

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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

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

**CONSOLIDATED FINANCIAL STATEMENTS AND  
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Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

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## 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 consolidated financial statements of **Valley of the Sun Young Men's Christian Association and Affiliates** (the "Association"), which comprise the consolidated statement of financial position as of December 31, 2022, 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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association 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.

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the Association changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association's ability to continue as a going concern for a reasonable period of time.

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

## ***Report on Summarized Comparative Information***

We have previously audited the Association's 2021 financial statements in our report dated April 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 May 16, 2023 on our consideration of the Association's 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 Association's 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 Association's internal control over financial reporting and compliance.

*Mayer Hoffman McCann P.C.*

May 16, 2023

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

December 31, 2022

(with comparative totals at December 31, 2021)

**ASSETS**

	<b>2022</b>	<b>2021</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,534,177	\$ 2,362,612
Accounts receivable, net	977,500	364,794
Merchandise inventories	149,999	66,180
Pledges receivable, net	4,336,444	4,965,970
Prepaid expenses	46,030	137,040
Note receivable	-	1,025,000
<b>TOTAL CURRENT ASSETS</b>	<b>8,044,150</b>	<b>8,921,596</b>
<b>ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT</b>		
Cash and cash equivalents	394,794	465,653
Pledges receivable, net	241,955	143,301
<b>TOTAL ASSETS RESTRICTED TO INVESTMENT IN PROPERTY         AND EQUIPMENT</b>	<b>636,749</b>	<b>608,954</b>
<b>ASSETS RESTRICTED TO ENDOWMENT</b>		
Cash and cash equivalents	205,238	686,512
Pledges receivable, net	32,000	137,000
<b>TOTAL ASSETS RESTRICTED TO ENDOWMENT</b>	<b>237,238</b>	<b>823,512</b>
<b>INVESTMENTS</b>	10,001,726	12,182,326
<b>PROPERTY AND EQUIPMENT, net</b>	29,626,023	31,115,102
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	1,207,236	-
<b>ASSETS WHOSE USE IS LIMITED</b>	263,987	447,263
<b>UNAMORTIZED DONATED LAND LEASE RECEIVABLE</b>	182,846	299,084
<b>TOTAL ASSETS</b>	<b>\$ 50,199,955</b>	<b>\$ 54,397,837</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

December 31, 2022  
(with comparative totals at December 31, 2021)

**LIABILITIES AND NET ASSETS**

	<b>2022</b>	<b>2021</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 803,622	\$ 526,333
Accrued expenses	1,348,470	941,413
Custodian accounts	30,944	28,314
Deferred revenue	2,357,608	903,068
Current maturities of deferred revenue from cell tower lease assignments	16,200	16,200
Current maturities of forgivable loans	93,340	93,340
Current maturities of bank loan	276,247	409,235
Current maturities of operating lease liabilities	352,674	46,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,279,105</b>	<b>2,963,903</b>
DEFERRED REVENUE FROM CELL TOWER LEASE ASSIGNMENTS, less current maturities	635,850	652,050
FORGIVABLE LOANS, less current maturities	915,835	966,187
BANK LOAN, less current maturities	10,289,591	13,507,981
OPERATING LEASE LIABILITIES, less current maturities	883,560	46,403
<b>TOTAL LIABILITIES</b>	<b>18,003,941</b>	<b>18,136,524</b>
<b>NET ASSETS</b>		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Board designated	877,633	1,008,452
Undesignated	19,587,345	22,204,739
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>20,464,978</b>	<b>23,213,191</b>
NET ASSETS WITH DONOR RESTRICTIONS	11,731,036	13,048,122
<b>TOTAL NET ASSETS</b>	<b>32,196,014</b>	<b>36,261,313</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 50,199,955</b>	<b>\$ 54,397,837</b>

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

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

	Without Donor	With Donor	Totals	
	Restrictions	Restrictions	2022	2021
<b>SUPPORT AND REVENUES</b>				
Contributions				
Contributions of cash and other financial assets	\$ 2,047,538	\$ 2,144,423	\$ 4,191,961	\$ 10,962,425
In-kind contributions	108,763	-	108,763	205,719
United Way allocations	214,265	10,000	224,265	201,096
Government grants	17,710,603	40,824	17,751,427	9,132,844
Membership dues	7,539,562	-	7,539,562	6,637,737
Program fees	6,634,873	-	6,634,873	6,037,526
Use of YMCA facilities	434,527	-	434,527	404,712
Sales to members	197,354	-	197,354	85,742
Investment income	469,418	146,402	615,820	367,254
Miscellaneous	92,166	-	92,166	21,345
Net assets released from restrictions:				
Satisfaction of program restrictions	2,002,593	(2,002,593)	-	-
Satisfaction of capital acquisition restrictions	437,390	(437,390)	-	-
Satisfaction of purpose restrictions	391,861	(391,861)	-	-
Expiration of time restrictions	164,506	(164,506)	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>38,445,419</b>	<b>(654,701)</b>	<b>37,790,718</b>	<b>34,056,400</b>
<b>EXPENSES</b>				
Healthy living	8,374,723	-	8,374,723	8,283,340
Youth values	8,078,295	-	8,078,295	3,592,806
Child care	6,418,593	-	6,418,593	4,182,247
Summer day camp	9,530,189	-	9,530,189	1,838,976
Juvenile justice	2,534,421	-	2,534,421	1,901,593
Resident camp	526,766	-	526,766	1,041,319
Member services	389,309	-	389,309	504,953
Management and general	4,029,501	-	4,029,501	3,678,103
Fundraising	674,026	-	674,026	602,036
<b>TOTAL EXPENSES</b>	<b>40,555,823</b>	<b>-</b>	<b>40,555,823</b>	<b>25,625,373</b>
<b>GAINS (LOSSES)</b>				
Realized and unrealized gains (losses)				
on investments	(551,964)	(662,385)	(1,214,349)	219,025
Gain (loss) on sale of assets	(85,845)	-	(85,845)	2,074,105
<b>TOTAL GAINS (LOSSES)</b>	<b>(637,809)</b>	<b>(662,385)</b>	<b>(1,300,194)</b>	<b>2,293,130</b>
<b>CHANGE IN NET ASSETS</b>	<b>(2,748,213)</b>	<b>(1,317,086)</b>	<b>(4,065,299)</b>	<b>10,724,157</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>23,213,191</b>	<b>13,048,122</b>	<b>36,261,313</b>	<b>25,537,156</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 20,464,978</b>	<b>\$ 11,731,036</b>	<b>\$ 32,196,014</b>	<b>\$ 36,261,313</b>



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

	Healthy Living	Youth Values	Child Care	Summer Day Camp	Juvenile Justice	Resident Camp	Member Services	Total Programs	Management and General	Fund Raising	Totals	
											2022	2021
Salaries	\$ 3,400,626	\$ 2,879,577	\$ 3,377,264	\$ 3,951,598	\$ 1,580,701	\$ 112,514	\$ 27,207	\$ 15,329,487	\$ 1,746,478	\$ 457,310	\$ 17,533,275	\$ 10,091,228
Employee benefits	262,997	230,234	202,533	235,741	145,162	14,610	1,988	1,093,265	297,479	66,581	1,457,325	1,053,599
Payroll taxes	290,478	282,786	278,151	274,216	146,859	5,469	1,363	1,279,322	163,089	40,173	1,482,584	818,036
Total salaries and related expenses	3,954,101	3,392,597	3,857,948	4,461,555	1,872,722	132,593	30,558	17,702,074	2,207,046	564,064	20,473,184	11,962,863
Professional fees	441,428	2,813,294	99,716	210,743	12,874	32,233	96,283	3,706,571	1,122,881	37,691	4,867,143	1,615,255
Supplies	158,692	408,804	485,135	1,345,143	81,598	59,528	13,562	2,552,462	54,849	13,178	2,620,489	1,386,120
Telephone	71,181	28,364	69,638	125,601	-	18,100	24,441	337,325	38,441	-	375,766	390,433
Postage	1,400	43	164	7,690	644	180	5	10,126	5,503	4,399	20,028	23,532
Occupancy	1,033,432	686,486	924,186	2,207,709	90,226	88,755	59,603	5,090,397	64,706	1,987	5,157,090	3,847,029
Printing and publications	135,681	202,412	45,807	34,648	2,748	12,193	7,877	441,366	162,575	27,602	631,543	415,184
Travel	73,188	83,320	151,487	411,975	19,364	22,066	2,163	763,563	199,128	9,050	971,741	430,444
Conferences and conventions	17,647	102,448	40,568	35,514	8,357	822	617	205,973	61,959	4,744	272,676	105,767
National dues	122,419	41,075	49,920	36,465	2,910	16,888	7,628	277,305	7,088	-	284,393	236,859
Miscellaneous expenses	179,369	80,949	177,781	296,473	346,647	20,963	7,244	1,109,426	104,355	11,311	1,225,092	965,491
Interest expense	143,278	50,713	139,091	168,097	-	-	6,064	507,243	-	-	507,243	664,192
Property taxes	-	-	-	-	-	5,528	-	5,528	970	-	6,498	9,604
Total before depreciation and amortization	6,331,816	7,890,505	6,041,441	9,341,613	2,438,090	409,849	256,045	32,709,359	4,029,501	674,026	37,412,886	22,052,773
Depreciation and amortization	2,042,907	187,790	377,152	188,576	96,331	116,917	133,264	3,142,937	-	-	3,142,937	3,572,600
Total functional expenses	\$ 8,374,723	\$ 8,078,295	\$ 6,418,593	\$ 9,530,189	\$ 2,534,421	\$ 526,766	\$ 389,309	\$ 35,852,296	\$ 4,029,501	\$ 674,026	\$ 40,555,823	\$ 25,625,373

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,065,299)	\$ 10,724,157
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Change in discounts on pledges receivable	(44,714)	(4,316)
Depreciation and amortization	3,142,937	3,572,600
Amortization of donated land lease receivable	116,238	110,958
Amortization of forgivable loan interest	42,988	43,705
Amortization of deferred financing costs	8,060	6,960
Non-cash lease expense	315,349	-
Forgiveness of annual dues	-	(252,332)
Interest accrued on loan payment deferrment	-	144,456
Loan principal forgiven	(93,340)	(93,340)
Realized and unrealized (gains)/losses on investments	1,214,349	(219,025)
(Gain)/loss on sale of property and equipment	85,845	(2,074,105)
Contributions restricted for capital investment	(495,200)	(634,626)
Contributions restricted for long term investment	(100,238)	(1,254,623)
Changes in operating assets and liabilities:		
Accounts receivable	(612,706)	(84,150)
Pledges receivable	348,827	(4,038,216)
Merchandise inventories	(83,819)	17,144
Prepaid expenses	91,010	(35,673)
Accounts payable	(107,379)	188,325
Accrued expenses	407,057	216,409
Custodian accounts	2,630	(24,954)
Deferred rent	-	(47,496)
Operating lease liabilities	(378,754)	-
Deferred revenue	1,454,540	196,053
Deferred revenue from cell tower lease assignments	(16,200)	(16,200)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,232,181</b>	<b>6,441,711</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	17,590,831	8,975,824
Proceeds from the sale of property and equipment	1,000	2,298,139
Purchases of investments	(16,624,580)	(17,770,664)
Purchases of property and equipment	(1,356,035)	(1,322,340)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(388,784)</b>	<b>(7,819,041)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank loan	11,000,000	-
Principal payments on bank loan	(14,272,449)	(294,026)
Principal payments on equipment loans	-	(737,379)
Principal payments under capital lease obligations	-	(381,963)
Payments on deferred financing costs	(86,989)	-
Payments received on note receivable	1,025,000	250,000
Cash collected for capital restricted investments	721,959	691,159
Cash collections for long term investment	205,238	1,846,123
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>(1,407,241)</b>	<b>1,373,914</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(563,844)</b>	<b>(3,416)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b>3,962,040</b>	<b>3,965,456</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR</b>	<b>\$ 3,398,196</b>	<b>\$ 3,962,040</b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<b>\$ 464,255</b>	<b>\$ 519,736</b>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchases of property and equipment included in accounts payable	<b>\$ 384,668</b>	<b>\$ -</b>
Right-of-use operating lease assets obtained in exchange for new operating lease liabilities as a result of lease modifications	<b>\$ 130,071</b>	<b>\$ -</b>
Right-of-use operating lease assets obtained in exchange for new operating lease liabilities as a result of adoption of ASC 842	<b>\$ 1,392,514</b>	<b>\$ -</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

### (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 8 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:

#### Net assets without donor restrictions

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.

#### Net assets with donor restrictions

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.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

### (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, 2021 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, 2022 and 2021, the allowance was \$333,668 and \$520,053, respectively.

**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, 2022 and 2021, the Association had \$263,987 and \$447,263, respectively, on deposit in control accounts established as part of the debt restructuring described in Note 6 with a lender. As of December 31, 2022 and 2021, the balance is comprised of \$263,987 and \$261,761 as a Debt Service Reserve and \$0 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.

**VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN  
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Year Ended December 31, 2022  
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**(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 as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,534,177	\$ 2,362,612
Cash and cash equivalents restricted to investment in property and equipment	394,794	465,653
Cash and cash equivalents restricted to endowment	205,238	686,512
Cash and cash equivalents included in assets whose use is limited	<u>263,987</u>	<u>447,263</u>
Total cash and cash equivalents and restricted cash	<u>\$ 3,398,196</u>	<u>\$ 3,962,040</u>

**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 at December 31, 2022 and 2021.

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 measurement** – 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

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

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.

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 2022 or 2021.

**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.

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

(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.

The Association has received various governmental grants that are conditional in nature and the revenue can only be recognized once funds have been spent on qualifying costs. As of December 31, 2022 and 2021, the remaining amount of conditional promises to give under these governmental grants totaled approximately \$4,962,000 and \$795,000, respectively.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Donated materials and services** – In September 2020, the FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Association implemented ASU 2020-07 during the year ended December 31, 2022 and presents contributed nonfinancial assets separately on the consolidated statement of activities and changes in net assets as in-kind contributions.

The Association receives various in-kind contributions in the form of donated services, supplies, and other materials. Donated materials are recorded at their estimated fair value as of the date of donation. In-kind contributions are valued using estimated prices of identical or similar services and products in the local retail markets (Level 2 inputs). The Association’s general practice is to utilize donated items at the program level for which the items were intended to support and to monetize donated auction related items at the event for which the items were intended to support.

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.

During the years ended December 31, 2022 and 2021, there were no donor restrictions on the in-kind contributions and the Association did not monetize any in-kind contributions.

For the years ended December 31, 2022 and 2021, in-kind contributions consist of the following:

	<u>2022</u>	<u>2021</u>
Program supplies	\$ 12,407	\$ 92,169
Professional services	3,000	20,194
Rent	<u>93,356</u>	<u>93,356</u>
Total in-kinds	<u>\$ 108,763</u>	<u>\$ 205,719</u>

**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.



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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

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

#### **Revenue recognition under ASC 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.

**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.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

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

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 fundraising 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 \$338,358 and \$219,811 for the years ended December 31, 2022 and 2021, respectively.

**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, 2022 or 2021.

The federal and state tax returns of the Association for 2019, 2020 and 2021 are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed. The 2022 returns have not yet been filed as of the date of this report.

**Leases** – Effective January 1, 2022, the Association adopted ASC Topic 842, *Leases*, using the modified retrospective approach. Upon adoption of Topic 842, the Association elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Association to not reassess whether a contract is or contains a lease, carry forward the historical lease classification, and use the hindsight approach when determining the lease term. In addition, the Association made an accounting policy election not to separate non-lease components from lease components for all existing classes of underlying assets. The Association also made an accounting policy election to not record right of use ("ROU") assets and lease liabilities for leases with an initial term of twelve months or less on the accompanying consolidated statement of financial position.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

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

The adoption had a material impact on the Association's consolidated statement of financial position but did not have a material impact on the consolidated statement of activities and changes in net assets and had no impact on cash flows from operations. Adoption of the standard resulted in the recording of operating lease ROU assets and lease liabilities of approximately \$1,400,000 and \$1,450,000, respectively, as of January 1, 2022. Refer to Note 8 for further information regarding Topic 842.

The Association determines if a contract or arrangement is, or contains, a lease at inception. ROU assets represent the Association's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Association has elected the private company accounting alternative to use a risk-free discount rate for all classes of underlying assets based on the information available at commencement date in determining the present value of lease payments. The ROU asset includes any prepaid lease payments and additional direct costs and excludes lease incentives. The Association's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised.

**Subsequent events** – The Association has evaluated subsequent events through May 16, 2023 which is the date the consolidated financial statements were available to be issued.

### (2) Risks and uncertainties

In February 2021, the Association was awarded a \$2 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 and that certain employment levels are maintained or certain safe harbor requirements are met. As of December 31, 2021, the Association estimated that they had satisfied the conditions of the loan to qualify for full forgiveness. As a result, contribution revenue is included within government grants in the accompanying consolidated statement of activities and changes in net assets. Formal approval for forgiveness was received in June 2022.

During 2021, the Association determined that they qualified for Employee Retention Tax Credit ("ERTC"), as provided under the CARES Act and subsequently amended by the Consolidated Appropriations Act, 2021 totaling approximately \$2.08M. Under the terms of the program, the Association must incur qualifying wages 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 2023.

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

**(3) Pledges receivable**

Pledges receivable consist of the following as of December 31:

	<b>2022</b>	<b>2021</b>
Receivable in less than one year	\$ 4,286,781	\$ 4,578,410
Receivable in two to five years	542,346	846,543
Total pledges receivable	4,829,127	5,424,953
Less: unamortized discount using rate of 4.74%	(59,414)	(104,128)
Less: allowance for uncollectible pledges	(159,314)	(74,554)
Pledges receivable, net	<b>\$ 4,610,399</b>	<b>\$ 5,246,271</b>

Included in pledges receivable in 2022 and 2021 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 measurement**

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, 2022:

	<b>Cost</b>	<b>Market</b>	<b>Quotes Prices in Active Markets for Identical Assets (Level 1)</b>
Intermediate bond funds	\$ 429,011	\$ 353,613	\$ 353,613
Money market funds	178,548	178,548	178,548
Multisector bond funds	2,038,207	1,617,264	1,617,264
Foreign large growth funds	847,334	583,964	583,964
Diversified emerging markets funds	284,080	226,729	226,729
Foreign large blend funds	368,441	351,656	351,656
Large growth/blend funds	1,521,130	1,440,019	1,440,019
Private debt funds	2,690,599	2,665,266	2,665,266
Small growth/blend funds	194,827	173,286	173,286
Ultrashort bond funds	1,612,505	1,609,243	1,609,243
	10,164,682	9,199,588	<b>\$ 9,199,588</b>
Investments measured at NAV	708,905	802,138	
Total investments	<b>\$ 10,873,587</b>	<b>\$ 10,001,726</b>	

**VALLEY OF THE SUN YOUNG MEN'S CHRISTIAN  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(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, other than investments measured at NAV as a practical expedient, as of December 31, 2021:

	<u>Cost</u>	<u>Market</u>	<u>Quotes Prices in Active Markets for Identical Assets (Level 1)</u>
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	<u>3,004,215</u>	<u>3,002,172</u>	<u>3,002,172</u>
	11,330,345	11,441,646	<u>\$ 11,441,646</u>
Investments measured at NAV	<u>690,268</u>	<u>740,680</u>	
Total investments	<u>\$ 12,020,613</u>	<u>\$ 12,182,326</u>	

In accordance with FASB ASC 820, the Association is required to disclose the nature and risks of the investments reported at NAV. There were no unfunded commitments on the NAV investments as of December 31, 2022 and 2021. The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of December 31:

	<u>2022</u>	<u>2021</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
AMG Pantheon Class 3	\$ 272,224	\$ 253,053	N/A	Two year lock up
Pomona Investment Fund	258,074	257,005	N/A	One year lock up
Ceres Farms, LLC	<u>271,840</u>	<u>230,622</u>	N/A	One year lock up
Total	<u>\$ 802,138</u>	<u>\$ 740,680</u>		

**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.

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

**(4) Investments and fair value measurements (continued)**

**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. The capital will be distributed to the partners at amounts and times as the manager may determine in its sole discretion.

**(5) Property and equipment**

Property and equipment consists of the following at December 31:

	<b>2022</b>	<b>2021</b>
Land and land improvements	\$ 7,939,605	\$ 7,939,605
Buildings and building improvements	76,951,064	76,188,960
Equipment	24,810,040	24,608,127
Total	109,700,709	108,736,692
Less accumulated depreciation and amortization	(80,735,626)	(78,624,652)
Total	28,965,083	30,112,040
Construction in process	660,940	1,003,062
Total property and equipment, net	<b>\$ 29,626,023</b>	<b>\$ 31,115,102</b>

Depreciation and amortization expense on property and equipment was \$3,142,937 and \$3,572,600 for 2022 and 2021, respectively.

Construction in process at December 31, 2022 and 2021 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, 2022 and 2021, 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 bore interest at 5% per annum. A payment of \$250,000 was due and received during 2021 and the remaining principal and accrued interest was due upon maturity in August 2022. The note receivable was collected in full upon maturity in 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(6) Bank loan**

The Association had 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.

On March 30, 2022, the Association refinanced the long-term note with KS State Bank, reducing the outstanding principal to \$11 million and reducing the monthly interest rate to 3.75%. The refinanced long-term note matures March 10, 2047 and requires monthly payments of \$56,770.

In connection with the refinance, the Association incurred debt issuance costs of approximately \$87,000. Total debt outstanding on the loan agreement with KS State Bank was \$10,778,167 and \$14,050,616 as of December 31, 2022 and 2021, respectively, which is reported net of unamortized debt issuance costs of \$212,329 and \$133,400, respectively, in the accompanying consolidated statement of financial position.

Annual amortization of debt issuance costs totaled approximately \$8,000 and \$7,000 during the years ended December 31, 2022 and 2021, respectively.

Future maturities of the debt and obligations are as follows:

<b><u>Year Ending December 31,</u></b>	
2023	\$ 276,247
2024	285,813
2025	297,992
2026	309,521
2027	321,497
Thereafter	<u>9,287,097</u>
Total	<u>\$ 10,778,167</u>

The loan and security agreement has covenants requiring the Association to maintain certain cash reserves, financial ratios and reporting requirements. The Association was not in compliance with certain covenants as of December 31, 2022, however the bank waived those specific covenants. 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. Effective with the refinance in 2022, the requirement for the deferred maintenance reserve was removed. 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 six 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**(7) Forgivable loans**

Forgivable loans as of December 31 consist of the following:

	<b>2022</b>	<b>2021</b>
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.	\$ 1,520,000	\$ 1,600,000
 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.	<u>106,608</u>	<u>119,948</u>
Total	\$ 1,626,608	\$ 1,719,948
Less unamortized present value discount	<u>(617,433)</u>	<u>(660,421)</u>
Total forgivable loans	<u><u>\$ 1,009,175</u></u>	<u><u>\$ 1,059,527</u></u>

Future maturities of forgivable loans are as follows:

<b><u>Year Ending December 31,</u></b>	
2023	\$ 93,340
2024	93,340
2025	93,340
2026	93,340
2027	93,340
Thereafter	<u>1,159,908</u>
Total annual maturities	<u><u>\$ 1,626,608</u></u>

**(8) Lease commitments**

Certain branches of the Association lease facilities, parking, and office equipment under non-cancelable operating leases maturing through 2032. The Association's operating lease agreement for its Yuma Facility includes a base term of 15 years with 3 options for extensions of 5 years each. However, the lease may be cancelable under certain conditions after the 10<sup>th</sup> year, without penalty, and by providing the lessor 18 months' notice of its election to terminate the agreement. In August 2022 the Association provided the lessor with its 18 months' notice to terminate the lease and as a result, the non-cancelable term is through January 2024.

The Association is responsible for most executor costs. 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 also leases various equipment under operating lease agreements that have an original term of 12 months or less.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(8) Lease commitments (continued)**

The Association has entered into solar power system leases at fourteen of its locations. The leases contain twenty-year non-cancelable terms expiring between 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.

The operating lease right-of-use assets and operating lease liabilities, current and long-term are recorded as individual, separate items in the consolidated balance sheet as of December 31, 2022. The following summarizes the line items in the consolidated statement of activities and changes in net assets which include the components of lease expense and cash flow information related to operating leases for the year ended December 31, 2022:

Operating lease expense	\$ 460,518
Short term operating lease expense	\$ 87,874
Variable operating lease expense	\$ 158,820
Operating cash flow from operating leases	\$ 489,020

Rent expense totaled \$457,383 for the year ended December 31, 2021. Included in rent expense for 2021 is \$170,378 related to variable lease expense for use of the solar power systems.

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2022:

<b>Weighted Average Remaining Lease Term - Operating Leases</b>	7.05
<b>Weighted Average Discount Rate - Operating Leases</b>	1.84%

The maturities of lease liabilities as of December 31, 2022 are as follows:

<b><u>Year Ending December 31,</u></b>	
2023	\$ 352,674
2024	159,891
2025	140,391
2026	102,000
2027	102,000
Thereafter	433,500
Total lease payments	1,290,456
Less: interest	(54,222)
Present value of lease liabilities	\$ 1,236,234

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(8) Lease commitments (continued)**

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. 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. The agreement has been modified various times from inception to remove certain conditions from the original lease agreement, extend the term of the lease, currently set to mature in December 2022, and reduce the base rent to \$1 per month subject to certain conditions. Base rent under the lease is \$8,333 per month throughout the term of the lease. 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 \$0 and \$92,080 as of December 31, 2022 and 2021, respectively, and is included under unamortized donated land lease receivable in the accompanying consolidated statement of financial position. Upon maturity, the agreement continued on a month-to-month basis. The Association is currently in discussions with the City of El Mirage to enter into a revised operating agreement to extend the lease agreement terms, however no assurance can be made that the Association will be successful in the renewal of this lease.

The Association also leases the land for two locations that each require nominal payments per year. The leases expire in 2027 and 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. For the years ended December 31, 2022 and 2021, the Association recognized \$24,158 and \$21,607, respectively, of amortization on these receivables. As of December 31, 2022 and 2021, the unamortized balance of these donated land lease receivables totaled \$182,846 and \$207,004, respectively.

**(9) Retirement plan**

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 2022 and 2021 aggregated to \$917,815 and \$717,250, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(10) 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 \$877,633 and \$1,008,452 at December 31, 2022 and 2021, respectively.

**(11) Net assets with donor restrictions**

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

	<u>2022</u>	<u>2021</u>
Investment in perpetuity, the income from which is expendable to support any activities of the Association	\$ 4,062,519	\$ 3,857,281
Land required to be used as a branch facility	563,907	563,907
Endowment pledges, net	32,000	137,000
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	<u>81,130</u>	<u>81,130</u>
Total net assets restricted in perpetuity	7,619,916	7,519,678
Subject to expenditure for a specified purpose:		
Assets restricted to specific programs	1,699,038	2,890,123
Purpose restricted assets held in a quasi-endowment	525,000	100,000
Accumulated earnings on perpetual endowment fund	99,954	615,937
Assets restricted to investment in property and equipment	636,749	608,954
Subject to expenditure over time:		
Interest contribution on forgivable loans	617,433	664,246
Donated land leases	182,846	299,084
Land required to be used as a branch facility	<u>350,100</u>	<u>350,100</u>
Total net assets with donor restrictions	<u>\$ 11,731,036</u>	<u>\$ 13,048,122</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(12) 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:

	<u>2022</u>	<u>2021</u>
Satisfaction of program restrictions:		
Youth values program expense	\$ 883,698	\$ 52,592
Healthy living program expense	270,702	211,301
Child care program expense	700,841	136,497
Summer day camp program expense	30,709	6,672
Juvenile justice program expense	105,481	74,760
Resident camp	2,862	8,105
Member services	8,300	5,416
Total satisfaction of program restrictions	<u>\$ 2,002,593</u>	<u>\$ 495,343</u>
Satisfaction of purpose restriction:		
Youth values program expense	\$ 52,000	\$ 91,243
Healthy living program expense	27,294	28,272
Child care program expense	137,074	97,579
Summer day camp program expense	157,180	183,556
Resident camp	11,670	376
Member services	1,346	18,235
Juvenile justice program expense	5,297	-
Total satisfaction of purpose restrictions	<u>\$ 391,861</u>	<u>\$ 419,261</u>
Expiration of time restrictions	<u>\$ 164,506</u>	<u>\$ 165,210</u>
Satisfaction of capital acquisition restrictions	<u>\$ 437,390</u>	<u>\$ 486,304</u>

**(13) 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(13) 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, 2022 were as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted perpetual endowment fund	\$ -	\$ 4,062,519	\$ 4,062,519
Accumulated earnings on perpetual endowment fund	-	99,954	99,954
Donor-restricted quasi-endowment fund	-	525,000	525,000
Board-designated endowment funds	877,633	-	877,633
Total funds	<u>\$ 877,633</u>	<u>\$ 4,687,473</u>	<u>\$ 5,565,106</u>

The changes in endowment net assets for the year ended December 31, 2022 were as follows:

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 1,008,452	\$ 4,573,218	\$ 5,581,670
Investment return:			
Investment income, net	32,284	146,402	178,686
Net depreciation (realized and unrealized)	(146,064)	(662,385)	(808,449)
Other changes:			
Investment fees	(17,039)	-	(17,039)
Contributions and additions to endowment	-	205,238	205,238
Contributions and additions to quasi-endowment	-	425,000	425,000
Endowment net assets, end of year	<u>\$ 877,633</u>	<u>\$ 4,687,473</u>	<u>\$ 5,565,106</u>

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

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
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	<u>\$ 1,008,452</u>	<u>\$ 4,573,218</u>	<u>\$ 5,581,670</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(13) Endowment (continued)**

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>\$ 1,008,452</u>	<u>\$ 4,573,218</u>	<u>\$ 5,581,670</u>

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 31<sup>st</sup> net of current year additions. The exact percentage to be allocated on an annual basis is determined by governance. 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, 2022 or 2021.

**(14) 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, 2022.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

### (15) 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 2022 and 2021 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 \$70,038 and \$85,849 at December 31, 2022 and 2021, 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 2022 and 2021 totaled \$4,187 and \$6,939, respectively.

### (16) 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").

*Pledges receivable* - As of December 31, 2022 and 2021, there were two pledges receivable accounting for approximately 62% and 55% of net pledges receivable, respectively.

*Accounts receivable* - At December 31, 2022 and 2021, approximately 75% and 59%, respectively, of accounts receivable was due from three and one customers, respectively.

*Contributions* - For the year ended December 31, 2022, there was no concentration in contributions received from donors. For the year ended December 31, 2021, the Association received contributions from two donors that represented approximately 38% of total contributions for the year.

*Government grants* - For the years ended December 31, 2022 and 2021, the Association received government grants from three and four agencies, respectively, that represented approximately 97% and 82%, respectively, of total government grants.

*Related party* - At December 31, 2022 and 2021, pledges receivable from employees, trustees, and members of the Board of Directors accounted for approximately 22% and 20% of net pledges receivable outstanding, respectively. Total contributions from these related parties during the years ended December 31, 2022 and 2021 were not significant to the consolidated financial statements as whole.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(17) Commitments, contingencies and related party transactions**

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, 2022 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.

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.

The Association paid annual dues payments to the National YMCA Fund Incorporation which totaled \$284,393 and \$236,859 for the years ended December 31, 2022 and 2021, respectively. In January 2016, the Association signed an agreement to repay certain accrued unpaid dues. At December 31, 2022 and 2021, annual dues accrued totaled \$69,000 and \$0, respectively. 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.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2022  
(with comparative totals for the year ended December 31, 2021)

**(18) Availability of resources**

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,534,177	\$ 2,362,612
Accounts receivable	977,500	364,794
Pledges receivable, current	4,336,444	4,965,970
Assets restricted to investment in property and equipment	636,749	608,954
Assets restricted to endowment	237,238	823,512
Assets whose use is limited	263,987	447,263
Investments	<u>10,001,726</u>	<u>12,182,326</u>
Total financial assets	18,987,821	21,755,431
Less		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with program purpose restrictions	(1,699,038)	(2,890,123)
Donor restricted quasi-endowment	(525,000)	(100,000)
Investments with liquidity restrictions	(802,138)	(740,680)
Accumulated earnings on perpetual endowment fund	(99,954)	(615,937)
Perpetual donor restricted endowments	(4,062,519)	(3,857,281)
Capital campaign restricted assets	(636,749)	(608,954)
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	<u>(81,130)</u>	<u>(81,130)</u>
Total amounts unavailable for general expenditures within one year	(8,156,528)	(9,144,105)
Amounts unavailable to management without Board's approval		
Board-designated endowment	<u>(877,633)</u>	<u>(1,008,452)</u>
Total amounts unavailable to management without Board's approval	<u>(877,633)</u>	<u>(1,008,452)</u>
Total financial assets available within one year after restrictions and designations	<u>\$ 9,953,660</u>	<u>\$ 11,602,874</u>

**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, 2022

<u>Federal Grantor / Pass-Through Agency / Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
Pass through City of Phoenix			
Ahwatukee - Y OPAS	14.218	155108--0	20,402
Ahwatukee - Y OPAS	14.218	155107--0	30,000
Community Development Block Grants/Entitlement Grants	14.218	129441	<u>119,948</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>170,350</u>
<b>U.S. Department of Labor</b>			
Pass through City of Phoenix			
Workforce Investment and Opportunity Act (WIOA) - Youth Activities	17.259	154387	<u>2,091,986</u>
<b>Total U.S. Department of Labor</b>			<u>2,091,986</u>
<b>U.S. Department of Transportation</b>			
Pass through City of Phoenix			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	152799--0	5,422
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	155098--0	17,684
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	157439--0	<u>26,268</u>
<b>Total U.S. Department of Transportation</b>			<u>49,374</u>
<b>U.S. Department of Treasury</b>			
Pass through State of Arizona Governor's Office			
COVID-19 - American Rescue Plan Act - Coronavirus State & Local Fiscal Recovery Funds - Arizona OnTrack Summer Camp	21.027	ISA-ARPA-VSYMCA-- 042022-55	<u>10,644,900</u>
Pass through Maricopa County			
COVID-19 - American Rescue Plan Act - Coronavirus State & Local Fiscal Recovery Funds - Workforce Development Program	21.027	RFP 220148	<u>35,824</u>
<b>Total U.S. Department of Treasury</b>			<u>10,680,724</u>
<b>U.S. Department of Education</b>			
Pass through State of Arizona			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) III - Healthy Living	84.425	CTR059777-1	<u>276,652</u>
<b>Total U.S. Department of Education</b>			<u>276,652</u>
<b>U.S. Department of Health and Human Services</b>			
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	<u>22,077</u>
Pass through Maricopa County			
Building Healthy and Resilient Families	93.391	RFP 220204	<u>82,425</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>104,502</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 13,373,588</u></u>

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2022

**(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, 2022. 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, 2022.

**(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) Loan program**

**Valley of the Sun Young Men's Christian Association and Affiliates** had the following loan balance outstanding at December 31, 2022. The loan balance outstanding at January 1, 2022 is also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

Federal Grantors/Program	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Value of Loan Outstanding</u>
U.S. Department of Housing and Urban Development: Pass through City of Phoenix - Community Development Block Grants/Entitlement Grants	14.218	129441	\$ 106,608



**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** (the "Association"), which comprise the consolidated statement of financial position as of December 31, 2022, 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, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated May 16, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Association's 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's 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 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 and therefore, material weakness or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

### ***Report on Compliance and Other Matters***

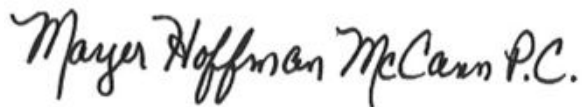
As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### ***Association's Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### ***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.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive style.

May 16, 2023



**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'*** (the "Association") 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 on each of the Association's major federal programs for the year ended December 31, 2022. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

***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 the Association 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 the Association's 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 the Association's 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 the Association's 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 the Association's 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 the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's 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 Association's 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.*

May 16, 2023

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

**Section I – Summary of Auditors' Results**

***Consolidated 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?   | Yes           |
| b. Significant deficiency(ies) identified?   | None reported |
| 3. Noncompliance material to consolidated 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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19 - American Rescue Plan Act - Coronavirus State & Local Fiscal Recovery Funds - Arizona OnTrack Summer Camp
84.425	COVID-19 – American Rescue Plan Act – Coronavirus State & Local Fiscal Recovery Funds – Workforce Development Program
	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) III - Healthy Living

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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

**Section II – Financial Statement Findings**

<b>Item:</b>	2022-001
<b>Subject:</b>	Accounting for contributions and grants
<b>Criteria or Specific Requirement:</b>	Accounting principles generally accepted in the United States of America require that contributions and grants to be recognized as revenue on a gross basis in the period in which the barriers to entitlement have been met.
<b>Condition:</b>	Certain grants with barriers to entitlement, such as incurring qualifying expenditures, were not recognized in the period in which the barriers were satisfied. Additionally, certain grant revenues were reported net of expenditures to vendors. For two non-federal grants received, the Association recorded revenues prior to incurring qualifying expenditures resulting in an adjustment to grants revenue of approximately \$1,425,000. Additionally, for one federal grant, revenues were recorded net of vendor expenses, causing an adjustment to revenues and expenditures of approximately \$2,320,000. It was also noted that revenues of \$200,000 were reported as net assets with donor restrictions, however, due to the barriers of entitlement, only approximately \$35,000 should have been recognized as revenue based on the qualified costs incurred during the period.
<b>Effect:</b>	The Association's consolidated financial statements and schedule of expenditures of federal awards were materially misstated and not presented in accordance with accounting principles generally accepted in the United States of America. This is deemed to be a material weakness in internal control over financial reporting.
<b>Cause:</b>	The Association does not have supervisory level of controls implemented to identify barriers or conditions that should be monitored to ensure proper revenue recognition for grants with billing cycles that provide for advanced payments or payments made at regularly scheduled intervals for predetermined amounts.
<b>Identification as a Repeat Finding:</b>	No.
<b>Recommendation:</b>	A process to identify conditions within contributions should be implemented. Once conditions are identified, a process to monitor progress towards satisfaction of the conditions should be implemented. In the absence of identified conditions, the contribution should be recognized in full, including future payments (unconditional promises to give). Additionally, payments to vendors should not be reflected as deductions from grant revenue and instead grant revenue should be recorded on a gross basis.
<b>Views of Responsible Officials:</b>	Management of the Association concurs with the finding. See Corrective Action Plan.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

**Section III – Federal Awards Findings and Questioned Costs**

None



FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

## CORRECTIVE ACTION PLAN

**Item:** 2022-001

**Subject:** Accounting for contributions and grants

**Criteria or Specific Requirement:** Accounting principles generally accepted in the United States of America require that contributions and grants to be recognized as revenue on a gross basis in the period in which the barriers to entitlement have been met.

**Condition:** Certain grants with barriers to entitlement, such as incurring qualifying expenditures, were not recognized in the period in which the barriers were satisfied. Additionally, certain grant revenues were reported net of expenditures to vendors.

**Name of Contact Person:** Connie Nelson-Askew, Chief Administrative Officer

**Phone Number:** (602) 257-5178

**Anticipated Completion Date:** June 30, 2023

**Views of Responsible Officials and Corrective Actions:** The Association will recognize all grants with billing cycles that provide for advanced payments or payments made at regularly scheduled intervals for predetermined amounts as revenue on a gross basis in the period in which the barriers to entitlement have been met. The fiscal year 2022 findings have been corrected in the consolidated financial statements. The Associate Vice President of Finance (AVP) has placed all scheduled and advance payments in deferred income accounts which will be released as expenses are incurred. The Chief Administrative Officer (CAO) and the AVP will review these accounts at the end of each month.

Moving forward, the AVP and CAO by June 30 each fiscal year, will review any new contracts and the conditions required and adhere to FASB standards for financial reporting compliance. For any partner or collaborative grants that house more than one entity, the vendor and subrecipient status will be pre-determined prior to grant execution by the AVP and approved by the CAO. Agreements will be drafted stating the vendor or subrecipient status for each party or entity prior to grant origination.