

**CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
(DBA YMCA OF GREATER CHARLESTON)
SUMMERVILLE, SOUTH CAROLINA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Cannon Street Young Men's Christian Association
Summerville, South Carolina

We have audited the accompanying financial statements of Cannon Street Young Men's Christian Association (a South Carolina nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. However, as stated in Note Four to the financial statements, there is substantial doubt about the Association's ability to continue as a going concern because the Association has not made certain scheduled debt service payments subsequent to year-end, in significant part due to the impact of the COVID-19 Pandemic and its impact on the Association's operations. The Association has requested a deferral of payment of its upcoming 2022 scheduled interest payments and modification of those subsequent. This deferral agreement is in discussion at time of issuance and has not yet been approved. Management has discussed with representatives of the United States Department of Agriculture (USDA), guarantors and/or holders of the Association's main debt facilities, in an attempt to restructure the loan payment terms; however, at the present time, future financing for the Association is not determinable. Since the USDA holds a mortgage on the Association's assets as pledged collateral for the loans, foreclosure by the USDA and related bank would seriously impair the Company's ability to continue as a going concern and to realize its investment in assets through future successful operations.

In addition, as reflected in the accompanying financial statements, the Association incurred a net loss of \$1,215,728 and \$1,156,930 for the years ended June 30, 2021 and 2020, respectively. As discussed in Note 4 to the financial statements, the Association and most of its customers are engaged in the recreational activities adversely affected by reduced consumer demand caused by fear of Covid-19 infection. Realization of the carrying value of the assets included in the statements of financial position referred to above is dependent on the Association's successful future operations.

Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note Four. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Glaser and Company, LLC

Charleston, South Carolina
May 25, 2022

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
AT JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 100,742	\$ 269,713
Cash and cash equivalents, restricted cash	-	430,903
Unconditional promises to give, current	51,264	107,232
Prepays and other assets	2,071	6,026
Total current assets	<u>154,077</u>	<u>813,874</u>
<u>Non-current Assets</u>		
Unconditional promises to give, net of current	73,106	71,220
Property, plant and equipment, net	25,656,820	26,282,012
Total non-current assets	<u>25,729,926</u>	<u>26,353,232</u>
Total assets	<u>\$ 25,884,003</u>	<u>\$ 27,167,106</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable and credit card liabilities	\$ 93,219	\$ 66,791
Accrued payroll	41,575	-
Accrued interest	577,569	577,569
Deferred revenue - operating	23,794	3,834
Line of credit	70,000	70,000
Notes payable - USDA, current maturities	311,124	-
Deferred rent revenue - library, current	26,689	26,030
Note payable - Coastal Community Foundation	240,000	240,000
Capital lease payable, net, current	92,805	154,235
Total current liabilities	<u>1,476,775</u>	<u>1,138,459</u>
<u>Noncurrent Liabilities</u>		
Deferred rent revenue - library, net of current	917,927	944,616
Capital lease payable, net, net of current	55,527	124,426
Notes payable - USDA, net, net of current	18,566,382	18,876,485
Promissory notes payable	2,000,000	2,000,000
Total noncurrent liabilities	<u>21,539,836</u>	<u>21,945,527</u>
Total liabilities	<u>23,016,611</u>	<u>23,083,986</u>
<u>Net Assets</u>		
Net assets without donor restrictions	<u>2,867,392</u>	<u>4,083,120</u>
Total net assets	<u>2,867,392</u>	<u>4,083,120</u>
Total liabilities and net assets	<u>\$ 25,884,003</u>	<u>\$ 27,167,106</u>

See accompanying notes to the financial statements.

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Support and Revenues</u>			
Contributions and grants	\$ 311,932	\$ -	\$ 311,932
Memberships dues	1,034,685	-	1,034,685
Program fees	586,412	-	586,412
Rents	26,030	-	26,030
Federal financial assistance - PPP	219,296	-	219,296
Special events	25,462	-	25,462
Interest	230	-	230
Other revenues	17,396	-	17,396
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	2,221,443	-	2,221,443
	<hr/>	<hr/>	<hr/>
Net assets released from restriction	-	-	-
	<hr/>	<hr/>	<hr/>
Total support and revenues and net assets released from restriction	2,221,443	-	2,221,443
	<hr/>	<hr/>	<hr/>
<u>Operating expenses</u>			
Payroll and related expenses	1,172,728	-	1,172,728
Contract labor and professional fees	134,244	-	134,244
Facility and occupancy	382,770	-	382,770
Supplies and other	72,281	-	72,281
Repairs and maintenance	50,433	-	50,433
Insurance	91,414	-	91,414
Advertising and promotion	9,632	-	9,632
Interest and bank fees	680,485	-	680,485
National affiliate dues	12,346	-	12,346
Program and related	132,271	-	132,271
Depreciation	689,514	-	689,514
Miscellaneous	9,053	-	9,053
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	3,437,171	-	3,437,171
	<hr/>	<hr/>	<hr/>
Change in net assets	(1,215,728)	-	(1,215,728)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	4,083,120	-	4,083,120
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 2,867,392	\$ -	\$ 2,867,392
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See accompanying notes to the financial statements.

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Support and Revenues</u>			
Contributions and grants	\$ 505,297	\$ -	\$ 505,297
Memberships dues	1,195,926	-	1,195,926
Program fees	559,061	-	559,061
Rents	25,389	-	25,389
Federal financial assistance - PPP	222,530	-	222,530
Interest	3,525	-	3,525
Other revenues	5,669	-	5,669
	<hr/>	<hr/>	<hr/>
Total Support and Revenues	2,517,397	-	2,517,397
	<hr/>	<hr/>	<hr/>
Net assets released from restriction	-	-	-
	<hr/>	<hr/>	<hr/>
Total support and revenues and net assets released from restriction	2,517,397	-	2,517,397
	<hr/>	<hr/>	<hr/>
<u>Operating expenses</u>			
Payroll and related expenses	1,286,797	-	1,286,797
Staff training and conferences	29,347	-	29,347
Contract labor and professional fees	63,134	-	63,134
Facility and occupancy	516,619	-	516,619
Supplies and other	179,985	-	179,985
Repairs and maintenance	13,152	-	13,152
Insurance	106,513	-	106,513
Advertising and promotion	13,383	-	13,383
Interest and bank fees	721,112	-	721,112
National affiliate dues	2,482	-	2,482
Program and related	117,273	-	117,273
Depreciation	562,249	-	562,249
Miscellaneous	62,281	-	62,281
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	3,674,327	-	3,674,327
	<hr/>	<hr/>	<hr/>
Change in net assets	(1,156,930)	-	(1,156,930)
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	5,093,830	-	5,093,830
	<hr/>	<hr/>	<hr/>
Prior period adjustment	146,220	-	146,220
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year, adjusted	5,240,050	-	5,240,050
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 4,083,120</u>	<u>\$ -</u>	<u>\$ 4,083,120</u>

See accompanying notes to the financial statements.

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related expenses	\$ 973,101	\$ 97,832	\$ 101,795	\$ 1,172,728
Contract labor and professional fees	29,950	66,294	38,000	134,244
Facility and occupancy	368,934	13,377	459	382,770
Supplies and other	69,517	2,073	691	72,281
Repairs and maintenance	48,421	1,508	504	50,433
Insurance	89,014	2,400	-	91,414
Advertising and promotion	9,299	-	333	9,632
Interest and bank fees	678,909	1,576	-	680,485
National affiliate dues	12,346	-	-	12,346
Program and related expenses	132,271	-	-	132,271
Depreciation	671,891	11,815	5,808	689,514
Miscellaneous	9,053	-	-	9,053
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,092,706</u>	<u>\$ 196,875</u>	<u>\$ 147,590</u>	<u>\$ 3,437,171</u>

See accompanying notes to the financial statements.

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related expenses	\$ 1,112,078	\$ 85,626	\$ 89,094	\$ 1,286,797
Staff training and conferences	29,347	-	-	29,347
Contract labor and professional fees	32,708	67,926	-	100,634
Facility and occupancy	388,911	15,499	5,166	409,576
Supplies and other	156,905	5,400	1,800	164,105
Repairs and maintenance	98,050	393	132	98,575
Insurance	104,757	1,756	-	106,513
Advertising and promotion	12,714	-	669	13,383
Interest and bank fees	720,148	964	-	721,112
National affiliate dues	2,110	248	124	2,482
Program and related expenses	117,273	-	-	117,273
Depreciation	539,816	16,811	5,622	562,249
Miscellaneous	54,794	7,487	-	62,281
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 3,369,611</u>	<u>\$ 202,110</u>	<u>\$ 102,607</u>	<u>\$ 3,674,327</u>

See accompanying notes to the financial statements.

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash Flows from Operating Activities:</u>		
Decrease in net assets	\$ (1,215,728)	(1,156,930)
Adjustments to reconcile decrease in net assets to net cash used for operating activities:		
Depreciation	689,514	562,249
Amortization of loan cost included in interest expense	1,021	1,021
Amortization of discount on long-term pledges	(1,886)	(3,780)
Contributions received restricted for long-term purpose	-	(162,623)
Increase (decrease) in assets		
Unconditional promises to give	5,968	(2,656)
Prepays and other assets	3,955	25,342
Increase (decrease) in liabilities:		
Accounts payable and credit card liabilities	26,428	104,707
Accrued payroll	41,575	-
Accrued interest	-	103,268
Deferred revenue -operating	19,960	-
Deferred revenue -rent	(26,030)	(25,389)
Net cash used for operating activities	<u>(455,223)</u>	<u>(554,791)</u>
<u>Cash Flows from Investing Activities:</u>		
Acquisition of property and equipment	(64,322)	(265,158)
Net cash used for investing activities	<u>(64,322)</u>	<u>(265,158)</u>
<u>Cash Flows from Financing Activities:</u>		
Contributions collected restricted for long-term purposes	50,000	162,623
Proceeds on line of credit, net	-	45,850
Proceeds on promissory notes payable	-	384,661
Payments on capital leases payable	(130,329)	(114,878)
Net cash (used for) provided by financing activities	<u>(80,329)</u>	<u>478,256</u>
Net decrease in cash and cash equivalents	(599,874)	(341,693)
Cash and cash equivalents, beginning of year	<u>700,616</u>	<u>1,042,309</u>
Cash and cash equivalents, end of year	<u>\$ 100,742</u>	<u>\$ 700,616</u>
<u>Reconciliation of Cash and Cash Equivalents</u>		
Cash and cash equivalents	\$ 100,742	\$ 269,713
Cash and cash equivalents, restricted	<u>-</u>	<u>430,903</u>
	<u>\$ 100,742</u>	<u>\$ 700,616</u>

See accompanying notes to the financial statements.

**CANNON STREET YOUNG MEN’S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cannon Street Young Men’s Christian Association (the “Association”) (doing business as YMCA of Greater Charleston) is a community service organization founded in 1914. The Association’s mission is to improve the lives of all in the Greater Charleston area by connecting individuals, families, and communities with opportunities based on Christian Values that strengthen spirit, mind, and body.

The Association has two locations –Berkeley County (Moncks Corner) and Cane Bay (Summerville). The Cannon Street YMCA was a national historic treasure, since it was the oldest, continuously operating YMCA developed for African-Americans. Established just after the Civil War in 1866 and the Emancipation Proclamation, The Cannon Street YMCA celebrated its 147th Anniversary in 2013.

Locations and New Facility

The Berkeley County Family YMCA opened in 1994 and since then it has strived to provide low-cost programs for families. The Berkeley County YMCA serves over 3,000 members and program participants in Berkeley County. This facility provides a variety of Health and Wellness services for infants to senior citizens. With the indoor swimming pool in Berkeley County, this YMCA provides educational lifeguard courses and training, senior citizens water aerobics, Learn to Swim programs for local elementary schools and a variety of other services which promote the health and wellness of the entire community.

The brand-new Cane Bay Family YMCA held its Grand Opening on April 27, 2019. This highly-anticipated project features a 54,000-square-foot sports facility with a 25-meter swimming pool, full basketball court, jogging track, multipurpose spaces and even a library. The 5,000-square-foot library will provide full services to the community, and is the first of its kind collaboration between a county library and a YMCA in the United States.

Global Pandemic

In January 2020, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a Public Health Emergency of International Concern. In response to the outbreak of COVID-19 and the resulting federal state, and local government directives, during 2020, the Association closed all operations, discontinued fitness and program operations, and closed all branches. As a result, the Association has experienced a significant decline in its membership dues and program fees revenues during this period. As this decline in revenues is expected to continue in the near term, the Association’s management has taken steps to preserve liquidity and reducing operating expenses through reducing consumption. The Association continues to monitor developments and reopened operations with protective measures in the spring of 2021 as well as following the directives of federal, state and local officials. The continued spread of COVID-19 or any other similar outbreaks in the future and the continued impact on social interaction, travel, economies and financial markets is expected to materially impact the Association’s finances and operations.

Basis of Accounting and Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In accordance with ASC 958-205, *Presentation of Financial Statements*, the Association reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets not subject to donor-imposed stipulations. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions; however, donor-restricted contributions that are received and expended in the same year are classified as without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets, (that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed), are reported as reclassifications between the applicable classes of net assets.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Association may spend the funds.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The preparation of financial statements also requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allocation of expenses by function. It is at least reasonably possible that the estimates used will change within the near term.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Cash and Cash Equivalents, Restricted

In accordance with the terms of the Association's Notes Payable – USDA (see Note 11), the Association is required to maintain debt service reserves in accordance with the terms of the notes payable agreement. At June 30, 2020, \$430,903 in debt service reserves was maintained.

Revenues from Non-Exchange Transactions

Revenues from non-exchange transactions are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of donor restrictions. Revenues from non-exchange transactions may also be subject to restrictions. Revenues from conditional non-exchange transactions are recognized when the restriction is satisfied, which is generally as costs are incurred. In addition, the Association has elected the simultaneous release option for conditional contributions that are subject to purpose restrictions. Under this option, net assets without donor restrictions include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized. Revenues from non-exchange transactions that are considered unconditional generally are recognized as revenues with donor restrictions when the funds are awarded and are released into net assets without donor restrictions when the purpose has been met.

Revenues from Exchange Transactions

The Association has multiple revenue streams that are accounted for as exchange transactions including membership and program fees, and related services, and contract revenues. Because the Association's performance obligations relate to contracts with a duration of less than one year, the Association has elected to apply the optional exemption provided in FASB ASC 606-10-50-14,

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue from Contracts with Customers, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Membership Dues and Program Fees

Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for monthly memberships paid in advance. Members generally pay a one-time joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities. The Association offers a variety of programs including adult sports, senior, after-school, day camp, youth sports, teen sports, scholastic, fitness, aquatics, health and wellness, dance and lifeguard training. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Financial assistance is available to members and program participants.

Deferred Revenues

Membership dues and program fees paid to the Association in advance are recorded as deferred revenue - operations. Amounts billed but unpaid are recorded as other receivables. The Association also received advanced rent payments on a twenty (20) year operating lease agreement with Berkeley County, South Carolina for a public library on its premises. The Association is deferring the advance rent payment over the term of the lease and has discounted at a rate of 2.5% as deferred revenue - rent.

Property, Plant and Equipment

The Association capitalizes the cost of improvements and new acquisitions of property and equipment, and depreciates and amortizes these costs using the straight-line method over the estimated remaining useful lives of the related assets as follows:

Range of Estimated Useful Lives:

Buildings and improvements	55 years
Furniture and fixtures	7-10 years
Equipment	3-7 years

Donated assets are recorded at their estimated fair value on the date of donation. Property and equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Amortization expense is included in depreciation expense on the statement of activities. Gains and losses are recognized in the statements of activities upon disposal of property and equipment.

Accounting for the Impairment of Long-Lived Assets

The Association reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the asset. During the years ended June 30, 2021 and 2020, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable outside of those described in Note 4.

CANNON STREET YOUNG MEN’S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Donated Services

A substantial number of corporations and volunteers have donated significant amounts of time and services in the Association’s program operations and in its fund-raising campaigns. However, such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America and, accordingly, are not reflected in the accompanying financial statements. Other donated services are recorded in the financial statements if they enhance nonfinancial assets, are provided by a person possessing a specific skill and the Association would need to purchase these services if not donated.

Functional Expenses

The Association records expenses on a functional basis among its various program activities and supporting services. Program activities represent the costs associated with the delivery of the Association’s mission. Expenses that can be identified with a specific program or supporting service are charged directly. Other expenses that are common to several functions are allocated by various statistical bases. Salaries and related expenses are allocated based on time and effort. Staff training and conferences, contract services, supplies and other, insurance, promotion and advertising and interest are allocated based on total directly identified expenses. Facility occupancy, repairs and maintenance, depreciation and amortization are allocated based on square footage.

Advertising

Advertising and marketing costs are expensed as incurred.

Income Taxes

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Association is classified by the IRS as other than a private foundation under Section 509(a)(1) and, therefore, is exempt from federal and state income taxes.

The Association has adopted Financial Accounting Standards Board (“FASB”) guidance related to accounting for uncertainty in income taxes which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Association’s financial statements. The interpretation also provides guidance on derecognition classification, interest and penalties, disclosure, and transition.

Deferred Loan Costs

During the year ended June 30, 2019, the Association incurred \$35,742 in loan closing costs associated with its notes payable – USDA closing. These amounts are capitalized and amortized over the term of the loan agreement. Future annual amortization expense, to be included in interest expense, is estimated to be \$1,021 annually over the term of the note.

New Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. This new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the statement of financial position. The guidance will also require additional disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which will be effective for the Association’s fiscal year 2023, will be to record right-of-use assets and lease obligations for current operating leases. The impact of this standard on the Association’s financial statements is being evaluated.

CANNON STREET YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) on Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires organizations to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from cash and other financial assets, and disaggregate into different categories those nonfinancial assets. For each category of utilized assets, the description of programs or other activities in which the assets are utilized and any donor-imposed restrictions on the use of assets need to be disclosed. The standard is effective for the Association's fiscal year 2023. The impact of this standard on the Association's financial statements is being evaluated.

Reclassifications

Certain 2020 balances have been reclassified to be consistent with 2021 presentation.

2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discount rates used to estimate future cash flows are 1.29% at June 30, 2021. The net unamortized discount on promises to give at June 30, 2021 \$1,894, and the amortization of the discount is reported as contributions in the Statements of Activities. Management considers all pledges as fully collectible and accordingly, no reserve for doubtful accounts is recognized. Future estimate payments on outstanding promises to give at June 30, 2021 are as follows:

2021	\$	51,264
2022		25,000
2023		25,000
2024		25,000
Thereafter		-
		<u>126,264</u>
Less: amounts representing interest		<u>(1,894)</u>
	\$	<u><u>124,370</u></u>

3. PROPERTY, PLANT AND EQUIPMENT

Major classes of property, plant and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 4,189,984	\$ 4,189,984
Pool and related improvements	27,314	27,314
Buildings	22,745,071	22,745,071
Furniture, fixtures and equipment	<u>977,316</u>	<u>912,994</u>
	27,939,685	27,875,363
Accumulated depreciation	<u>(2,282,865)</u>	<u>(1,593,351)</u>
	<u><u>\$ 25,656,820</u></u>	<u><u>\$ 26,282,012</u></u>

Depreciation expense for the years ended June 30, 2021 and 2020 was \$689,514 and \$562,249, respectively.

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4. CONCENTRATIONS, RISKS AND UNCERTAINTIES

Cash Concentration of Credit Risk

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits may at times exceed the federally insured limits, and credit exposure is limited to deposits at any one institution in excess of this limit. The Association has not experienced any losses on its cash and cash equivalents. The Association had \$0 and \$32,222 in uninsured cash balances as of June 30, 2021 and 2020, respectively.

Economic Concentrations

The Association receives public support from memberships and programs in each of the years ended June 30, 2021 and 2020 totaling 73% and 70%, respectively, of total support. Further, the Association operates nearly exclusively from members, program participants and supporters from the Summerville, Moncks Corner and Goose Creek area outside of Charleston, South Carolina. Future operations could be affected by changes in the economic conditions in that geographical area.

COVID-19 Pandemic

The severity of the continued impact of COVID-19 on the Association's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the residents and visitors of the Charleston, South Carolina metropolitan area, all of which are uncertain and cannot be predicted. The Association's future results could be adversely impacted by reduced membership, program participation and other reductions support due to the pandemic. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial condition, results of operations or cash flows. At the time of issuance of the financial statements, the Association has adequately responded to these risks.

Debt Compliance and Extension of Terms and Operating Performance

The Association completed construction of its new Cane Bay Family YMCA on April 27, 2019. Its funding was primarily made through United States Department of Agriculture (USDA) issued and/or guaranteed notes totalling \$20,910,270. These notes had deferred payment terms requiring interest only payments through August 2021 (USDA Notes) and August 2022 (USDA Guaranteed Notes) as well as reserve requirements. Due to COVID-19's negative impact on the operations of the Association, it was not able to make its scheduled interest only payment of approximately \$520,000 in August 2021 or maintain required reserves. The Association has been in discussion with the USDA requesting an extension of terms to allow its operations to recover from the COVID-19 pandemic. Approval of such extended terms is critical to the ongoing operations of the Association.

5. COMPENSATED ABSCENCES

Full time employees of the Association are granted vacation benefits depending on length of service with the Association. The Association does not accrue earned but unused vacation at the end of the year. Management deems any difference between this method and that recommended by accounting principles generally accepted in the United States of America.

6. FUNDS HELD AT COASTAL COMMUNITY FOUNDATION

The Association is the beneficiary of funds held at the Coastal Community Foundation of South Carolina. Each year, 4% of the average balance in the fund calculated over the previous 20 quarters is available for distribution in order to fund grants. The fund was established with a \$1,000,000 gift in November 2015. The Board of the Coastal Community Foundation of South Carolina has discretionary authority over all distributions. The Association has received no distributions from these funds for the years ended June 30, 2021 and 2020. These funds are not recorded on the books of the Association because it does not have variance power over the management or distribution of these funds.

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7. REVOLVING LINE OF CREDIT

On June 22, 2018, and as extended, the Association obtained an unsecured revolving line of credit of \$125,000 from South Atlantic Bank. The line of credit matures on October 3, 2021. Interest only payments are due monthly at the prime rate plus 1% (4.25% at June 30, 2021). The line of credit had \$70,000 at June 30, 2021 and 2020. Interest expense under the line of credit was \$3,266 and \$747 for the years ended June 30, 2021 and 2020, respectively.

8. NOTES PAYABLE – CCF

In February 2016, the Association was approved to receive a 20% loan from its funds held for its benefit at the Coastal Community Foundation of South Carolina. The loan is non-interest bearing and requires no schedule payments except that it must be repaid in five years or less. The note had a balance of \$240,000 at June 30, 2021 and 2020.

9. PROMISSORY NOTE PAYABLE

In July 2019, the Association signed a \$2,000,000 promissory note with Farmers Merchant Bank to provide liquidity for completion of the Cane Bay Family YMCA center. The note provides interest only payments at 5.50% through July 15, 2022 and is part of the USDA loan guarantee financing. Beginning in August 2022, the Association is required to make interest and principal payments of \$11,863. The promissory note is secured by the underlying assets of the Association and requires a reserve of \$60,000 to be maintained on deposit.

Future minimum principal payments under promissory notes payable at June 30, 2021 are as follows:

2022	\$ -
2023	26,545
2024	34,682
2025	36,638
2026	38,701
Thereafter	<u>1,863,434</u>
	<u>\$ 2,000,000</u>

Interest expense under this note was \$110,427 and \$103,045 for the years ended June 30, 2021 and 2020, respectively.

10. CAPITAL LEASES

The Association leases various athletic equipment under capital leases expiring in 2022 and 2023. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over their related lease term or their estimated productive life, whichever is less. Amortization of these assets is included in depreciation expense. Future minimum future lease payments are as follows for the years ended June 30:

2022	\$ 92,805
2023	66,327
Thereafter	<u>-</u>
	159,132
Less: amounts representing interest	<u>(10,800)</u>
	<u>\$ 148,332</u>

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NOTES TO THE FINANCIAL STATEMENTS
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10. CAPITAL LEASES - continued

The interest rate utilized for the capitalized leases ranges from 8.38% to 8.65% and is imputed based on the lower of the Association's incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return. Interest expense of \$18,600 and \$48,283 was included in the accompanying Statements of Functional Expenses for the years ended June 30, 2021 and 2020, respectively.

11. NOTES PAYABLE – USDA

On August 2, 2018, the Association closed on a \$18,910,270 loan with the United States Department of Agriculture (USDA) for the refinancing of the Association's Cane Bay Family YMCA project construction loan. The loans provide for deferred payment status through September 6, 2021. The Association has applied for an additional deferral with the USDA due to the COVID-19 Pandemic and its impact on operations. This deferral is in discussion but has not been approved at issuance. Annual interest only payments are required starting on August 6, 2019. Beginning September 6, 2021, interest and principal payments of \$74,129 will be due monthly at 2.75%. The notes mature in July 2053 and is secured by the underlying assets and future revenues of the Association.

The balance of the individual notes payable – USDA at June 30, is as follows:

	<u>2021</u>	<u>2020</u>
USDA Note A - 2.75%	\$ 2,999,999	\$ 2,999,999
USDA Note B - 2.75%	2,999,990	2,999,990
USDA Note C - 2.75%	2,999,900	2,999,900
USDA Note D - 2.75%	2,890,001	2,890,001
USDA Note E - 2.75%	2,770,380	2,770,380
USDA Note F - 2.75%	1,250,000	1,250,000
USDA Note G - 2.75%	<u>3,000,000</u>	<u>3,000,000</u>
	18,910,270	18,910,270
Less: deferred loan costs, net	<u>(32,764)</u>	<u>(33,785)</u>
	<u><u>\$ 18,877,506</u></u>	<u><u>\$ 18,876,485</u></u>

Future minimum principal payments under notes payable – USDA at June 30, 2021 are as follows:

2022	\$ 311,124
2023	382,872
2024	393,538
2025	404,495
2026	-
Thereafter	<u>17,418,241</u>
	<u><u>\$ 18,910,270</u></u>

Interest expense, including amortization of loan costs, incurred under this agreement for the years ended June 30, 2021 and 2020 was \$521,045 and \$517,564, respectively.

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12. OPERATING LEASE AGREEMENT – BERKELEY COUNTY LIBRARY

On April 24, 2017, the Association and Berkeley County, South Carolina, signed a twenty (20) year lease agreement for space at the newly constructed Cane Bay Family YMCA. As provided in the agreement, the Association agrees to lease approximately 5,553 square feet of space, together with the right to use in common with others, the parking lot and other common areas. The lease term shall be twenty (20) years from the final completion date of the project. The base rent for the entire term of the lease is \$1,000,000 and was received in full and discounted at an internal rate of 2.5% over the term of the agreement.

Deferred future rent income under this agreement at June 30 is as follows:

2022	\$	26,689
2023		27,364
2024		28,056
2025		28,765
2026		29,493
Thereafter		804,249
		<hr/>
	\$	944,616
		<hr/>

13. RETIREMENT BENEFITS

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (the Retirement Fund). The Plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements. The Retirement Fund is operated as a church pension plan and is a non-profit, tax-exempt New York state corporation. Participation is available to all dully organized YMCAs in the United States. 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 are remitted to the Retirement Fund monthly. Contribution expense was \$30,803 and \$20,995 for the years ended June 30, 2021 and 2020, respectively.

14. DISCLOSURE OF LIQUIDITY INFORMATION

The following reflects the Association's financial assets as of the Statements of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statements of Financial Position date (June 30th).

	<u>2021</u>	<u>2020</u>
Financial assets, at end of year	\$ 225,112	\$ 879,068
Less those unavailable for general expenditure within one year:		
Subject to contractual debt reserves	<hr/> -	<hr/> -
Financial assets to meet the cash needs for general expenditures within one year	<hr/> \$ 225,112	<hr/> \$ 879,068
	<hr/>	<hr/>

CANNON STREET YOUNG MEN’S CHRISTIAN ASSOCIATION
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15. PAYCHECK PROTECTION PROGRAM

On April 29, 2020, the Association received a \$222,530 Paycheck Protection Program (“PPP”) loan from the US Small Business Administration (“SBA”) through a commercial lender. On February 8, 2021, the Association received a second PPP loan in the amount \$229,296, substantially under the same terms. The loans were forgivable under expanding terms if the Association was able to retain employees and expend funds under the criteria of the PPP. The Association met the terms of PPP forgiveness and applied for and received approval for forgiveness. In accordance with generally accepted accounting principles in the United States of America (US GAAP), an organization can elect to treat a PPP note as federal financial assistance if it is probable it will meet the PPP forgiveness criteria at the time of note issuance or during the term of the related note. Accordingly, the Association has treated the forgiveness as federal financial assistance, and not gain on forgiveness of debt under US GAAP. Further, the Association presented such federal financial assistance in the operating section of the Statements of Cash Flows versus the financing section under these standards.

16. SUBSEQUENT EVENTS

In accordance with ASC 855, *Subsequent Events*, the Association’s management has evaluated subsequent events at June 30, 2021 through May 25, 2022 the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.