VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND UNIFORM GUIDANCE SUPPLEMENTARY REPORTS

Year Ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

CONTENTS

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

Opinion

We have audited the financial statements of ***Valley of the Sun Young Men's Christian Association and Affiliates***, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of ***Valley of the Sun Young Men's Christian Association and Affiliates*** as of December 31, 2021, and the consolidated results of its operations and its consolidated 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of ***Valley of the Sun Young Men's Christian Association and Affiliates*** 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.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based of the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 ***Valley of the Sun Young Men's Christian Association and Affiliates***' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ***Valley of the Sun Young Men's Christian Association and Affiliates***' 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 ***Valley of the Sun Young Men's Christian Association and Affiliates***' 2020 consolidated financial statements in our report dated June 28, 2021. 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 consolidated financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 27, 2022 on our consideration of the ***Valley of the Sun Young Men's Christian Association and Affiliates***' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ***Valley of the Sun Young Men's Christian Association and Affiliates***' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the ***Valley of the Sun Young Men's Christian Association and Affiliates***' internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

April 27, 2022

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(with comparative totals at December 31, 2020)

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	$ 2,362,612	$ 3,135,018
Accounts receivable, net	364,794	280,644
Merchandise inventories	66,180	83,324
Pledges receivable, net	4,965,970	697,215
Prepaid expenses	137,040	101,367
Note receivable	1,025,000	-
TOTAL CURRENT ASSETS	8,921,596	4,297,568
ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT		
Cash and cash equivalents	465,653	163,475
Pledges receivable, net	143,301	505,141
TOTAL ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT	608,954	668,616
ASSETS RESTRICTED TO ENDOWMENT		
Cash and cash equivalents	686,512	321,500
Pledges receivable, net	137,000	649,416
TOTAL ASSETS RESTRICTED TO ENDOWMENT	823,512	970,916
INVESTMENTS	12,182,326	3,168,461
PROPERTY AND EQUIPMENT, net	31,115,102	34,864,396
ASSETS WHOSE USE IS LIMITED	447,263	345,463
UNAMORTIZED DONATED LAND LEASE RECEIVABLE	299,084	410,042
TOTAL ASSETS	$ 54,397,837	$ 44,725,462

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021
(with comparative totals at December 31, 2020)

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable	$ 526,333	$ 338,008
Accrued expenses	941,413	725,004
Custodian accounts	28,314	53,268
Deferred revenue	903,068	707,015
Current maturities of deferred revenue from cell tower lease assignments	16,200	16,200
Current maturities of annual dues accrued	-	252,332
Current maturities of capital lease obligations	-	252,312
Current maturities of equipment loans	-	245,038
Current maturities of forgivable loans	93,340	93,340
Current maturities of bank loan	409,235	293,978
Current maturities of deferred rent	46,000	46,000
TOTAL CURRENT LIABILITIES	2,963,903	3,022,495
DEFERRED REVENUE FROM CELL TOWER LEASE ASSIGNMENTS, less current maturities	652,050	668,250
CAPITAL LEASE OBLIGATIONS, less current maturities	-	129,651
EQUIPMENT LOANS, less current maturities	-	492,341
FORGIVABLE LOANS, less current maturities	966,187	1,015,834
BANK LOAN, less current maturities	13,507,981	13,765,836
DEFERRED RENT, less current maturities	46,403	93,899
TOTAL LIABILITIES	18,136,524	19,188,306
NET ASSETS		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Board designated	1,008,452	907,242
Undesignated	22,204,739	14,975,365
NET ASSETS WITHOUT DONOR RESTRICTIONS	23,213,191	15,882,607
NET ASSETS WITH DONOR RESTRICTIONS	13,048,122	9,654,549
TOTAL NET ASSETS	36,261,313	25,537,156
TOTAL LIABILITIES AND NET ASSETS	$ 54,397,837	$ 44,725,462

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020
SUPPORT AND REVENUES				
Contributions	$ 6,571,227	$ 4,596,917	$ 11,168,144	$ 5,398,753
United Way allocations	201,096	-	201,096	313,818
Government grants	9,099,739	33,105	9,132,844	6,922,347
Membership dues	6,637,737	-	6,637,737	9,413,564
Program fees	6,037,526	-	6,037,526	3,493,401
Use of YMCA facilities	404,712	-	404,712	215,613
Sales to members	85,742	-	85,742	34,859
Investment income	249,070	118,184	367,254	57,539
Miscellaneous	21,345	-	21,345	282,837
Net assets released from restrictions:				
Satisfaction of program restrictions	495,343	(495,343)	-	-
Satisfaction of capital acquisition restrictions	486,304	(486,304)	-	-
Satisfaction of purpose restrictions	419,261	(419,261)	-	-
Expiration of time restrictions	165,210	(165,210)	-	-
TOTAL SUPPORT AND REVENUES	30,874,312	3,182,088	34,056,400	26,132,731
EXPENSES				
Healthy living	8,283,340	-	8,283,340	9,650,642
Youth values	3,592,806	-	3,592,806	3,117,089
Child care	4,182,247	-	4,182,247	2,599,702
Summer day camp	1,838,976	-	1,838,976	1,335,562
Juvenile justice	1,901,593	-	1,901,593	1,890,332
Resident camp	1,041,319	-	1,041,319	631,746
Member services	504,953	-	504,953	526,825
Management and general	3,678,104	-	3,678,104	3,612,428
Fundraising	602,036	-	602,036	592,535
TOTAL EXPENSES	25,625,373	-	25,625,373	23,956,861
GAINS				
Realized and unrealized gains on investments	7,540	211,485	219,025	248,445
Gain on sale of assets	2,074,105	-	2,074,105	18,617
TOTAL GAINS	2,081,645	211,485	2,293,130	267,062
CHANGE IN NET ASSETS	7,330,584	3,393,573	10,724,157	2,442,932
NET ASSETS, BEGINNING OF YEAR	15,882,607	9,654,549	25,537,156	23,094,224
NET ASSETS, END OF YEAR	$ 23,213,191	$ 13,048,122	$ 36,261,313	$ 25,537,156

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

	Healthy Living	Youth Values	Child Care	Summer Day Camp	Juvenile Justice	Resident Camp	Member Services	Total Programs	Management and General	Fund Raising	Totals 2021	Totals 2020
Salaries	$ 2,474,638	$ 1,480,254	$ 1,973,283	$ 487,955	$ 1,126,121	$ 321,638	$ 30,634	$ 7,894,523	$ 1,786,485	$ 410,220	$ 10,091,228	$ 9,662,679
Employee benefits	227,759	100,552	163,214	49,007	120,264	33,447	4,167	698,410	293,646	61,543	1,053,599	1,047,395
Payroll taxes	198,036	125,562	161,441	46,033	93,718	32,627	2,446	659,863	125,413	32,760	818,036	1,066,962
Total salaries and related expenses	2,900,433	1,706,368	2,297,938	582,995	1,340,103	387,712	37,247	9,252,796	2,205,544	504,523	11,962,863	11,777,036
Professional fees	356,066	238,225	27,440	23,276	9,737	24,869	89,038	768,651	805,104	41,500	1,615,255	1,452,809
Supplies	141,081	333,552	333,382	107,482	70,978	253,912	18,245	1,258,632	114,980	12,508	1,386,120	743,661
Telephone	121,437	52,046	63,427	65,404	-	21,040	26,689	350,043	40,390	-	390,433	406,794
Postage	594	79	513	121	267	103	11	1,688	14,515	7,329	23,532	15,652
Occupancy	1,408,956	668,407	620,784	589,664	110,661	109,279	128,413	3,636,164	209,425	1,440	3,847,029	3,189,261
Printing and publications	121,529	44,689	24,035	24,347	13,633	33,319	10,124	271,676	124,982	18,526	415,184	362,327
Travel	61,245	40,468	153,870	36,949	11,408	28,570	3,465	335,975	92,144	2,325	430,444	202,577
Conferences and conventions	6,349	25,465	7,071	2,835	8,193	7,111	276	57,300	42,597	5,870	105,767	42,220
National dues	117,340	31,368	30,694	21,230	2,101	17,812	9,908	230,453	6,406	-	236,859	176,523
Miscellaneous expenses	265,771	133,738	137,382	142,973	225,012	24,135	15,487	944,498	12,978	8,015	965,491	991,201
Interest expense	281,715	104,938	128,448	134,520	-	-	14,571	664,192	-	-	664,192	663,183
Property taxes	4	1	2	2	-	556	-	565	9,039	-	9,604	10,139
Total before depreciation and amortization	5,782,520	3,379,344	3,824,986	1,731,798	1,792,093	908,418	353,474	17,772,633	3,678,104	602,036	22,052,773	20,033,383
Depreciation and amortization	2,500,820	213,462	357,261	107,178	109,500	132,901	151,479	3,572,600	-	-	3,572,600	3,923,478
Total functional expenses	$ 8,283,340	$ 3,592,806	$ 4,182,247	$ 1,838,976	$ 1,901,593	$ 1,041,319	$ 504,953	$ 21,345,233	$ 3,678,104	$ 602,036	$ 25,625,373	$ 23,956,861

See Notes to Consolidated Financial Statements

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2021
(with comparative totals for the year ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 10,724,157	$ 2,442,932
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Change in discounts on pledges receivable	(4,316)	108,444
Depreciation and amortization	3,572,600	3,923,478
Amortization of donated land lease receivable	110,958	121,518
Amortization of forgivable loan interest	43,705	44,397
Amortization of deferred financing costs	6,960	6,960
Forgiveness of annual dues	(252,332)	-
Interest accrued on loan payment deferrment	144,456	62,991
Loan principal forgiven	(93,340)	(103,007)
Realized and unrealized gains on investments	(219,025)	(248,445)
Gain on sale of property and equipment	(2,074,105)	(18,617)
Contributions restricted for capital investment	(634,626)	-
Contributions restricted for long term investment	(1,254,623)	(1,021,500)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(84,150)	(2,107)
Pledges receivable	(4,038,216)	(180,822)
Merchandise inventories	17,144	1,696
Prepaid expenses	(35,673)	105,626
Increase (decrease) in:		
Accounts payable	188,325	(598,773)
Accrued expenses	216,409	(178,210)
Custodian accounts	(24,954)	(14,927)
Deferred rent	(47,496)	(35,496)
Deferred revenue	196,053	25,839
Amortization of rent contribution	-	100,000
Deferred revenue from cell tower lease assignments	(16,200)	(16,200)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,441,711	4,525,777
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	8,975,824	3,786,922
Proceeds from the sale of property and equipment	2,298,139	104,785
Purchases of investments	(17,770,664)	(3,809,861)
Purchases of property and equipment	(1,322,340)	(1,764,522)
NET CASH USED IN INVESTING ACTIVITIES	(7,819,041)	(1,682,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash collected for capital restricted investments	691,159	18,333
Proceeds from equipment loans	-	491,768
Payments received on note receivable	250,000	-
Principal payments on bank loan	(294,026)	(257,853)
Principal payments on equipment loans	(737,379)	(321,514)
Principal payments under capital lease obligations	(381,963)	(241,702)
Cash collections for long term investment	1,846,123	321,500
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,373,914	10,532
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,416)	2,853,633
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	3,965,456	1,111,823
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 3,962,040	$ 3,965,456
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 519,736	$ 600,192

(1) Operations and summary of significant accounting policies

Nature of operations – The Valley of the Sun Young Men's Christian Association, including its affiliates, Northwest Valley Family YMCA, LLC and Working Poor Support, LLC, (the "Association"), serving the metropolitan Phoenix area, is an Arizona not-for-profit association established in 1892, which operates 15 branches including two resident camps. The Association provides a variety of services to individuals of all ages, ethnic groups, and religious affiliations who are united in a common effort to put Christian principles and values into practice and to enrich the quality of mental, physical, spiritual, and social life for individuals, families, and the community. The Association's primary revenue sources are from program fees, membership dues, contributions, and government grants.

On September 1, 2012, the Valley of the Sun Young Men's Christian Association entered into an agreement with the city of El Mirage to provide services to the community by operating the Northwest Valley Family YMCA. The Association formed a consolidated subsidiary (Northwest Valley Family YMCA, LLC) on July 27, 2012 to carry out the actions of this agreement. The agreement is contingent on certain future events. See Note 10 for information on the leasing arrangement entered into in connection with this agreement.

On February 27, 2015, Working Poor Support, LLC was formed under the laws of the State of Arizona for the purpose of providing services to the working poor population at the Association's branch locations. These services include subsidized childcare, day camp, and exercise programs, a workforce development program, medical and dental clinics, residential housing, and senior citizen programs. The Association is the sole member of Working Poor Support, LLC.

The significant accounting policies followed by the Association are as follows:

Principles of consolidation – The accompanying consolidated financial statements include the accounts of the Valley of the Sun Young Men's Christian Association, Northwest Valley Family YMCA, LLC and Working Poor Support, LLC which are consolidated as they are under common management and control. Inter-company transactions and balances have been eliminated in consolidation.

Basis of presentation – The accompanying consolidated financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. The Association is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Association maintains its accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

<u>Net assets without donor restrictions</u>
Net assets that are not subject to donor (or certain grantor) restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Association's management and the board of directors.

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

(1) Operations and summary of significant accounting policies (continued)

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

Prior year summarized information – The consolidated 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 accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2020 from which the summarized information was derived.

Management's use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The Association considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents which are stated at fair value. Cash deposits at commercial banks are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Accounts receivable – Accounts receivable are stated at the amount management expects to collect under the terms of the contract agreements. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2021 and 2020, the allowance was $520,053 and $583,605 respectively. At December 31, 2021 and 2020, approximately 59% and 36%, respectively, of accounts receivable was due from one customer.

Merchandise inventories – Merchandise inventories consist of fitness clothing, supplies and equipment which are generally sold to members. These inventories are valued at the lower of cost, with cost determined using the first-in, first-out ("FIFO") method, or net realizable value.

Assets whose use is limited – As of December 31, 2021 and 2020, the Association had $447,263 and $345,463 , respectively, on deposit in control accounts established as part of the debt restructuring described in Note 6 with a lender. As of December 31, 2021 and 2020, the cash balance is comprised of $261,761 and $261,369 as a Debt Service Reserve and $185,502 as a Deferred Maintenance Reserve, respectively.

Assets restricted to investment in property and equipment – The Association classifies cash and cash equivalents as restricted when the cash equivalents are unavailable for general withdrawal or uses. The Association has received cash and pledges receivable as part of the capital campaign to revitalize the Sky-Y Camp.

(1) Operations and summary of significant accounting policies (continued)

The following table provides a reconciliation of cash and cash equivalents, and restricted cash and cash equivalents reported in the consolidated statement of financial position that aggregate to the total of the same such amounts shown in the consolidated statement of cash flows:

	2021	2020
Cash and cash equivalents	$ 2,362,612	$ 3,135,018
Cash and cash equivalents restricted to investment in property and equipment	465,653	163,475
Cash and cash equivalents restricted to endowment	686,512	321,500
Cash and cash equivalents included in assets whose use is limited	447,263	345,463
Total cash and cash equivalents and restricted cash	$ 3,962,040	$ 3,965,456

Investments – The Association accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt Securities* and FASB ASC 958-321, *Not-for-Profit Entities – Investments – Equity Securities*. Under FASB ASC 958-320 and FASB ASC 958-321, investments in equity and debt are measured at fair value in the consolidated statement of financial position. Investment income or loss (including unrealized and realized gains and losses on investments, interest, and dividends, net of investment fees) is included in net assets without restriction unless the associated income or loss is restricted. Declines in the fair value of investments below their cost that are deemed to be other than temporary are reflected as realized losses. There were no declines in fair value of investments below their cost that were deemed to be other than temporary during the years ended December 31, 2021 and 2020.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

Fair value measurements – FASB ASC 820, *Fair Value Measurement,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets of liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

(1) Operations and summary of significant accounting policies (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

The fair value of investments is readily available and is based upon market value. Equity securities, money market funds, and other funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Certain equity investments held by the Association do not have readily determinable fair values. These securities are invested in instruments that qualify for the use of the net asset value (NAV) practical expedient as permitted by FASB ASC 820 and are excluded from the valuation hierarchy.

Property and equipment – Property and equipment are initially recorded at cost or fair market value at date of donation and are depreciated using the straight-line method over their useful lives, which range from 3 to 15 years for equipment and 10 to 25 years for buildings and building improvements. Donated land is reflected as contributions at the fair market value at the date of receipt. Maintenance and repairs are charged to expense as incurred and betterments are capitalized. Leasehold improvements and assets held under capital leases are amortized on the straight-line basis over the shorter of the lease terms or estimated useful lives of the assets.

Impairment of long-lived assets – The Association reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. The Association did not recognize any impairment charges in 2021 or 2020.

Contributions – The Association receives contributions to support operating activities, endowments and capital projects. In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Association evaluates grants and contributions for evidence of the transfer of commensurate value from the Association to the grantor or resource provider. The transfer of commensurate value from the Association to the grantor or resource provider may include instances when a) the goods or services provided by the Association directly benefit the grantor or resource provider, or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Association. When such factors exist, the Association accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Association accounts for the award under the contribution accounting model.

(1) Operations and summary of significant accounting policies (continued)

In the absence of the transfer of commensurate value from the Association to the resource provider, the Association evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Association or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Association and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Association to use the funds. Should the existence of a measurable performance barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or a release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Association recognizes amounts received from unconditional contributions at the time the Association receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Association.

In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions with donor restrictions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Restricted support where restrictions are met in the same period as the donation is made is shown as additions to contributions without donor restrictions. Additionally, contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of net assets without donor restrictions class.

Contributions of cash or other assets to be used to acquire land, buildings and equipment with such donor stipulations are reported as revenues of the net assets with donor restrictions class. The restrictions are considered to be released at the time such long-lived assets are placed into service.

Government grants – The Association has contracts with the city, state and federal agencies to provide a variety of program services to the public based on contract requirements, including eligibility, procurement, reimbursement, staffing, and other requirements. These program services range from child-care after school programs and family programs. These contracts from government agencies were determined to be conditional contributions and are recorded as revenue as the conditions are met, which is generally when the related expenditures are incurred over the period the service is provided. As these are generally non-exchange contracts, amounts for billed unpaid services are included in contributions receivable in the accompanying consolidated statement of financial position. Advances are recorded as deferred revenue upon receipt.

Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Association with the terms of the grants or contracts. Additionally, if the Association terminates its activities, all unearned amounts are to be returned to the funding sources.

As of December 31, 2021 and 2020, the Association had various government grants that are conditional in nature and the revenue can only be recognized once funds have been spent on qualified costs. As of December 31, 2021 and 2020, the remaining amount of conditional promises to give under these governmental grants is approximately $795,000 and $910,000 , respectively.

(1) Operations and summary of significant accounting policies (continued)

Donated materials and services – Donated materials are recorded at their estimated fair value as of the date of donation. Donated services are recorded in accordance with FASB ASC 958-605 at their estimated fair value if they (a) create or enhance the Association's nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Association utilizes the services of volunteers to perform a variety of tasks that assist the Association with specific programs, campaign solicitations, and various committee assignments. This support has not been recorded as a component of contributions as it does not meet the recognition criteria under FASB ASC 958-605.

Promises to give – Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the pledge is expected to be collected, the creditworthiness of the other parties, the Association's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the pledge's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue recognition under Topic 606

The Association has multiple revenue streams that are accounted for as exchange transactions including membership and program fees. Because the Association's performance obligations relate to contracts with a duration of less than one year, the Association has elected to apply the practical expedient to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Membership dues – Membership dues are recognized over time as the Association stands ready to deliver the performance obligations under the membership agreement. Members join for varying lengths of time and may cancel with fifteen days' notice. Members generally pay a one-time joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. Unearned membership dues are reflected as deferred revenue on the consolidated statement of financial position. Amounts billed but unpaid are recorded as accounts receivable in the accompanying consolidated statement of financial position.

Program fees – Program fees are reported at an amount that reflects the consideration to which the Association expects to be entitled in exchange for providing services to their program participants. Program fees include fitness classes, childcare, day camps, overnight camps, swim lessons, and various other programs operating at YMCA locations, program sites, camps, or schools. Program fees are usually paid in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Performance obligations are determined based on the nature of the services provided to the Association. Performance obligations are generally providing a service at a point in time. Revenue is recognized at the time the program is held. Unearned program fees are reflected as deferred revenue on the consolidated statement of financial position. Amounts billed but unpaid are recorded as accounts receivable in the accompanying consolidated statement of financial position.

(1) Operations and summary of significant accounting policies (continued)

Functional expenses – The Association performs two functions: program services and support services. Expenses directly attributable to a specific functional area of the Association are reported as expenses of those functional areas while indirect costs that benefit multiple areas have been allocated among the various functional areas based on the time and effort incurred or square footage assigned. The expenses that are allocated include depreciation, interest, branch expenses and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

The following program categories are used:

Healthy Living: Activities performed by the Association which promote healthy lifestyles, build self-esteem, and develop leadership qualities.

Youth Values: Activities performed by the Association which promote the development of specific skills in a variety of youth sports and aquatics safety as well as the development of leadership skills, teamwork, and self-confidence.

Child Care: Activities performed by the Association which promote the strengthening of family relationships and personal growth through values oriented childcare.

Summer Day Camp: Activities performed by the Association which promote the strengthening of family relationships and personal growth through values oriented day camping experiences during the summer.

Juvenile Justice: Activities performed by the Association which provide diversion programs of counseling, behavior modification, and personal growth for court-referred first offender and opportunity youths.

Resident Camp: Activities performed by the Association which promote personal growth, values clarification and leadership development through a resident camping experience.

Member Services: Activities performed by the Association which provide low income, transitional housing, and create a healthy environment for individuals new to the community.

Management and General: All management and general costs not identifiable with a single program or fund raising activity, but indispensable to the conduct of such programs and activities and to the overall direction of the Association, business management, general record keeping, budgeting, financial reporting, and activities related to these functions such as salaries, rent, supplies, equipment, and other general overhead.

Fund Raising: Activities performed by the Association to generate funds to operate programs and provide financial assistance for program participation to those in need.

Advertising – Advertising costs are expensed as incurred. Advertising expenses totaled $219,811 and $209,826 for the years ended December 31, 2021 and 2020, respectively.

(1) Operations and summary of significant accounting policies (continued)

Income taxes – The Valley of the Sun Young Men's Christian Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes in the accompanying consolidated financial statements. In addition, the Valley of the Sun Young Men's Christian Association qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. Northwest Valley Family YMCA, LLC and Working Poor Support, LLC are treated as disregarded entities for income tax purposes, and accordingly, all income and expenses are passed through to the Valley of the Sun Young Men's Christian Association. The Association evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filing, and discussions with outside experts. Management does not believe any significant uncertain tax positions exist as of December 31, 2020 or 2019.

The federal and state tax returns of the Association for 2018, 2019 and 2020 are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed. The 2021 returns have not yet been filed as of the date of this report.

Recent accounting pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of use-asset representing the lessee's right to use or control the asset be recorded upon the commencement of all leases except for short-term leases. The lease obligation is to be measured on a discounted basis. The ASU requires a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest period presented in the consolidated financial statements and would not require any transition accounting for leases that expired before the earliest period presented in the consolidated financial statements. The ASU is effective for fiscal years beginning after December 15, 2021 for entities that have adopted ASU No. 2020-05. Early adoption is permitted. The Association has estimated that if they were to adopt the standard for the year ended December 31, 2021, a non-current right of use asset of approximately $4,430,000 and a corresponding current and non-current lease liability of $391,000 and $4,039,000 respectively, would be recorded in the accompanying consolidated statement of financial position. The estimate was calculated using the minimum future lease payments (see Note 10) and a risk-free rate of 1.89%.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires the entity to present contributed nonfinancial assets in a separate line item in the consolidated statement of activities and change in net assets and disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. Additionally, the entity must disclose a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition. The ASU is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Association is currently evaluating the impact adoption would have on the consolidated financial statements.

Subsequent events – The Association has evaluated subsequent events through April 27, 2022 which is the date the consolidated financial statements were available to be issued.

(2) Risks and uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a ‘pandemic’. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, local, state and national governments have implemented measures to combat the outbreak that have impacted business operations. The COVID-19 outbreak is also disrupting supply chains of personal protective equipment and other medical supplies. The extent of the impact of COVID-19 on the Association’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, measures taken by local and state governments to reduce the spread, availability of relief funding from government and private sources and scientific and medical advancements toward effective treatments and vaccines.

The Association closed all branch locations during the spring and summer of 2020 with the exception of the provision of emergency childcare. Because of the closings, the Association laid off full time and some senior staff in addition to all part time staff. This resulted in nearly a 50% reduction in payroll costs. These payroll reductions were necessary as monthly membership revenue declined significantly due to facility closures. The Association did not collect program fees for youth sports, camping, aquatics, teen and health and wellness programs that were paused. The Association reduced supply, occupancy, equipment and other operating expenses associated with the facility closures and paused programs. The timely expense reductions were implemented to preserve the Association’s limited cash flows.

In response to the pandemic, the US Government enacted fiscal and monetary stimulus measures to counteract the disruption caused by the coronavirus. During the year ended December 31, 2021 and 2020, the Association received funding of approximately $4,400,000 and $3,900,000, respectively, from the state of Arizona, included in government grants in the accompanying consolidated statement of activities and changes in net assets, to provide emergency child care programs and has been granted funding to support distance learning for students in need of internet access. Additionally, the Association continues to receive significant contributions from the public. The Association will continue to seek opportunities and funding to support the needs of youth and families through childcare and other programming necessitated by the changing environment and coronavirus pandemic.

In April 2020, the Association was awarded a $3.14 million Payroll Protection Program (“PPP”) forgivable loan under the Federal Coronavirus Aid, Relief, and Economic Security Act (“CARES” Act). Under the terms of the loan, the balance may be forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through September 2020 and that certain employment levels are maintained or certain safe harbor requirements are met. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due July 2023 and carries an interest rate of 1%. The Association accounts for this agreement in accordance with FASB ASC 958,605 as a conditional contribution. As of December 31, 2020, the Association estimates that they have satisfied the conditions of the loan to qualify for full forgiveness. As a result, contribution revenue is included within government grants in the accompanying statement of activities and changes in net assets. Formal approval for forgiveness was approved in July 2021.

In February 2021, the Association applied for and received another PPP loan of $2M. Under the same terms described above, the balance may be forgivable to the extent the proceeds are used for certain qualified costs. To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due February 2026 and carries an interest rate of 1%. The Association accounts for this agreement in accordance with FASB ASC 958,605 as a conditional contribution. As of December 31, 2021, the Association estimates that they have satisfied the conditions of the loan to qualify for full forgiveness. As a result, contribution revenue is included within government grants in the accompanying statement of activities and changes in net assets. A formal request for forgiveness will be submitted to the lender.

(2) Risks and uncertainties (continued)

During 2021, the Association determined that they qualified for Employee Retention Tax Credit, as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and subsequently amended by the Consolidated Appropriations Act, 2021 totaling approximately $2.08M, which is recorded as a grant. Under the terms of the program, the Association must incur qualifying wag or health insurance costs and have either suspended operations under governmental order or experienced specified declines in gross receipts. If conditions are not met, any amount of credit received is refundable to the government and the Association may be subject to fines and penalties. The Association accounts for the tax credit as a conditional contribution and the total amount of $2.08M has been reported as government grant revenue with a corresponding receivable as of December 31, 2021. The amounts are expected to be received in 2022.

The Association continues to closely monitor the impact of the pandemic on operations. Depending on the severity and duration of the pandemic, the Association could experience a material negative impact to consolidated operations, cash flow, and financial condition. However, the extent of the impact cannot be reasonably estimated at this time.

(3) Pledges receivable

Pledges receivable consist of the following as of December 31:

	2021	2020
Receivable in less than one year	$ 4,578,410	$ 1,151,077
Receivable in two to five years	846,543	881,139
Total pledges receivable	5,424,953	2,032,216
Less: unamortized discount using rate of 4.74%	(104,128)	(108,444)
Less: allowance for uncollectible pledges	(74,554)	(72,000)
Pledges receivable, net	$ 5,246,271	$ 1,851,772

Included in pledges receivable in 2021 and 2020 are pledges for the Capital Campaign which are funds restricted for investment in youth leadership, property and equipment additions to revitalize the Sky-Y camp and other projects and pledges restricted for investment in the Association’s endowment funds.

(4) Investments and fair value measurements

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy, other than investments measured at NAV as a practical expedient, as of December 31, 2021:

	Cost	Market	Quoted Prices in Active Markets for Identical Assets (Level 1)
Intermediate bond funds	$ 738,532	$ 734,073	$ 734,073
Money market funds	312,785	312,785	312,785
Multisector bond funds	2,038,207	1,946,138	1,946,138
Foreign large growth funds	754,034	676,562	676,562
Diversified emerging markets funds	304,793	265,467	265,467
Foreign large blend funds	282,996	329,685	329,685
Large growth/blend funds	1,264,530	1,514,920	1,514,920
Private debt funds	2,465,005	2,481,666	2,481,666
Small growth/blend funds	165,248	178,178	178,178
Ultrashort bond funds	3,004,215	3,002,172	3,002,172
	11,330,345	11,441,646	$ 11,441,646
Investments measured at NAV	690,268	740,680	
Total investments	$ 12,020,613	$ 12,182,326	

(4) Investments and fair value measurements (continued)

In accordance with FASB ASC 820, the Association is required to disclose the nature and risks of the investments reported at NAV. The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of December 31, 2021:

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
AMG Pantheon Class 3	$ 253,053	$ -	N/A	Two year lock up
Pomona Investment Fund	257,005	-	N/A	One year lock up
Ceres Farms, LLC	230,622	-	N/A	One year lock up
Total	$ 740,680	$ -		

AMG Pantheon Class 3 – The policy of this fund is to invest in the AMG Master Fund which invests in private equity securities including investments in private equity, infrastructure, and other private asset funds. The Capital will be distributed to the partners at amounts and times as the manager may determine in its sole discretion.

Pomona Investment Fund – The policy of this fund is to seek long-term capital appreciation by investing primarily in private equity investments. The Capital will be distributed to the partners at amounts and times as the manager may determine in its sole discretion.

Ceres Farms, LLC – The policy of this fund is to generate an attractive total return through the acquisition and management of farmland in the Midwestern United States. Ceres Partners, LLC serves as the fund's investment advisor and acts as the manager of the fund. Capital will be distributed to the partners at amounts and times as the manager may determine in its sole discretion.

(4) Investments and fair value measurements (continued)

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of December 31, 2020:

	Cost	Market	Quoted Prices in Active Markets for Identical Assets (Level 1)
Fixed Income- bond funds	$ 384,178	$ 415,320	$ 415,320
Money market funds	494,094	494,093	494,093
Multisector stocks	264,444	450,709	450,709
Commodities	156,773	171,983	171,983
Equity mutual funds:			
International	340,542	385,159	385,159
World Allocation	21,774	21,717	21,717
Large growth/ blend funds	366,021	419,964	419,964
Large value	12,749	15,023	15,023
Long-short funds	137,049	137,049	137,049
Mid cap funds	295,663	368,030	368,030
Small growth/ blend funds	30,612	33,801	33,801
Long Government (iShares)	234,121	255,613	255,613
Total investments	$ 2,738,020	$ 3,168,461	$ 3,168,461

(5) Property and equipment

	2021	2020
Land and land improvements	7,939,605	$ 8,647,605
Buildings and building improvements	76,188,960	80,010,521
Equipment	24,608,127	25,732,104
Total	108,736,692	114,390,230
Less accumulated depreciation and amortization	(78,624,652)	(80,047,125)
Total	30,112,040	34,343,105
Construction in process	1,003,062	521,291
Total property and equipment, net	$ 31,115,102	$ 34,864,396

(5) Property and equipment (continued)

Depreciation and amortization expense on property and equipment was $3,572,600 for 2021 and $3,923,478 for 2020, respectively, which includes amortization expense on assets held under capital leases.

Construction in process at December 31, 2021 and 2020 consisted of renovations and improvements to several branches. No additional funds have been committed to the completion of the branch renovation projects. Completion of these projects is contingent upon raising additional funds for construction and management is re-evaluating the projects to be completed.

For the years ended December 31, 2021 and 2020, no interest costs were capitalized as a component of construction in process.

During the year ended December 31, 2021, the Association sold one of the existing branches to an unrelated third party and recognized a gain on sale of approximately $2 million. A portion of the consideration received was in the form of a note receivable for $1,275,000 at the time of the sale. The note receivable bears interest at 5% per annum. A payment of $250,000 was due and received during 2021 and the remaining principal and accrued interest is due upon maturity in August 2022. As of December 31, 2021, the outstanding balance of the note receivable was $1,025,000 and is included in current assets in the accompanying consolidated statement of financial position.

Equipment under capital leases and equipment loans have been included in buildings and building improvements and equipment at a total cost of $2,634,684 as of December 31, 2020. Accumulated amortization related to these leased assets totaled $1,506,142 as of December 31, 2020. During the year ended December 31, 2021, the Association terminated its capital leases and purchased the equipment.

(6) Bank loan

The Association has a loan agreement with KS State Bank with a maturity date of February 10, 2043, structured as a 25 year fully amortizing loan with a fixed interest rate of 4.74% per year until February 1, 2023. Beginning February 1, 2023, the interest rate will be adjusted annually on February 1 thereafter using the rate of the *Wall Street Journal* one-year Treasury Constant Maturities rate plus 3.50% or 4.74% with payments due monthly.

Total debt outstanding on the loan agreement with KS State Bank was $14,050,616 and $14,200,174 as of December 31, 2021 and 2020, respectively, which is reported net of unamortized debt issuance costs of $133,400 and $140,360, respectively, in the accompanying consolidated statement of financial position.

On March 31, 2022, the Association refinanced the long term note with KS State Bank, reducing the outstanding principal to $11 million. The monthly interest rate was reduced to 3.75%. The monthly payment was reduced by $26,000 each month to $57,232 and extended the maturity date to March 20, 2047.

(6) Bank loan (continued)

Future maturities of the debt and obligations are as follows:

Year Ending December 31,	
2022	$ 409,235
2023	426,531
2024	443,018
2025	463,283
2026	482,864
Thereafter	11,825,685
Total	$ 14,050,616

The loan and security agreement has covenants requiring the Association to maintain certain cash reserves, financial ratios and reporting requirements. The required reserve accounts include a debt service reserve with a minimum balance of $250,000, and a deferred maintenance reserve with an initial deposit of $8,333 and additional monthly deposits of the same amount. The loan is secured by the Association's inventories, furniture and equipment, investments, receivables, and other assets as well as the real property utilized for 12 of the Association's branch locations. The loan and security agreement also places limits on the amount of debt the Association can have outstanding on its capital lease and P-Card obligations.

(7) Equipment loans payable

Equipment loans consist of the following as of December 31:

	2021	2020
Loan equipment agreement with KS State Bank; original amount of $457,009; payable in monthly installments of $9,400, including interest at 3.81% through February 2025; secured by equipment.	$ -	$ 457,009
Loan equipment agreement with KS State Bank; original amount of $34,759; payable in monthly installments of $781, including interest at 3.05% through January 2025; secured by equipment.	-	34,759
Loan equipment agreement with Ally Financial; original amount of $23,274; payable in monthly installments of $437, including interest at 4.69%, through September 2022; secured by vehicle.	-	8,738
Loan equipment agreement with Ally Financial; original amount of $42,050; payable in monthly installments of $789, including interest at 4.69%, through September 2022; secured by vehicle.	-	-

(7) Equipment loans payable (continued)

	2021	2020
Loan equipment agreement with KS State Bank; original amount of $897,831; payable in monthly installments of $18,449, including interest at 3.753% through January 2021; secured by equipment.	-	89,504
Loan equipment agreement with KS State Bank; original amount of $96,221; payable in monthly installments of $2,912, including interest at 5.64%, through February 2021; secured by equipment.	-	5,782
Loan equipment agreement with John Deere Finance; original amount of $52,699; payable in monthly installments of $627 including interest at 0%, through September 2024; secured by equipment.	-	28,231
Loan equipment agreement with KS State Bank; original amount of $41,979; payable in monthly installments of $798, including interest at 5.30%, through September 2022; secured by equipment.	-	15,970
Loan equipment agreement with KS State Bank; original amount of $130,404; payable in monthly installments of $2,972, including interest at 5.03%, through November 2023; secured by equipment.	-	97,386
Total	$ -	$ 737,379
Less current maturities	-	(245,038)
Long-term maturities of equipment loans payable	$ -	$ 492,341

In 2021, the Association repaid the outstanding balances on all the equipment loans in full.

(8) Forgivable loans

Forgivable loans as of December 31 consist of the following:

	2021	2020
Note payable to City of Phoenix for the construction of residential rental housing; not to exceed $2,000,000; principal to be forgiven starting in 2017 for 24 years, provided the housing is used for the operation of affordable housing; Interest-free (discounted to a rate of 1.87%); secured by a deed of trust on real property.	$ 1,600,000	$ 1,680,000
Note payable to City of Phoenix for the construction of a public facility to support Maryvale ball field activities by providing restrooms, vending and a concession stand; not to exceed $200,000; principal is to be forgiven starting in 2016 for 15 years if the service requirement has been met; interest free (discounted to a rate of 5.25%); secured by a deed of trust on real property.	119,948	133,300
Total	$ 1,719,948	$ 1,813,300
Less unamortized present value discount	(660,421)	(704,126)
Total forgivable loans	$ 1,059,527	$ 1,109,174

Future maturities of forgivable loans are as follows:

Year Ending December 31,	
2022	$ 93,340
2023	93,340
2024	93,340
2025	93,340
2026	93,340
Thereafter	1,253,248
Total annual maturities	$ 1,719,948

(9) Capital lease obligations

Capital lease obligations consist of the following as of December 31:

	2021	2020
Capital lease obligation payable to Key Equipment Finance; original amount of $331,353; payable in monthly installments of $6,842 with a balloon payment of $39,978, including interest at 3.99% through January 2022, secured by equipment.	$ -	$ 112,695
Capital lease obligation payable to Key Equipment Finance; original amount $94,259; payable in monthly installments of $1,736, including interest at 4%, through January 2022, secured by equipment.	-	22,050
Capital lease obligation payable to Key Equipment Finance; original amount $25,686; payable in monthly installments of $473, including interest at 4%, through January 2022, secured by equipment.	-	6,010
Capital lease obligation payable to Key Equipment Finance; original amount of $22,293; payable in monthly installments of $516 including interest at 4.25% through November 2022, secured by equipment.	-	11,093
Capital lease obligation payable to Key Equipment Finance; original amount $39,943; payable in monthly installments of $924, including interest at 4.79%, through December 2022, secured by equipment.	-	20,717
Capital lease obligation payable to Key Equipment Finance; original amount of $263,018; payable in monthly installments of $6,021 including interest at 4.49% through January 2023, secured by equipment.	-	142,277
Capital lease obligation payable to Key Equipment Finance; original amount of $123,957; payable in monthly installments of $2,826 including interest at 4.38% through January 2023, secured by equipment.	-	67,121
Total	$ -	$ 381,963
Less current maturities	-	(252,312)
Long-term maturities of capital lease obligations	$ -	$ 129,651

In 2021, the Association terminated all of the outstanding capital leases and purchased the underlying equipment.

(10) Lease commitments

Certain branches of the Association are leased facilities under non-cancelable operating leases maturing through 2044. The Association is responsible for most executor costs. The Association also leases various pieces of office equipment, fitness equipment, solar equipment and vehicles under non-cancelable operating leases.

Future minimum payments under these non-cancelable operating lease commitments are as follows:

Year Ending December 31,	
2022	$ 398,023
2023	474,398
2024	474,398
2025	474,398
2026	436,000
Thereafter	2,569,500
Total	$ 4,826,718

Rent expense totaled $457,383 for the year ended December 31, 2021 and $522,267 for the year ended December 31, 2020. It is expected that in the normal course of business, leases that expire will be renewed or replaced by leases on other properties.

The Association has entered into solar power system leases at fourteen of its locations. The leases contain twenty year non-cancelable terms expiring in 2031 and 2033. The leases provide for rents to be paid on a contingent basis and are based on a factor of the utility savings realized by the Association as a result of using solar power. Included in rent expense above is contingent rent expense of $170,378 for 2021 and $149,190 for 2020.

The Association entered into an operating lease agreement with the City of El Mirage. The lease term is 30 years with 2 options for extensions of 5 years each. However, the lease may be cancelable under certain conditions after the fourth year and the non-cancelable term is considered to be four years. Base rent under the lease is $8,333 per month throughout the term of the lease. An addendum was executed in 2014 to reduce the first 30 months of base rent to $1 per month subject to certain conditions. An addendum was executed in 2016 which extended the rent reduction for twelve month terms for the term of the lease. An addendum was executed in 2018 which extended the rent reduction for four twelve month terms and removed certain conditions from the original lease agreement. As a part of the agreement, the Association will offer discounts to residents of El Mirage up to a specified amount that will be reimbursed by the City of El Mirage. Included in contributions for the year ended December 31, 2018 is approximately $400,000 relating to the rent reductions to be received through December 2022. The unamortized balance of the lease was $92,080 and $184,160 as of December 31, 2021 and 2020, respectively, and is included under donated land lease receivables in the accompanying consolidated statement of financial position.

(10) Lease commitments (continued)

The Association also leased the land for three locations that require nominal payments each per year. The leases expire in various years ranging from 2027 to 2063. The Association has recognized a receivable for the donated use of these long-lived assets. To determine the value of the receivable, the Association used the lower of the fair value rent payments discounted over the lease term using discount rates ranging from 8% to 15% or the fair value of the land upon inception of the lease. Amortization of the receivable is recognized as rent expense on an annual basis. On November 14, 2018, the Association entered into an agreement to exchange the termination of the land lease at the Glendale location for the donation of 5 acres of deeded land at the Glendale location. For the years ended December 31, 2021 and 2020, the Association recognized $21,607 and $21,607 of amortization on these receivables, respectively. As of December 31, 2021 and 2020, the unamortized balance of these donated land lease receivables totaled $207,004 and $225,882, respectively.

(11) Net assets without donor restrictions

Board designated endowment funds – The board has designated funds be set aside to establish and maintain an endowment for the purpose of securing the Association's long-term financial viability and continuing to meet the needs of the Association. The endowment funds totaled $1,008,452 and $907,242 at December 31, 2021 and 2020, respectively.

(12) Net assets with donor restrictions

Net assets with donor restrictions are restricted for purposes or periods as follows at December 31:

	2021	2020
Investment in perpetuity, the income from which is expendable to support any activities of the Association	$ 3,857,281	$ 2,011,158
Land required to be used as a branch facility	563,907	563,907
Endowment pledges, net	137,000	649,416
Land required to be used as a camp	1,050,360	1,050,360
Land required to be used as a branch facility	1,830,000	1,830,000
Investment for which the Association acts as trustee as part of a Unitrust Agreement	81,130	162,260
Total net assets restricted in perpetuity	7,519,678	6,267,101
Subject to expenditure for a specified purpose:		
Assets restricted to specific programs	2,890,123	1,081,907
Purpose restricted assets held in a quasi-endowment	100,000	100,000
Accumulated earnings on perpetual endowment fund	615,937	286,268
Assets restricted to investment in property and equipment	608,954	460,632
Subject to expenditure over time:		
Interest contribution on forgivable loans	664,246	698,499
Donated land leases	299,084	410,042
Land required to be used as a branch facility	350,100	350,100
Total net assets with donor restrictions	$ 13,048,122	$ 9,654,549

(13) Net assets released from donor restrictions

Net assets released from donor restrictions by incurring expense satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended December 31:

	2021	2020
Satisfaction of program restrictions:		
Youth values program expense	$ 52,592	$ 159,752
Healthy living program expense	211,301	125,410
Child care program expense	136,497	109,974
Summer day camp program expense	6,672	33,480
Juvenile justice program expense	74,760	113,877
Resident camp	8,105	9,106
Member services	5,416	8,442
Total satisfaction of program restrictions	$ 495,343	$ 560,041
Satisfaction of purpose restriction:		
Youth values program expense	$ 91,243	$ 61,103
Healthy living program expense	28,272	17,374
Child care program expense	97,579	85,894
Summer day camp program expense	183,556	123,844
Resident camp	376	5,412
Member services	18,235	15,616
Total satisfaction of purpose restrictions	$ 419,261	$ 309,243
Expiration of time restrictions	$ 165,210	$ 165,915
Satisfaction of capital acquisition restrictions	$ 486,304	$ 123,347

(14) Endowment

The Association’s endowment consists of six individual funds. Its endowment includes donor-restricted perpetual endowment, donor-restricted quasi-endowment and board-designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act (“MCFA”). The Board of Directors of the Association has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets subject to purpose or time restrictions based upon the presence or absence of direction from the donor and are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by MCFA.

(14) Endowment (continued)

In accordance with MCFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Association and the donor-restricted endowment fund
3. The possible effects of market volatility
4. The expected total return from income and the appreciation of investments
5. The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted perpetual endowment fund	$ -	$ 3,857,281	$ 3,857,281
Accumulated earnings on perpetual endowment fund	-	615,937	615,937
Donor-restricted quasi-endowment fund		100,000	100,000
Board-designated endowment funds	1,008,452	-	1,008,452
Total funds	$ 1,008,452	$ 4,573,218	$ 5,581,670

The changes in endowment net assets for the year ended December 31, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 907,242	$ 2,397,426	$ 3,304,668
Investment return:			
Investment income, net	44,723	118,184	162,907
Net appreciation (realized and unrealized)	80,031	211,485	291,516
Other changes:			
Investment fees	(23,544)	-	(23,544)
Contributions and additions	-	1,846,123	1,846,123
Endowment net assets, end of year	$ 1,008,452	$ 4,573,218	$ 5,581,670

(14) Endowment (continued)

Endowment net asset composition by type of fund as of December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted perpetual endowment fund	$ -	$ 2,011,158	$ 2,011,158
Accumulated earnings on perpetual endowment fund	-	286,268	286,268
Donor-restricted quasi-endowment fund	-	100,000	100,000
Board-designated endowment funds	907,242	-	907,242
Total funds	$ 907,242	$ 2,397,426	$ 3,304,668

The changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 835,714	$ 1,873,068	$ 2,708,782
Investment return:			
Investment income, net	16,152	36,202	52,354
Net appreciation (realized and unrealized)	74,358	166,656	241,014
Other changes:			-
Investment fees	(18,982)	$ -	(18,982)
Contributions and additions	-	321,500	321,500
Endowment net assets, end of year	$ 907,242	$ 2,397,426	$ 3,304,668

The investment objective of the endowment is, commensurate with a prudent level of risk, the preservation and enhancement of the real purchasing power of the contributed principal of the endowment while providing a predictable and satisfactory stream of income. In order of priority, the investment objective of the endowment is: (1) the preservation of contributed principal; (2) the growth of such principal to more than offset inflation and (3) the production of a satisfactory level of current income. The target return for the endowment is the Consumer Price Index plus 5 percent, net of fees, over a 5-year rolling period.

For board designated funds, the Association plans annual disbursements from the endowment of up to 5% of the trailing twelve months average market value of the endowment as of December 31st net of current year additions. The exact percentage to be allocated on an annual basis is determined by governance. During 2016, the board approved a draw on the board-designated endowment fund of $250,000 to transfer to a debt reserve at KS State Bank as a requirement of the restructured debt agreement. Concurrent with the debt reduction in Note 6, in March 2018, the debt reserve requirement by KS State Bank was reduced by $250,000, and these funds were returned to the board designated endowment fund. For restricted funds, disbursements will be made in accordance with the restrictions associated with such funds. In the absence of explicit donor restrictions on disbursements from restricted funds, the board of directors will make disbursements at its discretion in accordance with MCFA. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The board of the Association has interpreted MCFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no funds with deficiencies at December 31, 2021 or 2020.

(15) Retirement plan – defined contributions

The Association participates in a defined contribution individual account, money purchase, retirement plan which is administered by the Young Men's Christian Association Retirement Fund (a separate corporation). The Young Men's Christian Association Retirement Fund is operated as a church pension plan and is a not-for-profit, tax-exempt New York state corporation. The plan is for the benefit of substantially all full-time professional and support staff of the Association. Participation is available to all eligible employees of all duly organized or reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

In accordance with the agreement with the Retirement Fund, contributions made by the Association are a percentage of the participating employees' salary and are to be remitted to the Young Men's Christian Association Retirement Fund monthly. Total Association contributions charged to retirement costs in 2021 and 2020 aggregated $717,250 and $650,985, respectively.

(16) Annuity agreements

The Association has entered into a Unitrust Agreement, under which the Association has received funds to invest and manage as trustee. The Association is obligated to pay the beneficiaries of the trust 5% of the net fair market value of the trust assets on an annual basis for the remainder of their lives. The Association has invested these funds in investments that provide income to contribute toward the required payments to the beneficiaries as stipulated by the trust agreement. The investment income earned in 2021 and 2020 was not sufficient to cover the required payments to the beneficiaries of the trust. Upon the death of the beneficiaries, the accumulated principal of the trust will be distributed to the Association as an endowment. During 2021, the Association was informed that one beneficiary had passed away. The remaining balance of the account was transferred to the Association's endowment funds as donor restricted endowment assets. The investment's market value was $85,849 and $160,556 at December 31, 2021 and 2020, respectively and is included in investments on the consolidated statement of financial position.

The annuity liabilities for the above agreements were fully relieved in 2011 and 2012. Accordingly, annual payments to the annuitants are expensed as incurred. The annual payments for 2021 and 2020 totaled $6,939 and $8,824, respectively.

(17) Concentration of risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash, cash equivalents and investments and pledges receivable. The Association places its cash and investments with high-credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit. Certain accounts are not insured by the FDIC but may be insured by the Securities Investor Protection Corporation ("SIPC").

As of December 31, 2021 and 2020, there was one pledge receivable accounting for approximately 17% and 34% of net pledges receivable, respectively.

(18) Commitments, related party transactions and contingencies

The Association participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Audits of these programs for, or including, the year ended December 31, 2021 have not been accepted. Accordingly, the Association's compliance with applicable grant or contract requirements may be established at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although Association management expects such amounts, if any, to be immaterial.

(18) Commitments, related party transactions and contingencies (continued)

The Association paid annual dues payments to the National YMCA Fund Incorporation which totaled $236,859 and $176,524 for the years ended December 31, 2021 and 2020, respectively. In January 2016, the Association signed an agreement to repay certain accrued unpaid dues. In June 2019, the National YMCA Fund Incorporation agreed to forgive 50% of the dues owed, contingent upon the Associating remaining compliant with membership standards for 2 years (during 2019 and 2020). Since the forgiveness is contingent, the full liability balance was included in the accompanying consolidated statement of financial position as of December 31, 2020. The amount, totaling approximately $253,000, was forgiven during the year ended December 31, 2021.

The Association is contingently liable with respect to claims incidental to the ordinary course of its operations. In the opinion of management, based on consultation with legal counsel, the effect of such matters will not have a material adverse effect on the Association's consolidated financial position, results of operation, or liquidity. Therefore, no provision has been made in the accompanying consolidated financial statements for losses, if any, that might result from the ultimate outcome of these matters.

(19) Cell tower lease assignment

In April 2013, the Association entered into easement and assignment agreements on certain property at four of its branch locations. Under these agreements, the Association assigned its rights to revenue streams totaling approximately $1,580,000 from existing sublease agreements with cell phone service providers for the use of rooftop space at the branch locations. In exchange, the Association received $810,000 and the right to receive 60% of revenues ("Owner Revenue") under any new sublease agreements entered into by the assignee for the use of this property or property at 13 of its other locations. The payment of $810,000 is being recognized as revenue over the 50 year term of the agreements. The Association has assigned its rights to any Owner Revenue to US Bank. The terms of the assignment are active and ongoing through December 31, 2021.

(20) Availability of resources

Financial assets available for general expenditure are as follows as of December 31:

	2021	2020
Cash and cash equivalents	$ 2,362,612	$ 3,135,018
Accounts receivable	364,794	280,644
Pledges receivable, current	4,965,970	697,215
Assets restricted to investment in property and equipment	608,954	668,616
Assets restricted to endowment	823,512	970,916
Assets whose use is limited	447,263	345,463
Investments	12,182,326	3,168,461
Total financial assets	21,755,431	9,266,333
Less		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with program purpose restrictions	(2,890,123)	(1,081,907)
Donor restricted quasi-endowment	(100,000)	(100,000)
Investments with liquidity restrictions	(740,680)	-
Accumulated earnings on perpetual endowment fund	(615,937)	(286,268)
Perpetual donor restricted endowments	(3,857,281)	(2,011,158)
Capital campaign restricted assets	(608,954)	(668,616)
Required reserves due to bank loan agreement	(250,000)	(250,000)
Investment for which the association acts as a trustee as part of a Unitrust agreement	(81,130)	(162,260)
Total amounts unavailable for general expenditures within one year	(9,144,105)	(4,560,209)
Amounts unavailable to management without Board's approval		
Board-designated endowment	(1,008,452)	(907,242)
Total amounts unavailable to management without Board's approval	(1,008,452)	(907,242)
Total financial assets available within one year after restrictions and designations	$ 11,602,874	$ 3,798,882

UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

Federal Grantor / Pass-Through Agency / Program or Cluster Title	Assistance Listing Number	Contract Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass through City of Phoenix			
COVID-19 - Community Development Block Grants/ Entitlement Grants	14.218	131813	$ 9,941
Ahwatukee - Y OPAS	14.218	131813	9,598
Community Development Block Grants/Entitlement Grants	14.218	129441	133,288
Total CFDA 14.218			152,827
Total U.S. Department of Housing and Urban Development			152,827
U.S. Department of Transportation			
Pass through City of Phoenix			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	unknown	18,835
Total U.S. Department of Transportation			18,835
U.S. Department of Labor			
Pass through City of Phoenix			
Workforce Investment and Opportunity Act (WIOA) - Adult Activities	17.259	144988-0	36,858
Workforce Investment and Opportunity Act (WIOA) - Youth Activities	17.259	123797-007	1,477,809
Total U.S. Department of Labor			1,514,667
U.S. Department of Health and Human Services			
Pass through Substance Abuse and Mental Health Services Administration			
Pass through City of Chandler			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	unknown	16,773
Pass through Arizona Complete Health			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	unknown	58,741
Total U.S. Department of Health and Human Services			75,514
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,761,843

See Notes to Schedule of Expenditures of Federal Awards

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

(1) Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of ***Valley of the Sun Young Men's Christian Association and Affiliates*** under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the operations of ***Valley of the Sun Young Men's Christian Association and Affiliates***, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of ***Valley of the Sun Young Men's Christian Association and Affiliates***. ***Valley of the Sun Young Men's Christian Association and Affiliates*** did not provide federal awards to sub-recipients during the year ended December 31, 2021.

(2) Summary of significant accounting policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. ***Valley of the Sun Young Men's Christian Association and Affiliates*** has not elected to use the ten percent de minimus indirect cost rate allowed under the Uniform Guidance.

(3) Assistance listing numbers

The program titles and assistance listing numbers were obtained from the 2021 *Catalog of Federal Domestic Assistance.*

(4) Loan Program

Valley of the Sun Young Men's Christian Association and Affiliates had the following loan balances outstanding at December 31, 2021. The loan balances outstanding are also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

Federal Grantor/Program	Federal CFDA Number	Contract Number	Value of Loan Outstanding
U.S. Department of Housing and Urban Development:			
Pass through City of Phoenix - Community Development Block Grants/Entitlement Grants	14.218	129441	$ 119,948

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of ***Valley of the Sun Young Men's Christian Association and Affiliates***, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ***Valley of the Sun Young Men's Christian Association and Affiliates'*** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***Valley of the Sun Young Men's Christian Association and Affiliates'*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***Valley of the Sun Young Men's Christian Association and Affiliates'*** internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ***Valley of the Sun Young Men's Christian Association and Affiliates'*** consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

April 27, 2022

4722 North 24th Street, Suite 300 ■ Phoenix, AZ 85016
Main: 602.264.6835 ■ Fax: 602.265.7631 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ***Valley of the Sun Young Men's Christian Association and Affiliates'*** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect the ***Valley of the Sun Young Men's Christian Association and Affiliates'*** major federal program for the year ended December 31, 2021. ***Valley of the Sun Young Men's Christian Association and Affiliates'*** major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, ***Valley of the Sun Young Men's Christian Association and Affiliates'*** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ***Valley of the Sun Young Men's Christian Association and Affiliates*** and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of ***Valley of the Sun Young Men's Christian Association and Affiliates'*** compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to ***Valley of the Sun Young Men's Christian Association and Affiliates'*** federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ***Valley of the Sun Young Men's Christian Association and Affiliates'*** compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ***Valley of the Sun Young Men's Christian Association and Affiliates'*** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 ***Valley of the Sun Young Men's Christian Association and Affiliates'*** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of ***Valley of the Sun Young Men's Christian Association and Affiliates'*** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ***Valley of the Sun Young Men's Christian Association and Affiliates'*** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann P.C.

April 27, 2022

VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN ASSOCIATION AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

Section I – Summary of Auditors' Results

Financial Statements

1. Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with GAAP:	Unmodified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	None reported
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weakness(es) identified?	No
b. Significant deficiency(ies) identified?	None reported
2. Type of auditors' report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
4. Identification of major federal programs:	

Assistance Listing Number	Name of Federal Program or Cluster
17.259	Workforce Investment and Opportunity Act (WIOA) –Youth Activities and Adult Activities

5. Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
6. Auditee qualified as low-risk auditee?	Yes

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None