

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE UPPER PEE DEE, INC.**
Hartsville, South Carolina

AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Phillips, Currin & Company, CPA's LLC

300 West Home Avenue, Hartsville, South Carolina 29550, Tele (843) 332-3585 Fax (843) 383-8829

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Young Men's Christian Association
of The Upper Pee Dee, Inc.
Hartsville, South Carolina

Qualified Opinion

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

In our opinion, except for the effects of a gift of real estate recorded at insurance replacement value and not fair market value, in the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Young Men's Christian Association of The Upper Pee Dee Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As explained in Note O to the financial statements, real estate that the Young Men's Christian Association of the Upper Pee Dee Inc. acquired by gift is recorded at insurance replacement value in the amount of \$2,500,000 and not fair market value. An appraisal was not performed. Accounting principles generally accepted in the United States of America require gifts of real estate to be recorded at its fair value at the date of receipt. The effects on the accompanying financial statements of the failure to record real estate acquired by gift at fair market value and not at insurance replacement value have not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Young Men's Christian Association of the Upper Pee Dee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Young Men's Christian Association of the Upper Pee Dee 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 the timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Young Men's Christian Association of The Upper Pee Dee, Inc.'s 2021 financial statements and we expressed a qualified audit opinion on those audited financial statements in our report dated June 16, 2022. The qualified audit opinion was due to the recording of a donation of real estate at insurance replace value and not fair market value. See Note O. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Phillips, Currin & Company, CPA's, LLC

Phillips, Currin & Company, CPA's, LLC
Hartsville, South Carolina
August 28, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE UPPER PEE DEE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

	2022	2021 Totals Only
CURRENT ASSETS		
Cash and cash equivalents	\$ 245,661	\$ 411,829
TOTAL CURRENT ASSETS	<u>245,661</u>	<u>411,829</u>
PROPERTY, PLANT AND EQUIPMENT		
Equipment and furniture	1,554,168	1,550,831
Building	9,729,326	9,708,577
Land and improvements	608,236	608,236
Vehicles	351,501	351,501
	<u>12,243,231</u>	<u>12,219,145</u>
Accumulated depreciation	(6,536,148)	(6,281,170)
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>5,707,083</u>	<u>5,937,975</u>
OTHER ASSETS		
Cash designated by the board for endowments	57,670	50,739
Investments designated by the board for endowments	1,016,795	1,190,813
Prepaid expenses - loan issuance costs, less amortization	8,174	8,608
TOTAL OTHER ASSETS	<u>1,082,639</u>	<u>1,250,160</u>
TOTAL ASSETS	<u>\$ 7,035,383</u>	<u>\$ 7,599,964</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 27,957	5,122
Accrued expenses	51,504	37,019
Line of credit	-	-
Deferred revenue - membership dues	9,169	9,142
Notes payable - current portion	40,113	38,717
Current portion of capital leases	-	11,528
TOTAL CURRENT LIABILITIES	<u>128,743</u>	<u>101,528</u>
NONCURRENT LIABILITIES		
Notes payable, less current portion	1,008,245	1,051,869
TOTAL NONCURRENT LIABILITIES	<u>1,008,245</u>	<u>1,051,869</u>
TOTAL LIABILITIES	<u>1,136,988</u>	<u>1,153,397</u>
NET ASSETS		
Without donor restrictions	3,284,766	3,845,184
With donor restrictions	2,613,629	2,601,383
TOTAL NET ASSETS	<u>5,898,395</u>	<u>6,446,567</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,035,383</u>	<u>\$ 7,599,964</u>

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE UPPER PEE DEE, INC.
STATEMENT OF ACTIVITIES
CHANGES IN NET ASSETS
December 31, 2022

	2022	2021 Totals Only
OPERATING ACTIVITIES		
Public Support:		
Special events	\$ 11,505	\$ 7,782
Contributions	161,160	209,109
Program fees	98,755	81,630
United Way	10,200	5,000
ABC Voucher	65,625	21,605
Governor's school contract	32,597	27,608
Grants released from restrictions	42,000	-
Current year grant income	15,813	25,000
Total Support Without Donor Restrictions	<u>437,655</u>	<u>377,734</u>
Revenues:		
Membership	884,527	798,643
Rental	71,721	69,016
After school care and summer day camp	265,176	266,669
Miscellaneous	17,790	2,986
Total Revenue Without Donor Restrictions	<u>1,239,214</u>	<u>1,137,314</u>
Total Support and Revenue Without Donor Restrictions	<u>1,676,869</u>	<u>1,515,048</u>
Expenses:		
Program services		
YMCA athletic services	825,357	366,712
YMCA after school care services	265,020	218,868
Management and general	967,587	1,284,397
Fundraising	47,288	37,339
Payment to affiliates	28,893	23,756
Total Expenses	<u>2,134,145</u>	<u>1,931,072</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>(457,276)</u>	<u>(416,024)</u>
Support:		
Current year grant income	54,247	40,000
Grants released from restrictions	(42,000)	-
Total Support With Donor Restrictions	<u>12,247</u>	<u>40,000</u>
Increase (Decrease) in Net Assets from Operations	<u>(445,029)</u>	<u>(376,024)</u>
NON-OPERATING ACTIVITIES		
Realized gain (loss) on investments	12,384	92,694
Unrealized gain (loss) on investments	(216,618)	(10,940)
Contributions for endowment	9,066	6,960
Investment interest and dividends	33,382	49,092
Fees and other subtractions on investment account	(5,301)	(3,892)
CoVid funding	63,944	291,169
Total Non-operating Activities	<u>(103,143)</u>	<u>425,083</u>
Change in Net Assets	<u>(548,172)</u>	<u>49,059</u>
Beginning Net Assets	<u>6,446,567</u>	<u>6,397,508</u>
Ending Net Assets	<u>\$ 5,898,395</u>	<u>\$ 6,446,567</u>

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE UPPER PEE DEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	YMCA Athletic Services	YMCA After school Care Program Services	Management and General	Fundraising	2022 Total	2021 Total Only
Salaries	\$ 220,483	\$ 204,799	\$ 428,811	\$ 42,578	\$ 896,671	\$ 836,611
Retirement	17,956	1,958	34,637	4,710	59,261	57,912
Payroll taxes	16,217	13,168	45,857	-	75,242	68,783
Group insurance	1,815	4,555	59,895	-	66,265	35,818
Workers' compensation	-	-	6,860	-	6,860	7,003
Total salaries and employee benefits	256,471	224,480	576,060	47,288	1,104,299	\$ 1,006,127
Bank charges	-	-	20,717	-	20,717	16,372
Contract services	-	-	59,751	-	59,751	43,502
Professional fees	-	-	7,050	-	7,050	10,790
Special event supplies	6,115	2,014	1,623	-	9,752	20,318
Office supplies	20	-	12,076	-	12,096	7,417
Equipment expendable	977	621	5,290	-	6,888	5,998
Maintenance supplies	47,618	-	14,428	-	62,046	45,690
Maintenance/janitorial contract	-	-	200	-	200	765
Maintenance and repairs	30,978	-	17,573	-	48,551	80,746
Utilities	136,224	-	63,089	-	199,313	152,826
Towels	-	-	-	-	-	12
Subscriptions	-	2,010	-	-	2,010	232
Telephone	-	-	17,438	-	17,438	17,426
Postage	-	-	393	-	393	842
Taxes and licenses	4,827	-	1,949	-	6,776	8,664
Printing	-	-	2,995	-	2,995	3,091
Advertising	-	-	8,023	-	8,023	7,403
Member incentive	-	-	6,146	-	6,146	5,845
Mileage	111	-	1,536	-	1,647	2,178
Meetings/conference	-	1,133	10,273	-	11,406	7,468
Organizational dues	-	-	3,385	-	3,385	3,033
YMCA Fair Share Dues	-	-	28,893	-	28,893	23,766
Insurance	82,156	-	35,209	-	117,365	103,474
Employee expense	-	-	5,478	-	5,478	6,249
Miscellaneous	-	-	1,820	-	1,820	1,991
Program supplies	44,259	27,955	-	-	72,214	44,580
Contract labor	1,577	-	5,241	-	6,818	363
Vehicle expense	-	5,805	1,346	-	7,151	7,535
Refund on ABC voucher program	-	1,002	-	-	1,002	-
Equipment lease, interest and taxes	-	-	5,708	-	5,708	4,547
Interest	-	-	41,402	-	41,402	36,110
Expenses before depreciation	611,333	265,020	955,092	-	1,878,733	1,675,350
Depreciation and amortization on loan costs	214,024	-	41,388	-	255,412	255,722
Total expenses	\$ 825,357	\$ 265,020	\$ 996,480	\$ 47,288	\$ 2,134,145	\$ 1,931,072

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE UPPER PEE DEE, INC.

STATEMENT OF CASH FLOWS

December 31, 2022

	2022 <u>Total</u>	2021 <u>Total Only</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (548,172)	49,059
Adjustment to reconcile increase in net assets to net cash provided by operations		
Depreciation and amortization of loan costs	255,412	255,722
Unrealized and realized loss (gain) on investments	204,234	(81,754)
Investment interest, dividends	(33,382)	(49,092)
Contributions to endowment	(9,066)	(6,960)
Fees and other subtractions on investment account	5,301	3,892
Changes in operating assets and liabilities		
(Increase) Decrease in prepaid expense	-	20,357
(Decrease) Increase in deferred revenue	27	659
(Decrease) Increase in accounts payable	22,836	(23,665)
(Decrease) Increase in accrued expenses	14,485	668
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(88,325)</u>	<u>168,886</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Transfer from endowment account	-	130,000
Purchase of new equipment	(24,087)	(99,183)
NET CASH USED BY INVESTING ACTIVITIES	<u>(24,087)</u>	<u>30,817</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of capital lease	(11,528)	(20,693)
Repayment of debt	(42,228)	(928,221)
Proceeds from new loan	-	1,100,000
Payment of loan closing costs	-	(8,681)
Repayment of line of credit	-	(67,898)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(53,756)</u>	<u>74,507</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(166,168)	274,210
CASH AND CASH EQUIVALENTS - December 31, 2021	<u>411,829</u>	<u>137,619</u>
CASH AND CASH EQUIVALENTS - December 31, 2022	<u><u>\$ 245,661</u></u>	<u><u>\$ 411,829</u></u>
 Interest paid for the year	 <u><u>\$ 41,402</u></u>	 <u><u>\$ 36,110</u></u>

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

Young Men's Christian Association of The Upper Pee Dee

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATUE OF OPERATIONS

Organization

The YMCA of The Upper Pee Dee, Inc. is a non-profit organization developed to directly enable youths and adults to develop physically and mentally in a Christian environment. The Young Men's Christian Association of The Upper Pee Dee has three branches: Hartsville, Darlington and Chesterfield. The Metro Branch is the business and operations office for the Young Men's Christian Association of the Upper Pee Dee. Located in the Hartsville Family YMCA building, it was formed in 2004 as a management tool to oversee the operation of the multiple branches. It allows the branches to share resources that would be costly to maintain individually. The Organization receives the majority of its funds from membership fees. The Organization offers one level of membership for the different programs that are offered. The programs include weight training, exercise classes, and exercise facilities. The YMCA also provides after school services at several locations. The Organization's members are concentrated in the Pee Dee region of South Carolina.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP) which require Young Men's Christian Association of the Upper Pee Dee to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Operating Activities

Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investment such as contributions for endowment and facilities and equipment, investment returns in excess of amounts designated for current operations.

Contribution and Pledges

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished),

Young Men's Christian Association of The Upper Pee Dee

NOTES TO THE FINANCIAL STATEMENTS

net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on past years' experience and management's analysis of specific promises made.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with various programs.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Revenue recognition

Membership dues and program fees are recognized as revenue ratably over the period of membership or the duration of the program.

Property and Equipment

Donations of large property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support restricted by donors. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily support restricted by donor net assets to unrestricted net assets at that time. Donated land for the Organization's permanent use is permanently restricted.

Impairment of Long-lived Assets

The carrying value of the Organization's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The Organization considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value.

Property, plant and equipment are carried at cost. Depreciation is calculated using the declining balance method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense when incurred. Gains and losses on the disposal of assets are reported in the statement of support, revenues, expenses and changes in net assets in the year of disposition. The Organization's policy is to capitalize assets over \$500.

Investments

Investments in marketable securities are stated at fair market value based primarily on quoted market prices. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid investments with an initial maturity of three months or less.

Young Men's Christian Association of The Upper Pee Dee

NOTES TO THE FINANCIAL STATEMENTS

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories

Inventories of clothing and merchandise are stated at the lower of cost or market using the first-in, first-out (FIFO) method. There was no inventory as of December 31, 2022.

Compensated Absences

The Organization does not allow unused vacation to be carried over from year to year. Sick time may be accumulated but employees are not reimbursed for sick days when they leave employment.

Membership Dues and Initiation Fees

Membership dues are recognized as revenue in the applicable membership period. Any unearned amounts are included in deferred revenue at the end of each accounting period. Initiation fees are recorded as revenue in the period when the fees are due.

Advertising

Advertising costs are generally expensed as incurred.

Income Taxes

The Young Men's Christian Association of The Upper Pee Dee, Inc. is a non-profit organization and is exempt from income taxes under the IRS code section 501 (c) (3). The Organization is treated as a publicly supported foundation under code section 509 (a) (2) by the IRS. There was no unrelated business income for 2022. The tax years 2022, 2021, 2020, and 2019 remain subject to examination by the U.S. Department of Treasury in accordance with Internal Revenue Service regulations.

Concentration of Credit Risk

The Organization maintains its cash at two financial institutions and one brokerage company. The total of all accounts at each of the financial institutions is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total of the account at the brokerage company is insured by the Securities Investor Protection Corporation (SIPC) which protects customers up to \$500,000 for securities and cash, including a \$250,000 limit for cash only.

Deferred Revenue

Under the accounting principles generally accepted in the United States of America, the prepaid membership fees are recorded as deferred revenues.

Deferred Loan Costs

Deferred loan costs are capitalized when paid and are amortized over the life of the loan. These are included in prepaid expenses.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, Leases: Topic 842. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this ASU has been delayed and is effective for fiscal years beginning after December 15, 2021. As of December 31, 2022 the YMCA is not leasing any assets.

Young Men's Christian Association of The Upper Pee Dee
NOTES TO THE FINANCIAL STATEMENTS

NOTE C - RETIREMENT PLAN

The Organization participates in the YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirement of Section 401(a) of the Internal Revenue Code of 1986, as amended and the YMCA Retirement Fund Tax-Deferred Saving Plan which is retirement income account plan as in section 403 (b) (9) of the code. Both Plans are sponsored by the Young Men's Christian Association Retirement Fund (The Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCA's and their eligible employees. As a defined contribution plan, the retirement plan and tax-deferred saving plan have no unfunded benefit obligations.

In accordance with the agreement, contributions to the YMCA Retirement plan are paid 100% by the YMCA. To qualify as a plan participant, employees classified as full time must have two years of continuous service, and employees classified as part time must have worked 1,000 hours of service during each of any two twelve - month periods beginning with their date of hire. The Organization then contributes 12% of that participant's gross compensation to the plan. Total contribution charged to retirement costs in this fiscal year aggregated \$59,260.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA retirement Fund. There is no matching employer contribution in this plan.

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE E - PAYMENT TO AFFILIATE

The Organization is required to pay to the National YMCA, Inc. two percent of the revenue earned through operations. During 2022 the Young Men's Christian Association of Upper Pee Dee, Inc. paid \$28,893 to the National Organization.

NOTE F - RENTAL INCOME

The Organization rented a portion of its building to Sonoco Products Company for \$3,152 a month. This lease expired on December 31, 2022. On January 1, 2023 the lease was renewed for \$3,183 per month for twelve months. The Organization also receives rental income for facilities for birthday parties and other functions. Total rental income totaled \$71,721 during 2022.

NOTE G - CONTINGENCIES

The Organization receives money from the United Way. The contracts are renewed each year. The amount of money to be received each year is dependent upon the availability of funds from the United Way. During the year the Organization also received grants from various private entities. In 2018 the Organization also received a building and nine acres located in Chesterfield County, South Carolina from the Town of Chesterfield. This is the building where the current facility is located. The real estate was recorded on the books at insurance replacement value and not fair market value in accordance with generally accepted accounting principles.

Young Men's Christian Association of The Upper Pee Dee
NOTES TO THE FINANCIAL STATEMENTS

There is a stipulation in the contract that if the Organization no longer is a YMCA or provides athletic services, the building will be released back to the Town of Chesterfield. In October of this year, this agreement was revised. The new agreement was reached because the Organization is wanting to make some improvements. The new agreement allows the Town of Chesterfield first refusal in the event the Organization decides to sell, transfer, or otherwise dispose of the property and the Town can purchase the property for the same price, terms and conditions as the Organization would sell to a third party.

NOTE H - INVESTMENT FEES

The investments are in the board designated endowment fund, which is unrestricted. The amount that was charged by the investment company for advisory fees was \$5,301.

NOTE I - CONTRIBUTIONS RECEIVABLE

There were no contributions receivable as of December 31, 2022.

NOTE J - RESTRICTIONS ON NET ASSETS

The land for the Organization's expansion was donated by the City of Hartsville. The fair market value of the land was \$56,081. This land is recorded as a restricted by donor net asset. In addition, the facilities for the Chesterfield location were donated by the Town of Chesterfield in 2018. The value on this property was recorded at \$2,500,000. (See note G). As of December 31, 2022, there were three grants that had \$57,548 remaining to be spent. The total amount of net assets with donor restrictions is \$2,613,629.

NOTE K - AFTER SCHOOL CARE

The Organization operates after school care at several local schools. The service is provided to members and nonmembers of the Organization. These area schools do not charge the YMCA rent for the use of the schools. During the summer of 2022 area school children ages 5 -12 all stayed at the YMCA sites.

NOTE L - LITIGATION

The Organization is not a party to any legal proceeding that normally occurs in non-profit operations. The Organization has adequate insurance to cover these needs.

NOTE M - UNEMPLOYMENT

The Organization is self-funded for unemployment through the 501 c Agencies Trust. The balance in the self - funded account at December 31, 2022 is \$16,674.

NOTE N - CAPITAL LEASES

The Organization had acquired equipment under the provision of a long-term lease. For financial reporting purposes, minimum lease payments relating to the equipment had been capitalized and included in equipment on the balance sheet. The leased equipment was paid off in 2022 and as of December 31, 2022 there are no capital leases. The amount paid off was \$11,528.

NOTE O - DONATED BUILDING AND LAND

In 2018, the Town of Chesterfield donated to the Organization, the building and the nine acres associated with the building. An appraisal was not done. Management put a value of \$2,500,000 on the building based on insurance replacement value. This is not in compliance with the Organization's policy to record donated assets

Young Men's Christian Association of The Upper Pee Dee **NOTES TO THE FINANCIAL STATEMENTS**

at fair market value and it is not in compliance with generally accepted accounting principles.

NOTE P - NOTE PAYABLE

The Organization has a loan from The Citizens Bank. The original loan amount was \$1,100,000. The interest rate is 3.50%. The loan is for 240 monthly payments in the amount of \$8,681. The loan is secured by the real estate used by the Hartsville branch including the furniture, fixtures and equipment used by that facility. The balance due at December 31, 2022 is \$1,048,358. The loan costs are being amortized over the life of the loan which is \$434 a year.

The Organization's note payable consists of the following:

Note payable to The Citizens Bank.	\$ 1,048,358
Less: current portion	(40,113)
Total long-term debt	<u>\$ 1,008,245</u>

Current maturities of long-term debt are as follows:

Year Ended December 31,	Principal
2023	\$ 40,113
2024	41,459
2025	43,055
2026	44,608
2027	46,055
2028 and thereafter	\$ 833,068
	<u>\$ 1,048,358</u>

NOTE Q – INVESTMENTS AND FAIR VALUE OF FINANCIAL MEASUREMENTS

The FASB defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the YMCA's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The standard establishes a fair value hierarchy which requires the YMCA to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the YMCA has the ability to access the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities: quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the YMCA's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Young Men's Christian Association of The Upper Pee Dee **NOTES TO THE FINANCIAL STATEMENTS**

The following are descriptions of the valuation methods and assumptions used by the YMCA to estimate the fair values of certain financial instruments:

Cash and cash equivalents: Fair values of money market funds are estimate to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs – market approach).

Fixed Income Securities: YMCA fixed income securities are invested primarily in high grade fixed income securities, which are one to three years in duration. The fair values of these investments are readily marketable and are determined by obtaining quoted prices on a nationally recognized securities exchange (Level 1 inputs).

Equity Securities and Mutual Funds: consist of mutual funds which are primarily invested in equity securities. The fair value of mutual funds, which are readily marketable, is determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Investments are recorded at fair value. The fair value at December 31, 2022, was as follows:

	<u>Fair Value</u>
Cash and sweep balances	\$ 58,170
Stocks, options & ETFS	447,274
Mutual Funds	569,021
	<u>\$ 1,074,465</u>

Reflected in the financial statements as follows:

Cash designated by the board for endowments:	\$ 58,170
Investments designated by the board for endowments:	1,016,295
	<u>\$ 1,074,465</u>

The following table summarized the Organization's financial instruments:

	December 31, 2022	Fair Value Measurements Using			Total Realized Gains/(Losses)
		Level 1	Level 2	Level 3	
Investments designated for endowment	1,074,465	1,074,465	-	-	12,384
	<u>\$ 1,074,465</u>	<u>\$ 1,074,465</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,384</u>

Young Men's Christian Association of The Upper Pee Dee

NOTES TO THE FINANCIAL STATEMENTS

NOTE R – AVAILABILITY AND LIQUIDITY

The following represents Young Men's Christian Association of the Upper Pee Dee, Inc.'s financial assets at December 31, 2022:

Financial assets at year end:

Cash and cash equivalents	\$ 245,661
Cash designated by the board for endowments	57,670
Investments designed by the board for endowments	<u>1,016,795</u>
Total financial assets	<u>1,320,126</u>

Less amounts not available to be used within one year:

Investments Corpus up to \$1M the board does not want to expend unless emergency	<u>1,000,000</u>
	<u>1,000,000</u>

Financial assets available to meet general expenditures over the next twelve months

\$ 320,126

Young Men's Christian Association of The Upper Pee Dee, Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Young Men's Christian Association of The Upper Pee Dee, Inc. has a \$85,000 line of credit available to meet cash flow needs if needed. The balance drawn on the line of credit as of December 31, 2022 is \$0.

NOTE S – ENDOWMENT FUNDS

Without Donor Restricted Endowment

The Board of Directors has designated \$1,074,465 of unrestricted net assets as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as without donor restriction net asset. It is the board's intent to accumulate \$1,000,000 to remain in this fund and then to use the earnings as needed for operations or other board designated items. The board has determined that the corpus is not to be touched unless the Organization experiences a "financial emergency." A "financial emergency" is defined in the by-laws as "any fiscal circumstance that could result in the closure of any of the Associations' facilities or jeopardize the future viability of the Young Men's Christian Association of the Upper Pee Dee." This endowment fund is funded by donations from various businesses or individuals. The amount contributed into the fund for the year was \$9,066. This donation is reported in the Statement of Activities. The donation was \$1,000 in cash and \$8,066 in stock.

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix. During the year management set up two funds for investments. One is focused on income producing and the other is focused on growth. The income producing fund has a balance of \$432,788 and the growth fund has a balance of \$641,677 which totals the \$1,074,465.

Young Men's Christian Association of The Upper Pee Dee
NOTES TO THE FINANCIAL STATEMENTS

Endowment Net Assets Beginning of the Year	\$ 1,241,552
Contributions	9,066
Transfers to operations	-
Investment income	45,766
Fees and other subtractions	(5,301)
Net unrealized loss on investments	<u>(216,618)</u>
Endowment Net Assets End of the Year	<u>\$ 1,074,465</u>

NOTE T – DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transaction for potential recognition or disclosure through August 28, 2023, the date the financial statements were available to be issued. One item to disclose is as of July 28, 2023 the investment account was \$1,182,506, an increase from the balance as of December 31, 2022 in the amount of \$108,041.