total financial assets available for general expenditure	$ 27,032,793	$ 35,309,887

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 a government program to defer the payment of Social Security employer tax payments. The deferred amount was due 50% on December 31, 2021 and the remaining 50% is due on December 31, 2022. At December 31, 2021, $331,077 is outstanding. Additionally, the Association applied for and received a $10 million Paycheck Protection Program (PPP) loan through the Small Business Administration. PPP loan principal and interest may be forgiven, in whole or in part, if the Association met eligibility requirements and used the loan to fund qualified payroll and other eligible costs. In fiscal year 2021, the Association was notified that principal and interest had been forgiven and $10 million was recognized as government agencies contribution revenue.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	2021	2020
Receivables for building construction	$ 3,536,204	$ 1,857,449
Receivables from government agencies	4,091,446	4,350,445
Receivables from others	1,888,624	1,893,318
Receivables from United Way	462,255	521,761
Unamortized contributed use of facilities	919,560	444,783
Contributions receivable	10,898,089	9,067,756
Allowance for uncollectible receivables	(206,795)	(188,302)
Discount to net present value	(11,757)	(141,371)
Contributions receivable, net	$ 10,679,537	$ 8,738,083

Contributions receivable at December 31, 2021 are expected to be collected as follows:

2022	$ 9,259,835
2023	943,146
2024	274,601
2025	214,422
2026	206,085
Total contributions receivable	$ 10,898,089

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, 2021 and 2020, unamortized balances of $430,435 and $444,783, respectively, are reflected as contributions receivable. In 2021, the Association entered into a 7-year lease agreement for space. The estimated fair value of the use of space in excess of the annual rent of approximately $96,000 has been recognized as a contribution receivable and will be amortized over the life of the lease. At December 31, 2021, the unamortized balance is $489,125.

Conditional contributions from government agencies – At December 31, 2021, the Association has approximately $12,680,000 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:

	2021	2020
Fixed-income mutual funds	$ 16,007,673	$ 11,675,274
Equity mutual funds	15,280,606	8,601,768
Common stock	13,122,234	9,466,470
Exchange-traded funds	9,143,823	5,985,420
Money market mutual funds	1,540,054	24,323,798
Municipal bonds	578,160	
Corporate bonds	431,124	1,166,598
U. S. Treasury securities	189,654	1,057,356
Real estate investment trusts	45,472	402,622
Total investments	$ 56,338,800	$ 62,679,306

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, 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Fixed-income mutual funds	$ 16,007,673			$ 16,007,673
Equity mutual funds	15,280,606			15,280,606
Common stock:				
Information technology	4,243,403			4,243,403
Multi-sector	1,860,182			1,860,182
International	1,798,196			1,798,196
Healthcare	1,389,677			1,389,677
Consumer discretionary	1,160,432			1,160,432
Financials	889,516			889,516
Industrials	672,333			672,333
Consumer staples	265,618			265,618
Utilities	206,963			206,963
Energy	196,485			196,485
Materials	196,186			196,186
Telecommunication services	147,405			147,405
Real estate	61,283			61,283
Other	34,555			34,555
Exchange-traded funds	9,143,823			9,143,823
Money market mutual funds	1,540,054			1,540,054
Municipal bonds:				
0-12 months		$ 115,520		115,520
1-5 years		462,640		462,640
Corporate bonds:				
1-5 years		281,245		281,245
5-10 years		149,879		149,879
U. S. Treasury securities:				
0-12 months	88,146			88,146
1-5 years	101,508			101,508
Real estate investment trusts	45,472			45,472
Total assets measured at fair value	$ 55,329,516	$ 1,009,284	$ 0	$ 56,338,800

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

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Fixed-income mutual funds	$ 11,675,274			$ 11,675,274
Equity mutual funds	8,601,768			8,601,768
Common stock:				
Information technology	1,862,874			1,862,874
Healthcare	1,380,195			1,380,195
Consumer discretionary	860,788			860,788
Financials	1,633,968			1,633,968
Industrials	1,314,509			1,314,509
Consumer staples	1,101,485			1,101,485
Utilities	156,023			156,023
Energy	329,493			329,493
Materials	270,974			270,974
Telecommunication services	517,185			517,185
Other	38,976			38,976
Exchange-traded funds	5,985,420			5,985,420
Money market mutual funds	24,323,798			24,323,798
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	$ 61,512,708	$ 1,166,598	$ 0	$ 62,679,306

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.
- *Municipal bonds* and *corporate bonds* 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 OF USE ASSETS AND LEASES

Finance Lease Right of Use Assets and Leases

The YMCA and Humble Independent School District (Humble 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. The agreement automatically renews for a 1-year term unless terminated by either party with at least 90 days' notice. Rent expense of approximately $177,000 was recognized in both years ended December 31, 2021 and 2020.

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 consolidated 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, 2021 and 2020.

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. The agreement automatically renews for two additional 1-year terms unless terminated by either party with at least 90 days' notice. 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 $266,000 and $178,000 was recognized in the years ended December 31, 2021 and 2020, respectively.

The YMCA evaluated its lease portfolio and did not identify any residual value guarantees and determined it was unlikely to execute any renewal options.

The Association leases certain office space and equipment used in its operations that are classified as operating leases. Payments due under these lease contracts are fixed.

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

	2021	2020
Operating lease ROU assets	$227,193	$249,629
Finance lease ROU assets included in property and equipment, net of accumulated amortization of $3,108,610	$3,213,932	$3,673,224
Operating lease liabilities	$227,193	$249,629
Finance lease liabilities	$2,526,019	$3,619,038

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

	2021	2020
Operating lease cost:		
Fixed rent expense	$ 403,484	$ 708,103
Finance lease cost:		
Amortization of ROU assets	1,093,019	1,088,865
Interest expense	130,868	135,022
Total lease costs	$ 1,627,371	$ 1,931,990

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

	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$403,484	$708,103
Operating cash flows from finance leases	$130,868	$135,022
Financing cash flows from finance leases	$1,093,019	$1,088,865
Non-cash investing and financing liabilities:		
New operating lease liabilities	$107,883	$397,112
New finance lease liabilities		$398,776

Future payments due under operating and finance leases as of December 31, 2021 are as follows:

	OPERATING	FINANCE
2022	$ 110,560	$ 1,020,935
2023	46,880	1,453,085
2024	18,060	153,576
2025	18,060	21,998
Thereafter	40,635	
Total minimum lease payments	234,195	2,649,594
Less effects of discounting	(7,002)	(123,575)
Lease liabilities recognized	$ 227,193	$ 2,526,019

As of December 31, 2021, the weighted-average remaining lease term for all operating leases is 3.53 months, while the weighted-average remaining lease term for all finance leases is 2.02 years. The weighted average discount rate associated with operating leases as of December 31, 2021 is 3.03%, while the weighted-average discount rate associated with finance leases is 4.47%.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2021	2020
Land	$ 25,740,061	$ 25,740,061
Buildings and improvements	294,185,141	282,339,598
Furniture and equipment	29,778,737	28,643,639
Vehicles	1,743,338	1,837,975
Construction in progress	1,779,287	2,110,248
Total property and equipment, at cost	353,226,564	340,671,521
Accumulated depreciation	(118,350,974)	(107,168,098)
Property and equipment, net	$ 234,875,590	$ 233,503,423

Commitments – The Association entered into contracts with construction contractors and architects for the repair and renovation of multiple center locations. At December 31, 2021, outstanding commitments under these contracts are approximately $1,576,000.

Related party transactions – The YMCA uses two construction companies whose owners/officers also serve on the Board of Directors of the YMCA. Total construction costs for these vendors was $8.0 million in 2021 and $2.7 million in 2020.

NOTE 8 – 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, 2021, the balance of the debt service reserve fund is $25,042,000 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.

The interest rate of the Series 2013A Bonds is a fixed rate of 5% at December 31, 2021. The interest rate of the Series 2019 Bonds is a fixed rate of 2.7% at December 31, 2021. 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.

At December 31, 2021, the Association was not in compliance with the required Historical Debt Service Ratio (HDSR) of 1.2. Due to the HDSR for 2021 falling below 1.0, the Association is required to retain an independent management consultant to develop a financial plan detailing actions to be taken by the Association. The plan must be filed with the Master Trustee within 210 days of year end. The Association is obligated to implement the plan to the extent reasonably practical. In the event there continues to be noncompliance with the HDSR of 1.2 at the end of the subsequent fiscal year end, the Association will retain an independent consultant to review and revise the plan. The Association will be obligated to implement the revised plan to the extent reasonably practical. In the event the Association does not achieve an HDSR of 1.0 for two consecutive years, an event of default shall have occurred, and the maturity of the debt can be accelerated by the Master Trustee. In May 2022, the Association engaged the independent management consultant and expects to exceed the HDSR of 1.0 as of December 31, 2022.

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, 2021.

Principal amounts due under each bond are as follows:

	SERIES 2013A	SERIES 2019	TOTAL 2021	TOTAL 2020
Series 2013A	$ 57,475,000		$ 57,475,000	$ 59,080,000
Series 2019		$ 67,735,000	67,735,000	69,835,000
Total bonds payable	57,475,000	67,735,000	125,210,000	128,915,000
Bond premium – Series 2013A	3,248,925		3,248,925	3,608,372
Bond issuance costs:				
Series 2013A	(1,496,981)		(1,496,981)	(1,586,801)
Series 2019		(437,571)	(437,571)	(457,091)
Bonds payable, net	$ 59,226,944	$ 67,297,429	$ 126,524,373	$ 130,479,480

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

2022	$ 3,860,000
2023	4,045,000
2024	4,215,000
Thereafter	113,090,000
Total bonds payable	$ 125,210,000

Interest expense, including amortization of bond issuance costs and bond premium, was approximately $4,560,000 and $4,217,000 for the years ended December 31, 2021 and 2020, respectively. The effective interest rates for the years ended December 31, 2021 and 2020 were 3.59% and 3.25%, respectively.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	2021	2020
Board-designated endowment for operations	$ 11,275,023	$ 9,730,646
Cash and investments designated for debt service and sinking funds held in trust	30,712,000	31,453,000
Property and equipment, net of acquisition debt	105,825,198	99,404,905
Undesignated	22,533,324	34,852,242
Total net assets without donor restrictions	$ 170,345,545	$ 175,440,793

The Board of Directors does not have a specific policy in regard 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 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2021	2020
Subject to expenditure for specified purpose:		
Capital projects	$ 2,379,325	$ 7,358,785
Other programs	894,822	504,500
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditure until due	2,639,266	744,540
General endowment subject to spending policy and appropriation	5,297,555	4,351,349
Total net assets with donor restrictions	$ 11,210,968	$ 12,959,174

NOTE 11 – 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, 2021 and 2020.

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 4% of the average fair value of its net assets over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is to be made. Any earnings allocated to funds below $10,000 will remain in the Foundation to be reinvested. 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:

		WITH DONOR RESTRICTIONS		
	BOARD-DESIGNATED ENDOWMENT	ACCUMULATED NET INVESTMENT RETURN	REQUIRED TO BE MAINTAINED IN PERPETUITY	TOTAL
Endowment net assets, December 31, 2019	$ 8,998,445	$ 1,789,551	$ 2,216,120	$ 13,004,116
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	(52,525)			(52,525)
Endowment net assets, December 31, 2020	9,730,646	2,119,729	2,231,620	14,081,995
Contributions and other additions	373,321		424,991	798,312
Net investment return	1,523,804	677,198		2,201,002
Distribution to the Association	(349,295)	(155,983)		(505,278)
Expenses	(3,454)			(3,454)
Endowment net assets, December 31, 2021	$ 11,275,022	$ 2,640,944	$ 2,656,611	$ 16,572,577

NOTE 12 – 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:

	2021	2020
Federal grants and contracts:		
U. S. Department of Health and Human Services	$ 20,146,520	$ 14,800,188
Small Business Administration	10,000,000	
U. S. Department of Education	1,574,064	989,963
U. S. Department of State	974,465	707,618
U. S. Department of Justice	810,286	798,498
U. S. Department of Homeland Security	16,269	
U. S. Department of Treasury		4,216,639
Total federal grants and contracts	33,521,604	21,512,906
State	5,952,900	
Total contributions from government agencies	$ 39,474,504	$ 21,512,906

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 13 – 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 $2,886,000 and $1,151,000 to this plan during the years ended December 31, 2021 and 2020, respectively.

NOTE 14 – INVOLUNTARY CONVERSION

The Association incurred significant damage to Camp Cullen in April 2020 due to a series of wind and hailstorms. 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, two centers experienced significant flooding and damage and did not reopen until 2019. Transactions related to the involuntary conversion are as follows:

	2021	2020	2019
Insurance proceeds – wind and hailstorms	$ 223,429	$ 1,300,328	
Insurance proceeds – Hurricane Harvey		1,733,797	$ 2,182,547
Professional fees for insurance consultants and other			(71,432)
Gain on involuntary conversion	$ 223,429	$ 3,034,125	$ 2,111,115
Capitalized costs – wind and hailstorms	$578,178	$846,286	
Capitalized costs – Hurricane Harvey			$5,145,240

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 24, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, 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, 2021

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
ASSETS				
Cash	$ 3,440,255	$ 24,217		$ 3,464,472
Accounts receivable	863,004			863,004
Due from YMCA		110,900	$ (110,900)	
Contributions receivable, net	10,624,117	55,420		10,679,537
Prepaid expenses and other assets	2,226,547			2,226,547
Land and buildings held for sale	2,366,214			2,366,214
Investments	39,956,760	16,382,040		56,338,800
Bond proceeds held in trust	5,670,000			5,670,000
Right-of-use assets – finance lease	3,213,932			3,213,932
Right-of-use assets – operating lease	227,193			227,193
Property and equipment, net	234,875,590			234,875,590
TOTAL ASSETS	$ 303,463,612	$ 16,572,577	$ (110,900)	$ 319,925,289
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$ 1,483,964			$ 1,483,964
Subrecipient payables	2,532,381			2,532,381
Construction payable	1,043,673			1,043,673
Salaries and benefits payable	2,444,710			2,444,710
Other accrued expenses	574,521			574,521
Finance lease liabilities	2,526,019			2,526,019
Operating lease liabilities	227,193			227,193
Deferred contract revenue	1,011,942			1,011,942
Due to Foundation	110,900		$ (110,900)	
Bonds payable, net	126,524,373			126,524,373
Total liabilities	138,479,676		(110,900)	138,368,776
Net assets:				
Without donor restrictions	159,070,523	$ 11,275,022		170,345,545
With donor restrictions	5,913,413	5,297,555		11,210,968
Total net assets	164,983,936	16,572,577		181,556,513
TOTAL LIABILITIES AND NET ASSETS	$ 303,463,612	$ 16,572,577	$ (110,900)	$ 319,925,289

Young Men's Christian Association of the Greater Houston Area

Consolidating Statement of Activities for the year ended December 31, 2021

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
OPERATING REVENUE:				
Contract revenue:				
Membership	$ 27,055,266			$ 27,055,266
Program	17,850,874			17,850,874
Other contract services	4,947,521			4,947,521
Contributions:				
Government agencies	39,474,504			39,474,504
In-kind	341,302			341,302
United Way	1,849,022			1,849,022
Other	13,489,094	$ 798,312	$ (876,724)	13,410,682
Special events	726,062			726,062
Direct donor benefit costs	(330,806)			(330,806)
Net investment return	2,646,761	2,201,002		4,847,763
Loss on disposal of property and equipment	(97,140)			(97,140)
Other income	127,209			127,209
Total operating revenue	108,079,669	2,999,314	(876,724)	110,202,259
OPERATING EXPENSES:				
Program services:				
Healthy Living	40,559,738	505,278	(876,724)	40,188,292
Social Responsibility	29,188,763			29,188,763
Youth Development	29,006,192			29,006,192
Total program services	98,754,693	505,278	(876,724)	98,383,247
Management and general	16,812,185	3,454		16,815,639
Fundraising	2,070,256			2,070,256
Total operating expenses	117,637,134	508,732	(876,724)	117,269,142
Changes in net assets from operating activities	(9,557,465)	2,490,582	0	(7,066,883)
Net results of involuntary conversion	223,429			223,429
CHANGES IN NET ASSETS	(9,334,036)	2,490,582	0	(6,843,454)
Net assets, beginning of year	174,317,972	14,081,995		188,399,967
Net assets, end of year	$ 164,983,936	$ 16,572,577	$ 0	$ 181,556,513