

**METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF  
THE ORANGES, INC.**

**COMBINED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2020 AND 2019**

**WITH INDEPENDENT AUDITORS' REPORT**

**R.A. FREDERICKS & COMPANY, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**MANAGEMENT CONSULTANTS**

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

**COMBINED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

## **CONTENTS**

	<b><u>PAGE</u></b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>FINANCIAL STATEMENTS:</b>	
COMBINED STATEMENTS OF FINANCIAL POSITION	3
COMBINED STATEMENT OF ACTIVITIES	4
COMBINED STATEMENTS OF CASH FLOWS	5
COMBINED STATEMENT OF FUNCTIONAL EXPENSES	6
NOTES TO COMBINED FINANCIAL STATEMENTS	7-32

Ralph A. Fredericks, CPA  
Ellen T. O'Donnell, CPA  
Theodore T. Clausen, CPA, CFE, CGMA

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Metropolitan Young Men's Christian Association of the Oranges, Inc.  
139 East McClellan Avenue  
Livingston, New Jersey 07039

We have audited the accompanying combined financial statements of the Metropolitan Young Men's Christian Association of the Oranges, Inc. which comprise the statement of financial position as of December 31, 2020, and the related combined statements of activities, cash flows and functional expenses for the year then ended and the related notes to the combined financial statements.

***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of these combined 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 audit. We conducted our audit 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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.

(Continued)

170 Changebridge Road, Unit B-4, Montville, New Jersey 07045  
Tel: (973) 575-6200 Fax: (973) 575-5444

**R.A. Fredericks & Company, LLP**

**Auditors' Responsibility (Continued)**

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

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Young Men's Christian Association of the Oranges, Inc. as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Metropolitan Young Men's Christian Association of the Oranges, Inc.'s 2019 financial statements, and our report dated September 10, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.



**R.A. FREDERICKS & COMPANY, LLP**

Montville, New Jersey  
July 23, 2021

**METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE  
ORANGES, INC.**

**COMBINED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	<b><u>ASSETS</u></b>	
	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and cash equivalents	\$ 2,320,852	\$ 3,950,404
Cash designated by board for future projects	737,096	259,469
Cash restricted for future projects	43,670	44,927
Accounts and other receivables - net	409,407	414,796
Contributions receivable	549,538	634,470
Inventories	52,000	58,681
Prepaid expenses and other assets	443,372	606,529
Investments	12,982,320	16,073,168
Security deposits and other assets	107,876	107,876
Land, buildings, and equipment-net	<u>25,361,084</u>	<u>26,659,902</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 43,007,215</u></b>	<b><u>\$ 48,810,222</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Notes payable	\$ 2,466,257	\$ 2,555,965
Accounts payable and accrued expenses	1,356,956	1,250,652
Deferred program revenue and other	671,343	1,934,789
Member and customer credits	917,003	186,032
Charitable gift annuity liability	29,984	-
Lease obligations payable	<u>-</u>	<u>7,116</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,441,543</u></b>	<b><u>5,934,554</u></b>
<b>NET ASSETS</b>		
Without donor restrictions	32,453,654	37,463,102
With donor restrictions	<u>5,112,018</u>	<u>5,412,566</u>
<b>TOTAL NET ASSETS</b>	<b><u>37,565,672</u></b>	<b><u>42,875,668</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 43,007,215</u></b>	<b><u>\$ 48,810,222</u></b>

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

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## COMBINED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2020 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)

	Without Donor Restrictions				2020	2019
	General		With Donor			
	Operating	Designated	Restrictions	Total		
<b>REVENUES, GAINS AND SUPPORT</b>						
Program Receipts:						
Community Groups	\$ 635,174	\$ -	\$ -	\$ 635,174	\$ 635,174	\$ 2,438,052
Camp	1,253,817	-	-	1,253,817	1,253,817	7,970,953
Youth activity	1,196,277	-	-	1,196,277	1,196,277	3,173,076
Child Care	8,655,224	-	-	8,655,224	8,655,224	15,298,428
Administrative rentals and sales	480,414	-	-	480,414	480,414	898,639
<b>Total program receipts</b>	<b>12,220,906</b>	<b>-</b>	<b>-</b>	<b>12,220,906</b>	<b>12,220,906</b>	<b>29,779,148</b>
Contributions	2,167,185	-	905,135	3,072,320	3,072,320	2,597,040
Government grants, contracts and other grants	-	-	1,087,790	1,087,790	1,087,790	865,020
Membership dues	3,066,229	-	-	3,066,229	3,066,229	6,390,583
Special events and projects	154,551	-	-	154,551	154,551	360,216
Investment income	3,831	1,873,022	832,675	1,876,853	2,709,528	657,563
Other revenue	24,155	-	-	24,155	24,155	97,207
Net assets released from restrictions for program activities	2,978,460	90,500	(3,068,960)	-	-	-
Net unrealized (losses) gains on long-term investments	-	(134,855)	(57,188)	(192,043)	(192,043)	2,662,820
Loss on disposal of property and equipment	-	(33,048)	-	(33,048)	(33,048)	-
Gain on involuntary conversion and insurance reimbursement	-	-	-	-	-	97,291
<b>Total revenue, gains and support</b>	<b>20,615,317</b>	<b>1,795,619</b>	<b>(300,548)</b>	<b>22,410,388</b>	<b>22,110,388</b>	<b>43,506,888</b>
<b>EXPENSES</b>						
Program services	20,472,550	2,120,238	-	22,592,788	22,592,788	33,128,087
Supporting services	4,827,596	-	-	4,827,596	4,827,596	6,931,774
<b>Total expenses</b>	<b>25,300,146</b>	<b>2,120,238</b>	<b>-</b>	<b>27,420,384</b>	<b>27,420,384</b>	<b>40,059,861</b>
Change in net assets before transfers	(4,684,829)	(324,619)	(300,548)	(5,309,996)	(5,309,996)	3,447,027
Transfers	2,093,664	(2,093,664)	-	-	-	-
<b>Change in net assets</b>	<b>(2,591,165)</b>	<b>(2,418,283)</b>	<b>(300,548)</b>	<b>(5,309,996)</b>	<b>(5,309,996)</b>	<b>3,447,027</b>
Net assets beginning of year	15,567,755	21,895,347	37,463,102	5,412,566	42,875,668	39,428,641
<b>Net assets end of year</b>	<b>\$ 12,976,590</b>	<b>\$ 19,477,064</b>	<b>\$ 5,112,018</b>	<b>\$ 37,565,672</b>	<b>\$ 37,565,672</b>	<b>\$ 42,875,668</b>

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

**METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE  
ORANGES, INC.**

**COMBINED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (5,309,996)	\$ 3,447,027
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,609,088	1,539,861
Loss on disposal of property and equipment	33,048	-
Bad Debts	157,929	-
Net unrealized losses (gains) on long-term investments	192,043	(2,662,820)
Gain from insurance proceeds	-	(97,291)
Net realized gains on sales of long-term investments	(2,539,604)	(437,889)
Changes in assets and liabilities:		
Accounts receivable	(152,540)	(145,620)
Contributions receivable	84,932	(187,819)
Prepaid expenses	163,157	76,289
Inventories	6,681	1,879
Deferred program revenue and other	(1,263,446)	(73,093)
Accounts payable and accrued expenses	106,304	(190,479)
Member and customer credits	730,971	186,032
Liability for charitable gift annuity	29,984	-
Net cash (used in) provided by operating activities	<u>(6,151,449)</u>	<u>1,456,077</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	7,745,978	2,317,418
Proceeds from insurance claims	-	97,291
Purchase of investments	(2,307,569)	(2,253,009)
Acquisition of property and equipment	<u>(343,318)</u>	<u>(1,532,500)</u>
Net cash provided by (used in) investing activities	<u>5,095,091</u>	<u>(1,370,800)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital leases	(7,116)	(14,232)
Payments on borrowings	<u>(89,708)</u>	<u>(339,896)</u>
Net cash used in financing activities	<u>(96,824)</u>	<u>(354,128)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,153,182)</b>	<b>(268,851)</b>
Cash and cash equivalents, restricted and designated cash at beginning of year	<u>4,254,800</u>	<u>4,523,651</u>
<b>Cash and cash equivalents, restricted and designated cash at end of year</b>	<b><u>\$ 3,101,618</u></b>	<b><u>\$ 4,254,800</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for:		
Interest	<u>\$ 92,096</u>	<u>\$ 102,507</u>

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

**METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2019)**

	Program Services						Supporting Services				2019	
	Membership Activities	Community Wellness	Camp	Youth Activities	Child Care	Property Management	Total program services	Administration	Fundraising	Supporting Activities		
Salaries and wages	\$ 2,664,663	\$ 1,181,725	\$ 855,819	\$ 1,279,442	\$ 4,884,839	\$ 639,501	\$ 11,505,989	\$ 2,407,467	\$ 128,210	\$ 2,535,677	\$ 14,041,666	\$ 20,641,253
Employee benefits	330,243	147,833	29,969	172,021	881,564	129,166	1,690,796	439,401	8,288	447,689	2,138,485	2,935,440
Payroll taxes	290,215	132,874	91,229	144,482	524,502	68,782	1,252,084	224,625	14,153	238,778	1,490,862	2,128,135
Contractual services	225,647	1,625	77,650	48,685	88,356	53,609	495,572	798,387	24,133	822,520	1,318,092	2,394,922
Supplies	105,328	107,451	97,790	129,694	266,514	122,341	829,118	177,060	69,717	246,777	1,075,895	2,099,303
Telephone	60,749	5,750	3,630	900	28,591	11,291	110,911	198,953	275	199,228	310,139	373,878
Postage and shipping	12,541	-	-	56	-	-	12,597	10,080	121	10,201	22,798	46,092
Occupancy/space costs	74,877	12,980	44,071	47,975	477,027	1,829,377	2,486,307	59,902	-	59,902	2,546,209	3,985,998
Equipment costs	33,513	265,337	3,432	2,022	30,041	125,379	459,724	47,546	-	47,546	507,270	862,603
Insurance	-	-	-	-	-	461,898	461,898	38,000	-	38,000	499,898	481,025
Printing/publications	230,363	4,428	81,989	1,708	108,500	-	426,988	1,044	10,295	11,339	438,327	486,972
Travel and employee expense	71,787	10,923	29,401	16,086	45,394	10,178	183,769	129,606	7,300	136,906	320,675	513,728
Conference, meetings and dues	234,490	4,148	4,544	11,671	7,452	-	262,305	24,088	7,255	31,343	293,648	568,020
Bad debt expense	33,039	-	-	-	123,200	-	156,239	1,690	-	1,690	157,929	1,877
Interest expense	-	-	52,896	16,173	280,015	-	92,096	92,096	-	-	92,096	102,507
Credit card and bank fees	150,035	24,547	-	-	-	-	523,666	-	-	-	523,666	762,691
Other expenses	20,606	-	9,563	3,472	-	-	33,641	-	-	-	33,641	135,556
Subtotal	4,538,096	1,899,621	1,381,983	1,874,387	7,745,995	3,543,618	20,983,700	4,557,849	269,747	4,827,596	25,811,296	38,520,000
Depreciation and amortization	-	-	-	-	-	1,609,088	1,609,088	-	-	-	1,609,088	1,539,861
<b>TOTAL EXPENSES 2020</b>	<b>\$ 4,538,096</b>	<b>\$ 1,899,621</b>	<b>\$ 1,381,983</b>	<b>\$ 1,874,387</b>	<b>\$ 7,745,995</b>	<b>\$ 5,152,706</b>	<b>\$ 22,592,788</b>	<b>\$ 4,557,849</b>	<b>\$ 269,747</b>	<b>\$ 4,827,596</b>	<b>\$ 27,420,384</b>	<b>\$ 40,059,861</b>
<b>TOTAL EXPENSES 2019</b>	<b>\$ 2,813,812</b>	<b>\$ 1,945,798</b>	<b>\$ 5,268,051</b>	<b>\$ 3,353,297</b>	<b>\$ 11,648,525</b>	<b>\$ 8,098,604</b>	<b>\$ 33,128,087</b>	<b>\$ 6,423,824</b>	<b>\$ 507,950</b>	<b>\$ 6,931,774</b>	<b>\$ 40,059,861</b>	

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



# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Organization**

The Metropolitan Young Men's Christian Association of the Oranges, Inc. ("YMCA") is a New Jersey not-for-profit corporation operating seven local branches. Revenue is generated in numerous ways, including program activities, memberships, and grants from governmental and private sources, fees and donations.

The YMCA has an agreement with The Young Men's and Young Women's Hebrew Association of North Jersey ("YM-YWHA") located in Wayne, New Jersey, so that it can be operated as a branch of the YMCA. The agreement provides that all facilities of the YM-YWHA are leased to and operated by the YMCA (see Note 10). The YMCA does not control the separate YM-YWHA not-for-profit entity and therefore, the interest in the YM-YWHA is not included in the combined financial statements.

#### **Mission Statement**

The YMCA's mission is to strengthen community through youth development, healthy living, and social responsibility.

#### **Program Activities**

The major program activities are described as follows:

##### **a. Membership Activities**

Members use the YMCA facilities and the many programs for personal activities.

##### **b. Community and Youth Development**

Extensive programs are sponsored daily for children between ages of 3 through 17 throughout our community to engage youth in healthy, safe, recreational and enrichment activities. Health and wellness activities are available for community members of all ages. The YMCA also delivers community-building programs for all community members.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **c. Camp**

Children between the ages of 8 and 15 spend up to 8 weeks at Fairview Lake YMCA Camps, enjoying sponsored outdoor activities. Children between the ages of 3 and 17 spend up to 10 weeks at our various day camps.

#### **d. Child Care**

Child care centers have been established for infants, toddlers and preschoolers during the normal working day. School age child care is provided before and after school.

#### **e. Property Management**

Property management is to operate and maintain all facilities, including but not limited to, pools, gymnasiums, cabins, buildings, dining halls and kitchens.

#### **Principles of Combination**

The accompanying combined financial statements have been prepared using the accrual basis of accounting and include accounts representing all Branches as follows: Association Services, East Orange, Fairview Lake YMCA Camps, South Mountain, Sussex County, West Essex, Wayne and Greater Bergen. All significant inter-branch and inter-association transactions and balances have been eliminated in combination.

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

---

### NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Comparative Financial Information

The YMCA's combined financial statements are prepared in accordance with the provisions of ASC Topic 958 "*Financial Statements of Not-for-Profit Organizations*." ASC Topic 958 establishes standards for general purpose, external financial statements of financial position, activities, cash flows and functional expenses. It also requires that an organization's net assets and its revenues, expenses, gains and losses be classified based on the existence or absence of donor-imposed restrictions.

The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organizations financial statements for the year ended December 31, 2019, from which the summarized information was derived.

#### Cash and cash equivalents

The YMCA consider all cash and highly liquid instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. The YMCA investment portfolio includes cash held for investments, for which the balances are reported as assets designated by board for future projects in the accompanying combined financial statements.

The following table provides a reconciliation of cash, cash equivalents, and designated cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,320,852	\$ 3,950,404
Cash designated by board for future projects	737,096	259,469
Cash restricted for future projects	<u>43,670</u>	<u>44,927</u>
	<u>\$ 3,101,618</u>	<u>\$ 4,254,800</u>

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Inventories**

Inventories consisting of merchandise, supplies and food are carried at the lower of cost or market on a first-in first-out basis.

#### **Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due from YMCA members and participants in accordance with the respective agreements established by the YMCA. The YMCA determines the allowance for uncollectable accounts receivable based on the amount management expects to collect from outstanding balances. Customer account balances with invoices dated over 30 days old are considered delinquent. Management provides for uncollectible accounts through a provision for bad debt expense based on all customer account balances over 30 days old. In accordance with our policies, the carrying amount of accounts receivable is reduced by a valuation allowance that reflects these delinquent accounts. In 2019, these delinquent accounts were written off against the allowance. The allowance for uncollectible accounts amounted to \$143,292 and \$0 at December 31, 2020 and 2019, respectively. Bad debt expense in 2020 and 2019 amounted to \$157,929 and \$1,877, respectively.

#### **Investments**

The YMCA records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

The YMCA has debt and equity securities which are subject to market activities and fluctuations. Investments in funds are subject to risk conditions of the individual fund objectives, stock market fluctuations, interest rates, economic conditions and world affairs. The realization is dependent upon economic stability of the securities and issuing entities. At various times throughout the year, the YMCA maintain investment balances at financial institutions which may exceed insured limits.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Investments (continued)**

The YMCA maintains an investment portfolio advisor to oversee its investment portfolio.

- The YMCA policy is to sell donated securities immediately, and accordingly, for purposes of the accompanying statement cash flows, donated securities received and sold in the same year are reported in the change in net assets shown in operating activities.

#### **Debt Issuance Costs**

The YMCA follow the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the statements of activities and functional expenses.

#### **Land, buildings and equipment**

The YMCA records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. The costs of all routine recurring computer equipment are directly expensed. Depreciation is computed using the straight-line method over the estimated useful lives as follows: buildings and improvements - 10 to 60 years; machinery and equipment, furniture and fixtures and transportation equipment - 5 years. Land is not depreciated. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts and any resulting gain or loss is included in the statements of activities.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Split Interest Agreement**

The YMCA has entered into an irrevocable agreement with a donor whereby in exchange for the gift from the donor, the YMCA is obligated to make payments to the donor for a specific number of years.

A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value for agreements. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables.

#### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions:

##### *Net Assets Without Donor Restrictions:*

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board (the "Board") has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

##### *Net Assets With Donor Restrictions:*

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use and are recorded as without restrictions at their fair market value.

#### Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program service, administration, and fundraising and development activities. Contributed goods are recorded at fair value at the date of donation. The YMCA reviewed the rate at which the services were valued and updated the rate based on published rate data. Contributed services from unpaid volunteers in the amount of \$111,069 and \$512,269 have been recognized in the accompanying 2020 and 2019 combined statement of activities, respectively, because the criteria for recognition of such volunteer efforts has been satisfied. In addition, during 2020 and 2019, the YMCA received in-kind contributions in the amount of \$6,828 and \$53,972, respectively.

#### **Endowment**

The YMCA's endowment consists of both donor restricted and board designated funds. The donor fund is to sustain the YMCA's mission in the community. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Endowment (Continued)**

##### *Interpretation of Relevant Law*

The Board of Directors has determined that the New Jersey Prudent Management of Institutional Funds Act (NJ-PMIFA), an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), applies to the YMCA's endowment fund. UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organization, and UPMIFA imposes additional duties on those who manage and invest charitable funds. These duties provide additional protections for charities and also protect the interest of donors who want to see their contributions used wisely.

##### *Investment Policy Statement*

The fundamental investment objectives for investments are to ensure safety and preservation of principal, meet liquidity needs, apply diversification and risk limits appropriate to the investments and achieve optimal new investment returns subject to the risk tolerance, investment objectives and policy constraints. The YMCA's objective is to distribute the income earned during the reporting period.

##### *Spending Policy Statement*

In making expenditures from endowment funds, the Board of Directors complies first with any restrictions or requirements in the gift instrument as to purpose and amount. Except as otherwise provided by the gift instrument, in making expenditures from endowment funds, the Board takes into account all relevant considerations including, but not limited to, the long and short-term needs of the YMCA in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board conducts annual analysis of the historic dollar value of the endowment funds and relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The YMCA has a policy of appropriating for distribution each year its endowment fund's average interest and dividend income over the prior 3 years through the calendar year-end preceding the year in which the distribution is planned. In 2020, the Board approved the release of \$5,200,000 for 2020 expenditures in lieu of this policy.



# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### **Income Taxes**

The YMCA is organized as a New Jersey nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The YMCA is annually required to file a Return of Organization Exempt from Income tax (Form 990) with the IRS. In addition, the YMCA is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. The YMCA has determined that the YMCA is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990T) with the IRS.

The YMCA's Forms 990, Return of Organization Exempt from Income Tax are subject to examination by the IRS, generally for three years after the date they were filed. Also, the YMCA's New Jersey Form CRI-300R is subject to examination by the State, generally for four years after they were filed.

#### **Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The more significant item affected by the use of estimates include depreciable lives for buildings and equipment. Actual results could vary from these estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Financial Instruments and Credit Risk**

The YMCA manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the YMCA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is limited due to high historical collection rates. Investments are made by diversified investment managers whose performance is monitored by us and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the YMCA and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the YMCA.

#### **Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presents. The reclassifications had no impact on previously reported net assets.

#### **Accounting Guidance Adopted**

FASB issued Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers*" (Topic 606) and subsequently, issued six ASU's clarifying certain matters related to Topic 606 and superseded the revenue recognition requirements promulgated in FASB ASC 605, *Revenue Recognition*. Topic 606 requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The financial statements reflect the application of ASC 606 guidance beginning in 2019. No cumulative-effect adjustment in net assets was recorded, as the adoption of ASU 2014-09 did not significantly impact the YMCA's reported historical revenue.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Accounting Guidance Adopted (Continued)**

FASB issued ASU 2018-08, "*Not-for-Profit Entities*" (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

#### **Impairment of long-lived assets**

The YMCA reviews long lived assets for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows of the related assets are less than their carrying values. There is no current indication that the company's long-lived assets are not recoverable.

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

---

### NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets without donor or other restrictions that are available for general expenditure within one year of the statement of financial position date, comprise the following:

#### FINANCIAL ASSETS AVAILABLE FOR OPERATING NEEDS WITHIN ONE YEAR:

Cash and cash equivalents	\$ 1,965,667
Accounts and other receivables - net	409,407
Distributions from endowment funds	<u>400,000</u>
	<u>\$ 2,775,074</u>

Our endowment funds consist of donor-restricted and board-designated endowments. Income from donor-restricted endowments are available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$9,689,743 is not included above. It is not donor-restricted, and therefore could be made available for general expenditure or other purposes with board approval.

As part of our liquidity plan cash in excess of daily requirements are invested in money markets and certificates of deposit. Annually the YMCA appropriates amounts from endowments based on average income (see Note 1) which is included above.

### NOTE 3. CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Cash	\$2,035,293	\$2,103,850
Certificates of deposit and money markets	<u>285,559</u>	<u>1,846,554</u>
	<u>\$2,320,852</u>	<u>\$3,950,404</u>

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 4. LAND, BUILDINGS AND EQUIPMENT

A summary of the cost of such assets is as follows:

	Land	Buildings and Improvements	Machinery and Equipment	Furniture and Fixtures	Assets not placed in service	2020	2019
Association Services	\$ 247,851	\$ 744,068	\$ 203,252	\$ 60,467	\$ -	\$ 1,255,638	\$ 1,265,248
Greater Bergen	2,470,636	2,993,494	77,898	-	74,706	5,616,734	5,559,688
East Orange	122,373	1,692,544	26,164	43,453	-	1,884,534	1,874,759
Fairview Lake Camps	473,305	6,049,843	243,340	13,189	1,690	6,781,367	6,708,549
Sussex County	980,545	12,596,284	203,165	-	17,038	13,797,032	13,701,836
West Essex	40,000	3,616,607	212,561	53,048	319,350	4,241,566	4,307,530
South Mountain	401,579	2,651,386	223,447	7,635	-	3,284,047	3,421,627
Wayne	-	1,299,710	166,674	29,304	16,429	1,512,117	1,512,117
	<u>4,736,289</u>	<u>31,643,936</u>	<u>1,356,501</u>	<u>207,096</u>	<u>429,213</u>	<u>38,373,035</u>	<u>38,351,354</u>
Less Accumulated Depreciation	-	12,198,483	677,945	135,523	-	13,011,951	11,691,452
Totals	<u>\$ 4,736,289</u>	<u>\$ 19,445,453</u>	<u>\$ 678,556</u>	<u>\$ 71,573</u>	<u>\$ 429,213</u>	<u>\$ 25,361,084</u>	<u>\$ 26,659,902</u>

Depreciation expense for 2020 and 2019 amounted to \$1,609,088 and \$1,538,861, respectively.

### NOTE 5. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	2020	2019
General Operating Net Assets	<u>\$12,976,590</u>	<u>\$15,567,755</u>
<u>Net Assets Designated by Board:</u>		
Future Projects and Periods Property	10,689,646	13,023,403
	<u>8,787,418</u>	<u>8,871,944</u>
	<u>19,477,064</u>	<u>21,895,347</u>
	<u>\$32,453,654</u>	<u>\$37,463,102</u>

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
<u>Perpetual in Nature:</u>		
Endowment	\$ 3,658,491	\$ 3,715,680
Saffin Endowment	401,889	401,889
Total Perpetual in Nature	<u>4,060,380</u>	<u>4,117,569</u>
<u>Restricted for Future Projects and Programs:</u>		
Endowment income for future appropriations	-	224,102
Conference center	20,100	20,100
Capital projects/capital campaign	650,738	735,671
Other projects and programs	380,800	315,124
Total for Projects and Programs	<u>1,051,638</u>	<u>1,294,997</u>
TOTAL	<u>\$ 5,112,018</u>	<u>\$ 5,412,566</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act requires entities to retain as a fund of perpetual duration. No deficiencies of this nature existed at December 31, 2020.

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

During the year, net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors consisted of the following:

	<u>2020</u>	<u>2019</u>
<u>Purpose Restrictions Accomplished:</u>		
Childcare	\$1,125,058	\$ 918,745
Program support and scholarships	796,626	323,932
Endowment income program support and scholarships	1,056,776	406,172
Purchase of property and equipment	<u>90,500</u>	<u>70,693</u>
	<u>\$3,068,960</u>	<u>\$1,719,542</u>

### NOTE 7. INVESTMENTS

At December 31, investments are as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$2,659,723	\$2,825,351	\$3,820,156	\$3,916,859
Equities	4,211,577	10,127,518	5,953,190	12,128,683
Pooled funds	<u>20,278</u>	<u>29,451</u>	<u>20,278</u>	<u>27,626</u>
	<u>\$6,891,578</u>	<u>\$12,982,320</u>	<u>\$9,793,624</u>	<u>\$16,073,168</u>

The fixed income and equity securities are included as part of the Endowment Funds.

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 8. FAIR VALUE MEASUREMENTS

The YMCA's investments are reported at fair value in the accompanying statements of financial position. Fair values of assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

<u>December 31, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<b>FIXED INCOME SECURITIES:</b>		
United States Treasuries	\$ 1,758,777	\$ 1,758,777
Corporate Bonds	211,705	211,705
Securitized - Mortgage Backed	696,370	696,370
Preferred Bond	158,499	158,499
Total Fixed Income Securities	<u>2,825,351</u>	<u>2,825,351</u>
<b>EQUITY SECURITIES:</b>		
Energy Equities	94,685	94,685
Materials Equities	350,750	350,750
Industrials Equities	1,290,043	1,290,043
Consumer Discretionary Equities	1,971,385	1,971,385
Consumer Staples Equities	537,062	537,062
Health Care Equities	1,344,389	1,344,389
Financials Equities	989,713	989,713
Information Technology Equities	2,126,501	2,126,501
Communication Services	1,422,990	1,422,990
Total Equity Securities	<u>10,127,518</u>	<u>10,127,518</u>
<b>OTHER</b>	<u>29,451</u>	<u>29,451</u>
<b>TOTAL</b>	<u>\$ 12,982,320</u>	<u>\$ 12,982,320</u>



# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

<u>December 31, 2019</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<b>FIXED INCOME SECURITIES:</b>		
United States Treasuries	\$ 3,084,466	\$ 3,084,466
Corporate Bonds	206,958	206,958
Securitized - Mortgage Backed	546,510	546,510
Preferred Bond	78,925	78,925
Total Fixed Income Securities	<u>3,916,859</u>	<u>3,916,859</u>
<b>EQUITY SECURITIES:</b>		
Energy Equities	541,970	541,970
Materials Equities	616,225	616,225
Industrials Equities	1,338,928	1,338,928
Consumer Discretionary Equities	2,110,943	2,110,943
Consumer Staples Equities	978,492	978,492
Health Care Equities	1,777,142	1,777,142
Financials Equities	1,315,512	1,315,512
Information Technology Equities	2,117,463	2,117,463
Communication Services	1,332,008	1,332,008
Total Equity Securities	<u>12,128,683</u>	<u>12,128,683</u>
<b>OTHER</b>	<u>27,626</u>	<u>27,626</u>
<b>TOTAL</b>	<u>\$ 16,073,168</u>	<u>\$ 16,073,168</u>

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 9. NOTES PAYABLE

Borrowing agreement is comprised as follows:

	<u>2020</u>	<u>2019</u>
Mortgage payable to Lakeland Bank in monthly payments of \$32,600, including interest at 3.50% due February 28, 2025(a)	\$1,612,877	\$1,844,453
Less: unamortized debt issuance costs	<u>(11,702)</u>	<u>(14,510)</u>
	\$1,601,175	\$1,829,943
Mortgage payable to Lakeland Bank in monthly payments of \$4,267, with interest at 3.75% due May 1, 2025 (b)	715,082	726,022
SBA Economic Injury Disaster Loan, due September 30, 2050 (c)	<u>150,000</u>	<u>-</u>
	<u>\$2,466,257</u>	<u>\$2,555,965</u>

(a) The mortgage payable to Lakeland Bank is collateralized by a first lien on the Sussex County property, all fixtures and tangible personal property therein, and all leases or other agreements related to the use or occupancy of the property. The loan was received based on an EDA Bond Financing Agreement which specifies the purpose for the expenditure of the loan proceeds. A loan modification agreement reduced the rate to 3.5% until it was reset in May 2017 at the same rate. The interest rate will reset in May of 2022. On July 28, 2020, the lending institution agreed to defer the payments of principal and interest for the months of July 28, 2020 through September 28, 2020. These deferred payments will be added to the outstanding principal amount on the loan and payable at the end of the loan. Interest will continue to accrue on the unpaid amounts during the deferral period. The significant provisions of the YMCA's borrowing agreement, as included in the EDA Bond Financing Agreement and the lending institution mortgage documents, are as follows: The YMCA will not sell, transfer, dispose of, pledge, mortgage or otherwise encumber any or all of the property. The YMCA shall not do anything which would cause the bonds to lose their tax free status or become arbitrage bonds. The YMCA shall not become contingently liable for debts of others. The YMCA shall meet certain financial covenants as required by the agreement. The YMCA was not in compliance with all debt covenants as of December 31, 2020. The bank has not waived this covenant requirement and, at its option, may give notice to the YMCA that the loan is immediately due and payable. Accordingly, the note has been classified as a current liability.

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

---

### NOTE 9. NOTE PAYABLE (CONTINUED)

On December 28, 2020, the lending institution agreed to a sixteen (16) month deferment of the payments of principal only for the months of January 28, 2021 through April 28, 2022. These deferred payments will be added to the outstanding principal amount on the loan and payable at the end of the loan. Interest will continue to accrue and be paid on the unpaid amounts during the deferral period.

- (b) The loan issued by Lakeland Bank on March 20, 2015 to the former Young Men's Christian Association of Greater Bergen County was assumed by the YMCA on January 17, 2018 with the bank's approval. The loan has a fixed interest rate of 3.75% and is secured by a first lien on the property located at 360 Main Street, Hackensack, NJ. In March 2020, the lending institution agreed to defer the payments of principal and interest for the months of April 1, 2020 through June 1, 2020. These deferred payments will be added to the outstanding principal amount on the loan and payable at the end of the loan.
- (c) September 1, 2020, the YMCA applied for and received a SBA Economic Injury Disaster Loan in the amount of \$150,000. Monthly installment payments of \$598, including principal and interest at 2.75% per annum, will begin twelve (12) months from the date of the loan. The proceeds of this loan are solely to be used as working capital to alleviate economic injury caused by the COVID-19 pandemic. The note is collateralized by all assets of the YMCA.

Aggregate principal amounts of all long-term debt scheduled for repayment are as follows:

2021	\$ 27,485
2022	371,169
2023	382,655
2024	394,552
2025	1,165,499
Thereafter	<u>136,599</u>
	<u>\$2,477,959</u>

Interest expense for all obligations amounted to \$92,096 in 2020 and \$102,507 in 2019.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 10. COMMITMENTS AND CONTINGENCIES**

#### **a. Leases**

The YMCA entered into various non-cancelable operating lease agreements for program and child care facilities. Certain operating leases contain escalation clauses for the prorated share of operating costs, property taxes, repairs (inclusive of structural repairs) and insurance.

In connection with the "Integration Agreement" with the YM-YWHA, the YMCA entered into an initial five (5) year lease agreement with the YM-YWHA, with an option to renew for four five (5) year periods. The renewal periods automatically renew for another five year period, unless the YMCA decides to give written notice otherwise. The first five (5) year lease term expires August 31, 2021. The monthly base rent is equal to the amounts required by the lending institution to routinely liquidate the landlord's mortgage and credit line indebtedness. On May 1, 2020, the lending institution agreed to defer the principal and interest on the mortgage indebtedness for the period May 1, 2020 through July 1, 2020, thus giving the YMCA a three month rent deferral. Once the mortgage and credit line are paid in full, the annual base rent through the remainder of the term shall be \$300,000 per annum, payable in monthly installments of \$25,000.

The YMCA has the following operating leases:

Facility used for one of its child care programs at an annual rental of \$7,500, expiring April 30, 2023, with an option to renew for a five (5) year period.

Facility used for one of its programs at an annual rental currently at \$75,000, with annual increases, expiring June 2029. No payments were made during 2020, as the program could not operate, and there was no formal change in writing to the lease.

Three (3), ten (10) year operating lease agreements for camp facilities at Harriman State Park with the Palisades Interstate Park Commission. The current leases require aggregate annual payments of \$22,788 which can be reduced by up to 25% each year for any capital improvements made to the camp facilities by the YMCA. The YMCA was granted a 50% reduction in annual payments for 2020 due to COVID-19 and the inability to run its camp programs. The lease expires in 2027.

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

---

### NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In 2020, future minimum lease commitments under these operating leases are presented for future years as follows:

2021	\$347,808
2022	253,679
2023	251,679
2024	240,064
2025	109,788
Thereafter	<u>1,323,576</u>
	<u>\$2,526,594</u>

Rent expense amounted to \$527,489 and \$959,330 for 2020 and 2019, respectively.

#### **b. Letter of Credit**

The YMCA has a standing irrevocable letter of credit for a security deposit in the amount of \$8,456, secured by the unrestricted net assets.

#### **c. Unemployment**

Based on laws passed and signed into law by the federal government through the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and by the State of New Jersey during the COVID public health emergency, the YMCA was not responsible for any COVID-related unemployment expenses starting in March, 2020.

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 11. EMPLOYEE BENEFIT PLANS

The YMCA participates in the YMCA Retirement Fund 403(B) which is a mandatory national contributory defined contribution plan for the benefit of all eligible professional and support staff employees who qualify under applicable participation requirements. The YMCA contributes 12% of compensation for eligible employees. Employees may choose to contribute an additional 13% up to a maximum established by the IRS. Under the plan all contributions are remitted monthly to a trustee based upon a percentage of the participants' annual salaries. Upon retirement, participants' vested benefit will generally be used to purchase a retirement annuity contract. Forfeitures are used to offset future contributions. Due to the impact of COVID-19 on individual YMCA operations, on March 23, 2020, the National YMCA Retirement Fund allowed participating YMCAs to reduce their employer-paid contribution to the fund to a minimum of 1% of base pay through September 30, 2020 (later extended through June 30, 2021), with the provision that the benefit would increase to a minimum of 4% by July 1, 2021.

In accordance with the agreement with the YMCA Retirement Fund, the YMCA can choose a contribution rate and within that contribution rate the YMCA can choose if the employees will need to contribute to the plan. The YMCA changed its rate to 1% for June through September, and then returned the rate to 12%. Contributions made by the YMCA to the plan amounted to \$912,579 in 2020 and \$1,555,746 in 2019.

The YMCA established a Non-Qualified Supplemental Executive Retirement Plan for the Chief Executive Officer. Contributions made by the YMCA to the plan amounted to \$15,063 in 2020 and \$16,430 in 2019.

### NOTE 12. ENDOWMENTS

#### *Endowment Net Asset Composition*

<u>December 31, 2020</u>	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds-corporis	\$ -	\$ 4,060,381	\$ 4,060,381
Board-designated endowment funds	<u>9,689,743</u>	<u>-</u>	<u>9,689,743</u>
Total funds	<u>\$ 9,689,743</u>	<u>\$ 4,060,381</u>	<u>\$ 13,750,124</u>

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 12. ENDOWMENTS (CONTINUED)

December 31, 2019	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds - corpus accumulated earnings	\$ -	\$ 4,117,569 224,101	\$ 4,117,569
Board-designated endowment funds	<u>12,023,499</u>	<u>-</u>	<u>12,023,499</u>
Total funds	<u>\$ 12,023,499</u>	<u>\$ 4,341,670</u>	<u>\$ 16,141,068</u>

#### *Changes in Endowment Net Assets*

Year ended December 31, 2020	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 12,023,499</u>	<u>\$ 4,341,670</u>	<u>\$ 16,365,169</u>
Investment return:			
Investment income	1,942,907	832,675	2,775,582
Net unrealized losses on investments	<u>(133,439)</u>	<u>(57,188)</u>	<u>(190,627)</u>
Total Investment Returns	1,809,468	775,487	2,584,955
Contributions	-	-	-
Appropriations	<u>(4,143,224)</u>	<u>(1,056,776)</u>	<u>(5,200,000)</u>
Endowment net assets, end of year	<u>\$ 9,689,743</u>	<u>\$ 4,060,381</u>	<u>\$ 13,750,124</u>

# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 12. ENDOWMENTS (CONTINUED)

Year ended December 31, 2019	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 9,687,092	\$ 3,713,878	\$ 13,400,970
Investment return:			
Investment income	486,742	211,713	698,455
Net unrealized gains on investments	1,849,665	822,251	2,671,916
Total Investment Returns	2,336,407	1,033,964	3,370,371
Contributions	-	-	-
Appropriations-used for donor restricted purpose	-	-	-
Appropriations	-	(406,172)	(406,172)
Endowment net assets, end of year	<u>\$ 12,023,499</u>	<u>\$ 4,341,670</u>	<u>\$ 16,365,169</u>

### NOTE 13. SCHOLARSHIPS AND FINANCIAL ASSISTANCE PROGRAMS

The YMCA's financial assistance programs during 2020 and 2019 were made possible through the YMCA's Annual Support Campaign and awarded or supported more than 1,226 and 4,671 children, families, and individuals, respectively. In 2020 and 2019, recipients received approximately \$821,800 and \$2,294,000 in financial assistance and program subsidies, respectively.

### NOTE 14. FUNCTIONALIZED EXPENSES

The combined financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, CEO, COO, and marketing. The occupancy allocations are based on programmatic square footage. The CEO, COO and marketing allocations are based on time and effort, earned revenue, and program participation.



# METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.

## NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019

### NOTE 15. CONTRIBUTIONS RECEIVABLE

Included in "Contributions Receivable" are the following unconditional promises to give at December 31:

	<u>2020</u>	<u>2019</u>
Sussex branch capital campaign	<u>\$560,724</u>	<u>\$651,224</u>
Unconditional promises to give before amortized discount and allowance for bad debts	560,724	651,224
Less discount to present value at one (1%) percent	<u>(11,186)</u>	<u>(16,754)</u>
	549,538	634,470
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$549,538</u>	<u>\$634,470</u>
Within one year	\$209,401	\$149,513
In one to five years	<u>340,137</u>	<u>484,957</u>
	<u>\$549,538</u>	<u>\$634,470</u>

### NOTE 16. COVID-19 AND MANAGEMENT'S PLAN

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, and created significant uncertainty and volatility that continue to negatively affect our business through the upcoming year.

The negative impacts of the coronavirus significantly reduced in-person programs and the ability of the YMCA to conduct normal operations. While the YMCA feels this disruption will be temporary, there is considerable uncertainty as to when the YMCA will resume normal operations.

# **METROPOLITAN YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE ORANGES, INC.**

## **NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2020 AND 2019**

---

### **NOTE 16. COVID-19 AND MANAGEMENT'S PLAN (CONTINUED)**

The YMCA have taken aggressive actions to mitigate the effect of COVID-19 on our organization by significantly reducing elements of general and administrative expenses to better align operating costs with expected programs, including reducing payroll costs, employee furloughs and a restructure of the overall organization. The YMCA received two rounds of PPP totaling approximately \$4,500,000 in March of 2021. In addition, the NJ State removal of business capacity restrictions is resulting in a positive growth trend in all membership categories as well as an expansion in key programs such as summer day camp. The YMCA anticipates a positive growth trend in membership and programs for the remainder of 2021.

Although the COVID-19 pandemic has had a material adverse impact on our business operations and operating results and cash flows, the YMCA does not believe there are other current or expected conditions or events that would result in our being unable to meet our obligations within a year of our financial statement issuance date and believe the YMCA has sufficient liquidity and capacity within our credit facility to repay our obligations for the foreseeable future (as noted in Note 2).

### **NOTE 17. SUBSEQUENT EVENTS**

The YMCA considers all the accounting treatments, and the related disclosures in the current year's financial statements, that may be required as the result of all events or transactions that occur after December 31, 2020 through July 23, 2021, the date the financial statements were available to be issued.

1) On May 14, 2021, the YMCA entered a contract to purchase the Grace Lutheran Church for \$3,550,000 located in Livingston, New Jersey for future use of the relocation of the West Essex Branch peanut shell childcare center and to relocate its corporate offices. Currently Associated Services Branch, which houses its corporate offices, has a contract for sale in the amount of \$1,250,000, with an anticipated closing date of October 2021.

2) The YMCA intends to relocate the Greater Bergen Branch from Hackensack to New Milford, New Jersey. The Greater Bergen Branch building has a contract for sale in the amount of \$8,500,000, which currently is under attorney review. Simultaneously, management is negotiating a long-term lease for the location in New Milford.