

**UPPER PALMETTO YMCA, INC.  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2022 AND 2021**

UPPER PALMETTO YMCA, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Upper Palmetto YMCA, Inc.  
Rock Hill, South Carolina

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Upper Palmetto YMCA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Palmetto YMCA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Upper Palmetto YMCA, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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.

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 Upper Palmetto YMCA, Inc.'s internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Palmetto YMCA, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2023, on our consideration of Upper Palmetto YMCA, Inc.'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 to solely 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 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 Upper Palmetto YMCA, Inc.'s internal control over financial reporting and compliance.

*Burkett Burkett & Burkett*

BURKETT BURKETT & BURKETT

Rock Hill, South Carolina

April 25, 2023

**UPPER PALMETTO YMCA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS:		
Current assets		
Cash and cash equivalents		
Unrestricted, reserves	\$ 8,196,612	\$ 6,040,033
Restricted cash - current	945,558	707,172
Total cash	<u>9,142,170</u>	<u>6,747,205</u>
Program accounts receivable, net	62,153	55,923
Non-program receivables, net	717,505	715,661
Short-term pledge receivables, net	100,000	100,000
Investments, available for sale	25,843	2,574
Prepaid expense	48,755	93,663
Total current assets	<u>10,096,426</u>	<u>7,715,026</u>
Property and equipment		
Land	8,589,670	8,664,680
Buildings and improvements	38,498,861	37,784,454
Vehicles	634,695	641,074
Equipment	5,685,315	5,705,993
Furniture and fixtures	736,337	594,648
Projects in progress	170,718	196,928
Less accumulated depreciation	<u>(15,761,250)</u>	<u>(14,122,180)</u>
Net property and equipment	<u>38,554,346</u>	<u>39,465,597</u>
Other assets		
Restricted cash - noncurrent	376,902	1,054,237
Long-term pledges receivable, net	424,051	498,776
Security deposits	4,500	4,500
Software, net	10,208	17,049
Right of use assets - finance lease	57,474	-
Right of use assets - operating lease	<u>3,190,705</u>	<u>-</u>
Total other assets	<u>4,063,840</u>	<u>1,574,562</u>
Total assets	<u><u>\$ 52,714,612</u></u>	<u><u>\$ 48,755,185</u></u>

The accompanying notes are an integral part of these financial statements.

**UPPER PALMETTO YMCA, INC.**  
**STATEMENTS OF FINANCIAL POSITION - CONTINUED**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities		
Accounts payable	\$ 284,207	\$ 331,761
Accrued and other current liabilities	353,045	287,645
Deferred revenue	319,484	329,249
Finance lease liabilities - current portion	19,502	-
Operating lease liabilities - current portion	372,976	-
PPP term notes	-	1,621,145
Current portion long term debt	618,677	616,009
Total current liabilities	<u>1,967,891</u>	<u>3,185,809</u>
Long term debt and obligations		
Finance lease liabilities	40,339	-
Operating lease liabilities	3,062,990	-
Notes payable, net of unamortized debt issuance cost	33,172,091	33,765,057
Total long term obligations (net)	<u>36,275,420</u>	<u>33,765,057</u>
Other liabilities		
Deferred rent	-	254,661
Other payables	1,655	2,155
Total other liabilities	<u>1,655</u>	<u>256,816</u>
Total liabilities	<u>38,244,966</u>	<u>37,207,682</u>
Net assets		
Without donor restrictions	12,968,669	10,291,756
With donor restrictions	1,500,977	1,255,747
Total net assets	<u>14,469,646</u>	<u>11,547,503</u>
Total liabilities and net assets	<u>\$ 52,714,612</u>	<u>\$ 48,755,185</u>

The accompanying notes are an integral part of these financial statements.

**UPPER PALMETTO YMCA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Page Total</u>
<b>OPERATING SUPPORT AND REVENUE</b>			
Public support:			
Contributions	\$ 535,188	\$ 46,775	\$ 581,963
Grants	56,140	-	56,140
Total public support	<u>591,328</u>	<u>46,775</u>	<u>638,103</u>
Program revenue:			
Membership fees	12,165,048	-	12,165,048
Product sales to members	89,641	-	89,641
Educational, health, & recreational fees	5,754,627	-	5,754,627
Rental income	355,717	-	355,717
Investment income	10,979	20	10,999
Other income	146,150	-	146,150
Total program revenue	<u>18,522,162</u>	<u>20</u>	<u>18,522,182</u>
Released from restrictions	43,562	(43,562)	-
Total public support and revenue	<u>19,157,052</u>	<u>3,233</u>	<u>19,160,285</u>
<b>OPERATING EXPENSES</b>			
Program expenses:			
Amortization, finance lease	13,313	-	13,313
Contractual services	1,361,711	-	1,361,711
Depreciation	1,738,975	-	1,738,975
Equipment	89,594	-	89,594
Insurance	419,919	-	419,919
Interest	869,929	-	869,929
National dues - unallocated	210,800	-	210,800
Occupancy	2,821,914	-	2,821,914
Operating lease expense	369,409	-	369,409
Printing, publications & promotions	5,180	-	5,180
Salaries & employee benefits	6,630,540	-	6,630,540
Supplies	1,407,689	-	1,407,689
Taxes, licenses & fees	333,827	-	333,827
Telecommunication	172,053	-	172,053
Training, conferences, conventions, & meetings	50,276	-	50,276
Travel & other employee expenses	133,417	-	133,417
Total program expenses	<u>\$ 16,628,546</u>	<u>\$ -</u>	<u>\$ 16,628,546</u>

The accompanying notes are an integral part of these financial statements.



**UPPER PALMETTO YMCA, INC.**  
**STATEMENT OF ACTIVITIES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING EXPENSES (CONTINUED)</b>			
Supporting services:			
General and administrative			
Amortization, software	\$ 6,841	\$ -	\$ 6,841
Amortization, finance lease	6,971	-	6,971
Contractual services	164,224	-	164,224
Depreciation	12,631	-	12,631
Equipment	1,272	-	1,272
Insurance	12,026	-	12,026
Interest	19,453	-	19,453
Occupancy	16,822	-	16,822
Operating lease expense	73,980	-	73,980
Postage & shipping	5,145	-	5,145
Printing, publications & promotions	112,381	-	112,381
Salaries & employee benefits	937,559	-	937,559
Supplies	66,655	-	66,655
Taxes, licenses & fees	43,249	-	43,249
Telecommunication	11,873	-	11,873
Training, conferences, conventions, & meetings	46,800	-	46,800
Travel expense	17,170	-	17,170
	<u>1,555,052</u>	<u>-</u>	<u>1,555,052</u>
Total supporting services	<u>1,555,052</u>	<u>-</u>	<u>1,555,052</u>
Total operating expenses	<u>18,183,598</u>	<u>-</u>	<u>18,183,598</u>
<b>EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES</b>	973,454	3,233	976,687
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Contributions - capital expenditures	-	309,135	309,135
Employee retention tax credit	-	-	-
PPP loan & interest forgiveness	1,636,321	-	1,636,321
Loss on discontinued operations, net	-	-	-
Net assets released from restrictions - capital expenditures	67,138	(67,138)	-
	<u>1,703,459</u>	<u>241,997</u>	<u>1,945,456</u>
Total non-operating revenue (expenses)	<u>1,703,459</u>	<u>241,997</u>	<u>1,945,456</u>
<b>CHANGE IN NET ASSETS</b>	2,676,913	245,230	2,922,143
Net assets, December 31, 2021	<u>10,291,756</u>	<u>1,255,747</u>	<u>11,547,503</u>
Net assets, December 31, 2022	<u>\$ 12,968,669</u>	<u>\$ 1,500,977</u>	<u>\$ 14,469,646</u>

The accompanying notes are an integral part of these financial statements.

**UPPER PALMETTO YMCA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Page Total</u>
<b>OPERATING SUPPORT AND REVENUE</b>			
Public support:			
Contributions	\$ 522,484	\$ 51,071	\$ 573,555
Grants	54,102	-	54,102
Total public support	<u>576,586</u>	<u>51,071</u>	<u>627,657</u>
Program revenue:			
Membership fees	9,680,052	-	9,680,052
Product sales to members	83,796	-	83,796
Educational, health, & recreational fees	4,760,824	-	4,760,824
Rental income	212,532	-	212,532
Investment income	1	31	32
Other income	97,096	-	97,096
Total program revenue	<u>14,834,301</u>	<u>31</u>	<u>14,834,332</u>
Released from restrictions	3,698	(3,698)	-
Total public support and revenue	<u>15,414,585</u>	<u>47,404</u>	<u>15,461,989</u>
<b>OPERATING EXPENSES</b>			
Program expenses:			
Contractual services	1,134,395	-	1,134,395
Depreciation	1,591,607	-	1,591,607
Equipment	184,100	-	184,100
Insurance	448,573	-	448,573
Interest	891,311	-	891,311
National dues - unallocated	176,041	-	176,041
Occupancy	2,102,362	-	2,102,362
Printing, publications & promotions	8,094	-	8,094
Rents	499,638	-	499,638
Salaries & employee benefits	5,850,238	-	5,850,238
Supplies	1,263,248	-	1,263,248
Taxes, licenses & fees	413,011	-	413,011
Telecommunication	148,384	-	148,384
Training, conferences, conventions, & meetings	28,252	-	28,252
Travel & other employee expenses	57,421	-	57,421
Total program expenses	<u>\$ 14,796,675</u>	<u>\$ -</u>	<u>\$ 14,796,675</u>

The accompanying notes are an integral part of these financial statements.

**UPPER PALMETTO YMCA, INC.**  
**STATEMENT OF ACTIVITIES - CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>OPERATING EXPENSES (CONTINUED)</b>			
Supporting services:			
General and administrative			
Amortization, software	\$ 12,952	\$ -	\$ 12,952
Contractual services	193,567	-	193,567
Depreciation	15,965	-	15,965
Insurance	24,677	-	24,677
Interest	28,234	-	28,234
Occupancy	14,520	-	14,520
Postage & shipping	7,594	-	7,594
Printing, publications & promotions	82,336	-	82,336
Rent	73,980	-	73,980
Salaries & employee benefits	995,268	-	995,268
Supplies	63,135	-	63,135
Taxes, licenses & fees	55,969	-	55,969
Telecommunication	12,349	-	12,349
Training, conferences, conventions, & meetings	6,847	-	6,847
Travel expense	10,967	-	10,967
	<u>1,598,360</u>	<u>-</u>	<u>1,598,360</u>
Total supporting services			
	<u>1,598,360</u>	<u>-</u>	<u>1,598,360</u>
Total operating expenses	<u>16,395,035</u>	<u>-</u>	<u>16,395,035</u>
<b>EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES</b>	(980,450)	47,404	(933,046)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Contributions - capital expenditures	-	103,792	103,792
Employee retention tax credit	859,118	-	859,118
PPP loan & interest forgiveness	1,637,311	-	1,637,311
Loss on discontinued operations	(2,274,060)	-	(2,274,060)
Net assets released from restrictions - capital	537,887	(537,887)	-
	<u>760,256</u>	<u>(434,095)</u>	<u>326,161</u>
Total non-operating revenue (expenses)			
	<u>760,256</u>	<u>(434,095)</u>	<u>326,161</u>
<b>CHANGE IN NET ASSETS</b>	(220,194)	(386,691)	(606,885)
Net assets, December 31, 2020	<u>10,511,950</u>	<u>1,642,438</u>	<u>12,154,388</u>
Net assets, December 31, 2021	<u>\$ 10,291,756</u>	<u>\$ 1,255,747</u>	<u>\$ 11,547,503</u>

The accompanying notes are an integral part of these financial statements.

**UPPER PALMETTO YMCA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,922,143	\$ (606,885)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,751,606	1,607,572
Amortization	27,125	12,952
Operating lease expense	443,389	-
Operating lease deferred rent adjustment	254,661	-
PPP term note & interest forgiveness	(1,636,321)	(1,637,311)
Loss on discontinued operations, net	-	2,274,060
(Increase) decrease in operating assets:		
Accounts receivable - program	(6,230)	(29,234)
Accounts receivable - non-program	(1,844)	195,915
Accounts receivable - pledges	74,725	76,679
Prepaid expenses	44,908	(6,082)
Increase (decrease) in operating liabilities:		
Accounts payable	(47,554)	156,256
Accrued liabilities	65,400	(218,758)
Operating lease liabilities	(452,789)	-
Deferred revenue	(9,765)	(9,392)
Other liabilities	(255,161)	(36,500)
Net cash provided by operating activities	<u>3,174,293</u>	<u>1,779,272</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for property and equipment	(888,962)	(2,652,595)
Purchase of intangibles	-	(15,000)
Proceeds from sale of donated marketable securities	27,000	-
Payments for other capital projects in progress	(85,327)	(161,826)
Proceeds received from construction escrow	-	44,300
Proceeds received from asset disposals	112,872	1,880,205
Net cash used by investing activities	<u>(834,417)</u>	<u>(904,916)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from PPP term notes	-	1,621,145
Principal payments on notes payable	(603,907)	(88,352)
Principal payments on finance leases	(18,339)	(87,730)
Net cash (used) / provided by financing activities	<u>(622,246)</u>	<u>1,445,063</u>
Net increase in cash and cash equivalents	1,717,630	2,319,419
BEGINNING CASH AND CASH EQUIVALENTS	<u>7,801,442</u>	<u>5,482,023</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 9,519,072</u>	<u>\$ 7,801,442</u>

The accompanying notes are an integral part of these financial statements.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Upper Palmetto YMCA, Inc. (i.e. the Organization) continually strives to meet its mission to put Christian principles into practice through programs that build a healthy spirit, mind and body for all. For over 100 years, the Organization has built strong kids, strong families, and strong communities by serving children, youth, and adults in York, Chester and Lancaster counties in upstate South Carolina. Major programs include afterschool activities and day camps for children, training for and hosting of swimming events for all age groups, and summer camps for youth. The Organization's primary revenue source is derived from membership fees for the use of its facilities and equipment that supports its mission.

**Basis of Accounting**

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method, support and revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which a liability is incurred.

**Basis of Presentation**

The Organization is required to present a Statement of Financial Position, a Statement of Activities, and a Statement of Cash Flows. It is also required to present its expenses by function and nature and has done so directly on the Statement of Activities. Based on the Organization's structure, it has the ability to code costs directly to their respective functions. The only significant cost that is allocated between program and support is interest cost. The amount of interest is allocated proportionately based on the amount of debt incurred for each function.

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restrictions – This amount represents net assets that are not subject to donor-imposed stipulations.

With donor restrictions – These net assets represent donor-imposed stipulations that require the Organization to spend the donations on a specific program or cause. The Organization's various donor restricted net assets are discussed in detail below within NOTE 12.

Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as a deduction to the donor restricted net assets with an equal amount added to the net assets without donor restrictions. These are described as net assets released from restrictions.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Organization is a not-for-profit Organization as described in Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from Federal income taxes.

The Income Taxes Topic of the FASB Accounting Standards Codification prescribes a recognition threshold and measurement principals for the financial statement recognition measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of the Income Taxes Topic of the FASB Accounting Standards Codification had no impact on the Organization's financial statements.

The Organization's information returns are subject to review and examination by federal and state authorities for the fiscal years 2019 and after. The Organization is not aware of any activities that would jeopardize its tax-exempt status.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that reflect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased. Restrictions related to cash are defined in NOTE 3 and NOTE 12.

**Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization does not have significant receivables based on its method of billing members and program participants and does not formally issue credit to members and program participants. Membership fees are billed and collected via auto bank or credit card draft in the same month. Program participants typically pay at the time the program commences and those services are normally consumed within the same period.

The two main areas receivables are tracked are for the silver sneakers program and the swim team program. The silver sneakers program is billed monthly and paid in the subsequent month with no history of uncollectible amounts. The swim team program is billed at the time of program meets and/or training with no significant history of uncollectible amounts. Thus, management deems 100% of its receivables to be collectible and its allowance for uncollectible accounts for 2022 and 2021 is \$0 and \$0 respectively.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and equipment**

Property and equipment is recorded at cost when purchased and fair value when donated. Tangible property lasting longer than one year with a per item cost when purchased or fair value when donated of \$1,000 or greater are capitalized for depreciable purposes. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation is removed from the accounts and any gain or loss is included in the results of operations.

Depreciation is calculated based on the straight-line method, using the estimated useful life of each asset. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	5 - 40 years
Equipment	5 - 7 years
Vehicles	5 years
Furniture and fixtures	5 - 7 years

The Organization has not adopted a policy for implying time restrictions on contributions of long-lived assets and contributions of cash restricting the purchase of long-lived assets.

**Revenue recognition**

*Membership and program fee revenue*

Membership fees, which are nonrefundable, are comprised of an exchange element only based on the value of benefits provided. Memberships run from month to month. Membership fees are billed and collected via auto draft in the same month. The members receive the benefit in the same month they pay. Joining fees to new members are nonrefundable and deemed earned at membership commencement.

Program fee revenue charged to participants are comprised of an exchange element only based on the value of benefits provided. Program fee revenue is typically collected at the time the program commences and those services are normally consumed within the same period. Thus, the Organization recognizes revenue in the period that the benefit or program is being provided to the member or program participant. If program fees are collected in advance of the benefit being provided, the revenue is deferred until the program benefit is provided.

*Contribution and grant revenue*

The Organization recognizes contributions and grants when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Grants are evaluated on an individual basis for elements of exchange.

**UPPER PALMETTO YMCA, INC.**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

During 2022 the Company implemented the FASB's ASU Update No. 2016-02, *Leases (Topic 842)*. Management elected to utilize the practical expedient under the guidance that permits for a prospective approach. The 2022 financial statements reflect the changes from this adoption. During implementation management recognized new right of use assets [ROUs] and related liabilities for both finance and operating type leases. Initial measurement includes recognition of the assets and liabilities using present value calculations for discounted future cash flows at a determined discount rate. The ROUs and related liabilities are being amortized over the lease's term using straight-line or the effective interest rate methods depending on lease type.

**Contributed non-financial assets**

In September 2020, the FASB issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update is expected to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit (NFP) organizations, including transparency on how those assets are used and how they are valued. The amendments are effective for fiscal years beginning after June 15, 2021. During 2022, management implemented the new standard.

The Organization's policy is to record donated goods, property, equipment, and services with an estimated fair market value of \$5,000 or more. These contributions are recorded to revenue at the date of donation using the estimated fair market value from local vendors or online sites in the Organization's market area that provide or sell identical or very similar items. The Organization records these as an asset in the financial statements. Excluding services, the Organization's policy is for management to evaluate the asset for future use or to sell the item for cash consideration. If management decides to consume or use the asset, it will either be expensed or reclassified to another asset type based on the non-financial assets nature (e.g. long-lived asset).

The Organization rarely receives contributed non-financial assets. No non-financial assets' contributions of \$5,000 or more occurred in this year of adoption. Future effects will be demonstrated in the financial statements and related disclosures.

**NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization regularly monitors liquidity required to meet its operating needs and other contractual and debt service needs along with cash generated from annual operations. The Organization has been able to build a cash reserve to utilize at the discretion of the board.

The Organization also has the ability to engage in fundraising activities to aid in meeting various needs. Examples include the construction of new facilities or expansion and improvements to existing facilities to meet the needs of the community and our members.



**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a budget surplus and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of December 31, 2022, the following schedule demonstrates the total financial assets held by the Organization and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end:	
Cash and cash equivalents	\$ 9,519,072
Current receivables, net	879,658
Investments, available for sale	<u>25,843</u>
Total financial assets	10,424,573
Less: Financial assets deemed not available	
Donor restricted – general	1,500,977
Lender restricted	127,141
Internally designated – debt service	<u>215,622</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 8,580,833</u></u>

**NOTE 3 – CASH AND CASH EQUIVALENTS**

**Restricted Cash**

Restricted cash on the statements of financial position include assets reserved 1) with restrictions imposed by donors (but not yet spent) for property improvements; 2) with restrictions imposed by lender; and 3) certain board or management-imposed restrictions.

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statements of financial position that sum to the totals of the same such amount in the statement of cash flows:

	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash	\$ 8,196,612	\$ 6,040,033
Restricted cash (current)	945,558	707,172
Restricted cash (noncurrent)	<u>376,902</u>	<u>1,054,237</u>
Totals	<u><u>\$ 9,519,072</u></u>	<u><u>\$ 7,801,442</u></u>

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)**

**Concentration of credit risk**

The Organization maintains bank accounts at multiple financial institutions. Accounts at each of these institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amounts on deposit at each bank at different times during the year may have exceeded the federally insured limit.

The Organization did exceed the federally insured limit with each of the following: 1) Truist Bank (formerly Branch Banking and Trust) as of December 31, 2022 and 2021 by \$1,984,647 and \$2,332,549, respectively; and 2) First Horizon (formerly Capital Bank) as of December 31, 2022 and 2021 by \$3,503,597 and \$5,111,641, respectively.

**Cash Flow Statement supplemental information**

Non-cash investing and financing activities during 2022 included right of use leased assets, namely office equipment. These assets were provided by the lessor to the Organization in exchange for finance lease liabilities in the amount of \$77,758. The Organization did not have any significant non-cash investing and financing activities during 2021.

Interest paid during 2022 and 2021 totaled \$869,966 and \$931,567, respectively.

**NOTE 4 – PLEDGES RECEIVABLE**

Promises to give as of December 31, 2022 and 2021, are as follows:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Restricted for the Baxter Close facility	\$ 600,000	\$ 700,000
Restricted for future operations	-	-
Total pledged receivables	<u>\$ 600,000</u>	<u>\$ 700,000</u>
Receivable in less than one year	\$ 100,000	\$ 100,000
Receivable in one to five years	400,000	500,000
Receivable in more than five years	100,000	100,000
Promises to give	600,000	700,000
Less discounts to present value	( 75,949 )	( 101,224 )
Less allowance for uncollectible promises	( - )	( - )
Net promises to give	<u>\$ 524,051</u>	<u>\$ 598,776</u>

Promises to give in more than one year are discounted at 4.25%. Management has evaluated the collectability of its pledges based on certain criteria and believes that it will collect 100% of the promises to give. Therefore, no allowance was established during 2022 and 2021.

One donor's pledge made up 100% of total pledged receivables on December 31, 2022 and 2021.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 – PROPERTY AND EQUIPMENT**

Depreciation charged to expense during 2022 and 2021 was \$1,751,606 (inclusive of net gains on disposals of \$37,943), and \$1,607,572 (inclusive of gains on disposals of \$25,105), respectively.

No gains or losses related to discontinued operations were reported above with depreciation. See NOTE 17 for 2021 gains and losses associated with the disposal of assets related to discontinued operations.

**NOTE 6 – ACCRUED LIABILITIES**

Accrued liabilities as of December 31, 2022 and 2021, consisted of the following:

**Current**

Description	<u>2022</u>	<u>2021</u>
Credit card liability	\$ 15,524	\$ 14,074
Interest	40,802	53,321
Other	16,365	13,566
Related party liability	27,875	13,937
Salaries and wages	252,479	159,747
Termination fee – current portion	-	33,000
Total current accrued liabilities	<u>\$ 353,045</u>	<u>\$ 287,645</u>

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 – PAYCHECK PROTECTION PROGRAM TERM NOTE**

On April 23, 2020, the Organization entered into a promissory note with First Horizon Bank, evidencing an unsecured loan with a principal amount of \$1,621,145, pursuant to the Paycheck Protection Program (the "PPP Term Note") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Term Note is guaranteed by the United States Small Business Administration (the "SBA").

The PPP Term Note matures two years from the disbursement date. On June 10, 2020, the Treasury and SBA clarified its payment deferral guidance that payments for PPP loans are deferred for at least 10 months after the end of the loan forgiveness cover period, which is either 24 weeks or 8 weeks after the loan disbursement date. Furthermore, if a loan forgiveness application is submitted within 10 months after the end of the loan forgiveness cover period, payments will be further deferred until such loan forgiveness is processed by the SBA. Interest will accrue beginning at the date of disbursement at a fixed annual rate of 1.000%. The outstanding principal balance and may be prepaid by the Organization at any time prior to maturity with no prepayment penalties.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The PPP Term Note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (collectively, "Qualifying Expenses"), pursuant to the terms and limitations of the PPP. On April 22, 2021, the Organization was granted 100% forgiveness by the SBA of this first loan in the amount of \$1,637,311 which included the principal \$1,621,145 and the related interest \$16,166.

The Organization elected to classify the entire principal balance of the PPP Term Note as debt on the Statement of Financial Position on December 31, 2020, pursuant to FASB ASC Topic 470, *Debt*. On December 31, 2020, accrued interest related to this loan amounted to \$11,193 and was included in accrued interest at NOTE 6 above. The Organization reported \$1,637,311 of PPP Term Note and interest forgiveness as non-operating revenues on the Statement of Activities for the year ended December 31, 2021.

The Organization applied for a second loan draw under the SBA's requirements and was granted a second PPP Term Note in the amount of \$1,621,145 on May 2, 2021. On December 31, 2021, accrued interest related to this loan amounted to \$10,660 and is included in the accrued interest at NOTE 6 above. On April 11, 2022, the Organization was granted 100% forgiveness by the SBA of this second loan in the amount of \$1,636,321 which included the principal \$1,621,145 and the related interest \$15,176.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 8 – CAPITAL LEASES**

Before adopting the FASB's ASU Update No. 2016-02, *Leases (Topic 842)*, the Organization's capital leases as of December 31, 2021 consisted of the following:

	2022	2021
Capital Lease – Key Equipment Finance is a four-year lease with monthly payments of \$2,833 which includes principal and interest through February 2022. This lease obligation was paid in full during 2022.	\$ -	\$ 5,637
Capital Lease – Key Equipment Finance is a four-year lease with monthly payments of \$3,121 which includes principal and interest through January 2022. This lease obligation was paid in full during 2022.	-	3,111
Capital Lease – Key Equipment Finance is a four-year lease with monthly payments of \$1,555 which includes principal and interest through February 2022. This lease obligation was paid in full during 2022.	-	3,095
Total	\$ -	\$ 11,843
Current Portion	- )	( 11,843 )
Long-term Portion	\$ -	\$ -

Interest paid for notes during 2022 and 2021 totaled \$55 and \$2,380 respectively. Related assets are deemed depreciable and charged to depreciation expense.

**NOTE 9 – FINANCE LEASES**

After adopting the FASB's ASU Update No. 2016-02, *Leases (Topic 842)*, the Organization's finance leases as of December 31, 2022 consisted of the following:

The Organization uses rented office equipment at seven of its branch and corporate office locations. The Company entered into a lease agreement with CIT Bank, N.A. for a sixty-month period. Monthly payments are \$1,973 exclusive of any variable related expenses in the agreement. The rental agreement qualifies as a finance lease under FASB's Accounting Standard Codification *Topic 842 for Leases*.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 – FINANCE LEASES (CONTINUED)**

Finance lease expense information

	<u>2022</u>
Finance lease expense	
Amortization of right of use assets	\$ 20,285
Interest on lease liabilities	5,754
Variable lease expense	-
Total lease expense	<u>\$ 26,039</u>

Other information

	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e. Interest)	\$ 5,334
Financing cash flows from finance leases (i.e. Principal)	\$ 18,339
ROU assets obtained in exchange for new finance lease liabilities	\$ 77,758
Weighted-average remaining lease term in years for finance leases	2.83
Weighted-average discount rate in years for finance leases	8.50%

Maturity analysis

2023	\$ 23,672
2024	23,672
2025	19,727
2026	-
2027	-
Total undiscounted cash flows	<u>\$ 67,071</u>
Less: present value discount	<u>( 7,230)</u>
Total lease liabilities	<u>\$ 59,841</u>

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 – OPERATING LEASES**

General information

The Organization had the following leasing arrangements for facility use that qualified as an operating lease for the 2022 adoption of the FASB's ASU Update No. 2016-02, *Leases (Topic 842)*. See NOTE 1 policy for *Leases* for further information.

On July 20, 1996, the Organization entered into an operating lease agreement with Piedmont Partners to rent space for its Wellness Center located in Rock Hill, South Carolina for a 10-year period. The Organization is also obligated to pay for its proportionate share of property taxes, insurance, and common area maintenance costs (i.e. triple net items) on a monthly basis. The Organization entered its 6<sup>th</sup> amendment on May 5, 2021 to extend the lease until October 5, 2023. The monthly rental payment for base rent is \$8,440 and triple net items remain intact.

On May 1, 2007, the Organization entered into an operating lease agreement with South Carolina Department of Parks, Recreation, and Tourism to rent 60 acres of land for its Camp Cherokee located at Kings Mountain State Park, South Carolina for a 25-year period with an original annual rent cost of \$35,000 to escalate with subsequent each year at a compound interest rate equal to the CPI index. Payments are to be paid semi-annually on May 1 and November 15 each year. At the end of each five year cycle, the Organization has the option to renew the lease for another 5 years. In 2022, after the latest five-year cycle ended, management's elected to remain in the lease for another 25 years extending the lease through April 2047.

On or about September 9, 2021, the Organization extended its operating lease agreement with Rock On Properties, LLC to rent office space for its corporate headquarters location in Rock Hill, South Carolina for another 3 year period with base rent monthly installments of \$6,165. The Organization is also obligated to pay for its proportionate share of property taxes, insurance, and common area maintenance costs (i.e. triple net items) on a monthly basis.

On December 31, 2014, the Organization entered into an operating lease agreement with Riverwalk YMCA Building, LLC (a non-related party) to rent space for its Riverwalk location in Rock Hill, South Carolina for a 16-year period with the first-year base rent being free. Monthly installments of \$17,193 began in year 2. Base rents increase by 2% annually for remainder of the lease's term. The Organization is also obligated to pay for its proportionate share of property taxes, insurance, and common area maintenance costs (i.e. triple net items) on a monthly basis.

2021 Information

The information contained here within relates to the year 2021 remaining intact before the adoption of the FASB's ASU Update No. 2016-02, *Leases (Topic 842)*. As mentioned in NOTE 1 policy for *Leases*, management elected to utilize the practical expedient under the guidance that permits for a prospective approach for 2022. Therefore, what follows is information related to *Topic 842* before adoption.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 – OPERATING LEASES (CONTINUED)**

2021 Information (Continued)

In 2021 the Organization incurred the following expense for facility use for base rent and any related variable expenses associated with the lease.

<u>Description</u>	<u>Amount</u>
Base rent	\$ 464,598
Variable expenses	55,811
Total	<u>\$ 520,409</u>

2022 Information

*Operating lease expense information*

	Annual
Operating lease expense	\$ 443,389
Variable lease expense	45,638
Total lease expense	<u>\$ 489,027</u>

*Other information*

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 427,919
ROU assets obtained in exchange for new operating lease liabilities	\$ 3,801,885
Weighted-average remaining lease term in years for operating leases	13.46
Weighted-average discount rate in years for operating leases	2.21%

*Maturity analysis*

2023	\$ 441,709
2024	363,230
2025	295,296
2026	301,470
2027	307,774
Thereafter	2,427,276
Total undiscounted cash flows	<u>\$ 4,136,755</u>
Less: present value discount	<u>( 700,789)</u>
Total operating lease liabilities	<u>\$ 3,435,966</u>



**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – NOTES PAYABLE**

First Horizon loan

First Horizon agreed to lend the Organization \$5,000,000 [AKA: Note B] in connection with the acquisition of certain real property [15.6 acres of land] at WorldReach Drive in Indian Land, South Carolina for a new facility to be constructed upon it. The loan commenced on March 21, 2019, the date of closing on the purchase of the property. Interest on the loan is charged on the outstanding principal balance from the date advanced until the full amount of principal due has been paid at a fixed rate of 4.55% per annum. Thereafter, on each 5<sup>th</sup> year anniversary (Reset Date) the interest shall be reset to a fixed rate of 2.23% over the 5-year treasury yield as determined by the Board of Governors of the Federal Reserve System Selected Interest Rates (Daily) – H.15. The annual rate is computed on the basis of a 365/366-day year and the actual number of days elapsed.

Interest only on the outstanding principal balance was due and payable in arrears on the 15<sup>th</sup> day of each month commencing on April 15, 2019. Beginning March 15, 2021, monthly principal and interest payments in the amount of \$23,817.90 (i.e. Payment Amount) were due and payable with like payments being due and payable on the 15<sup>th</sup> of each consecutive month thereafter. The Maturity Date is March 21, 2056. The Payment Amount is subject to change on each Reset Date and be-amortized based on the number years until the Maturity Date.

In order to align the amortization of the debt issuance cost with the debt's amortization of principal and interest, management elected to defer the amortization of debt issuance costs associated with this loan until principal and interest payments commenced in March 2021. The debt issuance cost began amortization in 2021 over the life of the loan using the effective interest method. Debt issuance costs are charged to interest expense when amortized.

Total interest expensed throughout 2022 and 2021, inclusive of amortized debt issuance costs, totaled \$227,144 and \$243,106, respectively.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – NOTES PAYABLE (CONTINUED)**

USDA Loans

On November 20, 2020 the USDA, using five different notes, lent \$30,000,000 to the Organization related to the completed construction project of a new facility at WorldReach Drive in Indian Land, South Carolina, and to refinance debt held with another financial institution. Each note accrues interest at a rate of 2.125% per annum. The term of each note is for thirty-eight years. The notes accrued interest only in the first year and require an annual payment on November 20, 2021 for the accrued interest. Monthly principal and interest payments will begin on December 20, 2021 for the remaining thirty-seven years.

Below is a summary of each note's origination balance and the required amounts.

USDA Loan #	Principal Borrowed	Accrued Interest Due November 2021	Monthly Principal and Interest Payments
46-029-*****5422 /01	\$ 8,000,000	\$ 170,000	\$ 26,080
46-029-*****5422 /02	7,500,000	159,375	24,450
46-029-*****5422 /04	8,500,000	180,625	27,710
46-029-*****5422 /05	5,703,337	121,196	18,593
46-029-*****5422 /06	296,663	6,305	968
Totals	<u>\$ 30,000,000</u>	<u>\$ 637,501</u>	<u>\$ 97,801</u>

In order to align the amortization of the debt issuance cost with the debt's amortization of principal and interest, management elected to defer the amortization of debt issuance costs associated with this loan until principal and interest payments commenced in December 2021. The debt issuance cost began amortization in 2021 over the life of the loan using the effective interest method. Debt issuance costs are charged to interest expense when amortized.

Total interest expensed throughout 2022 and 2021, inclusive of amortized debt issuance costs, totaled \$651,968 and \$660,805, respectively.

USDA also acts as a loan guarantor for Note B above. The guarantee is 90% of the outstanding balance. Based on Note B's outstanding principal on December 31, 2022, USDA's loan guarantee amounted to \$4,405,267.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – NOTES PAYABLE (CONTINUED)**

Schedule of Notes

The balance on all notes as of December 31, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Note B – Total due	\$ 4,894,741	\$ 4,956,324
USDA – Total due	29,413,001	29,955,324
Total due	<u>34,307,742</u>	<u>34,911,648</u>
Note B – Less current portion	( 64,716 )	( 61,843 )
USDA – Less current portion	( 553,961 )	( 542,323 )
Total long-term	<u>33,689,065</u>	<u>34,307,482</u>
Note B – Less unamortized debt issuance cost	( 60,931 )	( 63,844 )
USDA – Less unamortized debt issuance cost	( 456,043 )	( 478,581 )
L/T net of unamortized debt issuance cost	<u>\$ 33,172,091</u>	<u>\$ 33,765,057</u>

Maturities

The maturity amounts on these notes on December 31, 2022 are as follows:

Year Ending December 31,	<u>Amount</u>
2023	\$ 618,677
2024	633,570
2025	648,859
2026	664,555
2027	680,669
Thereafter	<u>31,061,412</u>
	<u>\$ 34,307,742</u>

Pledged Collateral

The notes have the following real property, along with any associated rents, profits, and revenues, pledged as collateral as of December 31, 2022:

<u>Pledged Collateral Description</u>	<u>2022 Land at Cost</u>	<u>2022 Improvements at Carrying Value</u>
857 Promenade Walk, Fort Mill, SC	\$ 2,370,159	\$ 6,417,750
402 Charlotte Ave., Rock Hill, SC	226,116	2,134,839
2816 WorldReach Dr., Indian Land, SC	<u>4,851,488</u>	<u>17,208,891</u>
Total	<u>\$ 7,447,763</u>	<u>\$ 25,761,480</u>

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 – NOTES PAYABLE (CONTINUED)**

Commitments related to the two notes payable:

The loan agreements have certain covenants that must be maintained in order to remain in compliance with the terms and conditions. The most critical covenants related to the financial statements are as follows:

1. Ratio of Cash Flow to Debt Service – The Organization shall cause the construction project to maintain a cash flow to debt service of 1.25 to 1.00. The Organization was in compliance with the ratio as of December 31, 2022 and 2021.
2. Reserve Account – The Organization is required to fund and maintain a debt reserve account that is equal to 10% of each loan's monthly installment. The reserve requirement is to be funded and accumulated over 120 months until the reserve balance reaches an amount equal to one full year of principal and interest installments for all loans. The Organization was in compliance with this reserve requirement as of December 31, 2022 and 2021.
3. Additional Debt – The Borrower shall not incur additional debt of any kind without the prior consent of the lender, other than (a) trade accounts and other accrued payables incurred in the ordinary course of business; (b) purchase money obligations (other than in connection with purchases of real property) incurred to provide all or a portion of the purchase price, in each case, for fitness equipment or equipment required in the Organization's ordinary course of business; provided that such indebtedness when incurred shall not exceed the purchase price of such asset and the aggregate principal amount of all such indebtedness shall not at any time exceed \$250,000 for the preceding twelve month period; and (c) indebtedness in respect of netting services, overdraft protections and similar arrangements in each case in connection with cash management and deposit accounts. During 2021 the Organization borrowed \$1,621,145 [i.e. 2<sup>nd</sup> PPP draw] from the Small Business Association related to the Paycheck Protection Program [See NOTE 7]. First Horizon issued a waiver for this borrowing related to and due to the Covid-19 pandemic.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 – NET ASSETS**

The Organization's net asset restrictions as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
<b><u>Without donor restrictions</u></b>		
Unrestricted	\$ 12,841,528	\$ 10,281,976
Lender Restricted:		
USDA Reserve – 10% on loan installments	127,141	9,780
<b>Total without donor restrictions</b>	<u>\$ 12,968,669</u>	<u>\$ 10,291,756</u>
<b><u>With donor restrictions</u></b>		
Camp Cherokee Campaign – Capital Expenditure	\$ 928,200	\$ 652,778
Annual Campaign	-	4,250
Program Donations & Grants – Baxter Close Branch	526,267	534,416
Program Donations & Grants – Charlotte Ave Branch	-	17,500
Program Grants – Environmental	10,717	12,029
Crowder's Creek – Capital Expenditure	1,655	2,155
Heritage Club	34,138	32,619
<b>Total with donor restrictions</b>	<u>\$ 1,500,977</u>	<u>\$ 1,255,747</u>

Below is a further description concerning the items listed in the above schedule:

*USDA Reserve:* This non-donor restriction is part of the lender's covenants and cash must be restricted and maintained in a separate account to be used to address any note payment shortfalls that may occur. It is considered as part of the restricted cash – noncurrent in the Statement of Financial Position.

*Camp Cherokee Campaign Capital:* This restriction relates to funds raised through the Camp Cherokee Capital Campaign and are to be expended on Camp Cherokee Capital Projects. It is considered as part of restricted cash – current in the Statement of Financial Position.

*Baxter Close Donations / Grants:* This restriction relates to funds which are designated for the Baxter Close YMCA branch. The donor restricted these funds for the purpose to renovate the facility so as to enhance, improve, expand and innovate the existing child and family programming. It is considered as part of restricted cash – current in the Statement of Financial Position.

*Charlotte Ave Donations / Grants:* This restriction relates to funds which are designated for the Charlotte Avenue YMCA branch. The donor restricted these funds for the purpose to support the facility's maintenance and repairs needs. It also includes grant funds from the Y USA to support character development programs. It is considered as part of restricted cash – current in the Statement of Financial Position.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 12 – NET ASSETS (CONTINUED)**

*Regional Donations / Grants:* This restriction relates to funds which are designated for any of its locations. The grantor restricted these funds for the purpose to support the outreach / feeding program and future capacity building. It is considered as part of restricted cash – current in the Statement of Financial Position.

*Environmental Grant:* This restriction relates to grant funds designated specifically for the Environmental Education Program that operates at Camp Cherokee. It is considered as part of restricted cash – current in the Statement of Financial Position.

*Crowder's Creek Capital:* This restriction relates to funds raised on behalf of the Clover School District (CSD) who owns the property and facilities but is operated and managed by the Organization [See NOTE 13]. Funds are generally released to the CSD when capital projects or improvements occur. It is considered as part of restricted cash – current in the Statement of Financial Position.

*Heritage Club Endowment:* This restriction relates to gifts for the Heritage Club Endowment program. The principal and earnings must currently accumulate to a balance of \$1,000,000 at which time the excess can be distributed. Once required balance is achieved, there are no donor restrictions for any distributions related to the excess funds. It is considered as part of restricted cash – noncurrent in the Statement of Financial Position.

**NOTE 13 – AGENCY TRANSACTIONS**

The Organization entered into a 25-year operating and management agreement on May 18, 2015 with the Clover School District (CSD) of York County South Carolina in which the Organization manages the facility known as the Natatorium with the goal of conducting a multitude of swimming programs for the CSD. The Organization has been granted the sole and exclusive right to supervise, manage, and operate the facility. As part of this exclusive right, the Organization has agreed to be responsible for the day to day maintenance of the facility as well as long term or capital improvements. The CSD has agreed to be responsible for any major repairs (those items costing more than \$10,000).

In an effort to sustain the mutual and future goals of the agreement, the CSD and the Organization informally agreed that the Organization could raise funds for the future use of the facility's capital improvement projects with the understanding that the funds be held for and restricted to the CSD for these future projects. The funds being received by the Organization are not recorded as contribution revenue to the Organization, but rather are being recorded as a payable to the CSD and held in a restricted bank account for the future purposes. When the funds become necessary to expend, the Organization would release any necessary funds to the CSD for the facility's project improvements and/or capital expenditures. The current balances held as of December 31, 2022 and 2021 were \$1,655 and \$2,155 respectively.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 14 – DONATED SERVICES**

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in its various programs. No amounts have been recognized in the Organization's statement of activities because the criteria for recognition have not been satisfied per its policy.

**NOTE 15 – RETIREMENT PLAN**

The Organization participates in a defined contribution plan which is administered by the Young Men's Christian Association Retirement Fund (the Retirement Fund). This plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

In accordance with the agreement with the Retirement Fund, contributions made by the YMCA are a percentage of the participating employees' salaries and remitted to the Retirement Fund monthly. The Organization contributed \$354,334 and \$335,929 in 2022 and 2021, respectively, to the plan.

**NOTE 16 – RELATED PARTY**

In 2020 the Organization began acting as an agent for the South Carolina Alliance of YMCAs (the Alliance). No formal agreement was entered into between the Organization and the Alliance. The Organization is a participating Alliance member and pays dues to the Alliance as a related organization. The Organization provides for and pays certain personnel costs and other administrative expenses on behalf of the Alliance. The Alliance then reimburses the Organization for covering these costs, and in addition, pays a nominal quarterly administrative fee for performing these services. In 2022 and 2021 the Organization paid \$278,011 and \$275,126, respectively, for reimbursing these costs and the related administrative fees. The Organization had other payables to the Alliance for the Alliance's cumulative share of paycheck protection program allocated proceeds in the amounts of \$27,875 and \$13,938 as of December 31, 2022 and 2021, respectively.

**NOTE 17 – FUNDRAISING COSTS**

The Organization performs an annual campaign event each year across the respective communities served as well as applies for private grants and national YUSA grants in its efforts to obtain support. Other than some insignificant costs related to printing and mailing for the annual campaign, the only significant cost is for one full time staff member's salary and related benefits. Based on time and effort, management has chosen to disclose these costs in the notes as opposed to segregating them on the face of the financial statements. Total fundraising costs included in supporting services of the statement of activities in 2022 and 2021 were \$90,398 and \$76,282, respectively.

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 18 – EMPLOYEE RETENTION TAX CREDIT**

The Employee Retention Tax Credit (“ERTC”) was established by the Coronavirus Aid, Relief, and Economic Security (“CARES Act”) and is administered by the Internal Revenue Service (“IRS”). Section 2301 of the CARES Act allows a credit against applicable employment taxes for eligible employers, including tax-exempt organizations, that pay qualified wages, including certain health plan expenses, to some or all employees after March 12, 2020, and before January 1, 2021.

Section 206 of the Relief Act adopts amendments and technical changes to section 2301 of the CARES Act for qualified wages paid after March 12, 2020, and before January 1, 2021, primarily relating to who may claim the credit. Section 207 of the Relief Act amends section 2301 of the CARES Act to extend the application of the employee retention credit to qualified wages paid after December 31, 2020, and before July 1, 2021, and to modify the calculation of the credit amount for qualified wages paid during that time.

Eligible employers report their total qualified wages for purposes of the employee retention credit and claim the employee retention credit (including any refund in excess of the employer portion of social security tax) on their federal employment tax returns. For most employers, this is the quarterly Form 941, Employer’s Quarterly Federal Tax Return.

The Organization filed on January 28, 2021, for the ERTC in the amount of \$715,661 related to the fourth quarter of 2020. The fourth quarter 2020 Form 941 was amended and submitted to the IRS in April 2021 via the Organization’s payroll processor, PayCom. The Organization is still waiting on these funds to be processed by the IRS. Management has made attempts to follow up with IRS on several occasions during 2021 and 2022 as a matter of collectability. Based on certain feedback from the latest oral communication with the IRS as well as the Organization collecting its 2021 ERTC credit, management has no basis to think that these funds will not be received as the delay in collecting is associated with the continued processing backlog the IRS continues to experience. The expected amount has been classified in the Statement of Financial Position as part of the “Non-program receivables, net”. The Organization recognized the ERTC as “Non-operating revenues” on the Statement of Activities, as required under ACS 958-605.

The Organization also filed on March 22, 2021, for the ERTC in the amount of \$859,118 related to the first quarter of 2021. The IRS has processed the credit and the funds were received by the Organization on June 4, 2021.



**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 19 – DISCONTINUED OPERATIONS**

Lake Wylie [4035 Charlotte Hwy.]

Management, with the Board's approval, decided to close the branch at 4035 Charlotte Hwy., Lake Wylie, SC, in November 2020. Memberships and staffing were transferred to the closest branch geographically in relation to the location.

The Organization entered into a termination agreement with the branch's landlord effective November 30, 2020. The termination fee amounted to \$72,000 with monthly payments required in the amount \$3,000 for the next twenty-four months. The fee was expensed in 2020 as a non-operational item in the statement of activities and accrued as a liability to the statement of financial position. The liability associated with this agreement was paid in full during 2022.

Fort Mill [1785 Gold Hill Rd.]

Management, with the Board's approval, decided to close the branch at 1785 Gold Hill Road, Fort Mill, SC, effective December 31, 2020. Memberships and staffing were transferred to the closest branch geographically in relation to the location. The property was placed on the real estate market in early 2021 with the board's approval.

The real estate for this location was sold on May 26, 2021. There was a gain on the sale of this property in the amount of \$424,064. Management reported this gain as non-operational in the statement of activities in the "Loss on discontinued operations, net".

York [117 Carolina Crossing Dr.]

Management, with the Board's approval, decided to close the branch at 117 Carolina Crossing Dr., York, SC, effective December 31, 2020. Memberships and staffing were transferred to the closest branch geographically in relation to the location. The property was placed on the real estate market in early 2021 with the board's approval.

The real estate for this location was sold on August 23, 2021. There was a gain on the sale of this property in the amount of \$81,652. Management reported this gain as non-operational in the statement of activities in the "Loss on discontinued operations, net".

**UPPER PALMETTO YMCA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**NOTE 19 – DISCONTINUED OPERATIONS (CONTINUED)**

Chester [157 Columbia St.]

Management, with the Board’s approval, made a determination to close the branch at 157 Columbia St., Chester, SC, effective December 31, 2020. The recreational real estate associated with the branch location was originally donated to the Organization in the late 1990s by the City of Chester. With the branch’s closure, the Board approved management to re-gift all associated recreational real estate back to the City of Chester in May 2021.

The real estate for this location was gifted back to the City of Chester on May 28, 2021. There was a loss on the disposition of this property in the amount of \$2,779,776. Management reported this loss as non-operational in the statement of activities in the “Loss on discontinued operations, net”.

Loss on Discontinued Operations, Net

<u>Location</u>	<u>Gain / (Loss)</u>
Fort Mill	\$ 424,064
York	81,652
Chester	<u>(2,779,776)</u>
Total	<u>\$ (2,274,060)</u>

**NOTE 20 – SUBSEQUENT EVENTS**

The Organization has considered subsequent events through April 25, 2023, the date of the issuance, in preparing the financial statements and notes hereto.



INDEPENDENT AUDITOR'S 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  
Upper Palmetto YMCA, Inc.  
Rock Hill, South Carolina

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 Upper Palmetto YMCA, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 25, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Upper Palmetto YMCA, Inc.'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 Upper Palmetto YMCA, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Palmetto YMCA, Inc.'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Upper Palmetto YMCA, Inc.'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*.

### **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Burkett Burkett & Burkett*

BURKETT BURKETT & BURKETT

Rock Hill, South Carolina

April 25, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of  
Upper Palmetto YMCA, Inc.  
Rock Hill, South Carolina

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Upper Palmetto YMCA, Inc.'s 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 Upper Palmetto YMCA, Inc.'s major federal programs for the year ended December 31, 2022. Upper Palmetto YMCA, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Upper Palmetto YMCA, Inc. complied, in all material respects, with the types of 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 [GAAS]; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Upper Palmetto YMCA, Inc. 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 Upper Palmetto YMCA, Inc.'s compliance with the compliance requirements referred to above.

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### ***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 Upper Palmetto YMCA, Inc.'s federal programs.

### ***Auditor's 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 Upper Palmetto YMCA, Inc.'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 GAAS, *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 Upper Palmetto YMCA, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Upper Palmetto YMCA, Inc.'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 Upper Palmetto YMCA, Inc.'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 Upper Palmetto YMCA, Inc.'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.

### ***Report on Internal Control Over Compliance***

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 significant deficiencies.

[Continued on next page.]

*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 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 2022-001 and 2022-002 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 Upper Palmetto YMCA, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Upper Palmetto YMCA, Inc.'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.

*Burkett Burkett & Burkett*

BURKETT BURKETT & BURKETT  
Certified Public Accountants, P.A.  
Rock Hill, South Carolina  
April 25, 2023

**UPPER PALMETTO YMCA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Community Facilities Loans and Grants - Direct Loan	10.766		\$ 7,988,087
Community Facilities Loans and Grants - Direct Loan	10.766		7,488,831
Community Facilities Loans and Grants - Direct Loan	10.766		8,487,342
Community Facilities Loans and Grants - Direct Loan	10.766		5,694,844
Community Facilities Loans and Grants - Direct Loan	10.766		296,220
Community Facilities Loans and Grants - Loan Guarantee	10.766		4,460,692
			<u>34,416,016</u>
Total U.S. Department of Agriculture			<u>34,416,016</u>
Total Expenditures of Federal Awards			<u><u>\$ 34,416,016</u></u>

See accompanying notes to schedule of expenditures of federal awards.



**UPPER PALMETTO YMCA, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**NOTE A—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Upper Palmetto YMCA, Inc. under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Upper Palmetto YMCA, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Upper Palmetto YMCA, Inc.

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C—INDIRECT COST RATE**

Upper Palmetto YMCA, Inc. has elected to use the 10% De Minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D—PASSED THROUGH TO SUBRECIPIENTS**

Upper Palmetto YMCA, Inc. did not pass through any federal awards to other organizations.

**NOTE E—LOANS AND LOAN GUARANTEES**

Upper Palmetto YMCA, Inc. had the following loan balances outstanding with U.S. Department of Agriculture on December 31, 2022.

Type	Reference	Amount
Direct Loan	46-02-*****5422 LN 01	\$ 7,843,470
Direct Loan	46-02-*****5422 LN 02	7,353,254
Direct Loan	46-02-*****5422 LN 04	8,333,687
Direct Loan	46-02-*****5422 LN 05	5,591,743
Direct Loan	46-02-*****5422 LN 06	290,847
		<u>\$ 29,413,001</u>

USDA acts as a loan guarantor for Upper Palmetto, YMCA, Inc.'s loan with First Horizon Bank. The guarantee is 90% of the outstanding balance. On December 31, 2022, USDA's loan guarantee amounted to \$4,405,267.

**UPPER PALMETTO YMCA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

SUMMARY OF THE AUDITOR'S RESULTS

<i>Financial Statements</i>		
The independent auditor's report on the financial statements expressed an unmodified opinion.		
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Noncompliance material to the financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<i>Federal Awards</i>		
Internal control over major federal programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Type of auditor's report issued:		
<b><i>Federal Agency and Name of Major Program</i></b>		<b><i>Type of Opinion on Major Program</i></b>
U.S. Department of Agriculture – Community Facilities Loans and Grants		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Identification of major federal programs:		
<b><i>CFDA Number</i></b>	<b><i>Name of Federal Program</i></b>	
10.766	Community Facilities Loans and Grants	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**UPPER PALMETTO YMCA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

FINDINGS IN RELATION TO THE AUDIT OF THE FINANCIAL STATEMENTS

No matters reported.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**SIGNIFICANT DEFICIENCIES:**

U.S. Department of Agriculture / Community Facilities Loans and Grants / CFDA # 10.776

Finding 2022-001 – Form RD-442-2 Annual Reporting Requirement

*Criteria:* The U.S. Department of Agriculture utilizes Form RD-442-2 for the borrower to submit its annual budget and its annual projected cash flow. Borrowers are allowed to submit another format in lieu of completing the form as long as it is compatible with all elements being included from the form. The Organization utilizes a Microsoft Excel workbook template in lieu of the form. The design of the Microsoft Excel template acts as an internal control to ascertain that the form's required reporting elements are inclusive.

*Condition:* The Organization's workbook does not contain: 1) Schedule 1 Page 1 rows 23 and 26 for equity; 2) Schedule 1 Page 2 #1.e and 3) a worksheet / tab for the form's Page 3 Schedule 2 of projected cash flow in order to include all elements for the annual reporting requirements.

*Cause:* Management believed that its format was substantially compatible and had requested feedback from the U.S. Department of Agriculture with no response. Management assumed that format was acceptable based on the fact that no feedback was being provided with its annual, timely submissions.

*Potential Effect:* It is possible that if the U.S. Department of Agriculture was relying on the reporting for certain decisions, then the missing information could impact those decisions negatively.

*Questioned Costs:* None identified.

*Recommendation:* Management should incorporate the missing elements to its Microsoft Excel template formats to ascertain that all elements of the form are inclusive for the required annual reporting.

*Views of Responsible Officials:* Management agreed that the missing elements were absent from its template and will add them into the template for all future annual required reporting.

**UPPER PALMETTO YMCA, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

**SIGNIFICANT DEFICIENCIES (CONTINUED):**

U.S. Department of Agriculture / Community Facilities Loans and Grants / CFDA # 10.776

**Finding 2022-002 – Form RD-442-2 Quarterly Reporting Requirement**

*Criteria:* The U.S. Department of Agriculture utilizes Form RD-442-2 for the borrower to submit its annual budget, quarterly amounts, and certain supplemental information. Borrowers are allowed to submit another format in lieu of completing the form as long as it is compatible with all elements being included from the form. The Organization utilizes a Microsoft Excel workbook template in lieu of the form. The design of the Microsoft Excel template acts as an internal control to ascertain that the form's required reporting elements are inclusive.

*Condition:* The Organization's workbook does not contain: 1) Schedule 1 Page 1 columns 2, 3, and 6 and rows 23 and 26; 2) Schedule 1 Page 2 #6 and #7 and 3) from the Letter of Conditions dated September 8, 2017, [4<sup>th</sup> quarter only] a list of the names, addresses, and terms of office of the Board Chairperson and Board of Directors in order to include all elements for the quarterly reporting requirements.

*Cause:* Management believed that its format was substantially compatible and had requested feedback from the U.S. Department of Agriculture with no response. Management assumed that format was acceptable based on the fact that no feedback was being provided with its quarterly, timely submissions.

*Potential Effect:* It is possible that if the U.S. Department of Agriculture was relying on the reporting for certain decisions, then the missing information could impact those decisions negatively.

*Questioned Costs:* None identified.

*Recommendation:* Management should incorporate the missing elements to its Microsoft Excel template formats to ascertain that all elements of the form are inclusive for the required annual reporting.

*Views of Responsible Officials:* Management agreed that the missing elements were absent from its template and will add them into the template for all future annual required reporting.



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## **Corrective Action Plan**

### Finding 2022-001 – Form RD-442-2 Annual Reporting Requirement

- Management agrees with the findings outlined in the Schedule of Findings and Questioned Costs for the Year Ended December 31, 2022
- Missing elements listed under the “conditions” section will be added to the next USDA reporting file.
- Corrections will be made within 30 days of the audit report and will be included in the next required USDA reporting file.

### Finding 2022-002 – Form RD-442-2 Quarterly Reporting Requirement

- Management agrees with the findings outlined in the Schedule of Findings and Questioned Costs for the Year Ended December 31, 2022
- With the exception of the following elements:  
Schedule 1 page 1 Column 2  
Names, Addresses, and Terms of Office for the Board Chair and Board of Directors (4<sup>th</sup> Qtr only)  
All other elements were included in the Q1 2023 reporting file to the USDA
- Other corrections will be made within 30 days of the audit report and will be included in the next required USDA reporting file.

### Responsible Management Person

- Chris Zamorski – CFO, Upper Palmetto YMCA

**UPPER PALMETTO YMCA, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

There were no findings or questioned costs reported in the prior year.