

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

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020**

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R.A. FREDERICKS & COMPANY, LLP

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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

Opinion

We have audited the accompanying combined financial statements of the Metropolitan Young Men's Christian Association of the Oranges, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2021, 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.

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, 2021 and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Metropolitan Young Men's Christian Association of the Oranges, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

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R.A. Fredericks & Company, LLP

Responsibility of Management for the Combined Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Metropolitan Young Men's Christian Association of the Oranges, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

R.A. Fredericks & Company, LLP

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Metropolitan Young Men's Christian Association of the Oranges, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Metropolitan Young Men's Christian Association of the Oranges, Inc.'s 2020 financial statements, and our report dated July 23, 2021, 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, 2020, 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
May 16, 2022

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

COMBINED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>		
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,943,211	\$ 2,320,852
Cash designated by board for future projects	362,222	737,096
Cash restricted for future projects	38,597	43,670
Accounts and other receivables - net	515,959	409,407
Other receivables - ERTC	4,202,341	-
Contributions receivable	407,951	549,538
Inventories	45,742	52,000
Prepaid expenses and other assets	569,743	443,372
Investments	11,436,724	12,982,320
Security deposits and other assets	109,501	107,876
Land, buildings, and equipment-net	27,632,284	25,361,084
TOTAL ASSETS	<u>\$ 49,264,275</u>	<u>\$ 43,007,215</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable and accrued expenses	\$ 2,520,357	\$ 1,356,956
Deferred program revenue and other	1,005,975	671,343
Refundable advance - PPP	4,549,769	-
Member and customer credits	633,924	917,003
Charitable gift annuity liability	23,412	29,984
Notes payable	2,434,630	2,466,257
TOTAL LIABILITIES	<u>11,168,067</u>	<u>5,441,543</u>
NET ASSETS		
Without donor restrictions	33,399,863	32,453,654
With donor restrictions	4,696,345	5,112,018
TOTAL NET ASSETS	<u>38,096,208</u>	<u>37,565,672</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 49,264,275</u>	<u>\$ 43,007,215</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 ACTIVITIES YEAR ENDED DECEMBER 31, 2021 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	Without Donor Restrictions				With Donor Restrictions	
	General Operating	Designated	Total		2021	2020
REVENUES, GAINS, AND SUPPORT						
Program Receipts:						
Community Groups	\$ 653,979	\$ -	\$ 653,979	\$ -	\$ 653,979	\$ 635,174
Camp	5,130,176	-	5,130,176	-	5,130,176	1,255,267
Youth activity	1,915,329	-	1,915,329	-	1,915,329	1,196,277
Child Care	9,183,708	-	9,183,708	-	9,183,708	8,653,774
Administrative rentals and sales	511,065	-	511,065	-	511,065	480,414
Total program receipts	17,394,257	-	17,394,257	-	17,394,257	12,220,906
Contributions	1,969,701	-	1,969,701	502,214	2,471,915	3,072,320
Contribution - ERTC	5,827,978	-	5,827,978	-	5,827,978	-
Government grants, contracts and other grants	10,000	-	10,000	888,189	898,189	1,087,790
Membership dues	3,588,599	-	3,588,599	-	3,588,599	3,066,229
Special events and projects	296,592	-	296,592	-	296,592	154,551
Investment income	3,090	1,560,635	1,563,725	694,415	2,258,140	2,709,528
Other revenue	25,903	-	25,903	-	25,903	24,155
Net assets released from restrictions for program activities	2,156,882	179,000	2,335,882	(2,335,882)	-	-
Net unrealized (losses) gains on long-term investments	1,155	(384,086)	(382,931)	(164,609)	(547,540)	(192,043)
Loss on disposal of property and equipment	-	-	-	-	-	(33,048)
Total revenue, gains and support	31,274,157	1,355,549	32,629,706	(415,673)	32,214,033	22,110,388
EXPENSES						
Program services	24,525,209	1,585,030	26,110,239	-	26,110,239	22,592,788
Supporting services	4,994,729	578,529	5,573,258	-	5,573,258	4,827,596
Total expenses	29,519,938	2,163,559	31,683,497	-	31,683,497	27,420,384
Change in net assets before transfers	1,754,219	(808,010)	946,209	(415,673)	530,536	(5,309,996)
Transfers	2,594,758	(2,594,758)	-	-	-	-
Change in net assets	4,348,977	(3,402,768)	946,209	(415,673)	530,536	(5,309,996)
Net assets beginning of year	12,976,590	19,477,064	32,453,654	5,112,018	37,565,672	42,875,668
Net assets end of year	\$ 17,325,567	\$ 16,074,296	\$ 33,399,863	\$ 4,696,345	\$ 38,096,208	\$ 37,565,672

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 530,536	\$ (5,309,996)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,585,030	1,609,088
Loss on disposal of property and equipment	-	33,048
Bad Debts	27,104	157,929
Net unrealized losses on long-term investments	547,540	192,043
Net realized gains on sales of long-term investments	(2,159,465)	(2,539,604)
Changes in assets and liabilities:		
Accounts and other receivables - net	(133,656)	(152,540)
Other receivables - ERTC	(4,202,341)	-
Contributions receivable	141,587	84,932
Prepaid expenses	(126,371)	163,157
Inventories	6,258	6,681
Deferred program revenue and other	334,632	(1,263,446)
Accounts payable and accrued expenses	1,163,401	106,304
Refundable advance - PPP	4,549,769	-
Member and customer credits	(283,079)	730,971
Liability for charitable gift annuity	(6,572)	29,984
Net cash provided by (used in) operating activities	<u>1,974,373</u>	<u>(6,151,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in security deposits and other assets	(1,625)	-
Proceeds from sales of investments	4,669,819	7,745,978
Purchase of investments	(1,512,298)	(2,307,569)
Acquisition of property and equipment	(3,856,230)	(343,318)
Net cash (used in) provided by investing activities	<u>(700,334)</u>	<u>5,095,091</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	-	(7,116)
Payments on borrowings	(31,627)	(89,708)
Net cash used in financing activities	<u>(31,627)</u>	<u>(96,824)</u>
Net increase (decrease) in cash and cash equivalents	1,242,412	(1,153,182)
Cash and cash equivalents, restricted and designated cash at beginning of year	<u>3,101,618</u>	<u>4,254,800</u>
Cash and cash equivalents, restricted and designated cash at end of year	<u>\$ 4,344,030</u>	<u>\$ 3,101,618</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ 83,999</u>	<u>\$ 92,096</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, 2021 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	Program Services							Supporting Services				Total
	Membership Activities	Community Wellness	Camp	Youth Activities	Child Care	Property Management	Total program services	General Administration	Fundraising	Supporting Activities	2021	
Salaries and wages	\$ 2,895,178	\$ 1,203,283	\$ 1,542,700	\$ 1,440,838	\$ 5,414,974	\$ 836,614	\$ 13,333,587	\$ 2,571,935	\$ 228,420	\$ 2,800,355	\$ 16,133,942	\$ 14,041,666
Employee benefits	354,993	174,130	39,498	193,608	1,110,262	204,191	2,076,682	675,858	14,275	690,133	2,766,815	2,136,485
Payroll taxes	249,152	105,866	143,901	136,420	490,560	73,315	1,199,214	251,138	18,162	269,300	1,468,514	1,490,862
Contractual services	295,480	2,500	275,215	55,666	329,771	56,189	1,014,821	1,274,647	45,714	1,320,361	2,335,182	1,310,092
Supplies	191,881	259,675	153,446	134,855	257,016	120,903	1,117,776	79,733	115,447	195,180	1,312,956	1,075,895
Telephone	63,823	-	5,203	525	32,753	16,172	118,476	116,070	375	116,445	234,921	310,139
Postage and shipping	6,152	-	5,055	27	-	-	11,234	2,678	5,675	8,353	19,587	22,798
Occupancy/space costs	191,467	9,507	127,100	72,043	531,740	1,995,737	2,927,594	20,796	-	20,796	2,948,390	2,546,209
Equipment costs	58,842	282,108	7,821	4,059	18,817	34,005	405,652	36,187	2,470	38,657	444,309	507,270
Insurance	-	-	-	-	-	586,471	586,471	39,500	-	39,500	625,971	499,898
Promotion & Advertising	295,863	15,509	62,987	21,024	98,674	-	494,057	2,600	9,358	11,958	506,015	438,327
Travel and employee expense	48,397	11,183	43,538	7,144	52,801	13,865	176,928	43,590	3,037	46,627	223,555	320,675
Conference, meetings and dues	248,059	5,218	23,405	19,200	25,893	-	321,775	14,596	997	15,593	337,368	293,648
Bad debt expense	17,103	-	-	-	10,001	-	27,104	-	-	-	27,104	157,929
Interest expense	-	-	95,338	6,589	286,095	-	124,527	-	-	-	124,527	92,096
Credit card and bank fees	155,800	18,579	6,204	3,110	3,432	-	562,401	-	-	-	562,401	523,666
Other expenses	2,441	-	-	-	-	11,723	26,910	-	-	-	26,910	33,641
Subtotal	5,074,631	2,087,558	2,531,411	2,095,108	8,662,789	4,073,712	24,525,209	5,129,328	443,930	5,573,258	30,098,467	25,811,296
Depreciation and amortization	-	-	-	-	-	1,585,030	1,585,030	-	-	-	1,585,030	1,609,088
Total expenses included in the expense section of the statement of activities	5,074,631	2,087,558	2,531,411	2,095,108	8,662,789	5,658,742	26,110,239	5,129,328	443,930	5,573,258	31,683,497	27,420,384
Add expenses netted to revenue	-	-	-	-	-	-	-	-	-	-	59,668	71,300
Investment expenses	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENSES BY FUNCTION	\$ 5,074,631	\$ 2,087,558	\$ 2,531,411	\$ 2,095,108	\$ 8,662,789	\$ 5,658,742	\$ 26,110,239	\$ 5,188,996	\$ 443,930	\$ 5,632,926	\$ 31,743,165	\$ 27,491,684
TOTAL EXPENSES 2020	\$ 4,538,096	\$ 1,899,621	\$ 1,381,983	\$ 1,874,387	\$ 7,745,995	\$ 5,152,706	\$ 22,592,788	\$ 4,629,149	\$ 269,747	\$ 4,898,896	\$ 27,491,684	

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, 2021 AND 2020

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 Wellness

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, 2021 AND 2020

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. Youth Activity

Youth under the age of 18 enjoy a range of activities designed to promote and support their social, emotional and physical development.

e. Child Care

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

f. 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, 2021 AND 2020

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, 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,943,211	\$ 2,320,852
Cash designated by board for future projects	362,222	737,096
Cash restricted for future projects	<u>38,597</u>	<u>43,670</u>
	<u>\$ 4,344,030</u>	<u>\$ 3,101,618</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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. The allowance for uncollectible accounts amounted to \$149,941 and \$143,292 at December 31, 2021 and 2020, respectively. Bad debt expense in 2021 and 2020 amounted to \$27,104 and \$157,929, 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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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

Revenue and Revenue Recognition

The YMCA has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees. Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions are recorded as with donor restrictions or without donor restriction, depending on donor intent.

Because the YMCA's performance obligations relate to contracts with a duration of less than one year, the YMCA has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The YMCA offers a variety of programs including family, child care, day camp, resident camp, teen, scholastic, fitness, aquatics, and health programs. Program fees for short duration programs of two months or less, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 30 days notice. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Revenue and Revenue Recognition (Continued)

Membership dues and program fees are recognized ratably over the period the membership or program service is provided on a straight-line basis in an amount that reflects the consideration the YMCA expects to be entitled to in exchange for those services. All the YMCA's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Membership dues and program fees paid to the YMCA in advance represent contract liabilities and are recorded as other deferred revenue. Amounts billed but unpaid are contract assets and recorded as accounts receivables.

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.

Paycheck Protection Program

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security ("CARES") Act. The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit YMCAs, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak. During fiscal-year 2021, the YMCA applied for and received funds under this program.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Revenue and Revenue Recognition (Continued)

Paycheck Protection Program (Continued)

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. The YMCA has elected to follow the guidance of FASB ASU 958-605 by recording the PPP funds as a conditional contribution until donor conditions are substantially met. Once all the funds have been expended, the YMCA will file an application for forgiveness, at which time the amounts forgiven will be recorded as contribution revenue.

Employee Retention Credit

Also enacted by the CARES Act was the Employee Retention Tax Credits ("ERTC"), which provided businesses, including certain not-for-profit YMCAs, the funds to retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. Initially the ERTC was not permitted for businesses eligible for the PPP loans. In December of 2020, the Consolidated Appropriations Act enabled employers eligible for the PPP to take advantage of the ERTC to fund expenses not covered by the PPP.

The ERTC is considered a conditional grant, as the YMCA only qualifies for the transfer of assets if it has overcome the barrier of eligibility. Laws and regulations concerning government programs, including the Employee Retention Credit established by the CARES Act, are complex and are subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the YMCA's claim to the ERTC, and it is not possible to determine the impact (if any) this would have upon the YMCA.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Revenue and Revenue Recognition

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 \$426,722 and \$111,069 have been recognized in the accompanying 2021 and 2020 combined statement of activities, respectively, because the criteria for recognition of such volunteer efforts has been satisfied. In addition, during 2021 and 2020, the YMCA received in-kind contributions in the amount of \$59,948 and \$6,828, 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.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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

Endowment (Continued)

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 2021, the Board approved the release of \$3,441,037 for a West Essex branch building purchase in addition to this policy. In 2020, the Board approved the release of \$5,200,000 for 2020 expenditures in lieu of this policy.

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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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.

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. The uninsured balances at December 31, 2021 was approximately \$3,040,000. 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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 includes depreciable lives for buildings and equipment. Actual results could vary from these estimates.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance in Topic 840, *Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, *Leases*; ASU 2018-11, *Leases* (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, *Leases* (Topic 842): Codification Improvements. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The YMCA is currently evaluating the effect the provisions of this ASU will have on the financial statements.

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, 2021 AND 2020

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	\$ 3,943,211
Accounts and other receivables - net	515,959
Other receivables - ERTC	4,202,341
Cash designated by board for future projects	362,222
Cash restricted for future projects	38,597
Investments	11,436,724
Contributions receivable	<u>407,951</u>
	<u>\$ 20,907,005</u>
Contractual or donor-imposed restrictions:	
Donor restricted endowment	(3,895,772)
Donor restricted for capital projects	(529,251)
Donor restricted for other programs	(271,322)
Security deposits	(12,850)
Board designations:	
Designated endowment	(7,930,086)
Distributions from endowment funds	<u>300,000</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 8,567,724</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 is not donor-restricted, and therefore could be made available for general expenditure or other purposes with board approval.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

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>2021</u>	<u>2020</u>
Cash	\$3,657,366	\$2,035,293
Certificates of deposit and money markets	<u>285,845</u>	<u>285,559</u>
	<u>\$3,943,211</u>	<u>\$2,320,852</u>

NOTE 4. LAND, BUILDINGS AND EQUIPMENT

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

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Furniture and Fixtures</u>	<u>Assets not placed in service</u>	<u>2021</u>	<u>2020</u>
Association Services	\$ 247,851	\$ 744,068	\$ 203,252	\$ 25,210	\$ -	\$ 1,220,381	\$ 1,255,638
Greater Bergen	2,470,636	3,082,700	39,220	-	17,660	5,610,216	5,616,734
East Orange	122,373	1,632,352	26,164	-	18,102	1,798,991	1,884,534
Fairview Lake Camps	473,306	6,012,273	225,570	13,189	4,499	6,728,837	6,781,367
Sussex County	980,545	12,533,851	179,382	-	170,046	13,863,824	13,797,032
West Essex	3,605,906	3,593,007	186,775	53,048	284,600	7,723,336	4,241,566
South Mountain	401,579	2,564,734	215,492	7,635	-	3,189,440	3,284,047
Wayne	-	1,305,940	231,257	29,304	16,429	1,582,930	1,512,117
	<u>8,302,196</u>	<u>31,468,925</u>	<u>1,307,112</u>	<u>128,386</u>	<u>511,336</u>	<u>41,717,955</u>	<u>38,373,035</u>
Less Accumulated Depreciation	<u>-</u>	<u>13,156,557</u>	<u>838,753</u>	<u>90,361</u>	<u>-</u>	<u>14,085,671</u>	<u>13,011,951</u>
Totals	<u>\$ 8,302,196</u>	<u>\$ 18,312,368</u>	<u>\$ 468,359</u>	<u>\$ 38,025</u>	<u>\$ 511,336</u>	<u>\$ 27,632,284</u>	<u>\$ 25,361,084</u>

Depreciation expense for 2021 and 2020 amounted to \$1,585,030 and \$1,609,088, respectively.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 5. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
General Operating Net Assets	\$17,325,567	\$12,976,590
<u>Net Assets Designated by Board:</u>		
Future Projects and Periods	8,929,989	10,689,646
Property	7,144,307	8,787,418
	<u>16,074,296</u>	<u>19,477,064</u>
	<u>\$33,399,863</u>	<u>\$32,453,654</u>

NOTE 6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are comprised of the following:

	<u>2021</u>	<u>2020</u>
<u>Perpetual in Nature:</u>		
Endowment	\$ 3,493,883	\$ 3,658,491
Saffin Endowment	401,889	401,889
Total Perpetual in Nature	<u>3,895,772</u>	<u>4,060,380</u>
<u>Restricted for Future Projects and Programs:</u>		
Conference center	20,100	20,100
Capital projects/capital campaign	509,151	650,738
Other projects and programs	271,322	380,800
Total for Projects and Programs	<u>800,573</u>	<u>1,051,638</u>
TOTAL	<u>\$4,696,345</u>	<u>\$ 5,112,018</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, 2021.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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>2021</u>	<u>2020</u>
<u>Purpose Restrictions Accomplished:</u>		
Childcare	\$ 904,303	\$1,125,058
Program support and scholarships	558,164	796,626
Endowment income program support and scholarships	694,415	1,056,776
Purchase of property and equipment	179,000	90,500
	<u>\$2,335,882</u>	<u>\$3,068,960</u>

NOTE 7. INVESTMENTS

At December 31, investments are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$2,257,600	\$2,316,237	\$2,659,723	\$2,825,351
Equities	3,613,004	9,087,241	4,211,577	10,127,518
Pooled funds	22,917	33,246	20,278	29,451
	<u>\$5,893,521</u>	<u>\$11,436,724</u>	<u>\$6,891,578</u>	<u>\$12,982,320</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, 2021 AND 2020

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, 2021 and 2020 are as follows:

<u>December 31, 2021</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
FIXED INCOME SECURITIES:		
United States Treasuries	\$ 1,317,211	\$ 1,317,211
Corporate Bonds	256,545	256,545
Securitized - Mortgage Backed	575,056	575,056
Preferred Bond	167,425	167,425
Total Fixed Income Securities	<u>2,316,237</u>	<u>2,316,237</u>
EQUITY SECURITIES:		
Materials Equities	293,587	293,587
Industrials Equities	933,411	933,411
Consumer Discretionary Equities	1,649,652	1,649,652
Consumer Staples Equities	532,599	532,599
Health Care Equities	1,244,414	1,244,414
Financials Equities	776,912	776,912
Information Technology Equities	2,115,242	2,115,242
Communication Services	1,541,424	1,541,424
Total Equity Securities	<u>9,087,241</u>	<u>9,087,241</u>
OTHER	<u>33,246</u>	<u>33,246</u>
TOTAL	<u>\$ 11,436,724</u>	<u>\$ 11,436,724</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 8. FAIR VALUE MEASUREMENTS (CONTINUED)

<u>December 31, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
FIXED INCOME SECURITIES:		
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>
EQUITY SECURITIES:		
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>
OTHER	<u>29,451</u>	<u>29,451</u>
TOTAL	<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, 2021 AND 2020

NOTE 9. NOTES PAYABLE

Borrowing agreement is comprised as follows:

	<u>2021</u>	<u>2020</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	\$1,612,877
Less: unamortized debt issuance costs	<u>(8,894)</u>	<u>(11,702)</u>
	\$1,603,983	\$1,601,175
Mortgage payable to Lakeland Bank in monthly payments of \$4,267, with interest at 3.75% due May 1, 2025 (b)	690,647	715,082
SBA Economic Injury Disaster Loan, due September 30, 2050 (c)	<u>140,000</u>	<u>150,000</u>
	<u>\$2,434,630</u>	<u>\$2,466,257</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 in compliance with all debt covenants as of December 31, 2021.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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:

2022	\$ 369,589
2023	382,563
2024	394,458
2025	1,167,154
2026	3,160
Thereafter	<u>126,600</u>
	<u>\$2,443,524</u>

Interest expense for all obligations amounted to \$124,527 in 2021 and \$92,096 in 2020.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 10. COMMITMENTS AND CONTINGENCIES

a. Leases

The YMCA entered into various non-cancelable operating lease agreements for program and childcare 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 second five (5) year lease term expires August 31, 2026. 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 childcare 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. Payments started to be made again in 2021.

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, 2021 AND 2020

NOTE 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

On January 24, 2022, the YMCA entered into an initial five (5) year lease agreement for a new location for the GBY branch, with an five year option to renew. The annual rental is currently at \$153,747, with annual increases, expiring December 31, 2026.

In 2021, future minimum lease commitments under these operating leases are presented for future years as follows:

2022	\$536,306
2023	602,303
2024	626,864
2025	628,883
2026	616,332
Thereafter	<u>1,210,788</u>
	<u>\$4,221,476</u>

Rent expense amounted to \$640,828 and \$527,489 for 2021 and 2020, 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 until June 4, 2021 with increases in percentage paid from June 4, 2021 to December 31, 2021. An estimate for the amounts owed for these periods has been recorded as no bills have been received from the State of New Jersey for 2021.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

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 June 30, 2021. On July 9, 2021, the rate was increased to 18% through the end of 2021. Contributions made by the YMCA to the plan amounted to \$912,579 in 2021 and \$1,555,746 in 2020.

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 \$15,036 in 2021 and \$15,063 in 2020.

NOTE 12. ENDOWMENTS

Endowment Net Asset Composition

December 31, 2021	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds-corporus accumulated earnings	\$ -	\$ 3,895,772	\$ 3,895,772
Board-designated endowment funds	7,930,086	-	7,930,086
Total funds	<u>\$ 7,930,086</u>	<u>\$ 3,895,772</u>	<u>\$ 11,825,858</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 12. ENDOWMENTS (CONTINUED)

December 31, 2020	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds - corpus	\$ -	\$ 4,060,381	\$ 4,060,381
accumulated earnings		-	-
Board-designated endowment funds	9,689,743	-	9,689,743
Total funds	\$ 9,689,743	\$ 4,060,381	\$ 13,750,124

Changes in Endowment Net Assets

Year ended December 31, 2021	Without Restrictions	With Restrictions	Total
Endowment net assets, beginning of year	\$ 9,689,743	\$ 4,060,381	\$ 13,750,124
Investment return:			
Investment income	1,620,303	694,415	2,314,718
Net unrealized losses on investments	(384,086)	(164,609)	(548,695)
Total Investment Returns	1,236,217	529,806	1,766,023
Contributions	-	-	-
Appropriations	(2,995,874)	(694,415)	(3,690,289)
Endowment net assets, end of year	\$ 7,930,086	\$ 3,895,772	\$ 11,825,858

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 12. ENDOWMENTS (CONTINUED)

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 gains 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-used for donor restricted purpose	-	-	-
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>

NOTE 13. PAYCHECK PROTECTION PROGRAM AND EMPLOYEE RETENTION CREDITS

On March 22, 2021, the YMCA applied for and received loan proceeds for a PPP loan from an authorized SBA lender in the amount of \$4,515,900, pursuant to the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES), which was enacted on March 27, 2020. The covered period for the loan begins on March 22, 2021 and ends on September 7, 2021. If the financial institution determines the criteria for forgiveness has not been met, the unforgivable portion of the loan is payable over five years, at a 1% interest rate per annum, maturing on March 22, 2026.

While the YMCA currently believes that its use of the loan proceeds will meet the conditions of forgiveness of the loan, assurance cannot be provided that actions will not be taken that could cause the YMCA to be ineligible for forgiveness, in whole or in part. As the YMCA has accounted for the loan as a conditional contribution, the amount has been recorded as a refundable advance until all conditions are substantially met. The balance of the loan including accrued interest of \$33,869 amounted to \$4,549,769 as of December 31, 2021.

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 13. PAYCHECK PROTECTION PROGRAM AND EMPLOYEE RETENTION CREDITS (CONTINUED)

Under the terms of the ERTC, employers who meet certain requirements can apply for refundable payroll tax credits claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The YMCA, applied for the tax credits when filing their 941 forms, either originally or amending the quarters for which they became retroactively eligible. The credits were recorded as grant revenue when the various eligibility criteria were met which was the time at which the YMCA deemed the conditions were substantially met. The filing of the forms are deemed an administrative stipulation and not a barrier. The revenue from the ERTC is included on the statement of activities in the contributions - ERTC in the amount of \$5,827,978. The ERTC credits for the amended quarters were not received by December 31, 2021. As a result, \$4,202,341 is included in Other Receivables - ERTC on the statement of financial position.

NOTE 14. SCHOLARSHIPS AND FINANCIAL ASSISTANCE PROGRAMS

The YMCA's financial assistance programs during 2021 and 2020 were made possible through the YMCA's Annual Support Campaign and awarded or supported more than 2,782 and 1,226 children, families, and individuals, respectively. In 2021 and 2020, recipients received approximately \$1,814,900 and \$821,800 in financial assistance and program subsidies, respectively.

NOTE 15. 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, 2021 AND 2020

NOTE 16. CONTRIBUTIONS RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Sussex branch capital campaign	\$417,224	\$560,724
Unconditional promises to give before amortized discount and allowance for bad debts	417,224	560,724
Less discount to present value at one (1%) percent	(9,273)	(11,186)
	<u>407,951</u>	<u>549,538</u>
Less: Allowance for bad debts	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$407,951</u>	<u>\$549,538</u>
Within one year	\$152,201	\$209,401
In one to five years	<u>255,750</u>	<u>340,137</u>
	<u>\$407,951</u>	<u>\$549,538</u>

NOTE 17. 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 YMCA has not returned to pre-COVID levels of membership and program operation, management took aggressive steps to significantly reduce general and administrative expenses to better align operating costs with anticipated revenue. 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 to continue for the remainder of 2022 and does not believe there are 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 (See Note 2).

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

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2021 AND 2020

NOTE 18. 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, 2021 through May 16, 2022, the date the financial statements were available to be issued.

Other Events

1) Currently, the Association Services Branch, which housed its old corporate offices, has a contract for sale in the amount of \$1,250,000, with an anticipated closing date of April 2022.

2) The YMCA intends to relocate its 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 has been fully executed and is anticipated to close on or about the first quarter of 2023 closing. Management has signed a long-term lease for the new location in New Milford. (see Note 10)

3) The West Essex Branch building has a contract for sale in the amount of \$7,100,000, with an anticipated closing date on or about the first quarter of 2024. The West Essex Branch will relocate to its new location at 304 South Livingston Avenue when the new construction plans are finalized and approved. (See Note 1)