

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

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

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

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

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4 - 5
Consolidated Statement of Activities and Changes in Net Assets	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 31
UNIFORM GUIDANCE SUPPLEMENTARY REPORTS	
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33
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 <i>Government Auditing Standards</i>	34 - 35
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	36 - 38
Schedule of Findings and Questioned Costs	39 - 40
Summary Schedule of Prior Year Findings	41



## 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, 2023, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023, and the changes in their net assets and their 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.

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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 2022 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated May 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## ***Supplementary Information***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2024 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.*

April 30, 2024

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

December 31, 2023

(with comparative totals at December 31, 2022)

**ASSETS**

	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,663,866	\$ 2,534,177
Accounts and other receivables, net	1,679,060	977,500
Merchandise inventories	318,389	149,999
Pledges and grants receivable, net	5,179,666	4,336,444
Prepaid expenses	113,914	46,030
<b>TOTAL CURRENT ASSETS</b>	<b>8,954,895</b>	<b>8,044,150</b>
<b>ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT</b>		
Cash and cash equivalents	243,931	394,794
Pledges receivable, net	600,176	241,955
<b>TOTAL ASSETS RESTRICTED TO INVESTMENT IN PROPERTY         AND EQUIPMENT</b>	<b>844,107</b>	<b>636,749</b>
<b>ASSETS RESTRICTED TO ENDOWMENT</b>		
Cash and cash equivalents	104,109	205,238
Pledges receivable, net	208	32,000
<b>TOTAL ASSETS RESTRICTED TO ENDOWMENT</b>	<b>104,317</b>	<b>237,238</b>
<b>INVESTMENTS</b>	11,292,951	10,001,726
<b>PROPERTY AND EQUIPMENT, net</b>	28,878,269	29,626,023
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	788,280	1,207,236
<b>FINANCE LEASE RIGHT-OF-USE ASSETS</b>	176,551	-
<b>ASSETS WHOSE USE IS LIMITED</b>	265,018	263,987
<b>UNAMORTIZED DONATED LAND LEASE RECEIVABLE</b>	161,328	182,846
<b>TOTAL ASSETS</b>	<b>\$ 51,465,716</b>	<b>\$ 50,199,955</b>

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

December 31, 2023  
(with comparative totals at December 31, 2022)

**LIABILITIES AND NET ASSETS**

	<b>2023</b>	<b>2022</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 570,227	\$ 803,622
Accrued expenses	2,539,757	1,348,470
Custodian accounts	17,118	30,944
Deferred revenue	3,105,633	2,357,608
Current maturities of deferred revenue from cell tower lease assignments	16,200	16,200
Current maturities of forgivable loans	93,346	93,340
Current maturities of bank loan	285,807	276,247
Current maturities of financing lease liabilities	30,934	-
Current maturities of operating lease liabilities	93,408	352,674
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,752,430</b>	<b>5,279,105</b>
 DEFERRED REVENUE FROM CELL TOWER LEASE ASSIGNMENTS, less current maturities	 619,650	 635,850
 FORGIVABLE LOANS, less current maturities	 864,775	 915,835
 BANK LOAN, less current maturities	 10,012,509	 10,289,591
 FINANCING LEASE LIABILITIES, less current maturities	 153,117	 -
 OPERATING LEASE LIABILITIES, less current maturities	 694,872	 883,560
<b>TOTAL LIABILITIES</b>	<b>19,097,353</b>	<b>18,003,941</b>
 <b>NET ASSETS</b>		
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Board designated	989,459	877,633
Undesignated	18,594,609	19,587,345
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>19,584,068</b>	<b>20,464,978</b>
NET ASSETS WITH DONOR RESTRICTIONS	12,784,295	11,731,036
<b>TOTAL NET ASSETS</b>	<b>32,368,363</b>	<b>32,196,014</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 51,465,716</b>	<b>\$ 50,199,955</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, 2023  
(with comparative totals for the year ended December 31, 2022)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>	
			<b>2023</b>	<b>2022</b>
<b>SUPPORT AND REVENUES</b>				
Contributions				
Contributions of cash and other financial assets	\$ 2,212,205	\$ 2,625,203	\$ 4,837,408	\$ 4,191,961
In-kind contributions	306,602	-	306,602	108,763
United Way allocations	1,028,926	7,000	1,035,926	224,265
Government grants	18,041,390	417,087	18,458,477	17,751,427
Membership dues	8,076,873	-	8,076,873	7,539,562
Program fees	8,618,594	-	8,618,594	6,634,873
Use of YMCA facilities	460,038	-	460,038	434,527
Sales to members	243,027	-	243,027	197,354
Investment income	546,789	162,898	709,687	615,820
Miscellaneous	40,713	-	40,713	92,166
Net assets released from restrictions:				
Satisfaction of program restrictions	1,133,583	(1,133,583)	-	-
Satisfaction of capital acquisition restrictions	1,073,642	(1,073,642)	-	-
Satisfaction of purpose restrictions	427,547	(427,547)	-	-
Expiration of time restrictions	63,802	(63,802)	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>42,273,731</b>	<b>513,614</b>	<b>42,787,345</b>	<b>37,790,718</b>
<b>EXPENSES</b>				
Healthy living	12,441,972	-	12,441,972	8,374,723
Youth values	4,496,978	-	4,496,978	8,078,295
Child care	11,358,462	-	11,358,462	6,418,593
Summer day camp	3,303,044	-	3,303,044	9,530,189
Juvenile justice	3,800,521	-	3,800,521	2,534,421
Resident camp	1,362,939	-	1,362,939	526,766
Member services	376,359	-	376,359	389,309
Management and general	4,766,015	-	4,766,015	4,029,501
Fundraising	881,930	-	881,930	674,026
<b>TOTAL EXPENSES</b>	<b>42,788,220</b>	<b>-</b>	<b>42,788,220</b>	<b>40,555,823</b>
<b>GAINS (LOSSES)</b>				
Realized and unrealized gains (losses) on investments	148,954	539,645	688,599	(1,214,349)
Loss on sale and disposal of assets	(515,375)	-	(515,375)	(85,845)
<b>TOTAL GAINS (LOSSES)</b>	<b>(366,421)</b>	<b>539,645</b>	<b>173,224</b>	<b>(1,300,194)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(880,910)</b>	<b>1,053,259</b>	<b>172,349</b>	<b>(4,065,299)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>20,464,978</b>	<b>11,731,036</b>	<b>32,196,014</b>	<b>36,261,313</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 19,584,068</b>	<b>\$ 12,784,295</b>	<b>\$ 32,368,363</b>	<b>\$ 32,196,014</b>



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2023

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

	Healthy Living	Youth Values	Child Care	Summer Day Camp	Juvenile Justice	Resident Camp	Member Services	Total Programs	Management and General	Fund Raising	Totals	
											2023	2022
Salaries	\$ 4,808,204	\$ 2,163,985	\$ 5,748,707	\$ 1,449,963	\$ 1,949,720	\$ 423,002	\$ 71,408	\$ 16,614,989	\$ 2,222,694	\$ 578,059	\$ 19,415,742	\$ 17,533,275
Employee benefits	389,451	122,481	421,828	120,178	210,951	34,796	3,958	1,303,643	377,176	89,494	1,770,313	1,457,325
Payroll taxes	368,735	183,387	468,678	98,434	174,991	34,778	8,872	1,337,875	177,409	44,562	1,559,846	1,482,584
<b>Total salaries and related expenses</b>	<b>5,566,390</b>	<b>2,469,853</b>	<b>6,639,213</b>	<b>1,668,575</b>	<b>2,335,662</b>	<b>492,576</b>	<b>84,238</b>	<b>19,256,507</b>	<b>2,777,279</b>	<b>712,115</b>	<b>22,745,901</b>	<b>20,473,184</b>
Professional fees	629,667	334,425	486,133	43,246	321,630	41,294	20,464	1,876,859	1,066,957	51,904	2,995,720	4,867,143
Supplies	256,717	470,204	1,952,730	582,070	275,276	382,848	12,114	3,931,959	64,516	18,021	4,014,496	2,620,489
Telephone	101,244	32,273	101,217	65,201	1,836	26,260	22,855	350,886	32,777	-	383,663	375,766
Postage	638	257	32	14	1,040	302	-	2,283	11,772	3,406	17,461	20,028
Occupancy	2,548,015	624,528	1,059,866	504,378	621,331	245,042	130,988	5,734,148	267,637	7,563	6,009,348	5,157,090
Printing and publications	256,276	86,393	108,497	59,956	2,895	33,856	7,668	555,541	137,912	37,253	730,706	631,543
Travel	132,364	113,260	150,610	86,904	23,905	36,227	4,071	547,341	228,953	31,757	808,051	971,741
Conferences and conventions	30,688	52,243	165,547	13,673	10,755	1,100	297	274,303	163,907	13,070	451,280	272,676
National dues	170,900	61,582	102,582	49,997	2,886	25,309	6,830	420,086	-	-	420,086	284,393
Miscellaneous expenses	270,251	101,502	205,254	84,523	145,104	18,888	6,609	832,131	13,204	6,841	852,176	1,225,092
Interest expense	252,774	34,055	95,775	57,205	-	-	7,473	447,282	-	-	447,282	507,243
Property taxes	-	-	-	-	-	1,036	-	1,036	1,101	-	2,137	6,498
<b>Total before depreciation and amortization</b>	<b>10,215,924</b>	<b>4,380,575</b>	<b>11,067,456</b>	<b>3,215,742</b>	<b>3,742,320</b>	<b>1,304,738</b>	<b>303,607</b>	<b>34,230,362</b>	<b>4,766,015</b>	<b>881,930</b>	<b>39,878,307</b>	<b>37,412,886</b>
Depreciation and amortization	2,226,048	116,403	291,006	87,302	58,201	58,201	72,752	2,909,913	-	-	2,909,913	3,142,937
<b>Total functional expenses</b>	<b>\$ 12,441,972</b>	<b>\$ 4,496,978</b>	<b>\$ 11,358,462</b>	<b>\$ 3,303,044</b>	<b>\$ 3,800,521</b>	<b>\$ 1,362,939</b>	<b>\$ 376,359</b>	<b>\$ 37,140,275</b>	<b>\$ 4,766,015</b>	<b>\$ 881,930</b>	<b>\$ 42,788,220</b>	<b>\$ 40,555,823</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2023

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

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 172,349	\$ (4,065,299)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Change in discounts on pledges receivable	(36,595)	(44,714)
Depreciation and amortization	2,909,913	3,142,937
Amortization of donated land lease receivable	21,518	116,238
Amortization of forgivable loan interest	42,286	42,988
Amortization of deferred financing costs	8,724	8,060
Non-cash lease expense	343,126	315,349
Loan principal forgiven	(93,340)	(93,340)
Realized and unrealized (gains)/losses on investments	(688,599)	1,214,349
Loss on sale and disposal of assets	515,375	85,845
Contributions restricted for capital investment	(1,281,000)	(495,200)
Contributions restricted for long term investment	-	(100,238)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(701,560)	(612,706)
Pledges and grants receivable	(1,327,958)	348,827
Merchandise inventories	(168,390)	(83,819)
Prepaid expenses	(67,884)	91,010
Increase (decrease) in:		
Accounts payable	(300,316)	(107,379)
Accrued expenses	1,191,287	407,057
Custodian accounts	(13,826)	2,630
Operating lease liabilities	(372,124)	(378,754)
Deferred revenue	748,025	1,454,540
Deferred revenue from cell tower lease assignments	(16,200)	(16,200)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>884,811</b>	<b>1,232,181</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	4,419,973	17,590,831
Proceeds from the sale of property and equipment	28,000	1,000
Purchases of investments	(5,022,599)	(16,624,580)
Purchases of property and equipment	(2,638,613)	(1,356,035)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,213,239)</b>	<b>(388,784)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank loan	-	11,000,000
Principal payments on bank loan	(276,246)	(14,272,449)
Payments on deferred financing costs	-	(86,989)
Payments received on note receivable	-	1,025,000
Financing lease rebate	7,500	-
Cash collected for capital restricted investments	1,464,319	721,959
Cash collections for long term investment	11,583	205,238
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>1,207,156</b>	<b>(1,407,241)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(1,121,272)</b>	<b>(563,844)</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR</b>	<b>3,398,196</b>	<b>3,962,040</b>
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR</b>	<b>\$ 2,276,924</b>	<b>\$ 3,398,196</b>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	<b>\$ 404,996</b>	<b>\$ 464,225</b>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Purchases of property and equipment included in accounts payable	<b>\$ 66,921</b>	<b>\$ 384,668</b>
Right-of-use finance lease assets obtained in exchange for new finance lease liabilities as a result of lease modifications	<b>\$ 176,551</b>	<b>\$ 130,071</b>

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

### (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, 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, 2023  
(with comparative totals for the year ended December 31, 2022)

(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, 2022 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 carried at the outstanding balance less an allowance for credit losses, if applicable. Effective January 1, 2023, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-13, Financial Instruments – Credit Losses (Topic 326), and all subsequently issued related amendments, using the modified retrospective approach. Under this standard, financial assets are presented at the net amount expected to be collected, requiring immediate recognition of estimated credit losses expected (referred to as “CECL”) to occur over the asset’s remaining life. This is in contrast to previous U.S. GAAP, under which credit losses were not recognized until it was probable that a loss had been incurred. The standard also requires enhanced disclosures regarding information in analyzing the company’s exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to this standard include accounts receivable. The adoption of this standard did not have a material impact to the Organization’s combined financial statements.

Management’s assessment of expected credit losses includes consideration of current and expected economic conditions, market and industry factors affecting the Organization’s customers (including their financial condition), the aging of account balances, historical credit loss experience, customer concentrations, and customer creditworthiness.

The Organization may establish an allowance for credit losses for specific receivables when it is probable that the receivable will not be collected, and the loss can be reasonably estimated. Accounts are assessed individually for collectability. Amounts are written off when there is information that indicates the customer is facing significant financial difficulty and there is no possibility of recovery. Reversals of previously reserved amounts are recognized if a specifically reserved item is settled for an amount exceeding the previous estimate.

Based on management’s assessment, the Organization determined that an allowance for expected credit losses at December 31, 2023 and 2022, totaling \$403,138 and \$333,668, respectively, was necessary. A significant change in the liquidity or financial position of the Organization’s customers could have a material adverse impact on the collectability of such balances and future operating results.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

**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, 2023 and 2022, the Association had \$265,018 and \$263,987, respectively, on deposit in a Debt Service Reserve established as part of the debt restructuring described in Note 6 with a lender.

**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.

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:

	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 1,663,866	\$ 2,534,177
Cash and cash equivalents restricted to investment in property and equipment	243,931	394,794
Cash and cash equivalents restricted to endowment	104,109	205,238
Cash and cash equivalents included in assets whose use is limited	265,018	263,987
Total cash and cash equivalents and restricted cash	\$ 2,276,924	\$ 3,398,196

**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 at December 31, 2023 and 2022.

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.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

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

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

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.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

**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 2023 or 2022.

**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.

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.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

**Government grants** – The Association has contracts with 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, 2023 and 2022, the remaining amount of conditional promises to give under these governmental grants totaled approximately \$9,921,000 and \$4,962,000, respectively.

**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, 2023 and 2022, there were no donor restrictions on the in-kind contributions and the Association did not monetize any in-kind contributions.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

For the years ended December 31, 2023 and 2022, in-kind contributions consist of the following:

	<u>2023</u>	<u>2022</u>
Program supplies	\$ 111,698	\$ 12,407
Professional services	1,580	3,000
Rent	193,324	93,356
Total in-kinds	<u>\$ 306,602</u>	<u>\$ 108,763</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.

**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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

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

The following program categories are used:

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

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

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

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

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

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

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

Management and General: All management and general costs not identifiable with a single program or 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 \$355,045 and \$338,358 for the years ended December 31, 2023 and 2022, respectively.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

**Income taxes** – The Valley of the Sun Young Men's Christian Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, therefore, there is no provision for income taxes in the accompanying consolidated financial statements. In addition, the Valley of the Sun Young Men's Christian Association qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. Northwest Valley Family YMCA, LLC and Working Poor Support, LLC are treated as disregarded entities for income tax purposes, and accordingly, all income and expenses are passed through to the Valley of the Sun Young Men's Christian Association. The Association evaluates their uncertain tax positions, if any, on a continual basis through review of their policies and procedures, review of their regular tax filing, and discussions with outside experts. Management does not believe any significant uncertain tax positions exist as of December 31, 2023 or 2022.

The federal and state tax returns of the Association for 2020, 2021 and 2022 are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed. The 2023 returns have not yet been filed as of the date of this report.

**Leases** – The Association accounts for leases as required by ASC Topic 842, *Leases*. 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. The Association has 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.

**Subsequent events** – The Association has evaluated subsequent events through April 30, 2024 which is the date the consolidated financial statements were available to be issued.

### (2) Risks and uncertainties

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 \$2.08 million. 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 \$2.08 million has been reported as government grant revenue with a corresponding receivable as of December 31, 2021. \$1,206,787 of this amount was received during 2023. The remaining receivable amount, included in pledges and grants receivable, net on the consolidated statement of financial position, is expected to be received in 2024.

The Organization's credit filings remain open for examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(3) Pledges receivable**

Pledges receivable consist of the following as of December 31:

	<b>2023</b>	<b>2022</b>
Receivable in less than one year	\$ 5,683,122	\$ 4,286,780
Receivable in two to five years	247,001	542,347
Total pledges and grants receivable	5,930,123	4,829,127
Less: unamortized discount using rate of 4.74%	(22,819)	(59,414)
Less: allowance for uncollectible pledges	(127,254)	(159,314)
Pledges and grants receivable, net	\$ 5,780,050	\$ 4,610,399

Included in pledges receivable in 2023 and 2022 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, 2023:

	<b>Cost</b>	<b>Market</b>	<b>Quotes Prices in Active Markets for Identical Assets (Level 1)</b>
Cash and cash equivalents	\$ 1,531,797	\$ 1,531,797	\$ 1,531,797
Intermediate bond funds	9,000	8,990	8,990
Money market funds	225,014	225,014	225,014
Multisector bond funds	1,152,617	1,038,401	1,038,401
Foreign large growth funds	879,305	685,430	685,430
Diversified emerging markets funds	316,881	282,356	282,356
Foreign large blend funds	445,024	485,485	485,485
Large growth/blend funds	1,616,786	1,908,132	1,908,132
Private debt funds	2,295,169	2,329,560	2,329,560
Small growth/blend funds	199,588	203,402	203,402
Ultrashort bond funds	1,694,498	1,690,777	1,690,777
	10,365,679	10,389,344	\$ 10,389,344
Investments measured at NAV	725,300	903,607	
Total investments	\$ 11,090,979	\$ 11,292,951	

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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, 2022:

	<u>Cost</u>	<u>Market</u>	<u>Quotes Prices in Active Markets for Identical Assets (Level 1)</u>
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	<u>1,612,505</u>	<u>1,609,243</u>	<u>1,609,243</u>
	10,164,682	9,199,588	<u>\$ 9,199,588</u>
Investments measured at NAV	<u>708,905</u>	<u>802,138</u>	
Total investments	<u>\$ 10,873,587</u>	<u>\$ 10,001,726</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, 2023 and 2022. The following table summarizes the nature and risk of investments reported at NAV as a practical expedient as of December 31:

	<u>2023</u>	<u>2022</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
AMG Pantheon Class 3	\$ 309,676	\$ 272,224	N/A	Two year lock up
Pomona Investment Fund	285,879	258,074	N/A	One year lock up
Ceres Farms, LLC	<u>308,052</u>	<u>271,840</u>	N/A	One year lock up
Total	<u>\$ 903,607</u>	<u>\$ 802,138</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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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>2023</b>	<b>2022</b>
Land and land improvements	\$ 7,939,604	\$ 7,939,605
Buildings and building improvements	76,447,396	76,951,064
Equipment	24,576,734	24,810,040
Total	108,963,734	109,700,709
Less accumulated depreciation and amortization	(80,644,403)	(80,735,626)
Total	28,319,331	28,965,083
Construction in process	558,938	660,940
Total property and equipment, net	<b>\$ 28,878,269</b>	<b>\$ 29,626,023</b>

Depreciation and amortization expense on property and equipment was \$2,909,913 and \$3,142,937 for 2023 and 2022, respectively.

Construction in process at December 31, 2023 and 2022 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, 2023 and 2022, no interest costs were capitalized as a component of construction in process.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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 \$10,501,918 and \$10,778,167 as of December 31, 2023 and 2022, respectively. Total debt in the accompanying consolidated statement of financial position is reported net of unamortized debt issuance costs of \$203,602 and \$212,329, respectively.

Annual amortization of debt issuance costs totaled approximately \$9,000 and \$8,000 during the years ended December 31, 2023 and 2022, respectively.

Future maturities of the debt are as follows:

<u>Year Ending December 31,</u>	
2024	\$ 285,807
2025	297,992
2026	309,521
2027	321,497
2028	332,946
Thereafter	<u>8,954,155</u>
Total	<u>\$ 10,501,918</u>

The loan and security agreement has covenants requiring the Association to maintain certain cash reserves, financial ratios and reporting requirements. The required reserve accounts include a debt service reserve with a minimum balance of \$250,000, and a deferred maintenance reserve with an initial deposit of \$8,333 and additional monthly deposits of the same amount. 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(7) Forgivable loans**

Forgivable loans as of December 31 consist of the following:

	<b>2023</b>	<b>2022</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.	\$ 1,440,000	\$ 1,520,000
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.	93,268	106,608
Total	\$ 1,533,268	\$ 1,626,608
Less unamortized present value discount	(575,147)	(617,433)
Total forgivable loans	\$ 958,121	\$ 1,009,175

Future maturities of forgivable loans are as follows:

<b><u>Year Ending December 31,</u></b>	
2024	\$ 93,346
2025	93,340
2026	93,340
2027	93,340
2028	93,340
Thereafter	1,066,562
Total annual maturities	\$ 1,533,268

**(8) Lease commitments**

Certain branches of the Association lease facilities, parking, and office equipment under non-cancelable operating and financing leases. Operating leases expire 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 and one financing lease that has an original term of five years.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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 and finance lease right-of-use assets and lease liabilities, current and long-term are recorded as individual, separate items in the consolidated statement of financial position sheet as of December 31, 2023. 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, 2023:

	<b>2023</b>	<b>2022</b>
Operating lease expense	\$ 356,520	\$ 460,518
Short term operating lease expense	\$ 104,377	\$ 87,874
Variable operating lease expense	\$ 239,182	\$ 158,820
Operating cash flow from operating leases	\$ 385,518	\$ 489,020
Financing cash flow from financing leases	\$ -	\$ -

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023:

**Weighted Average Remaining Lease Term**

Operating leases	8.25 years
Finance leases	4.87 years

**Weighted Average Discount Rate**

Operating leases	1.66%
Finance leases	4.25%

The maturities of lease liabilities as of December 31, 2023 are as follows:

<b>Year Ending December 31,</b>	<b>Operating</b>	<b>Finance</b>
2024	\$ 93,408	\$ 30,934
2025	102,000	40,704
2026	102,000	40,704
2027	102,000	40,704
2028	102,000	40,704
Thereafter	328,109	3,915
Total lease payments	829,517	197,665
Less: interest	(41,237)	(13,614)
Present value of lease liabilities	\$ 788,280	\$ 184,051

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

During 2023, the Association entered into a service agreement with the City of El Mirage that provides the Association with the right to control and operate a City of El Mirage owned facility. The term of the agreement is 20 years with 2 optional extensions of 5 years each. The agreement may be canceled by either party with twelve months' advanced notice. Annually, on a calendar year basis, if the Association's operation of the facility results in a net profit, excluding grant income, more than \$250,000, the Association would be required to make a rent payment to the City of El Mirage of \$100,000. There was no variable rent expense in 2023.

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, 2023 and 2022, the Association recognized \$21,518 and \$24,158, respectively, of amortization on these receivables. As of December 31, 2023 and 2022, the unamortized balance of these donated land lease receivables totaled \$161,328 and \$182,846, 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 2023 and 2022 aggregated to \$1,014,755 and \$917,815, respectively.

**(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 \$989,459 and \$877,633 at December 31, 2023 and 2022, respectively.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

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

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

	<u>2023</u>	<u>2022</u>
Investment in perpetuity, the income from which is expendable to support any activities of the Association	\$ 4,074,102	\$ 4,062,519
Land required to be used as a branch facility	563,907	563,907
Endowment pledges, net	208	32,000
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	7,599,707	7,619,916
Subject to expenditure for a specified purpose:		
Assets restricted to specific programs	1,926,409	1,699,038
Purpose restricted assets held in a quasi-endowment	525,000	525,000
Accumulated earnings on perpetual endowment fund	802,497	99,954
Assets restricted to investment in property and equipment	844,107	636,749
Subject to expenditure over time:		
Interest contribution on forgivable loans	575,147	617,433
Donated land leases	161,328	182,846
Land required to be used as a branch facility	<u>350,100</u>	<u>350,100</u>
Total net assets with donor restrictions	<u>\$ 12,784,295</u>	<u>\$ 11,731,036</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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>2023</u>	<u>2022</u>
Satisfaction of program restrictions:		
Youth values program expense	\$ 199,395	\$ 883,698
Healthy living program expense	586,437	270,702
Child care program expense	154,398	700,841
Summer day camp program expense	66,314	30,709
Juvenile justice program expense	70,524	105,481
Resident camp	51,945	2,862
Member services	4,570	8,300
Total satisfaction of program restrictions	<u>\$ 1,133,583</u>	<u>\$ 2,002,593</u>
Satisfaction of purpose restriction:		
Youth values program expense	\$ 57,436	\$ 52,000
Healthy living program expense	21,142	27,294
Child care program expense	116,784	137,074
Summer day camp program expense	164,129	157,180
Resident camp	57,803	11,670
Member services	1,005	1,346
Juvenile justice program expense	9,248	5,297
Total satisfaction of purpose restrictions	<u>\$ 427,547</u>	<u>\$ 391,861</u>
Expiration of time restrictions	<u>\$ 63,802</u>	<u>\$ 164,506</u>
Satisfaction of capital acquisition restrictions	<u>\$ 1,073,642</u>	<u>\$ 437,390</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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted perpetual endowment fund	\$ -	\$ 4,074,102	\$ 4,074,102
Accumulated earnings on perpetual endowment fund	-	802,497	802,497
Donor-restricted quasi-endowment fund	-	525,000	525,000
Board-designated endowment funds	989,459	-	989,459
Total funds	<u>\$ 989,459</u>	<u>\$ 5,401,599</u>	<u>\$ 6,391,058</u>

The changes in endowment net assets for the year ended December 31, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 877,633	\$ 4,687,473	\$ 5,565,106
Investment return:			
Investment income, net	30,499	162,898	193,397
Net appreciation (realized and unrealized)	101,038	539,645	640,683
Other changes:			
Investment fees	(19,711)	-	(19,711)
Contributions and additions to endowment	-	11,583	11,583
Endowment net assets, end of year	<u>\$ 989,459</u>	<u>\$ 5,401,599</u>	<u>\$ 6,391,058</u>

Endowment net asset composition by type of fund as of December 31, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(13) Endowment (continued)**

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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>

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, 2023 or 2022.

**(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, 2023.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(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 2023 and 2022 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 \$81,130 and \$70,038 at December 31, 2023 and 2022, 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 2023 and 2022 totaled \$3,297 and \$4,187, 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, 2023 and 2022, there were four and two pledges receivable, respectively, accounting for approximately 58% and 62% of net pledges receivable, respectively.

*Accounts receivable* - At December 31, 2023 and 2022, approximately 70% and 75%, respectively, of accounts receivable was due from three customers.

*Government grants* - For the years ended December 31, 2023 and 2022, the Association received government grants from two and three agencies, respectively, that represented approximately 70% and 97%, respectively, of total government grants.

*Related party* - At December 31, 2023 and 2022, pledges receivable from employees, trustees, and members of the Board of Directors accounted for approximately 8% and 22% of net pledges receivable outstanding, respectively. Total contributions from these related parties during the years ended December 31, 2023 and 2022 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, 2023  
(with comparative totals for the year ended December 31, 2022)

### (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, 2023 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. Except as described below, 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.

During 2023, an injury claim was filed against the Association. As of the date of this report, the claim is pre-suit and the extent of the injuries are not yet known, however the injured party has made a pre-suit demand of \$5,000,000. The Association is insured against claims of this nature up to \$5,000,000 and has engaged legal counsel to represent the Association in the matter. The Association's attorney has advised the Association that a settlement is probable, and the low end of the probable settlement range is \$1,000,000. Accordingly, the Association has accrued a settlement liability of \$1,000,000, which is included within accrued expenses on the accompanying consolidated statement of financial position as of December 31, 2023. The Association's insurance policy is expected to cover the full loss and, accordingly, the Association has recorded an insurance receivable for an equal amount of \$1,000,000, which is included in accounts and other receivables on the accompanying consolidated statement of financial position as of December 31, 2023. As a result of the insurance coverage, there is no net loss to be recognized by the Association during 2023.

The Association paid annual dues payments to the National YMCA Fund Incorporation which totaled \$420,086 and \$284,393 for the years ended December 31, 2023 and 2022, respectively. In January 2016, the Association signed an agreement to repay certain accrued unpaid dues. At December 31, 2023 and 2022, annual dues accrued totaled \$104,000 and \$69,000, respectively.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Year Ended December 31, 2023  
(with comparative totals for the year ended December 31, 2022)

**(18) Availability of resources**

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,663,866	\$ 2,534,177
Accounts receivable, net	1,679,060	977,500
Pledges and grants receivable, current	5,179,666	4,336,444
Assets restricted to investment in property and equipment	844,107	636,749
Assets restricted to endowment	104,317	237,238
Assets whose use is limited	265,018	263,987
Investments	<u>11,292,951</u>	<u>10,001,726</u>
Total financial assets	21,028,985	18,987,821
Less		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with program purpose restrictions	(1,926,409)	(1,699,038)
Donor restricted quasi-endowment	(525,000)	(525,000)
Investments with liquidity restrictions	(903,607)	(802,138)
Accumulated earnings on perpetual endowment fund	(802,497)	(99,954)
Perpetual donor restricted endowments	(4,074,102)	(4,062,519)
Capital campaign restricted assets	(844,107)	(636,749)
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	(9,406,852)	(8,156,528)
Amounts unavailable to management without Board's approval		
Board-designated endowment	<u>(989,459)</u>	<u>(877,633)</u>
Total amounts unavailable to management without Board's approval	<u>(989,459)</u>	<u>(877,633)</u>
Total financial assets available within one year after restrictions and designations	<u>\$ 10,632,674</u>	<u>\$ 9,953,660</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, 2023

<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			
Community Development Block Grants/Entitlement Grants	14.218	129441	<u>106,608</u>
Pass through City of Scottsdale			
Community Development Block Grants/Entitlement Grants	14.218	2022-108-COS	<u>12,656</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>119,264</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>977,399</u>
Pass through YMCA of the USA			
DOL-Workforce Pathways	17.280	YP38652-22-60-A017	<u>56,099</u>
<b>Total U.S. Department of Labor</b>			<u>1,033,498</u>
<b>U.S. Department of Transportation</b>			
Pass through City of Phoenix			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	157439--0	<u>87,154</u>
<b>Total U.S. Department of Transportation</b>			<u>87,154</u>
<b>U.S. Department of Treasury</b>			
Pass through Maricopa County			
COVID-19 - American Rescue Plan Act - Coronavirus State & Local Fiscal Recovery Funds - Workforce Development Program	21.027	GR-ARPA-EDPD- VOSYMCA-65	<u>881,954</u>
<b>Total U.S. Department of Treasury</b>			<u>881,954</u>
<b>U.S. Department of Education</b>			
Pass through State of Arizona			
COVID-19 - Summer Enrichment	84.425C	GR-GEER-SEP- VOSYMCA-41	1,082,989
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) III - Healthy Living	84.425U	CTR059777-1	<u>1,039,038</u>
<b>Total U.S. Department of Education</b>			<u>2,122,027</u>
<b>U.S. Department of Health and Human Services</b>			
Pass through Substance Abuse and Mental Health Services Administration			
Pass through Maricopa County			
Activities to Support State, Tribal, Local, and Territorial Health Department Response to Public Health or Healthcare Crises	93.391	C-86-23-102-X-00	381,308
Activities to Support State, Tribal, Local, and Territorial Health Department Response to Public Health or Healthcare Crises	93.391	C-86-22-100-X-00	<u>311,808</u>
Total 93.391			<u>693,116</u>
Pass through State of Arizona			
Preschool Development	93.434	90TP0087-01-00	<u>143,135</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>836,251</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 5,080,148</u>

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

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

Year Ended December 31, 2023

**(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, 2023. 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, 2023.

**(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, 2023. The loan balance outstanding at January 1, 2023 is also included in the federal expenditures presented in the Schedule of Expenditures of Federal Awards.

	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Value of Loan Outstanding</u>
<b>Federal Grantors/Program</b>			
<b>U.S. Department of Housing and Urban Development:</b>			
Pass through City of Phoenix - Community Development Block Grants/Entitlement Grants	14.218	129441	\$ 93,268



**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, 2023, 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 April 30, 2024.

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

In planning and performing our audit of the consolidated 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 consolidated 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However material weaknesses or significant deficiencies may exist that were not identified.

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

As part of obtaining reasonable assurance about whether the Association's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 script.

April 30, 2024



**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, 2023. 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, 2023.

***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.*

April 30, 2024

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2023

**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?   | No            |
| 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 – Workforce Development Program
84.425C	COVID-19 – Summer Enrichment
84.425U	COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) III - Healthy Living
93.391	Activities to Support State, Tribal, Local, and Territorial Health Department Response to Public Health or Healthcare Crises

- |   |            |
|---|------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
|---|------------|

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2023

6. Auditee qualified as low-risk auditee? No

**Section II – Financial Statement Findings**

None

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

None



FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

### Summary Schedule of Prior Year Audit Findings

<b>Item:</b>	2022-001
<b>Type of finding:</b>	Accounting for contributions and grants
<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>Current Status:</b>	Corrective action taken.