# Young Men's Christian Association of Dane County, Inc.

Financial Report
December 31, 2020

## Contents

RSM US LLP

## Independent Auditor's Report

Board of Directors
Young Men's Christian Association
of Dane County, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of Dane County, Inc. (the Association), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities 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.

### Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Dane County, Inc. as of December 31, 2020 and 2019, 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.

**Emphasis of Matter**
As discussed in Note 1 to the financial statements, the Association adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

RSM US LLP

Madison, Wisconsin
May 27, 2021

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Financial Position**
**December 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 1,336,609 | $ 994,343 |
| Cash - endowment fund | 48,038 | 36,541 |
| Receivables: | | |
| Pledges receivable | 392,640 | 148,564 |
| Other receivables (net of allowance of $49,000 and $35,000 in 2020 and 2019, respectively) | 227,676 | 311,806 |
| Operating lease right-of-use assets, net | 18,112 | - |
| Prepaid expenses and other | 124,495 | 130,313 |
| **Total current assets** | 2,147,570 | 1,621,567 |
| Certificates of deposit designated for unemployment compensation | 175,813 | 173,639 |
| Investments - endowment fund | 1,379,337 | 1,220,426 |
| Beneficial interest in remainder trust | 78,351 | 81,393 |
| Pledges receivable, net of current portion | 558,332 | 633,668 |
| Interest in net assets of Foundation | 135,140 | 131,551 |
| Property and equipment, net | 8,774,743 | 9,147,196 |
| | $ 13,249,286 | $ 13,009,440 |
| **Liabilities and Net Assets** | | |
| Current liabilities: | | |
| Accounts payable | $ 144,720 | $ 421,269 |
| Accrued salaries and benefits | 206,951 | 260,874 |
| Other accrued liabilities | 175,677 | 171,249 |
| Deferred revenue: | | |
| Grants | 75,855 | 42,130 |
| Programs | 134,096 | 538,188 |
| Memberships | 7,008 | 33,498 |
| Current portion of operating lease liabilities | 9,793 | - |
| Current portion of finance lease obligations | 107,313 | 127,086 |
| Current portion of long-term debt | 533,586 | 203,769 |
| **Total current liabilities** | 1,394,999 | 1,798,063 |
| Operating lease liabilities, less current portion | 8,319 | - |
| Finance lease obligations, less current portion | 101,027 | 201,840 |
| Long-term debt, net of unamortized debt issuance costs of $67,522 in 2020 and $75,107 in 2019 | 4,307,291 | 4,511,333 |
| Paycheck Protection Program loan | 1,428,100 | - |
| **Total liabilities** | 7,239,736 | 6,511,236 |
| Net assets: | | |
| Without donor restrictions: | | |
| Available for general activities | 1,932,737 | 2,759,669 |
| Board designated: | | |
| Unemployment compensation | 175,813 | 173,639 |
| Endowment fund | 1,421,450 | 1,251,043 |
| Repair and replacement | 740,227 | 740,227 |
| Total without donor restrictions | 4,270,227 | 4,924,578 |
| With donor restrictions | 1,739,323 | 1,573,626 |
| **Total net assets** | 6,009,550 | 6,498,204 |
| | $ 13,249,286 | $ 13,009,440 |

See notes to financial statements.

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Activities**
**Years Ended December 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| Support: | | |
| Contributions | $ 389,977 | $ 361,011 |
| Grants | 484,881 | 266,779 |
| Special events (net of expenditures of $28,565 and $53,021 in 2020 and 2019, respectively) | 24,716 | 113,259 |
| United Way of Dane County | 13,711 | 18,531 |
| Net assets released from restrictions | 148,565 | 65,520 |
| Total support | 1,061,850 | 825,100 |
| Revenue: | | |
| Program and other fees | 3,753,591 | 6,208,797 |
| Membership dues | 3,753,096 | 4,937,252 |
| Purchase of service contracts | 10,745 | 15,060 |
| Merchandise sales | 5,232 | 7,536 |
| Investment income | 172,586 | 203,300 |
| Other | 83,183 | 27,589 |
| Change in interest in net assets of Foundation | 8,687 | 17,335 |
| Total revenue | 7,787,120 | 11,416,869 |
| **Total support and revenue** | 8,848,970 | 12,241,969 |
| Expenses: | | |
| Salaries | 5,009,554 | 6,399,667 |
| Payroll taxes and insurance | 459,282 | 571,876 |
| Employee benefits | 574,972 | 710,825 |
| Professional fees | 195,367 | 334,129 |
| Supplies | 387,467 | 570,337 |
| Telephone and postage | 79,274 | 89,812 |
| Printing and promotion | 139,845 | 172,132 |
| Occupancy | 1,044,962 | 1,138,703 |
| Technology | 240,969 | 221,120 |
| Interest expense | 128,146 | 149,382 |
| Depreciation and amortization | 842,575 | 886,426 |
| Minor equipment and equipment repair | 92,040 | 124,740 |
| Travel, conferences and meetings | 51,076 | 200,657 |
| National percentage support | 128,469 | 162,543 |
| Organizational dues | 10,902 | 9,905 |
| Bad debt expense | 118,903 | 51,300 |
| Other (income) expense | (482) | 6,391 |
| **Total expenses** | 9,503,321 | 11,799,945 |
| **Change in net assets without donor restrictions** | (654,351) | 442,024 |

(Continued)

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Activities (Continued)**
**Years Ended December 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| **Changes in Net Assets With Donor Restrictions** | | |
| Change in value of beneficial interest in remainder trust | $ (3,042) | $ 8,850 |
| Contributions | 41,841 | 782,233 |
| Grants | 275,463 | - |
| Net assets released from restrictions | (148,565) | (65,520) |
| **Change in net assets with donor restrictions** | 165,697 | 725,563 |
| **Change in net assets** | (488,654) | 1,167,587 |
| Net assets beginning of year | 6,498,204 | 5,330,617 |
| Net assets, end of year | $ 6,009,550 | $ 6,498,204 |

See notes to financial statements.

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Cash Flows**
**Years Ended December 31, 2020 and 2019**

| | 2020 | 2019 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ (488,654) | $ 1,167,587 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 842,575 | 886,426 |
| Gain on sale of property and equipment | (1,822) | - |
| Amortization of debt issuance costs included in interest | 7,585 | 7,871 |
| Change in value of beneficial interest in remainder trust | 3,042 | (8,850) |
| Undistributed change in interest in net assets of Foundation | (3,589) | (12,342) |
| Unrealized and realized gains on investments | (156,429) | (183,256) |
| Changes in assets and liabilities: | | |
| Pledges receivable | (168,740) | (716,712) |
| Other receivables | 84,130 | (179,974) |
| Prepaid expenses and other | 5,818 | 3,710 |
| Accounts payable | (276,549) | 40,623 |
| Accrued expenses and other | (49,495) | 72,669 |
| Deferred revenue | (396,857) | (3,062) |
| **Net cash (used in) provided by operating activities** | (598,985) | 1,074,690 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (470,400) | (484,921) |
| Proceeds from the sale of property and equipment | 2,100 | - |
| Purchase of investments | (684,873) | (190,503) |
| Proceeds from sales of investments | 682,391 | 166,093 |
| **Net cash used in investing activities** | (470,782) | (509,331) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of long-term debt | 322,321 | 360,495 |
| Proceeds from Paycheck Protection Program loan | 1,428,100 | - |
| Payments on finance lease obligations | (120,586) | (193,897) |
| Principal payments on long-term debt | (204,131) | (160,286) |
| **Net cash provided by financing activities** | 1,425,704 | 6,312 |
| **Net increase in cash, cash equivalents, certificates of deposit and restricted cash** | 355,937 | 571,671 |
| Cash, cash equivalents, certificates of deposit and restricted cash, beginning of year | 1,204,523 | 632,852 |
| Cash, cash equivalents, certificates of deposit and restricted cash, end of year | $ 1,560,460 | $ 1,204,523 |

(Continued)

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Cash Flows (Continued)**
**Years Ended December 31, 2020 and 2019**

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Supplemental disclosures of cash flow information: | | | | |
| Cash payments for interest | $ | **131,496** | $ | 149,425 |
| | | | | |
| Supplemental schedule of noncash investing and financing activities: | | | | |
| Equipment acquired through issuance of finance lease | $ | - | $ | 346,345 |
| | | | | |
| Reconciliation of cash, cash equivalents, certificates of deposit and restricted cash to the statements of financial position: | | | | |
| Cash and cash equivalents | $ | **1,336,609** | $ | 994,343 |
| Cash - endowment fund | | **48,038** | | 36,541 |
| Certificates of deposit designated for unemployment compensation | | **175,813** | | 173,639 |
| **Total cash, cash equivalents, certificates of deposit and restricted cash** | **$** | **1,560,460** | $ | 1,204,523 |

See notes to financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities**: The Young Men's Christian Association of Dane County, Inc. (the Association) offers human services which include programs within the general areas of healthy living, family support, child care, youth leadership development, social responsibility, and community outreach to persons in the Dane County area.

A summary of the Association's significant accounting policies follows:

**Use of estimates**: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents**: Highly liquid investments with a maturity of three months or less when acquired or investments readily convertible to known amounts of cash are considered to be cash equivalents. Bank balances of cash and certificates of deposit generally exceed Federal Deposit Insurance Corporation insured limits. Management does not believe there is a risk of loss associated with these accounts.

**Cash - endowment fund**: Cash equivalents held in the endowment fund investment account are classified as cash – endowment fund.

**Pledges receivable**: Unconditional promises to give are recorded as pledge receivables in the year the promise is made. Pledges expected to be collected in future years, are recorded at the present value of the expected future cash flows. Management determines the allowance for doubtful accounts based on an assessment of the current status of individual amounts. Management believes all pledges are fully collectible as of December 31, 2020 and 2019.

**Other receivables**: Receivables for program, memberships and other miscellaneous revenues are initially carried at original transaction amount. Each reporting period, the Association evaluates the collectability of the receivables and records an allowance for doubtful accounts representing its estimate of the probable losses. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**Certificates of deposit**: Certificates of deposit are recorded at amortized cost.

**Investments**: Investments are carried at fair value with gains and losses included in the statements of activities.

**Beneficial interest in remainder trust**: The Association received a contribution in which the donor has retained a life interest. The Remainder Trust gift is a time-restricted contribution not available to the Association until after the death of the donor's spouse, who, while living, receives quarterly payouts from the Trust based on a fixed percentage of the market value of the invested funds as of December 18, 2001, the date of the Trust. The assets are invested and administered by a trustee, and distributions are made to the beneficiaries. Adjustments to the assets' carrying value is recognized as change in value of beneficial interest in the remainder trust and is classified as a change in assets with donor restrictions.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Charitable lead annuity trust**: The Association was named a five percent beneficiary of a charitable lead annuity trust. The Trust gift is an annuity payment received on or before the last day of each taxable year for a 10-year term beginning December 31, 2018. Yearly payouts from the Trust are based on a fixed dollar amount based on the initial net fair market value of the assets allocated to the Trust, using the values as finally determined for federal estate tax purposes. The assets are invested and administered by a trustee, and distributions are made to the beneficiaries. Adjustments to the asset's carrying value will be recognized as changes in the value of the charitable lead annuity trust and will be classified as changes in assets with donor restrictions. The non-current portion of the asset is recorded at net present value as a pledge receivable. The trust funds are restricted for expenditures for YMCA East and YMCA West.

**Interest in net assets of foundation**: The Association has an ongoing economic interest in the net assets of the Madison Community Foundation, Inc. (the Foundation). Accordingly, the Association recognizes its interest in the net assets of the Foundation at fair value, which is included in the accompanying statements of financial position, as interest in net assets of Foundation. The Association recognizes changes in its interest in net assets of the Foundation and presents those changes in the accompanying statements of activities as changes in interest in net assets of Foundation.

**Property and equipment**: Property and equipment whose cost exceeds $2,500 is capitalized at cost. Donated assets are capitalized at their estimated fair value at the date donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are amortized over the shorter of the lease term or useful life. Amortization of assets acquired under finance leases is included with depreciation and amortization expense on owned assets. Interest expense incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**Membership and program revenue recognition**: The Association generates substantial amounts of revenues from providing membership services to its members through collection of membership dues and offering various activity programs to its program participants throughout the year through collection of program and other fees. A single contract could include one or multiple performance obligations. For those contracts that have multiple performance obligations, if any, the Association allocates the total transaction price to each performance obligation based on its relative standalone selling price, which is determined based on the Association's overall pricing objectives, taking into consideration market conditions and other factors.

Revenue is recognized when control of the goods and services provided are transferred to the Association's members or program participants in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods and services using the following steps: 1) identify the contract, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue as or when the Association satisfies the performance obligations.

The Association typically satisfies its performance obligation for membership dues over time as the related services are provided during the membership contract period as a stand-ready obligation. The performance obligation related to program and other fees are typically satisfied evenly over the course of the program service period and is a faithful depiction of how the Association transfers control of goods and services to its customers.

### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Association generally recognizes its revenues under fixed-fee billing arrangements. In fixed-fee billing arrangements, the Association agrees to a pre-established fee in exchange for a predetermined set of membership, program, or other services. Revenues for such services are generally recognized on a straight-line basis over the length of the contract. If the Association's estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable.

The payment terms and conditions in contracts vary and contain no financing components. Payments in general are required to be made in advance prior to the beginning of membership or program period. Differences between the timing of billings and the recognition of revenue are recognized as either other receivables or deferred revenues in the statement of financial position.

Variable considerations exist with contracts related to discounts and financial assistance given to qualifying individuals or families who are socially and/or economically disadvantaged, and refunds. Financial assistance is awarded based on a member application, income support, and the Association's approval. All of the factors are considered in determining the transaction price and allocated to the performance obligation based on the stand alone selling price of membership and program services. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recorded will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Any price concession is reflected in deferred revenue in the contract month prior to revenue being recognized.

Refunds, although rare, can be provided at the request of program participants prior to the conclusion of a program. In most instances, a product-exchange (i.e. credit for future program) is first offered to participants. Refunds are considered as price concession in determining the transaction price.

Services performed that the Association is not yet entitled to bill because certain events, such as the full satisfaction of the Association's performance under its contract with customers must occur, are reported as contract assets. As of December 31, 2020 and 2019, there was no such contract asset reported in the statements of financial position. Prepayments for membership dues and program and other fees are classified as deferred revenue (contract liability) and recognized over future periods in accordance with the applicable contract and the Association's revenue recognition policy.

**Contributions**: Contributions are recorded as revenue when received or when an unconditional pledge has been made. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received whose restrictions or conditions are met within the same year as received are recognized as revenue without donor restriction in the period received. 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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**Grant revenue**: Grant revenue is recognized when allowable expenses related to a grant are incurred. Grants received in advance are recorded as deferred revenue - grants on the statements of financial position. The Association's grant revenues are considered non-reciprocal, non-exchange transactions and are recognized similarly to contributions with conditions. Revenue recognition is deferred until such conditions are fully met by the Association.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Sales and similar taxes**: For membership dues and program and other fees, the revenue generated from such services support the Association's mission as a 501(c)(3) organization and are generally exempt from the collection of sales tax. For any revenue streams where the Association is legally required to collect sales taxes, the Association has elected to make the accounting policy election to exclude sales taxes and similar taxes from the measurement of transaction price under Accounting Standards Codification (ASC) 606.

**Basis of presentation**: The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

*Net assets without donor restrictions*: Net assets without donor restrictions are resources available to support the Association. Contributions are considered to be without donor restrictions and available for general use unless specifically restricted by the donor.

Board designated net assets represent amounts received without donor restrictions that have been designated by the Board of Directors for specific use and are included in net assets without donor restrictions. The Board has designated net assets for the deposit required for unemployment compensation, for repair and replacement of property and equipment, and for the YMCA endowment fund (the Fund) established by the Board in 2004. The purpose of the Fund is to provide continuing financial support for programs, scholarships, new initiatives, and general operating expenses for the Association and to ensure the future success and stability of the Association. Assets designated for the Fund are included in investments and cash on the statements of financial position.

*Net assets with donor restrictions:* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

**Advertising costs**: The Association expenses advertising costs as incurred. Advertising expenses were approximately $102,000 and $138,000 for the years ended December 31, 2020 and 2019, respectively.

**Income taxes**: The Association is classified as a publicly-supported organization by the Internal Revenue Service and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from local property taxes and state franchise or income taxes.

The Association follows the provisions of the Uncertainty in Income Taxes Section of the Income Taxes Topic of the Financial Accounting Standards Board (FASB) ASC. These provisions address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

The Association files a Form 990 (Return of Organization Exempt from Income Tax) annually. When this return is filed it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions include the tax exempt status of the entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Recently adopted accounting standards**: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is intended to increase transparency and comparability among organizations related to their leasing arrangements. The new lease standard (ASC 842), including all the related amendments subsequent to its issuance, supersedes the current guidance for lease accounting and requires lessees to recognize a right-of-use (ROU) asset representing the ROU an underlying asset and a lease liability representing the obligation to make lease payments over the lease term for substantially all leases, as well as disclose key quantitative and qualitative information about leasing arrangements. The Association has made an accounting policy election available under the new lease standard to not recognize lease assets and lease liabilities for leases with a term of 12 months or less.

Effective January 1, 2020, the Association implemented ASU 2016-02, *Leases*, which amended authoritative guidance on leases and is codified in ASC Topic 842. The amended guidance requires lessees to recognize most leases on their balance sheets as ROU assets along with corresponding lease liabilities. The new standard requires lessees to classify leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification impacts the timing and presentation of lease-related expense. The FASB's authoritative guidance provides companies with the option to apply this ASU to new and existing leases within the scope of the guidance as of the beginning of the period of adoption. The Association elected this transition method of applying the new standard and has recognized ROU assets and lease liabilities as of January 1, 2020. Prior period amounts were not adjusted and will continue to be reported under the accounting standards in effect for those periods. The adoption of this standard did not have a material impact on the statement of financial position for the year ended December 31, 2020 since the capitalization of ROU assets and lease liabilities associated with the Association's current operating leases was not material. For the year ended December 31, 2020, operating ROU assets and lease liability was $18,112.

Upon adoption of the new standard on January 1, 2020, the Association elected the package of practical expedients provided under the guidance. The practical expedient package applies to leases that commenced prior to adoption of the new standard and permits companies not to reassess whether existing or expired contracts are or contain a lease, the lease classification and any initial direct costs for existing leases. The Association has elected to not separate the lease and non-lease components within our lease contracts. Therefore, all fixed costs associated with the lease are included in the ROU asset and the lease liability. The Association did not elect the hindsight practical expedient.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for the Association's year ending December 31, 2020. There was no effect of the adoption of this new standard on its financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Pending accounting standards**: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. The Association is currently evaluating the impact of this new standard on its financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.* ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effect of) reference rate reform on financial reporting. The provisions of ASU 2020-04 are effective as of March 12, 2020 through December 31, 2022. The Association is currently evaluating the impact of this new standard on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Association beginning on January 1, 2022. The Association is currently evaluating the impact of this new guidance on its financial statements.

**Subsequent events**: The Association has evaluated subsequent events for potential recognition and/or disclosures through May 27, 2021, the date the financial statements were issued.

## Note 2. Liquidity

Financial assets available for general expenditures within one year of the statements of financial position date of December 31, 2020 and 2019 consists of the following:

| | 2020 | 2019 |
|---|---|---|
| Cash and cash equivalents | $ 1,336,609 | $ 994,343 |
| Pledges receivable, current | 392,640 | 148,564 |
| Other receivables, net | 227,676 | 311,806 |
| | $ 1,956,925 | $ 1,454,713 |

The Association annually receives donor gifts that generally do not have time and purpose restrictions. Most often the gifts are utilized to fund financial assistance for membership dues and program service participation. The Board of Directors has designated unrestricted net assets to separately fund unemployment compensation reserves; repairs and replacement of property and equipment and an endowment fund. The endowment fund's purpose is to provide continuing financial support for programs, scholarships, new initiatives, general operating expenses and to ensure the future stability of the organization. Although the endowment fund is listed as not available to be used within one year, with Board approval, such funds can be made readily available as needed.

## Note 2. Liquidity (Continued)

Investment income without donor restrictions, contributions without donor restrictions, and contributions with donor restrictions for use in current activities and programs, are considered to be available to meet cash needs for general expenditures.

The Association manages its cash available to meet general expenditures by operating within a prudent range of financial soundness and stability, maintaining a sufficient level of asset liquidity, and monitoring and maintaining reserves to provide reasonable assurance that all obligations will continue to be met.

## Note 3. Fair Value Measurements and Investments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the provisions as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the provisions are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment. These are inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3. Inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment estimation.

The Association invests in a professionally managed portfolio that invests in equities, fixed income, and U.S. real estate. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

| | December 31, 2020 | | | | December 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | | | | | |
| Mutual funds: | | | | | | | | |
| Equity securities: | | | | | | | | |
| U.S. equities | $ 746,154 | $ 746,154 | $ - | $ - | $ 567,971 | $ 567,971 | $ - | $ - |
| Developed foreign | 199,673 | 199,673 | - | - | 247,354 | 247,354 | - | - |
| Fixed income securities: | | | | | | | | |
| Taxable U.S. | 405,908 | 405,908 | - | - | 370,954 | 370,954 | - | - |
| U.S. listed real estate | 27,602 | 27,602 | - | - | 34,147 | 34,147 | - | - |
| Beneficial interest in remainder trust | 78,351 | - | - | 78,351 | 81,393 | - | - | 81,393 |
| Interest in net assets of Foundation | 135,140 | - | - | 135,140 | 131,551 | - | - | 131,551 |
| | $ 1,592,828 | $ 1,379,337 | $ - | $ 213,491 | $ 1,433,370 | $ 1,220,426 | $ - | $ 212,944 |

## Note 3. Fair Value Measurements and Investments (Continued)

Fair value of mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds and exchange-traded funds (ETFs) that are registered with the SEC. Open-ended mutual funds are required to publish their daily net asset value (NAV) and to transact at that price. ETFs are marketable securities which track an index and are traded and valued similarly to common stock. The funds held by the Association are deemed to be actively traded.

The beneficial interest in remainder trust funds are invested in debt and equity securities, and the Association records its interest in this trust at fair value based on estimated future cash receipts discounted at 0.6%, which approximates the rate of return on U.S. Government securities. The Association considers these funds as Level 3 investment.

The interest in net assets of the Foundation is based on an annual valuation report received from the Foundation's trustees. The Association's interest in funds held in trust by others is considered Level 3, based on unobservable inputs, in the fair value hierarchy.

The Association assesses the levels of the investments at each measurement date, and the transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Association's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended December 31, 2020 and 2019, there were no such transfers. For the years ended December 31, 2020 and 2019, valuation techniques for investment have been consistent with the prior year.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| | 2020 | |
|---|---|---|
| | Beneficial Interest in Remainder Trust | Interest in Net Assets of Foundation |
| Beginning balance, January 1 | $ 81,393 | $ 131,551 |
| Net realized and unrealized gain on investments | 16,779 | 8,373 |
| Distributions | (18,003) | (5,097) |
| Contributions | - | 1,993 |
| Interest, dividends, and other income | 2,682 | - |
| Fees and expenses | (4,500) | (1,680) |
| Ending balance, December 31 | $ 78,351 | $ 135,140 |

| | 2019 | |
|---|---|---|
| | Beneficial Interest in Remainder Trust | Interest in Net Assets of Foundation |
| Beginning balance, January 1 | $ 72,543 | $ 119,209 |
| Net realized and unrealized gain on investments | 28,018 | 14,986 |
| Distributions | (18,003) | (4,990) |
| Contributions | - | 3,764 |
| Interest, dividends, and other income | 3,335 | - |
| Fees and expenses | (4,500) | (1,418) |
| Ending balance, December 31 | $ 81,393 | $ 131,551 |

## Note 3. Fair Value Measurements and Investments (Continued)

Investment income consisted of the following for the years ended December 31:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Interest and dividends | $ | 16,157 | $ | 20,044 |
| Net unrealized and realized gains (losses) | | 156,429 | | 183,256 |
| Total investment income at December 31 | $ | 172,586 | $ | 203,300 |

## Note 4. Charitable Lead Annuity Trust/Pledge Receivable

The Association is the beneficiary of a charitable lead trust agreement held by an independent trustee. Under the terms of the agreement, the Association has an unconditional right to receive all or a portion of specified cash flows from the agreement. The agreement is valued at the initial fair market value based on expected future cash flows and discounted present value at a risk-adjusted rate. As of December 31, 2020 and 2019, the Association applied a discount rate of 3.2%. The Association's beneficial interest was $653,945 and $729,281 at December 31, 2020 and 2019, respectively.

The net present value of the pledge receivable is the following:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Pledges receivable in: | | | | |
| Less than one year | $ | 95,613 | $ | 95,613 |
| One to five years | | 478,065 | | 478,065 |
| More than five years | | 150,212 | | 245,825 |
| Total pledges receivables | | 723,890 | | 819,503 |
| Less discount to present value | | 69,945 | | 90,222 |
| Pledge receivable, net | | 653,945 | | 729,281 |
| Less current portion | | 95,613 | | 95,613 |
| Noncurrent pledges receivable, net | $ | 558,332 | $ | 633,668 |

## Note 5. Property and Equipment

Property and equipment as of December 31 are summarized as follows:

| | 2020 | 2019 |
|---|---|---|
| Land | $ 1,763,265 | $ 1,763,265 |
| Buildings and improvements | 19,712,391 | 19,370,176 |
| Equipment and leasehold improvements | 2,810,693 | 2,691,749 |
| | 24,286,349 | 23,825,190 |
| Less accumulated depreciation and amortization | 15,511,606 | 14,677,994 |
| Property and equipment, net | $ 8,774,743 | $ 9,147,196 |

Depreciation expense for the years ended December 31, 2020 and 2019 was $842,575 and $886,426, respectively.

## Note 6. Pledged Assets, Long-Term Debt, Letter of Credit and Subsequent Event

Long-term debt included the following as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|---|---|---|
| City of Sun Prairie, Wisconsin Variable Rate Demand Development Revenue Bonds, Series 2006, with variable interest at 1.19% at December 31, 2020, annual payments, varying in amounts from $175,000 to $370,000, due December 2036 | $ 4,175,000 | $ 4,340,000 |
| Interest free promissory note, payable to City of Madison only upon sale, change of use, or discontinuance of use of East facility | 95,000 | 95,000 |
| Shared Savings Agreement payable to Sun Prairie Utilities, with fixed interest at 2%, due July 2021 | 7,627 | 20,495 |
| Construction loan, payable to U.S. Bank, to finance construction on East location roof, with fixed interest at 4.32%, due September 2024 | 309,105 | 334,714 |
| Line of credit, payable to U.S. Bank to finance construction on West location roof and foundation, with variable interest at the prime rate, minus 0.5%, due April 30, 2021, effectively 2.75% at December 31, 2020 | 321,667 | - |
| Paycheck Protection Program loan payable with Johnson Bank, including interest at 1.0%, due May 11, 2022 | 1,428,100 | - |
| | 6,336,499 | 4,790,209 |
| Less current maturities of long-term debt | (533,586) | (203,769) |
| Unamortized debt issuance cost | (67,522) | (75,107) |
| Total long-term debt, net | $ 5,735,391 | $ 4,511,333 |

Substantially all the Association's assets are pledged as collateral for the bonds and line of credit. The mortgaged building is also collateral for the construction loan, and the endowment fund is pledged as collateral for the line of credit. The bonds contain various covenants including a fixed charge coverage ratio.

## Note 6. Pledged Assets, Long-Term Debt, Letter of Credit and Subsequent Event (Continued)

The bonds can be called on a daily basis by the bondholder. The Association has a remarketing agreement with the underwriter that provides for a "best efforts" remarketing of the bonds. The Association anticipates that additional bonds will be issued to extend the maturities; however, there can be no guarantee that these bonds can or will be remarketed. The bonds are secured by a letter of credit, expiring March 2022 in the amount of the outstanding principal balance on the bonds plus accrued interest. The letter of credit is collateralized by substantially all of the Association's assets. If the letter of credit is drawn on to pay for the bonds that were not remarketed, such amounts are due immediately.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. The CARES Act established the Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Administration (SBA), to provide loans to help offset certain payroll and other operating costs. The Association applied for and was awarded a PPP loan in the amount of $1,428,100 on May 11, 2020, calculated on the basis of documented payroll costs. The loan and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains payroll levels during the subsequent 24 week period. As of December 31, 2020, the Association has accounted for the loan as a long-term liability under FASB ASC 470 and has not recognized any of the loan amount into income as the loan was not forgiven.

On February 5, 2021, the Association's PPP loan of $1,428,100 was forgiven by the SBA. Therefore, future maturities of the PPP loan have been omitted from the future maturities table below.

Assuming no bonds are called by the bondholders, future maturities of long-term debt, excluding the original maturities of the PPP loan, are as follows:

| | |
|---|---|
| Years ending December 31, | |
| 2021 | $ 533,586 |
| 2022 | 210,601 |
| 2023 | 221,968 |
| 2024 | 417,244 |
| 2025 | 210,000 |
| 2026-2030 | 1,245,000 |
| 2031-2035 | 1,605,000 |
| 2036 | 465,000 |
| | 4,908,399 |
| Unamortized debt issuance cost | (67,522) |
| | $ 4,840,877 |

## Note 7. Leases and Rent Expense

The Association determines if a contract is or contains a lease at inception, which is the date on which the terms of the contract are agreed to and the agreement creates enforceable rights and obligations. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. ROU assets and lease liabilities are recognized based on the present value of lease payments over the lease term at commencement. The Association has elected to use the risk-free rate, specifically the U.S. Treasury bill rate, to discount the lease payments for leases that do not have a readily determinable implicit rate.

## Note 7. Leases and Rent Expense (Continued)

Under ASC 842, the Association has elected to not apply the recognition requirements to leases of less than twelve months. These leases are expensed on a straight-line basis and are not included within the Association's operating lease asset or liability. Lease costs associated with leases of less than twelve months were immaterial for the year ended December 31, 2020. The Association did not have any lease transactions with related parties.

The majority of the finance lease obligations relate to leased fitness equipment which are included in property and equipment, net, on the statements of financial position. Payments under the Association's finance lease agreements are fixed for terms ranging from one to five years. Accounting for finance leases is substantially unchanged under Topic 842.

The gross amounts of assets and liabilities related to both operating and finance leases are as follows:

| | | 2020 |
|---|---|---|
| Assets: | | |
| Operating lease assets | $ | 18,112 |
| Finance lease assets | | 208,340 |
| **Total lease assets** | $ | 226,452 |
| Liabilities: | | |
| Current: | | |
| Operating lease liabilities | $ | 9,793 |
| Finance lease liabilities | | 107,313 |
| Long-term: | | |
| Operating lease liabilities | | 8,319 |
| Finance lease liabilities | | 101,027 |
| **Total lease liabilities** | $ | 226,452 |

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease costs are as follows:

| | | 2020 |
|---|---|---|
| Operating lease cost | $ | 19,568 |
| Short term lease cost | | 81,792 |
| Variable lease cost | | 4,414 |
| Financed lease cost: | | |
| Amortization of ROU assets | | 140,734 |
| Interest on lease liabilities | | 16,734 |
| **Total lease cost** | $ | 263,242 |

### Note 7. Leases and Rent Expense (Continued)

Lease terms and discount rates are as follows:

| | |
|---|---|
| Weighted average remaining lease term (in years): | |
| Operating leases | 1.86 |
| Finance leases | 2.08 |
| Weighted average discount rate: | |
| Operating leases | 1.61% |
| Finance leases | 6.33% |

Supplemental cash flow information related to leases for the period are as follows:

| | | |
|---|---|---|
| Other information: | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ | 19,568 |
| Operating cash flows from finance leases | | 16,734 |
| Financing cash flows from finance leases | | 137,320 |

The approximate future minimum lease payments under finance and operating leases at December 31, 2020 are as follows:

| | | Finance Lease | | Operating Lease |
|---|---|---|---|---|
| Years ending December 31, | | | | |
| 2021 | $ | 116,936 | $ | 9,998 |
| 2022 | | 86,212 | | 8,086 |
| 2023 | | 16,032 | | 288 |
| 2024 | | 2,580 | | - |
| Total lease payments | | 221,760 | | 18,372 |
| Less imputed interest | | 13,420 | | 260 |
| Total present value of lease liabilities | $ | 208,340 | $ | 18,112 |

For the year ended December 31, 2019, assets under capital leases amounted to approximately $487,500; accumulated amortization was approximately $110,000 and amortization expense amounted to approximately $134,000. Rent expense was approximately $239,000 for 2019.

### Note 8. Unemployment Compensation

The Association has elected the reimbursement (self-insured) method for unemployment compensation benefits. In order to guarantee payment of eligible benefits, the Treasurer, Wisconsin Unemployment Reserve Fund, requires that the Association provide adequacy of assurance deposits totaling approximately $176,000 and $174,000 as of December 31, 2020 and 2019, respectively. To comply with this requirement, the Association has pledged a certificate of deposit in this amount.

## Note 9. Retirement Plan

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

In accordance with the agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary and are shared between the employee and employer. Employee contributions are mandatory for eligible employees and withheld from payroll pre-tax. Association contributions charged to expense aggregated approximately $298,000 and $371,000 for the years ended December 31, 2020 and 2019, respectively.

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

## Note 10. Functional Expenses

The cost of providing the Association's programs and other activities is summarized on a functional basis for the years ended December 31, 2020 and 2019 as follows:

| | 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Program Services | | | | Supporting Services | | |
| | Youth Development | Healthy Living | Social Responsibility | Total | Management and General | Fundraising | Total |
| Salaries | $ 3,377,848 | $ 734,316 | $ 149,197 | $ 4,261,361 | $ 545,308 | $ 202,885 | $ 5,009,554 |
| Payroll taxes and insurance | 294,375 | 81,864 | 16,101 | 392,340 | 50,170 | 16,772 | 459,282 |
| Employee benefits | 369,489 | 52,278 | 24,706 | 446,473 | 97,305 | 31,194 | 574,972 |
| Professional fees | 2,282 | 97,064 | - | 99,346 | 93,679 | 2,342 | 195,367 |
| Supplies | 269,954 | 42,672 | 58,579 | 371,205 | 6,313 | 9,949 | 387,467 |
| Telephone and postage | 12,926 | 48,212 | 482 | 61,620 | 14,076 | 3,578 | 79,274 |
| Printing and promotion | 93,657 | 6,901 | - | 100,558 | 372 | 38,915 | 139,845 |
| Occupancy | 944,240 | 65,805 | 2,867 | 1,012,912 | 32,050 | - | 1,044,962 |
| Technology | 94,185 | 89,208 | 5,864 | 189,257 | 51,712 | - | 240,969 |
| Interest expense | 69,240 | 54,831 | 3,380 | 127,451 | 695 | - | 128,146 |
| Depreciation and amortization | 425,019 | 384,727 | 23,718 | 833,464 | 9,111 | - | 842,575 |
| Minor equipment and equipment repair | 83,291 | 6,063 | - | 89,354 | 9 | 2,677 | 92,040 |
| Travel, conferences and meetings | 35,176 | 7,878 | 3,017 | 46,071 | 4,196 | 809 | 51,076 |
| National percentage support | 66,079 | 58,767 | 3,623 | 128,469 | - | - | 128,469 |
| Organizational dues | 5,390 | 46 | - | 5,436 | 4,017 | 1,449 | 10,902 |
| Bad debt expense | 28,271 | 52,620 | - | 80,891 | 30,879 | 7,133 | 118,903 |
| Other | 13 | 299 | - | 312 | (798) | 4 | (482) |
| | $ 6,171,435 | $ 1,783,551 | $ 291,534 | $ 8,246,520 | $ 939,094 | $ 317,707 | $ 9,503,321 |
| | 65% | 19% | 3% | 87% | 10% | 3% | 100% |

## Note 10. Functional Expenses (Continued)

| | 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Program Services | | | | Supporting Services | | |
| | Youth Development | Healthy Living | Social Responsibility | Total | Management and General | Fundraising | Total |
| Salaries | $ 4,106,253 | $ 1,155,205 | $ 340,633 | $ 5,602,091 | $ 605,868 | $ 191,708 | $ 6,399,667 |
| Payroll taxes and insurance | 366,067 | 106,084 | 30,347 | 502,498 | 52,843 | 16,535 | 571,876 |
| Employee benefits | 415,465 | 117,686 | 54,145 | 587,296 | 93,926 | 29,603 | 710,825 |
| Professional fees | 8,832 | 182,218 | - | 191,050 | 142,535 | 544 | 334,129 |
| Supplies | 453,516 | 51,330 | 48,663 | 553,509 | 8,201 | 8,627 | 570,337 |
| Telephone and postage | 11,466 | 65,737 | 524 | 77,727 | 11,023 | 1,062 | 89,812 |
| Printing and promotion | 140,359 | 7,346 | 770 | 148,475 | 1,268 | 22,389 | 172,132 |
| Occupancy | 1,044,144 | 60,274 | 2,258 | 1,106,676 | 31,976 | 51 | 1,138,703 |
| Technology | 102,264 | 89,382 | 4,585 | 196,231 | 24,889 | - | 221,120 |
| Interest expense | 81,642 | 63,746 | 3,308 | 148,696 | 686 | - | 149,382 |
| Depreciation and amortization | 455,832 | 400,692 | 20,791 | 877,315 | 9,111 | - | 886,426 |
| Minor equipment and equipment repair | 96,797 | 27,919 | - | 124,716 | 24 | - | 124,740 |
| Travel, conferences and meetings | 155,924 | 18,283 | 9,354 | 183,561 | 14,357 | 2,739 | 200,657 |
| National percentage support | 85,147 | 73,578 | 3,818 | 162,543 | - | - | 162,543 |
| Organizational dues | 7,748 | 944 | - | 8,692 | 340 | 873 | 9,905 |
| Bad debt expense | 7,432 | 31,604 | 185 | 39,221 | 11,809 | 270 | 51,300 |
| Other | - | - | - | - | 6,391 | - | 6,391 |
| | $ 7,538,888 | $ 2,452,028 | $ 519,381 | $ 10,510,297 | $ 1,015,247 | $ 274,401 | $ 11,799,945 |
| | 64% | 21% | 4% | 89% | 9% | 2% | 100% |

The financial statements report certain categories of expenses that are attributable to one or more programs or support functions of the Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include key employee compensation which is allocated based on estimated time and effort applied to the programs. Printing and promotion and technology are first applied directly to the programs based on usage with the remainder allocated along with depreciation and amortization and national support using a percentage of each program's revenue to the total revenue.

## Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

| | 2020 | 2019 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Beneficial interest in remainder trust for youth scholarship | $ 78,351 | $ 81,393 |
| Subject to the passage of time: | | |
| For periods after December 31 | 950,972 | 782,233 |
| Not subject to appropriation or expenditure: | | |
| Land restricted as to use by the donor | 710,000 | 710,000 |
| **Total net assets with donor restrictions** | $ 1,739,323 | $ 1,573,626 |

Net assets of $148,565 and $65,520 in 2020 and 2019, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

## Note 12. Endowment Fund

The Association's endowment consists of funds designated by the Board of Directors to function as an endowment. Net assets associated with endowment funds are classified and reported as net assets without donor restrictions.

The Association's endowment net asset composition is as follows for the years ended December 31, 2020 and 2019:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-designated | $ 1,421,450 | $ - | $ 1,421,450 | $ 1,251,043 | $ - | $ 1,251,043 |

The changes in endowment net assets for the Association were as follows for the years ended December 31, 2020 and 2019:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | $ 1,251,043 | $ - | $ 1,251,043 | $ 1,049,898 | $ - | $ 1,049,898 |
| Investment return: | | | | | | |
| Investment income | 14,265 | - | 14,265 | 18,074 | - | 18,074 |
| Appreciation - realized and unrealized, net | 156,142 | - | 156,142 | 183,071 | - | 183,071 |
| Total investment return | 170,407 | - | 170,407 | 201,145 | - | 201,145 |
| Endowment net assets, end of year | $ 1,421,450 | $ - | $ 1,421,450 | $ 1,251,043 | $ - | $ 1,251,043 |

*Return Objectives and Risk Parameters*

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

## Note 12. Endowment Fund (Continued)

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Association has a policy of appropriating for distribution funds which are subject to limitations imposed in the investment policy and which the Finance and Audit Committee will recommend to the Board for approval.

## Note 13. Payments to Affiliated Organization

The Association serves the citizens of Dane County, Wisconsin and is independently governed by a local board of community leaders and volunteers. The Association is dedicated to creating positive change in its community and is a member of the national YMCA organization, YMCA of the USA. The Association paid annual national support fees of approximately $128,000 and $163,000 in 2020 and 2019, respectively.

## Note 14. Risks and Uncertainties and Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Association operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. On December 21, 2020, Congress signed into law an additional coronavirus relief package.

It is unknown how long adverse conditions associated with the coronavirus will last, or the impact it will ultimately have on economies, financial markets and businesses throughout the world. During the fiscal year ended December 31, 2020, the Association closed its facilities, cancelled programs and child care for a period of time. In addition, the Association transitioned to a remote working environment for certain employees as a result of state and local health concerns including social distancing guidelines, while implementing a number of new health oriented guidelines, cleaning protocols and internal control enhancements related to remote work. The Association also continues to monitor market conditions associated with proactive management of its member and vendor bases as well as outstanding receivables.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including expected credit losses on receivables and investment volatility.

On February 5, 2021, the Association was approved for a second PPP in the amount of $1,153,945, calculated on the basis of documented payroll costs. The PPP loan matures February 5, 2026 and interest accrues at a rate of 1.0%. Principal plus accrued interest is due at maturity. If certain criteria are met, it is possible that all or a certain portion of this loan will be forgiven.