Young Men's Christian Association of the Greater Houston Area

Consolidated Financial Statements
and Single Audit Reports
for the year ended December 31, 2021

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. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended December 31, 2021 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 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
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

Schedule of Expenditures of Federal Awards for the year ended December 31, 2021

Grantor Pass-through Grantor Program Title & Period		Assistance Listing Number	Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF JUSTICE						
Direct Funding:						
Services for Trafficking Victims Collaborative Agreement						
#1	10/01/19 – 09/30/22	16.320	2019-VT-BK-K031	$649,567	$ 207,978	
Passed through the State of Texas, Office of the Governor:						
Crime Victim Assistance						
#2	10/01/20 – 09/30/21	16.575	2449908	$197,776	148,351	
#3	10/01/21 – 09/30/22	16.575	2449909	$236,671	77,655	
Crime Victim Assistance Services for Minor Sex Trafficked Victims						
#4	10/01/20 – 09/30/21	16.575	3514703	$278,718	199,136	
#5	10/01/21 – 09/30/22	16.575	3514704	$391,000	88,238	
Crime Victim Assistance Professional Counseling for Victims of Human Trafficking						
#6	10/01/19 – 09/30/21	16.575	3103703	$147,208	58,103	
#7	10/01/21 – 09/30/22	16.575	3103704	$124,094	30,825	
					602,308	
Total U. S. Department of Justice					810,286	
U. S. DEPARTMENT OF STATE						
Passed through U. S. Committee for Refugees and Immigrants:						
U. S. Refugee Admissions Program Resettlement – Reception and Placement						
#8	10/01/20 – 12/31/21	19.510	SPRMCO21CA3006	N/A	492,165	
U. S. Refugee Admissions Program Afghan Placement and Assistance Program						
#9	09/01/21 – 09/30/22	19.510	SPRMCO21CA3294	N/A	482,300	
Total U. S. Department of State					974,465	
U. S. DEPARTMENT OF EDUCATION						
Passed through Texas Education Agency:						
Twenty-First Century Community Learning Centers						
#10	08/01/19 – 03/31/21	84.287C	20695026711051	$1,483,474	54,001	
#11	08/01/20 – 07/31/21	84.287C	S287C20044	$1,483,474	904,700	
#12	08/01/21 – 07/31/21	84.287C	S287C21044	$1,483,474	615,363	
Total U. S. Department of Education					1,574,064	

(continued)

Young Men's Christian Association of the Greater Houston Area

Schedule of Expenditures of Federal Awards for the year ended December 31, 2021 *(continued)*

Grantor Pass-through Grantor Program Title & Period		Assistance Listing Number	Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through HCM Strategists, LLC:						
21st Century Cures Act – Precision Medicine Initiative						
#13	07/01/20 – 06/30/21	93.368	OT20D028404	$50,000	6,000	
Passed through YMCA of the USA:						
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health						
#14	08/01/18 – 07/31/23	93.421	6NU38OT000299-01-01	$31,000	21,000	
Direct Funding:						
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
Refugee Cash and Medical Assistance Program						
#15	10/01/20 – 09/30/21	93.566	2105TXRCMA	$10,809,267	7,553,500	$ 3,994,156
#16	10/01/21 – 09/30/23	93.566	2205TXRCMA	$8,075,564	3,766,509	2,280,996
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
Refugee Social Services Program						
#17	10/01/20 – 09/30/21	93.566	21ADTXRSSS	$9,034,289	7,122,107	5,188,437
					18,442,116	11,463,589
Passed through U. S. Committee for Refugees and Immigrants:						
Refugee and Entrant Assistance Voluntary Agency Programs						
#18	10/01/20 – 09/30/21	93.567	2102VARVMG	N/A	469,480	
#19	10/01/21 – 09/30/22	93,567	2202VARVMG	N/A	262,290	
					731,770	
Passed through U. S. Committee for Refugees and Immigrants:						
Refugee and Entrant Assistance Discretionary Grants						
Preferred Communities Program						
#20	10/01/20 – 09/30/21	93.576	90RP0108-05	$101,400	77,530	
#21	10/01/19 – 09/30/21	93.576	90RP0108-04	$49,773	16,221	
#22	10/01/21 – 09/30/22	93.576	90RP0119	$132,919	53,066	
					146,817	
Passed through U. S. Committee for Refugees and Immigrants:						
Unaccompanied Alien Children Program						
#23	01/01/21 – 12/31/22	93.676	90ZU0357	$1,441,399	798,817	
Total U. S. Department of Health and Human Services					20,146,520	11,463,589

(continued)

Young Men's Christian Association of the Greater Houston Area

Schedule of Expenditures of Federal Awards for the year ended December 31, 2021 *(continued)*

Grantor Pass-through Grantor Program Title & Period		Assistance Listing Number	Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF HOMELAND SECURITY						
Direct Funding:						
Citizenship Education and Training Program						
#24	10/01/21 – 09/30/23	97.010	21CICET00202	$250,000	16,269	
Total U. S. Department of Homeland Security					16,269	
TOTAL FEDERAL AWARDS					$ 23,521,604	$ 11,463,589

See accompanying note to schedule of expenditures of federal awards.

Young Men's Christian Association of the Greater Houston Area

Note to Schedule of Expenditures of Federal Awards for the year ended December 31, 2021

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenditures include allowable costs funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs that are recognized in the Association's financial statements in conformity with generally accepted accounting principles. The Association has not elected to use the 10% de minimus cost rate for indirect costs and does not charge indirect costs to its federal grants.

Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Young Men's Christian Association of the Greater Houston Area (the YMCA), which comprise the consolidated statement of financial position as of December 31, 2021 and the related consolidated statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YMCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

YMCA's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on YMCA's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. YMCA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Blazek & Vetterling

May 24, 2022

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Young Men's Christian Association of the Greater Houston Area's (the YMCA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the YMCA's major federal programs for the year ended December 31, 2021. The YMCA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the YMCA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the YMCA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the YMCA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the YMCA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the YMCA's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the YMCA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 YMCA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the YMCA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matter

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items #2021-002 and #2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the YMCA's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The YMCA's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2021-002 and #2021-003 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the YMCA's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The YMCA's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blazek & Vetterling

May 24, 2022

Young Men's Christian Association of the Greater Houston Area

Schedule of Findings and Questioned Costs for the year ended December 31, 2021

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Internal control over financial reporting:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? ☒ yes ☐ no

Identification of major programs:

Assistance Listing Number(s)	Name of Program or Cluster
16.320	Services for Trafficking Victims Collaborative Agreement
84.287C	Twenty-First Century Community Learning Centers
93.566	Refugee and Entrant Assistance – State/Replacement Designee Administered Programs

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

Finding #2021-001 – Significant Deficiency

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over the payroll disbursement process. Failure to have an effective system of internal control could result in unauthorized transactions or errors in the financial statements.

Condition and context: During our testing of the authorized pay rates for 85 employees, we noted one employee was over paid $1,414 as the approved salary rate was not utilized.

Recommendation: Implement controls in the payroll disbursement process that include timely independent supervisory reviews of authorized pay rates.

View of responsible officials: Management agrees with the finding. See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Finding #2021-002 – Significant Deficiency and Other Non-compliance

Applicable federal program:

U. S. Department of Health and Human Services
Refugee and Entrant Assistance State/Replacement Designee Administered Programs
Assistance Listing #93.566
Contract Numbers: 2105TXRCMA, 2205TXRCMA, and 21ADTXRSSS
Contract Years: 10/01/20 – 09/30/21 and 10/01/21 – 09/30/23

Criteria: Allowable Costs – The Uniform Guidance, §200.430 requires that charges to awards for salaries and wages must be based on records that accurately reflect the work performed. These records must 1) be supported by a system of internal control which provides reasonable assurance the charges are accurate, allowable and properly allocated; 2) reasonably reflect the total activity for which the employee is compensated; 3) comply with the established accounting polies and practices of the agency; and 4) support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one activity.

Condition and context: In 1 of 20 payroll items we tested for the Refugee and Entrant Assistance Program, an employee was paid $1,414 more than the approved rate. There is no retroactive review to verify correct pay rates are utilized.

Cause: The finding occurred as a result of the YMCA's failure to have policies and procedures for retroactive review of entered pay rates.

Effect: Failure to review and approve pay rates resulted in compensation being charged to the grant in excess of the approved pay rate.

Questioned costs: $27,048

Recommendation: Implement controls in the payroll disbursement process that include timely independent supervisory reviews.

View of responsible officials: Management agrees with the finding. See Corrective Action Plan.

Finding #2021-003 – Significant Deficiency and Other Non-compliance

Applicable federal program:

U. S. Department of Health and Human Services
Refugee and Entrant Assistance State/Replacement Designee Administered Programs
Assistance Listing #93.566
Contract Numbers: 2105TXRCMA, 2205TXRCMA, and 21ADTXRSSS
Contract Years: 10/01/20 – 09/30/21 and 10/01/21 – 09/30/23

Criteria: Reporting – In accordance with the grant terms, the YMCA is to submit quarterly financial reports and a final financial report and maintain copies for their records.

Condition and context: The YMCA did not have copies of the quarterly reports or the final financial report, so we were unable to test the accuracy of the reports.

Cause: As a result of staff transition and moving its corporate office, the YMCA was unable to locate the reports.

Effect: Noncompliance with reporting requirements due to failure to maintain documentation of filed reports.

Questioned costs: None.

Recommendation: Implement policies and procedures to maintain documentation of filed reports.

View of responsible officials: Management agrees with the finding. See Corrective Action Plan.

FOR YOUTH DEVELOPMENT
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

CORRECTIVE ACTION PLAN

May 24, 2022

U. S. DEPARTMENT OF JUSTICE

Young Men's Christian Association of the Greater Houston Area (the YMCA) respectfully submits the following Corrective Action Plan for the year ended December 31, 2021. The audit was performed by: Blazek & Vetterling, 2900 Weslayan, Suite 200, Houston, Texas, 77027.

The findings from the December 31, 2021 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding #2021-001 – Significant Deficiency

Condition and context: During our testing of the authorized pay rates for 85 employees, we noted one employee was over paid $1,414 as the approved salary rate was not utilized.

Recommendation: Implement controls in the payroll disbursement process that include timely independent supervisory reviews of authorized pay rates.

Planned corrective action: Additional controls in the payroll process have been implemented. These controls include additional levels of review during the setup of new employees in the payroll system, as well as ongoing independent reviews of pay registers to evaluate both pay rates and hours worked. Finally, controls within the payroll system itself have been updated to prevent the specific type of overpayment that occurred in this transaction.

Responsible officer: Jennifer Garcia, Chief Financial Officer

Estimated completion date: June 1, 2022

Finding #2021-002 – Significant Deficiency and Other Non-compliance

Condition and context: In 1 of 20 payroll items we tested for the Refugee and Entrant Assistance Program, an employee was paid $1,414 more than the approved rate. There is no retroactive review to verify correct pay rates are utilized.

Recommendation: Implement controls in the payroll disbursement process that include timely independent supervisory reviews of authorized pay rates.

Planned corrective action: Additional controls in the payroll process have been implemented. These controls include additional levels of review during the setup of new employees in the payroll system, as well as ongoing independent reviews of pay registers to evaluate both pay rates and hours worked. Finally, controls within the payroll system itself have been updated to prevent the specific type of overpayment that occurred in this transaction.

Responsible officer: Jennifer Garcia, Chief Financial Officer

Estimated completion date: June 1, 2022

YMCA of Greater Houston
PO Box 3007 Houston, TX 77253
P: 713-659-5566 F: 713-659-7240
www.ymcahouston.org

Finding #2021-003 – Significant Deficiency and Other Non-compliance

Condition and context: The YMCA did not have copies of the quarterly reports or the final financial report, so we were unable to test the accuracy of the reports.

Recommendation: Implement policies and procedures to maintain documentation of filed reports.

Planned corrective action: These reports were unable to be located and were likely misfiled during the closeout process of the programs in January 2022. Going forward, the YMCA will include an appropriate review of files transferred and storage locations as part of its program closeout process.

Responsible officer: Jennifer Garcia, Chief Financial Officer

Estimated completion date: June 1, 2022

If the U. S. Department of Justice has questions regarding this plan, please call Jennifer Garcia at (713) 758-9183.

Sincerely,

Jennifer Garcia
Chief Financial Officer

Summary Schedule of Prior Audit Findings

The following audit findings for the year ended December 31, 2020 are required to be reported in accordance with 2 CFR §200.511.

Finding #2020-001 – Significant Deficiency

Condition and context: In our testing of 80 payroll transactions, we identified 5 timesheets that were not approved by the employee's supervisor and one timesheet that was not maintained.

Recommendation: Additional training should be provided on the YMCA's policy requiring all timesheets to be approved by the employee's supervisor and retention of timesheets.

Planned corrective action: Additional training will be provided to supervisors for the process of timesheet approval. The importance of timesheet review and approval will be emphasized and strictly enforced. Management is evaluating the addition of punitive action in the area of timesheet review and approval to emphasize the importance of this process. Management will also strengthen additional detective controls, including detailed reviews and payroll analysis reporting features within the timekeeping system.

Management's 2021 follow-up response: Completed

Finding #2020-002 – Crime Victim Assistance and Coronavirus Relief Fund – Significant Deficiency and Other Non-compliance

Condition and context: During our testing of 10 allowable cost transactions for CFDA #16.575, we noted one transaction that was within the contact period; however, it was not recorded in the proper period. The expenditure was mileage reimbursement from 2019 that was recorded in February 2020. During our testing of 30 allowable cost transactions for CFDA #21.019, we noted one invoice for an outside consultant from November 2019 that was recorded in April 2020, which was not within the grant's period of performance.

Recommendation: Policies and procedures should be implemented to ensure that transactions are appropriately recognized in the correct period to ensure that costs are not charged to the grants outside of the period of performance.

Planned corrective action: All staff associated with grant-based programs have been educated on the importance of timely accruals, invoice payment and grant period recognition. The YMCA will strengthen control procedures around grant period recognition by implementing a more detailed review of invoices received near the beginning and end of the grant periods, similar to our year-end fiscal procedures.

Management's 2021 follow-up response: Completed

Finding #2020-003 – Crime Victim Assistance and Coronavirus Relief Fund – Significant Deficiency and Other Non-compliance

Condition and context: YMCA employees utilize time and effort reports for hours provided to the organization. In 3 of 30 payroll items we tested for the Crime Victim Assistance program, and 2 of 40 payroll items tested for non-federal programs, timesheets were automatically approved because the supervisor did not approve them. There is no retroactive review by the supervisor to make sure the timesheets are correct. In addition, 1 of 30 payroll items we tested for the Crime Victim Assistance program did not have a timesheet.

Recommendation: Additional training should be provided on the YMCA's policy requiring all timesheets to be approved by the employee's supervisor and retention of timesheets.

Planned corrective action: Additional training will be provided to supervisors for the process of timesheet approval. The importance of timesheet review and approval will be emphasized and strictly enforced. Management is evaluating the addition of punitive action in the area of timesheet review and approval to emphasize the importance of this process. Management will also strengthen additional detective controls, including detailed reviews and payroll analysis reporting features within the timekeeping system.

Management's 2021 follow-up response: Completed

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.

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

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
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

Young Men's Christian Association of the Greater Houston Area

Consolidated Financial Statements
and Single Audit Reports
for the year ended December 31, 2022

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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended December 31, 2022 as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 23, 2023 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 23, 2023

Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Financial Position as of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 7,539,746	$ 3,464,472
Accounts receivable	642,410	863,004
Contributions receivable, net *(Note 3)*:		
Government grant receivables	7,814,591	4,091,446
Other	5,980,105	6,588,091
Prepaid expenses and other assets	2,010,709	2,226,547
Land and buildings held for sale	2,116,101	2,366,214
Investments *(Notes 4 and 5)*	41,933,030	56,338,800
Bond proceeds held in trust *(Note 9)*	12,443,500	5,670,000
Right-of-use assets – finance lease *(Note 6)*	4,366,227	5,327,239
Right-of-use assets – operating lease *(Note 6)*	2,863,271	227,193
Property and equipment, net *(Note 7)*	227,267,160	232,762,283
TOTAL ASSETS	$ 314,976,850	$ 319,925,289
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,871,802	$ 1,483,964
Subrecipient payables		2,532,381
Construction payable	447,932	1,043,673
Salaries and benefits payable	2,582,300	2,444,710
Other accrued expenses	513,047	574,521
Finance lease liabilities *(Note 6)*	2,053,169	2,526,019
Operating lease liabilities *(Note 6)*	2,881,331	227,193
Deferred contract revenue	10,388,398	1,011,942
Bonds payable, net *(Note 8)*	122,414,265	126,524,373
Total liabilities	143,152,244	138,368,776
Commitments and contingencies *(Notes 7 and 12)*		
Net assets *(Note 11)*:		
Without donor restrictions *(Note 9)*	161,420,949	170,345,545
With donor restrictions *(Note 10)*	10,403,657	11,210,968
Total net assets	171,824,606	181,556,513
TOTAL LIABILITIES AND NET ASSETS	$ 314,976,850	$ 319,925,289

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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contract revenue:			
Membership	$ 37,302,086		$ 37,302,086
Program	23,431,240		23,431,240
Other contract services	4,039,709		4,039,709
Contributions:			
Government agencies *(Note 12)*		$ 50,798,462	50,798,462
In-kind *(Note 14)*	2,512,865		2,512,865
United Way	1,665,811	387,558	2,053,369
Other	2,366,257	8,635,523	11,001,780
Special events	956,345		956,345
Direct donor benefit costs	(429,934)		(429,934)
Net investment return	(6,891,631)	(1,010,591)	(7,902,222)
Loss on disposal of property and equipment	(11,242)		(11,242)
Other income	68,031		68,031
Total operating revenue	65,009,537	58,810,952	123,820,489
Net assets released from restrictions:			
Capital expenditures	2,728,080	(2,728,080)	
Expenditure for program purposes	55,152,151	(55,152,151)	
Expiration of time restrictions	1,738,032	(1,738,032)	
Total	124,627,800	(807,311)	123,820,489
OPERATING EXPENSES:			
Program services:			
Healthy Living	44,775,809		44,775,809
Social Responsibility	37,875,077		37,875,077
Youth Development	32,985,271		32,985,271
Total program services	115,636,157		115,636,157
Management and general	15,601,828		15,601,828
Fundraising	2,314,411		2,314,411
Total operating expenses	133,552,396		133,552,396
CHANGES IN NET ASSETS	(8,924,596)	(807,311)	(9,731,907)
Net assets, beginning of year	170,345,545	11,210,968	181,556,513
Net assets, end of year	$ 161,420,949	$ 10,403,657	$ 171,824,606

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 *(Note 14)*	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 15)*	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 Functional Expenses for the year ended December 31, 2022

EXPENSES	HEALTHY LIVING	SOCIAL RESPONSIBILITY	YOUTH DEVELOPMENT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	$ 16,043,193	$ 13,006,361	$ 22,929,149	$ 51,978,703	$ 7,208,995	$ 1,975,298	$ 61,162,996
Specific assistance to individuals		21,316,101		21,316,101			21,316,101
Occupancy	11,825,104	600,713	2,200,437	14,626,254	376,645		15,002,899
Depreciation and amortization	10,134,733	6,315	1,504,097	11,645,145	335,968	24,010	12,005,123
Professional fees and contract services	1,068,028	549,771	1,020,749	2,638,548	2,172,374	164,439	4,975,361
Interest expense	2,624,169	403,718	1,009,296	4,037,183	480,230		4,517,413
Printing, publication, and promotion	106,660	41,786	879,346	1,027,792	3,056,777	1,544	4,086,113
Supplies	1,103,732	470,469	2,099,610	3,673,811	95,982	37,564	3,807,357
Communications	1,192,426	574,551	221,149	1,988,126	1,340,293	53,085	3,381,504
Travel and transportation	129,805	382,970	589,419	1,102,194	165,614	43,504	1,311,312
Membership dues	280,554	155,764	170,987	607,305	5,660	10,655	623,620
Equipment rental and maintenance	204,520	120,532	57,935	382,987	52,177		435,164
Camping activity supplies		91,736	214,136	305,872			305,872
Professional development and staff training	31,268	15,701	81,531	128,500	126,571	482	255,553
Allocations to service providers		138,589		138,589			138,589
Bad debt expense					108,097		108,097
Conferences, conventions, and meetings	30,128		1,853	31,981	24,744	3,287	60,012
Other	1,489		5,577	7,066	51,701	543	59,310
Total expenses	$ 44,775,809	$ 37,875,077	$ 32,985,271	$ 115,636,157	$ 15,601,828	$ 2,314,411	133,552,396
Direct donor benefit costs							429,934
Total							$ 133,982,330

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
Specific assistance to individuals		5,325,640		5,325,640			5,325,640
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
Professional fees and contract services	405,035	428,243	357,695	1,190,973	2,581,175	131,187	3,903,335
Interest expense	2,702,972	415,842	1,039,605	4,158,419	532,118		4,690,537
Printing, publication, and promotion	82,694	61,904	21,759	166,357	3,387,300		3,553,657
Supplies	1,011,344	358,885	4,023,094	5,393,323	240,499	36,488	5,670,310
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
Professional development and staff training	22,199	11,016	54,804	88,019	52,673	2,432	143,124
Allocations to service providers		11,550,882		11,550,882			11,550,882
Bad debt expense					156,176		156,176
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 Statements of Cash Flows for the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (9,731,907)	$ (6,843,454)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted for building construction	(3,382,419)	(4,550,331)
Contributions restricted for endowment	(823,133)	(424,991)
Bad debt expense	108,097	
Net realized and unrealized (gain) loss on investments	9,261,209	(4,196,682)
Net loss on sale or disposal of property and equipment	143,224	97,140
Depreciation and amortization	12,005,123	12,075,036
Amortization of bond issuance costs and bond premium	(250,108)	(250,107)
Insurance proceeds		(223,429)
Changes in operating assets and liabilities:		
Accounts receivable	112,497	(421,872)
Contributions receivable	(3,000,845)	(152,448)
Prepaid expenses and other assets	215,838	254,298
Accounts payable and accrued expenses	(2,068,427)	(1,634,393)
Operating lease liabilities	18,060	
Deferred contract revenue	9,376,456	432,119
Net cash provided (used) by operating activities	11,983,665	(5,839,114)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(22,210,576)	(52,890,431)
Proceeds from sale of investments	30,528,672	40,643,875
Net change in money market mutual funds held as investments	(3,173,535)	22,783,744
Net change in bonds held in trust	(6,773,500)	
Purchases of property and equipment	(5,273,372)	(12,908,025)
Proceeds from sale of property and equipment		2,842,829
Insurance proceeds for building construction and equipment, net		223,429
Net cash provided (used) by investing activities	(6,902,311)	695,421
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bonds	(3,860,000)	(3,705,000)
Principal payments on financing leases	(1,237,318)	(1,093,019)
Proceeds from contributions restricted for building construction	3,268,105	2,816,745
Proceeds from contributions restricted for endowment	823,133	369,571
Net cash used by financing activities	(1,006,080)	(1,611,703)
NET CHANGE IN CASH	4,075,274	(6,755,396)
Cash, beginning of year	3,464,472	10,219,868
Cash, end of year	$ 7,539,746	$ 3,464,472
Supplemental disclosure of cash flow information:		
Interest paid	$4,741,094	$4,917,219
Noncash investing and financing transactions:		
Finance lease obligation for equipment	$764,468	
Operating lease obligation for office space and equipment	$2,818,334	$107,883

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 22 centers, 4 adaptive sites, 1 resident camp, 39 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, 2022 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 contribution 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 – The YMCA made the following accounting policy elections for reporting leases:

- *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 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 are recognized at the present value of the lease payments at inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. 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, 2022, 2021 and 2020, deferred contract revenue was $10,388,398, $1,011,942 and $579,823, 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 2022 and 2021, 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.

Contributed nonfinancial assets 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 $2,344,000 and $3,296,000 for the years ended December 31, 2022 and 2021, 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.

Adoption of new accounting standard – 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 requires 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. This ASU has been applied on a full retrospective basis to the financial statements for the year ended December 31, 2021 and had no impact on previously presented changes in net assets, but resulted in additional disclosures.

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:

	2022	2021
Financial assets:		
Cash	$ 7,539,746	$ 3,464,472
Accounts receivable	642,410	863,004
Contributions receivable, net	12,967,744	9,759,977
Investments	41,933,030	56,338,800
Bond proceeds held in trust	12,443,500	5,670,000
Total financial assets	75,526,430	76,096,253
Less financial assets not available for general expenditure:		
Donor-restricted and board-designated endowment assets less appropriation	13,881,546	15,990,461
Debt service reserve fund and sinking funds held in trust	36,713,500	30,712,000
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	2,206,712	2,360,999
Total financial assets available for general expenditure	$ 22,724,672	$ 27,032,793

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% was due on December 31, 2022. At December 31, 2022, no amount is outstanding related to the deferred Social Security employee tax payments.

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:

	2022	2021
Receivables from government agencies	$ 7,814,591	$ 4,091,446
Receivables for building construction	3,733,965	3,536,204
Receivables from others	1,191,851	1,888,624
Unamortized contributed use of facilities	826,952	919,560
Receivables from United Way	387,559	462,255
Total contributions receivable	13,954,918	10,898,089
Allowance for uncollectible receivables	(155,055)	(206,795)
Discount to net present value	(5,167)	(11,757)
Contributions receivable, net	$ 13,794,696	$ 10,679,537

Contributions receivable at December 31, 2022 are expected to be collected as follows:

2023	$ 12,412,800
2024	549,282
2025	378,769
2026	157,543
2027	92,607
Thereafter	363,917
Total contributions receivable	$ 13,954,918

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, 2022 and 2021, unamortized balances of $416,087 and $430,435, 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, 2022 and 2021, unamortized balances of $410,865 and $489,125, respectively, are reflected as contributions receivable.

Conditional contributions from government agencies – At December 31, 2022, the Association has approximately $14.5 million 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:

	2022	2021
Exchange-traded funds	$ 15,325,161	$ 9,143,823
Equity mutual funds	9,182,124	15,280,606
Common stock	5,313,661	13,122,234
Fixed-income mutual funds	4,660,390	16,007,673
Cash	2,966,617	
Money market mutual funds	1,746,972	1,540,054
Real estate investment trusts	996,957	45,472
U. S. Treasury securities	963,533	189,654
Private credit hedge fund	478,892	
Municipal bonds	247,197	578,160
Corporate bonds	51,526	431,124
Total investments	$ 41,933,030	$ 56,338,800

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.

Equity investments which do not have a readily determinable fair value, but qualify to be measured at net asset value or its equivalent as a practical expedient, are not required to be assigned to a level within the fair value hierarchy.

Assets measured at fair value at December 31, 2022 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Exchange-traded funds	$ 15,325,161			$ 15,325,161
Equity mutual funds	9,182,124			9,182,124
Common stock:				
Information technology	1,266,209			1,266,209
Healthcare	938,045			938,045
Consumer discretionary	726,053			726,053
Financials	529,984			529,984
Industrials	509,762			509,762
International	325,769			325,769
Consumer staples	317,457			317,457
Utilities	193,777			193,777
Energy	174,501			174,501
Real estate	108,074			108,074
Materials	87,386			87,386
Telecommunication services	64,159			64,159
Other	72,485			72,485
Fixed-income mutual funds	4,660,390			4,660,390
Money market mutual funds	1,746,972			1,746,972
U. S. Treasury securities:				
0-12 months	797,946			797,946
1-5 years	165,587			165,587
Municipal bonds:				
0-12 months		$ 53,356		53,356
1-5 years		193,841		193,841
Real estate investment trusts	996,957			996,957
Corporate bonds:				
1-5 years		51,526		51,526
Total	$ 38,188,798	$ 298,723	$ 0	38,487,521
Private equity hedge fund measured at net asset value using practical expedient (a)				478,892
Total assets measured at fair value				$ 38,966,413

Assets measured at fair value at December 31, 2021 are as follows:

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

(a) The private equity hedge fund targets current income and capital appreciation by primarily investing in privately originated and privately negotiated senior secured loans to U. S. companies, including those in the middle market. Shares can be sold quarterly at net asset value (NAV) at the quarter end and are limited to 5.0% of aggregate shares outstanding. Shares held for less than one year and tendered for repurchase will be purchased at 98% of NAV. There are no outstanding commitments at December 31, 2022.

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

- *Exchange-traded funds, common stock* and *real estate investment trusts* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *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.
- *Hedge funds* are valued at net asset value as a practical expedient as provided by the fund managers, based on the net asset value of the underlying investments.

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

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. The agreement automatically renews for a 1-year term unless terminated by either party with at least 90 days' notice. 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, 2022 and 2021.

In 2018, the YMCA entered into an agreement with the City of Houston (the City), whereby the YMCA can use 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, 2022 and 2021.

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 was recognized in the years ended December 31, 2022 and 2021.

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.

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

	2022	2021
Short-term lease costs	$ 435,164	$ 296,672
Operating lease cost:		
Fixed rent expense	182,253	403,484
Finance lease cost:		
Amortization of right-of-use assets	1,217,866	1,093,019
Interest expense	90,678	130,868
Total lease costs	$ 1,925,961	$ 1,924,043

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

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$182,253	$403,484
Operating cash flows from finance leases	$90,678	$130,868
Financing cash flows from finance leases	$1,237,318	$1,093,019

Future payments due under operating and finance leases as of December 31, 2022 are as follows:

	OPERATING	FINANCE
2023	$ 630,337	$ 1,409,982
2024	532,684	286,311
2025	450,068	163,375
2026	449,897	163,375
Thereafter	2,536,511	96,986
Total minimum lease payments	4,599,497	2,120,029
Less effects of discounting	(1,718,166)	(66,860)
Total lease liabilities recognized	$ 2,881,331	$ 2,053,169

The weighted-average term and discount rates for both operating and finance leases outstanding at December 31, 2022:

	OPERATING	FINANCE
Weighted-average remaining/lease term	9.26 years	2.4 years
Weighted-average discount rate	7.31%	4.79%

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2022	2021
Land	$ 25,993,654	$ 25,740,061
Buildings and improvements	299,323,233	294,185,141
Furniture and equipment	25,338,999	24,556,820
Vehicles	1,717,175	1,743,338
Construction in progress	523,909	1,779,287
Total property and equipment, at cost	352,896,970	348,004,647
Accumulated depreciation	(125,629,810)	(115,242,364)
Property and equipment, net	$ 227,267,160	$ 232,762,283

Commitments – The Association entered into contracts with construction contractors and architects for the repair and renovation of multiple center locations. At December 31, 2022, 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 $2.3 million in 2022 and $8.0 million in 2021.

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, 2022, 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, 2022. The interest rate of the Series 2019 Bonds is a fixed rate of 2.7% at December 31, 2022. 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 for the Series 2013A Bonds and $6,773,500 for the Series 2019 Bonds, which are reported as bond proceeds held in trust in the consolidated statement of financial position at December 31, 2022.

Principal amounts due under each bond are as follows:

	SERIES 2013A	SERIES 2019	TOTAL 2022	TOTAL 2021
Series 2013A	$ 55,765,000		$ 55,765,000	$ 57,475,000
Series 2019		$ 65,585,000	65,585,000	67,735,000
Total bonds payable	55,765,000	65,585,000	121,350,000	125,210,000
Bond premium – Series 2013A	2,889,478		2,889,478	3,248,925
Bond issuance costs:				
Series 2013A	(1,407,162)		(1,407,162)	(1,496,981)
Series 2019		(418,051)	(418,051)	(437,571)
Bonds payable, net	$ 57,247,316	$ 65,166,949	$ 122,414,265	$ 126,524,373

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

2023	$ 4,045,000
2024	4,215,000
2025	4,405,000
2026	4,615,000
2027	4,815,000
Thereafter	99,255,000
Total bonds payable	$ 121,350,000

Interest expense, including amortization of bond issuance costs and bond premium, was approximately $4,517,000 and $4,690,000 for the years ended December 31, 2022 and 2021, respectively. The effective interest rate for the years ended December 31, 2022 and 2021 was 3.59%.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	2022	2021
Board-designated endowment for operations	$ 9,557,052	$ 11,275,022
Cash and investments designated for debt service and sinking funds held in trust	36,713,500	30,712,000
Property and equipment, net of acquisition debt	102,799,726	105,825,198
Undesignated	12,350,671	22,533,325
Total net assets without donor restrictions	$ 161,420,949	$ 170,345,545

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:

	2022	2021
Subject to expenditure for specified purpose:		
Capital projects	$ 3,033,664	$ 2,379,325
Other programs	313,140	894,822
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	2,132,834	2,639,266
General endowment subject to spending policy and appropriation	4,924,019	5,297,555
Total net assets with donor restrictions	$ 10,403,657	$ 11,210,968

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. At December 31, 2022, funds with original gift values of $880,712, fair values of $789,635 and deficiencies of $91,077 were reported in *net assets with donor restrictions*. Deficiencies of this value result from unfavorable market fluctuations and continued appropriation. There were no underwater funds at December 31, 2021.

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, 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
Contributions and other additions	843,109		823,133	1,666,242
Net investment return	(2,150,885)	(1,010,591)		(3,161,476)
Distribution to the Association	(408,238)	(186,078)		(594,316)
Expenses	(1,956)			(1,956)
Endowment net assets, December 31, 2022	$ 9,557,052	$ 1,444,275	$ 3,479,744	$ 14,481,071

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:

	2022	2021
Federal grants and contracts:		
U. S. Department of Health and Human Services	$ 25,082,027	$ 20,146,520
U. S. Department of State	3,524,267	974,465
U. S. Department of Education	1,447,312	1,574,064
U. S. Department of Justice	889,279	810,286
U. S. Department of Homeland Security	133,204	16,269
Small Business Administration		10,000,000
Total federal grants and contracts	31,076,089	33,521,604
State	19,722,373	5,952,900
Total contributions from government agencies	$ 50,798,462	$ 39,474,504

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 $2,925,000 and $2,886,000 to this plan during the years ended December 31, 2022 and 2021, respectively.

NOTE 14 – NONFINANCIAL CONTRIBUTIONS

The Association recognized the following nonfinancial contributions:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2022	2021
Home and personal goods, and phone and related service	Program	None	Fair value estimated using the Salvation Army guide for used items or retail value for new items.	$2,270,266	$88,681
Adopt A Family Event	Program	None	Fair value estimated based on current rates for similar goods.	$103,136	

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2022	2021
Construction services	Program	None	Fair value estimated based on current rates for similar services.	$94,195	
Pool maintenance	Program	None	Fair value estimated based on current rates for similar services.	$40,000	
School supply kits	Program	None	Fair value estimated based on price of similar goods.		$196,206
Airline flights	Program	None	Fair value estimated based on current rates for similar services.		$18,000
Other	Program	None	Fair value estimated based on current rates for similar goods and services.	$5,268	$38,415
Total contributed nonfinancial assets				$2,512,865	$341,302

NOTE 15 – 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 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2023, 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

Schedule of Expenditures of Federal Awards for the year ended December 31, 2022

Grantor Pass-through Grantor Program Title & Period		Assistance Listing Number	Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF JUSTICE						
Direct Funding:						
Services for Trafficking Victims						
Comprehensive Services and Partnership with Enhanced Collaborative						
Model Human Trafficking Task Force						
#1	10/01/19 – 09/30/23	16.320	2019-VT-BK-K031	$649,567	$ 217,247	
Passed through the State of Texas, Office of the Governor:						
Crime Victim Assistance						
#2	10/01/22 – 09/30/23	16.575	2449910	$241,163	69,894	
#3	10/01/21 – 09/30/22	16.575	2449909	$236,671	209,587	
Crime Victim Assistance						
Services for Minor Sex Trafficked Victims						
#4	10/01/22 – 09/30/23	16.575	3514705	$515,437	91,735	
#5	10/01/21 – 09/30/22	16.575	3514704	$391,000	278,912	
Crime Victim Assistance						
Professional Counseling for Victims of Human Trafficking						
#6	10/01/22 – 09/30/23	16.575	3103705	$138,066	2,005	
#7	10/01/21 – 09/30/22	16.575	3103704	$124,094	19,899	
					672,032	
Total U. S. Department of Justice					889,279	
U. S. DEPARTMENT OF STATE						
Passed through U. S. Committee for Refugees and Immigrants:						
U. S. Refugee Admissions Program						
Resettlement – Reception and Placement						
#8	01/01/22 – 09/30/22	19.510	SPRMCO22CA0021	N/A	587,631	
U. S. Refugee Admissions Program						
Afghan Placement and Assistance Program						
#9	09/01/21 – 09/30/22	19.510	SPRMCO21CA3294	N/A	2,532,075	
U. S. Refugee Admissions Program						
Resettlement – Reception and Placement						
#10	10/01/22 – 09/30/23	19.510	SPRMC023CA0012	N/A	248,625	
U. S. Refugee Admissions Program						
Afghan Placement and Assistance Program						
#11	02/01/22 – 12/31/22	19.510	SPRMC021CA3294	$135,960	92,090	
U. S. Refugee Admissions Program						
Resettlement – Reception and Placement						
Housing, Technology and Nutrition						
#12	04/15/22 – 09/30/22	19.510	SFOP0008350	N/A	41,471	
U. S. Refugee Admissions Program						
Resettlement – Reception and Placement						
Housing, Technology and Nutrition						
#13	10/01/22 – 09/30/23	19.510	SFOP0008350	$14,796	22,375	
Total U. S. Department of State					3,524,267	

(continued)

Young Men's Christian Association of the Greater Houston Area

Schedule of Expenditures of Federal Awards for the year ended December 31, 2022 *(continued)*

Grantor Pass-through Grantor Program Title & Period		Assistance Listing Number	Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF EDUCATION						
Direct Funding:						
Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools and Congressionally Directed Spending for Elementary and Secondary Education Community Projects						
The Early Childhood English Learner Initiative						
#14	09/01/22 – 12/31/24	84.215K	S215K220150	$700,000	2,187	
Passed through Texas Education Agency:						
Twenty-First Century Community Learning Centers						
Nita M. Lowery 21st Century CCLD						
#15	08/01/22 – 07/31/23	84.287C	S287C220044	$1,483,474	577,014	
#16	08/01/21 – 07/31/22	84.287C	S287C210044	$1,483,474	868,111	
					1,445,125	
Total U. S. Department of Education					1,447,312	
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through HCM Strategists, LLC:						
21st Century Cures Act – Precision Medicine Initiative						
#17	07/01/20 – 06/30/22	93.368	OT20D028404	$50,000	11,247	
Passed through YMCA of the USA:						
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health						
State Strategies for Active and Healthy Communities						
#18	12/01/21 – 07/31/22	93.421	5NU380T000299-04	$19,500	10,615	
#19	08/01/22 – 07/31/23	93.421	6NU380T000299-05	$24,822	3,563	
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health						
Swim Skills Intervention						
#20	01/01/22 – 06/30/22	93.421	6NU380T000299-04	$5,500	5,500	
					19,678	
Direct Funding:						
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
Refugee Cash and Medical Assistance Program						
#21	10/01/21 – 09/30/23	93.566	2205TXRCMA	$8,075,564	43,506	$ 43,506
Passed through Texas Office for Refugees:						
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
ASA Refugee Social Services Program						
#22	10/01/22 – 09/30/23	93.566	FFY203-27946V-RSS	$2,845,775	480,132	
#23	01/01/22 – 09/30/22	93.566	FFY2022-27946V-RSS	$1,776,073	1,466,304	55,346
Refugee and Entrant Assistance State Replacement Designee Administered Programs						
Refugee Cash and Medical Assistance Program						
#24	10/01/22 – 09/30/23	93.566	FFY2023-27946V-CMA	$3,368,003	5,129,313	
#25	01/01/22 – 09/30/22	93.566	2205TXRCMA	$3,772,188	9,556,913	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
ASA Refugee Social Services Program						
#26	01/01/22 – 09/30/23	93.566	FFY2023-27946V-ASA-RSS	$4,246,516	1,107,241	
					17,739,903	55,346

(continued)

Young Men's Christian Association of the Greater Houston Area

Schedule of Expenditures of Federal Awards for the year ended December 31, 2022 *(continued)*

Grantor Pass-through Grantor Program Title & Period		Assistance Listing Number	Grantor Number	Award Amount	Federal Expenditures	Subrecipient Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES *(continued)*						
Passed through United States Conference of Catholic Bishops:						
Refugee and Entrant Assistance State/ Replacement Designee Administered Programs						
Refugee School Impact Grant						
#27	10/01/22 – 09/30/23	93.566	2302TXRSSS	$600,000	39,125	
Passed through U. S. Committee for Refugees:						
Refugee and Entrant Assistance State/Replacement Designee Administered Programs						
Refugee Social Services Program – Afghan Refugee Health Promotion						
#28	10/01/22 – 09/30/23	93.566	ARHP-2023-YMCA HoustonTX-01	$961,975	55,098	
					17,877,632	98,852
Passed through U. S. Committee for Refugees and Immigrants:						
Refugee and Entrant Assistance Voluntary Agency Programs						
Refugee and Entrant Assistance – Matching Grant Program						
#29	10/01/21 – 09/30/23	93.567	2202VARVMG	N/A	4,334,164	
Passed through U. S. Committee for Refugees and Immigrants:						
Refugee and Entrant Assistance Discretionary Grants						
Preferred Communities Program						
#30	09/30/22 – 09/29/23	93.576	90RP0119	$167,979	51,899	
#31	09/30/21 – 09/29/22	93.576	90RP0119	$132,919	96,113	
Refugee and Entrant Assistance Discretionary Grants						
Preferred Communities Supplemental Funding						
#32	09/30/22 – 09/29/23	93.576	90RP0119-01-01	$912,280	290,002	
#33	09/30/21 – 09/29/22	93.576	90RP0119-01-03	$1,958,826	399,597	
Refugee and Entrant Assistance Discretionary Grants						
Preferred Communities Supplemental – Ukrainian						
#34	10/01/22 – 09/30/23	93.576	90RP0119-02-00	$125,000	30,748	
					868,359	
Passed through U. S. Committee for Refugees and Immigrants:						
Home Study and Post-Release Services for Unaccompanied Children						
Unaccompanied Alien Children Program						
#35	01/01/21 – 12/31/23	93.676	90ZU0357	$4,276,433	1,970,947	
Total U. S. Department of Health and Human Services					25,082,027	98,852
U. S. DEPARTMENT OF HOMELAND SECURITY						
Direct Funding:						
Citizenship Education and Training						
Citizenship Instruction and Naturalization Application Services Program						
#36	10/01/21 – 09/30/23	97.010	21CICET00202	$250,000	133,204	
Total U. S. Department of Homeland Security					133,204	
TOTAL FEDERAL AWARDS					$ 31,076,089	$ 98,852

See accompanying note to schedule of expenditures of federal awards.

Young Men's Christian Association of the Greater Houston Area

Note to Schedule of Expenditures of Federal Awards for the year ended December 31, 2022

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Federal expenditures include allowable costs funded by federal grants. Allowable costs are subject to the cost principles of the Uniform Guidance and include costs that are recognized in the Association's financial statements in conformity with generally accepted accounting principles. The Association has not elected to use the 10% de minimus cost rate for indirect costs and does not charge indirect costs to its federal grants.

Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, 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, the financial statements of Young Men's Christian Association of the Greater Houston Area (the YMCA), which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 23, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YMCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The YMCA's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the YMCA's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The YMCA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Blazek & Vetterling

May 23, 2023

Blazek & Vetterling
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Young Men's Christian Association of the Greater Houston Area's (the YMCA) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the YMCA's major federal programs for the year ended December 31, 2022. The YMCA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the YMCA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the YMCA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the YMCA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the YMCA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the YMCA's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

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control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the YMCA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 YMCA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the YMCA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items #2022-002 and #2022-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the YMCA's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The YMCA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2022-003 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged

with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item #2022-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the YMCA's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The YMCA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Blazek & Vetterling

May 23, 2023

Young Men's Christian Association of the Greater Houston Area

Schedule of Findings and Questioned Costs for the year ended December 31, 2022

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Internal control over financial reporting:
- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs: ☒ unmodified ☐ qualified ☐ adverse ☐ disclaimer

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? ☒ yes ☐ no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
19.510	U. S. Refugee Admissions Program
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs
93.567	Refugee and Entrant Assistance Voluntary Agency Programs
93.576	Refugee and Entrant Assistance Discretionary Grants
93.676	Unaccompanied Alien Children Program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

Finding #2022-001 – Significant Deficiency

Criteria: Effective internal control for cost center and grant reporting requires that independent reviews be performed to ensure that hours recorded on timesheets agrees to amounts recorded in the payroll system for labor distribution and that documentation supports the amount allocated. Without an effective system of internal controls, errors could occur and not be identified and corrected.

Condition and context: During our testing of 125 payroll transactions, we identified the following exception:

- For four transactions selected for testing, the hours per the timesheet were less than the hours charged to the program. The amount overcharged to the grant was $4,353.

Cause: Failure to follow the YMCA's policies and procedures related to maintenance of documentation and approvals and review of accuracy of hours charged to grants.

Effect: Failure to follow established internal control policies and procedures resulted in errors and unallowable costs being charged to the grant.

Recommendation: Emphasize adherence to established policies and procedures to ensure maintenance of documentation and approvals, and review of accuracy of hours charged to grants.

View of responsible officials: Management agrees with the finding. See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

Finding #2022-002 – Significant Deficiency and Other Noncompliance

Applicable federal program:
U. S. Department of Health and Human Services
Passed Through U. S. Committee for Refugees and Immigrants
Refugee and Entrant Assistance Voluntary Agency Programs
Assistance Listing #93.567
Contract period: 10/01/21 – 09/30/23
Contract #: 2202VARVMG

Criteria: Same as finding #2022-001.

Condition and context: Same as finding #2022-001.

Cause: Same as finding #2022-001.

Effect: Same as finding #2022-001.

Questioned costs: $4,353

Recommendation: Same as finding #2022-001.

View of responsible officials: Management agrees with the finding. See Corrective Action Plan.

Finding #2022-003 – Material Weakness and Other Noncompliance

Applicable federal programs:
19.510 U. S. Refugee Admissions Program
93.566 Refugee and Entrant Assistance State/Replacement Designee Administered Programs
93.567 Refugee and Entrant Assistance Voluntary Agency Programs
93.576 Refugee and Entrant Assistance Discretionary Grants
93.676 Unaccompanied Alien Children Program

Criteria: Procurement – Nonprofit organizations are required to conduct procurement transactions in a manner providing full and open competition consistent with standards prescribed in Uniform Guidance, *Subtitle III Procurement Standards* and conform to federal and state laws and regulations and other contractual requirements.

Uniform Guidance requires public notice for proposal requests for purchases over the Simplified Acquisition Threshold, as defined by the nonprofit organization's policy, which for the YMCA is $150,000. Additionally, the YMCA's internal control policy requires approval of sole source procurement.

Condition and context: During our testing of a sample of expenditures for proper procurement in accordance with the YMCA's policies and Uniform Guidance, we identified the following exceptions:

- Competitive procurement for furniture expenditures greater than $250,000 was not performed.
- Documentation of the reason for sole source procurement for two procurements was not approved by the Vice President of Social Equity and Inclusion as required by the YMCA's policy.

Cause: Failure to follow the YMCA's procurement policy by those responsible for procurement.

Effect: Failure to follow formal procurement methods may result in the YMCA purchasing goods or services for more than would be necessary if required competitive procurement procedures had been followed.

Questioned costs: Unknown

Recommendation: Provide additional education to employee's responsible for procurement on the YMCA's procurement policy.

Views of responsible officials: Management agrees with the finding. See Corrective Action Plan.

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CORRECTIVE ACTION PLAN

May 23, 2023

U. S. DEPARTMENT OF JUSTICE

Young Men's Christian Association of the Greater Houston Area (the YMCA) respectfully submits the following Corrective Action Plan for the year ended December 31, 2022. The audit was performed by: Blazek & Vetterling, 2900 Weslayan, Suite 200, Houston, Texas, 77027.

The findings from the December 31, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINANCIAL STATEMENT AND FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings #2022-001 and #2022-002 – Significant Deficiency and Other Noncompliance

Condition and context: During our testing of 125 payroll transactions, we identified the following exception:

- For four transactions selected for testing, the hours per the timesheet were less than the hours charged to the program. The amount overcharged to the grant was $4,353.

Recommendation: Emphasize adherence to established policies and procedures to ensure maintenance of documentation and approvals, and review of accuracy of hours charged to grants.

Planned corrective action: As the organization continues to grow and evolve, the payroll processes must evolve. Subsequent to year-end, but prior to the audit, we performed an in-depth analysis of the entire payroll process and developed improved procedures that will both increase employee accountability and reduce the opportunity for many types of errors, including the types reported. In late 2023, after the renewed process is completely implemented, an updated analysis of risk assessment will be performed to identify any other areas of opportunity that may have arisen.

Responsible officer: Jennifer Garcia, Chief Financial Officer

Estimated completion date: September 2023

YMCA of Greater Houston
PO Box 3007 Houston, TX 77253
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ymcahouston.org

Finding #2022-003 – Material Weakness and Other Noncompliance

Condition and context: During our testing of a sample of expenditures for proper procurement in accordance with the YMCA's policies and Uniform Guidance, we identified the following exceptions:

- Competitive procurement for furniture expenditures greater than $250,000 was not performed.
- Documentation of the reason for sole source procurement for two procurements was not approved by the Vice President of Social Equity and Inclusion as required by the YMCA's policy.

Recommendation: Provide additional education to employee's responsible for procurement on the YMCA's procurement policy.

Planned corrective action: We acknowledge this is an area for development and have recently hired dedicated staff to manage the entire procurement process, including reading and educating operational staff in their involvement in the procurement process.

Responsible officer: Jennifer Garcia, Chief Financial Officer

Estimated completion date: June 2023

If the U. S. Department of Justice has questions regarding this plan, please call Jennifer Garcia at (713) 758-9183.

Sincerely,

Jennifer Garcia
Chief Financial Officer

FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

Summary Schedule of Prior Audit Findings

The following audit findings for the year ended December 31, 2021 are required to be reported in accordance with 2 CFR §200.511.

Finding #2021-001 – Significant Deficiency

Condition and context: During our testing of the authorized pay rates for 85 employees, we noted one employee was overpaid $1,414 as the approved salary rate was not utilized.

Recommendation: Implement controls in the payroll disbursement process that include timely independent supervisory reviews of authorized pay rates.

Planned corrective action: Additional controls in the payroll process have been implemented. These controls include additional levels of review during the setup of new employees in the payroll system, as well as ongoing independent reviews of pay registers to evaluate both pay rates and hours worked. Finally, controls within the payroll system itself have been updated to prevent the specific type of overpayment that occurred in this transaction.

Management's 2022 follow-up response: Completed

Finding #2021-002 – Significant Deficiency and Other Non-compliance

Condition and context: In 1 of 20 payroll items, we tested for the Refugee and Entrant Assistance Program, an employee was paid $1,414 more than the approved rate. There is no retroactive review to verify correct pay rates are utilized.

Recommendation: Implement controls in the payroll disbursement process that include timely independent supervisory reviews of authorized pay rates.

Planned corrective action: Additional controls in the payroll process have been implemented. These controls include additional levels of review during the setup of new employees in the payroll system, as well as ongoing independent reviews of pay registers to evaluate both pay rates and hours worked. Finally, controls within the payroll system itself have been updated to prevent the specific type of overpayment that occurred in this transaction.

Management's 2022 follow-up response: Completed

Finding #2021-003 – Material Weakness and Other Non-compliance

Condition and context: The YMCA was unable to provide copies of the quarterly and final financial reports and the FFATA reports; therefore, we were unable to test the accuracy of the reports or verify that they had been filed.

Recommendation: Implement policies and procedures to maintain documentation of filed reports.

Planned corrective action: These reports were unable to be located and were likely misfiled during the closeout process of the programs in January 2022. Going forward, the YMCA will include an appropriate review of files transferred and storage locations as part of its program closeout process.

Management's 2022 follow-up response: Completed

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Young Men's Christian Association of the Greater Houston Area

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended December 31, 2022 and 2021

Young Men's Christian Association of the Greater Houston Area

Table of Contents

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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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.

2900 Weslayan, Suite 200 Houston, Texas 77027-5132 (713) 439-5757 Fax (713) 439-5758

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, 2022 and consolidating statement of activities for the year ended December 31, 2022 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 23, 2023 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 23, 2023

Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Financial Position as of December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 7,539,746	$ 3,464,472
Accounts receivable	642,410	863,004
Contributions receivable, net *(Note 3)*:		
Government grant receivables	7,814,591	4,091,446
Other	5,980,105	6,588,091
Prepaid expenses and other assets	2,010,709	2,226,547
Land and buildings held for sale	2,116,101	2,366,214
Investments *(Notes 4 and 5)*	41,933,030	56,338,800
Bond proceeds held in trust *(Note 9)*	12,443,500	5,670,000
Right-of-use assets – finance lease *(Note 6)*	4,366,227	5,327,239
Right-of-use assets – operating lease *(Note 6)*	2,863,271	227,193
Property and equipment, net *(Note 7)*	227,267,160	232,762,283
TOTAL ASSETS	$ 314,976,850	$ 319,925,289
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 1,871,802	$ 1,483,964
Subrecipient payables		2,532,381
Construction payable	447,932	1,043,673
Salaries and benefits payable	2,582,300	2,444,710
Other accrued expenses	513,047	574,521
Finance lease liabilities *(Note 6)*	2,053,169	2,526,019
Operating lease liabilities *(Note 6)*	2,881,331	227,193
Deferred contract revenue	10,388,398	1,011,942
Bonds payable, net *(Note 8)*	122,414,265	126,524,373
Total liabilities	143,152,244	138,368,776
Commitments and contingencies *(Notes 7 and 12)*		
Net assets *(Note 11)*:		
Without donor restrictions *(Note 9)*	161,420,949	170,345,545
With donor restrictions *(Note 10)*	10,403,657	11,210,968
Total net assets	171,824,606	181,556,513
TOTAL LIABILITIES AND NET ASSETS	$ 314,976,850	$ 319,925,289

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, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUE:			
Contract revenue:			
Membership	$ 37,302,086		$ 37,302,086
Program	23,431,240		23,431,240
Other contract services	4,039,709		4,039,709
Contributions:			
Government agencies *(Note 12)*		$ 50,798,462	50,798,462
In-kind *(Note 14)*	2,512,865		2,512,865
United Way	1,665,811	387,558	2,053,369
Other	2,366,257	8,635,523	11,001,780
Special events	956,345		956,345
Direct donor benefit costs	(429,934)		(429,934)
Net investment return	(6,891,631)	(1,010,591)	(7,902,222)
Loss on disposal of property and equipment	(11,242)		(11,242)
Other income	68,031		68,031
Total operating revenue	65,009,537	58,810,952	123,820,489
Net assets released from restrictions:			
Capital expenditures	2,728,080	(2,728,080)	
Expenditure for program purposes	55,152,151	(55,152,151)	
Expiration of time restrictions	1,738,032	(1,738,032)	
Total	124,627,800	(807,311)	123,820,489
OPERATING EXPENSES:			
Program services:			
Healthy Living	44,775,809		44,775,809
Social Responsibility	37,875,077		37,875,077
Youth Development	32,985,271		32,985,271
Total program services	115,636,157		115,636,157
Management and general	15,601,828		15,601,828
Fundraising	2,314,411		2,314,411
Total operating expenses	133,552,396		133,552,396
CHANGES IN NET ASSETS	(8,924,596)	(807,311)	(9,731,907)
Net assets, beginning of year	170,345,545	11,210,968	181,556,513
Net assets, end of year	$ 161,420,949	$ 10,403,657	$ 171,824,606

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 *(Note 14)*	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 15)*	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 Functional Expenses for the year ended December 31, 2022

EXPENSES	HEALTHY LIVING	SOCIAL RESPONSIBILITY	YOUTH DEVELOPMENT	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	$ 16,043,193	$ 13,006,361	$ 22,929,149	$ 51,978,703	$ 7,208,995	$ 1,975,298	$ 61,162,996
Specific assistance to individuals		21,316,101		21,316,101			21,316,101
Occupancy	11,825,104	600,713	2,200,437	14,626,254	376,645		15,002,899
Depreciation and amortization	10,134,733	6,315	1,504,097	11,645,145	335,968	24,010	12,005,123
Professional fees and contract services	1,068,028	549,771	1,020,749	2,638,548	2,172,374	164,439	4,975,361
Interest expense	2,624,169	403,718	1,009,296	4,037,183	480,230		4,517,413
Printing, publication, and promotion	106,660	41,786	879,346	1,027,792	3,056,777	1,544	4,086,113
Supplies	1,103,732	470,469	2,099,610	3,673,811	95,982	37,564	3,807,357
Communications	1,192,426	574,551	221,149	1,988,126	1,340,293	53,085	3,381,504
Travel and transportation	129,805	382,970	589,419	1,102,194	165,614	43,504	1,311,312
Membership dues	280,554	155,764	170,987	607,305	5,660	10,655	623,620
Equipment rental and maintenance	204,520	120,532	57,935	382,987	52,177		435,164
Camping activity supplies		91,736	214,136	305,872			305,872
Professional development and staff training	31,268	15,701	81,531	128,500	126,571	482	255,553
Allocations to service providers		138,589		138,589			138,589
Bad debt expense					108,097		108,097
Conferences, conventions, and meetings	30,128		1,853	31,981	24,744	3,287	60,012
Other	1,489		5,577	7,066	51,701	543	59,310
Total expenses	$ 44,775,809	$ 37,875,077	$ 32,985,271	$ 115,636,157	$ 15,601,828	$ 2,314,411	133,552,396
Direct donor benefit costs							429,934
Total							$ 133,982,330

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
Specific assistance to individuals		5,325,640		5,325,640			5,325,640
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
Professional fees and contract services	405,035	428,243	357,695	1,190,973	2,581,175	131,187	3,903,335
Interest expense	2,702,972	415,842	1,039,605	4,158,419	532,118		4,690,537
Printing, publication, and promotion	82,694	61,904	21,759	166,357	3,387,300		3,553,657
Supplies	1,011,344	358,885	4,023,094	5,393,323	240,499	36,488	5,670,310
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
Professional development and staff training	22,199	11,016	54,804	88,019	52,673	2,432	143,124
Allocations to service providers		11,550,882		11,550,882			11,550,882
Bad debt expense					156,176		156,176
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 Statements of Cash Flows for the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (9,731,907)	$ (6,843,454)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted for building construction	(3,382,419)	(4,550,331)
Contributions restricted for endowment	(823,133)	(424,991)
Bad debt expense	108,097	
Net realized and unrealized (gain) loss on investments	9,261,209	(4,196,682)
Net loss on sale or disposal of property and equipment	143,224	97,140
Depreciation and amortization	12,005,123	12,075,036
Amortization of bond issuance costs and bond premium	(250,108)	(250,107)
Insurance proceeds		(223,429)
Changes in operating assets and liabilities:		
Accounts receivable	112,497	(421,872)
Contributions receivable	(3,000,845)	(152,448)
Prepaid expenses and other assets	215,838	254,298
Accounts payable and accrued expenses	(2,068,427)	(1,634,393)
Operating lease liabilities	18,060	
Deferred contract revenue	9,376,456	432,119
Net cash provided (used) by operating activities	11,983,665	(5,839,114)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(22,210,576)	(52,890,431)
Proceeds from sale of investments	30,528,672	40,643,875
Net change in money market mutual funds held as investments	(3,173,535)	22,783,744
Net change in bonds held in trust	(6,773,500)	
Purchases of property and equipment	(5,273,372)	(12,908,025)
Proceeds from sale of property and equipment		2,842,829
Insurance proceeds for building construction and equipment, net		223,429
Net cash provided (used) by investing activities	(6,902,311)	695,421
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bonds	(3,860,000)	(3,705,000)
Principal payments on financing leases	(1,237,318)	(1,093,019)
Proceeds from contributions restricted for building construction	3,268,105	2,816,745
Proceeds from contributions restricted for endowment	823,133	369,571
Net cash used by financing activities	(1,006,080)	(1,611,703)
NET CHANGE IN CASH	4,075,274	(6,755,396)
Cash, beginning of year	3,464,472	10,219,868
Cash, end of year	$ 7,539,746	$ 3,464,472
Supplemental disclosure of cash flow information:		
Interest paid	$4,741,094	$4,917,219
Noncash investing and financing transactions:		
Finance lease obligation for equipment	$764,468	
Operating lease obligation for office space and equipment	$2,818,334	$107,883

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 22 centers, 4 adaptive sites, 1 resident camp, 39 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, 2022 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 contribution 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 – The YMCA made the following accounting policy elections for reporting leases:

- *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 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 are recognized at the present value of the lease payments at inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. 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, 2022, 2021 and 2020, deferred contract revenue was $10,388,398, $1,011,942 and $579,823, 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 2022 and 2021, 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.

Contributed nonfinancial assets 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 $2,344,000 and $3,296,000 for the years ended December 31, 2022 and 2021, 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.

Adoption of new accounting standard – 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 requires 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. This ASU has been applied on a full retrospective basis to the financial statements for the year ended December 31, 2021 and had no impact on previously presented changes in net assets, but resulted in additional disclosures.

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:

	2022	2021
Financial assets:		
Cash	$ 7,539,746	$ 3,464,472
Accounts receivable	642,410	863,004
Contributions receivable, net	12,967,744	9,759,977
Investments	41,933,030	56,338,800
Bond proceeds held in trust	12,443,500	5,670,000
Total financial assets	75,526,430	76,096,253
Less financial assets not available for general expenditure:		
Donor-restricted and board-designated endowment assets less appropriation	13,881,546	15,990,461
Debt service reserve fund and sinking funds held in trust	36,713,500	30,712,000
Other donor-restricted assets subject to satisfaction of restriction and the passage of time	2,206,712	2,360,999
Total financial assets available for general expenditure	$ 22,724,672	$ 27,032,793

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% was due on December 31, 2022. At December 31, 2022, no amount is outstanding related to the deferred Social Security employee tax payments.

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:

	2022	2021
Receivables from government agencies	$ 7,814,591	$ 4,091,446
Receivables for building construction	3,733,965	3,536,204
Receivables from others	1,191,851	1,888,624
Unamortized contributed use of facilities	826,952	919,560
Receivables from United Way	387,559	462,255
Total contributions receivable	13,954,918	10,898,089
Allowance for uncollectible receivables	(155,055)	(206,795)
Discount to net present value	(5,167)	(11,757)
Contributions receivable, net	$ 13,794,696	$ 10,679,537

Contributions receivable at December 31, 2022 are expected to be collected as follows:

2023	$ 12,412,800
2024	549,282
2025	378,769
2026	157,543
2027	92,607
Thereafter	363,917
Total contributions receivable	$ 13,954,918

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, 2022 and 2021, unamortized balances of $416,087 and $430,435, 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, 2022 and 2021, unamortized balances of $410,865 and $489,125, respectively, are reflected as contributions receivable.

Conditional contributions from government agencies – At December 31, 2022, the Association has approximately $14.5 million 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:

	2022	2021
Exchange-traded funds	$ 15,325,161	$ 9,143,823
Equity mutual funds	9,182,124	15,280,606
Common stock	5,313,661	13,122,234
Fixed-income mutual funds	4,660,390	16,007,673
Cash	2,966,617	
Money market mutual funds	1,746,972	1,540,054
Real estate investment trusts	996,957	45,472
U. S. Treasury securities	963,533	189,654
Private credit hedge fund	478,892	
Municipal bonds	247,197	578,160
Corporate bonds	51,526	431,124
Total investments	$ 41,933,030	$ 56,338,800

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.

Equity investments which do not have a readily determinable fair value, but qualify to be measured at net asset value or its equivalent as a practical expedient, are not required to be assigned to a level within the fair value hierarchy.

Assets measured at fair value at December 31, 2022 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Exchange-traded funds	$ 15,325,161			$ 15,325,161
Equity mutual funds	9,182,124			9,182,124
Common stock:				
Information technology	1,266,209			1,266,209
Healthcare	938,045			938,045
Consumer discretionary	726,053			726,053
Financials	529,984			529,984
Industrials	509,762			509,762
International	325,769			325,769
Consumer staples	317,457			317,457
Utilities	193,777			193,777
Energy	174,501			174,501
Real estate	108,074			108,074
Materials	87,386			87,386
Telecommunication services	64,159			64,159
Other	72,485			72,485
Fixed-income mutual funds	4,660,390			4,660,390
Money market mutual funds	1,746,972			1,746,972
U. S. Treasury securities:				
0-12 months	797,946			797,946
1-5 years	165,587			165,587
Municipal bonds:				
0-12 months		$ 53,356		53,356
1-5 years		193,841		193,841
Real estate investment trusts	996,957			996,957
Corporate bonds:				
1-5 years		51,526		51,526
Total	$ 38,188,798	$ 298,723	$ 0	38,487,521
Private equity hedge fund measured at net asset value using practical expedient (a)				478,892
Total assets measured at fair value				$ 38,966,413

Assets measured at fair value at December 31, 2021 are as follows:

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

(a) The private equity hedge fund targets current income and capital appreciation by primarily investing in privately originated and privately negotiated senior secured loans to U. S. companies, including those in the middle market. Shares can be sold quarterly at net asset value (NAV) at the quarter end and are limited to 5.0% of aggregate shares outstanding. Shares held for less than one year and tendered for repurchase will be purchased at 98% of NAV. There are no outstanding commitments at December 31, 2022.

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

- *Exchange-traded funds, common stock* and *real estate investment trusts* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds* are valued at the reported net asset value.
- *U. S. Treasury securities* are valued using prices obtained from active market makers and inter-dealer brokers on a daily basis.
- *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.
- *Hedge funds* are valued at net asset value as a practical expedient as provided by the fund managers, based on the net asset value of the underlying investments.

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

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. The agreement automatically renews for a 1-year term unless terminated by either party with at least 90 days' notice. 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, 2022 and 2021.

In 2018, the YMCA entered into an agreement with the City of Houston (the City), whereby the YMCA can use 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, 2022 and 2021.

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 was recognized in the years ended December 31, 2022 and 2021.

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.

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

	2022	2021
Short-term lease costs	$ 435,164	$ 296,672
Operating lease cost:		
Fixed rent expense	182,253	403,484
Finance lease cost:		
Amortization of right-of-use assets	1,217,866	1,093,019
Interest expense	90,678	130,868
Total lease costs	$ 1,925,961	$ 1,924,043

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

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$182,253	$403,484
Operating cash flows from finance leases	$90,678	$130,868
Financing cash flows from finance leases	$1,237,318	$1,093,019

Future payments due under operating and finance leases as of December 31, 2022 are as follows:

	OPERATING	FINANCE
2023	$ 630,337	$ 1,409,982
2024	532,684	286,311
2025	450,068	163,375
2026	449,897	163,375
Thereafter	2,536,511	96,986
Total minimum lease payments	4,599,497	2,120,029
Less effects of discounting	(1,718,166)	(66,860)
Total lease liabilities recognized	$ 2,881,331	$ 2,053,169

The weighted-average term and discount rates for both operating and finance leases outstanding at December 31, 2022:

	OPERATING	FINANCE
Weighted-average remaining/lease term	9.26 years	2.4 years
Weighted-average discount rate	7.31%	4.79%

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2022	2021
Land	$ 25,993,654	$ 25,740,061
Buildings and improvements	299,323,233	294,185,141
Furniture and equipment	25,338,999	24,556,820
Vehicles	1,717,175	1,743,338
Construction in progress	523,909	1,779,287
Total property and equipment, at cost	352,896,970	348,004,647
Accumulated depreciation	(125,629,810)	(115,242,364)
Property and equipment, net	$ 227,267,160	$ 232,762,283

Commitments – The Association entered into contracts with construction contractors and architects for the repair and renovation of multiple center locations. At December 31, 2022, 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 $2.3 million in 2022 and $8.0 million in 2021.

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, 2022, 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, 2022. The interest rate of the Series 2019 Bonds is a fixed rate of 2.7% at December 31, 2022. 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 for the Series 2013A Bonds and $6,773,500 for the Series 2019 Bonds, which are reported as bond proceeds held in trust in the consolidated statement of financial position at December 31, 2022.

Principal amounts due under each bond are as follows:

	SERIES 2013A	SERIES 2019	TOTAL 2022	TOTAL 2021
Series 2013A	$ 55,765,000		$ 55,765,000	$ 57,475,000
Series 2019		$ 65,585,000	65,585,000	67,735,000
Total bonds payable	55,765,000	65,585,000	121,350,000	125,210,000
Bond premium – Series 2013A	2,889,478		2,889,478	3,248,925
Bond issuance costs:				
Series 2013A	(1,407,162)		(1,407,162)	(1,496,981)
Series 2019		(418,051)	(418,051)	(437,571)
Bonds payable, net	$ 57,247,316	$ 65,166,949	$ 122,414,265	$ 126,524,373

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

2023	$ 4,045,000
2024	4,215,000
2025	4,405,000
2026	4,615,000
2027	4,815,000
Thereafter	99,255,000
Total bonds payable	$ 121,350,000

Interest expense, including amortization of bond issuance costs and bond premium, was approximately $4,517,000 and $4,690,000 for the years ended December 31, 2022 and 2021, respectively. The effective interest rate for the years ended December 31, 2022 and 2021 was 3.59%.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

	2022	2021
Board-designated endowment for operations	$ 9,557,052	$ 11,275,022
Cash and investments designated for debt service and sinking funds held in trust	36,713,500	30,712,000
Property and equipment, net of acquisition debt	102,799,726	105,825,198
Undesignated	12,350,671	22,533,325
Total net assets without donor restrictions	$ 161,420,949	$ 170,345,545

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:

	2022	2021
Subject to expenditure for specified purpose:		
Capital projects	$ 3,033,664	$ 2,379,325
Other programs	313,140	894,822
Subject to passage of time:		
Contributions receivable that are not restricted by donors, but which are unavailable for expenditures until due	2,132,834	2,639,266
General endowment subject to spending policy and appropriation	4,924,019	5,297,555
Total net assets with donor restrictions	$ 10,403,657	$ 11,210,968

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. At December 31, 2022, funds with original gift values of $880,712, fair values of $789,635 and deficiencies of $91,077 were reported in *net assets with donor restrictions*. Deficiencies of this value result from unfavorable market fluctuations and continued appropriation. There were no underwater funds at December 31, 2021.

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, 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
Contributions and other additions	843,109		823,133	1,666,242
Net investment return	(2,150,885)	(1,010,591)		(3,161,476)
Distribution to the Association	(408,238)	(186,078)		(594,316)
Expenses	(1,956)			(1,956)
Endowment net assets, December 31, 2022	$ 9,557,052	$ 1,444,275	$ 3,479,744	$ 14,481,071

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:

	2022	2021
Federal grants and contracts:		
U. S. Department of Health and Human Services	$ 25,082,027	$ 20,146,520
U. S. Department of State	3,524,267	974,465
U. S. Department of Education	1,447,312	1,574,064
U. S. Department of Justice	889,279	810,286
U. S. Department of Homeland Security	133,204	16,269
Small Business Administration		10,000,000
Total federal grants and contracts	31,076,089	33,521,604
State	19,722,373	5,952,900
Total contributions from government agencies	$ 50,798,462	$ 39,474,504

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 $2,925,000 and $2,886,000 to this plan during the years ended December 31, 2022 and 2021, respectively.

NOTE 14 – NONFINANCIAL CONTRIBUTIONS

The Association recognized the following nonfinancial contributions:

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2022	2021
Home and personal goods, and phone and related service	Program	None	Fair value estimated using the Salvation Army guide for used items or retail value for new items.	$2,270,266	$88,681
Adopt A Family Event	Program	None	Fair value estimated based on current rates for similar goods.	$103,136	

CONTRIBUTED NONFINANCIAL ASSETS	MONETIZED OR UTILIZED IN PROGRAMS/ACTIVITIES	DONOR RESTRICTIONS	VALUATION TECHNIQUES AND INPUTS	2022	2021
Construction services	Program	None	Fair value estimated based on current rates for similar services.	$94,195	
Pool maintenance	Program	None	Fair value estimated based on current rates for similar services.	$40,000	
School supply kits	Program	None	Fair value estimated based on price of similar goods.		$196,206
Airline flights	Program	None	Fair value estimated based on current rates for similar services.		$18,000
Other	Program	None	Fair value estimated based on current rates for similar goods and services.	$5,268	$38,415
Total contributed nonfinancial assets				$2,512,865	$341,302

NOTE 15 – 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 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 23, 2023, 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, 2022

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
ASSETS				
Cash	$ 7,330,777	$ 208,969		$ 7,539,746
Accounts receivable	642,410			642,410
Due from YMCA		79,374	$ (79,374)	
Contributions receivable, net:				
Government grant receivables	7,814,591			7,814,591
Other	5,946,617	33,488		5,980,105
Prepaid expenses and other assets	2,010,709			2,010,709
Land and buildings held for sale	2,116,101			2,116,101
Investments	27,773,790	14,159,240		41,933,030
Bond proceeds held in trust	12,443,500			12,443,500
Right-of-use assets – finance lease	4,366,227			4,366,227
Right-of-use assets – operating lease	2,863,271			2,863,271
Property and equipment, net	227,267,160			227,267,160
TOTAL ASSETS	$ 300,575,153	$ 14,481,071	$ (79,374)	$ 314,976,850
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$ 1,871,802			$ 1,871,802
Construction payable	447,932			447,932
Salaries and benefits payable	2,582,300			2,582,300
Other accrued expenses	513,047			513,047
Finance lease liabilities	2,053,169			2,053,169
Operating lease liabilities	2,881,331			2,881,331
Deferred contract revenue	10,388,398			10,388,398
Due to Foundation	79,374		$ (79,374)	
Bonds payable, net	122,414,265			122,414,265
Total liabilities	143,231,618		(79,374)	143,152,244
Net assets:				
Without donor restrictions	151,863,898	$ 9,557,051		161,420,949
With donor restrictions	5,479,637	4,924,020		10,403,657
Total net assets	157,343,535	14,481,071		171,824,606
TOTAL LIABILITIES AND NET ASSETS	$ 300,575,153	$ 14,481,071	$ (79,374)	$ 314,976,850

Young Men's Christian Association of the Greater Houston Area

Consolidating Statement of Activities for the year ended December 31, 2022

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
OPERATING REVENUE:				
Contract revenue:				
Membership	$ 37,302,086			$ 37,302,086
Program	23,431,240			23,431,240
Other contract services	4,039,709			4,039,709
Contributions:				
Government agencies	50,798,462			50,798,462
In-kind	2,512,865			2,512,865
United Way	2,053,369			2,053,369
Other	10,772,963	$ 1,666,242	$ (1,437,425)	11,001,780
Special events	956,345			956,345
Direct donor benefit costs	(429,934)			(429,934)
Net investment return	(4,740,746)	(3,161,476)		(7,902,222)
Loss on disposal of property and equipment	(11,242)			(11,242)
Other income	68,031			68,031
Total operating revenue	126,753,148	(1,495,234)	(1,437,425)	123,820,489
OPERATING EXPENSES:				
Program services:				
Healthy Living	45,618,918	594,316	(1,437,425)	44,775,809
Social Responsibility	37,875,077			37,875,077
Youth Development	32,985,271			32,985,271
Total program services	116,479,266	594,316	(1,437,425)	115,636,157
Management and general	15,599,872	1,956		15,601,828
Fundraising	2,314,411			2,314,411
Total operating expenses	134,393,549	596,272	(1,437,425)	133,552,396
CHANGES IN NET ASSETS	(7,640,401)	(2,091,506)	0	(9,731,907)
Net assets, beginning of year	164,983,936	16,572,577		181,556,513
Net assets, end of year	$ 157,343,535	$ 14,481,071	$ 0	$ 171,824,606