**YMCA OF GREENVILLE AND AFFILIATE**
**GREENVILLE, SOUTH CAROLINA**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**YMCA OF GREENVILLE AND AFFILIATE**
**GREENVILLE, SOUTH CAROLINA**

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McKinley, Cooper & Co., LLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
YMCA of Greenville and Affiliate
Greenville, South Carolina

We have audited the accompanying consolidated financial statements of the YMCA of Greenville (a not-for-profit organization) and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the YMCA of Greenville and Affiliate as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
August 20, 2020

**YMCA OF GREENVILLE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2019 AND 2018**

**ASSETS**

| | 2019 | 2018 |
|---|---|---|
| **CURRENT ASSETS:** | | |
| Cash and cash equivalents | $ 525,887 | $ 507,860 |
| Restricted cash | 2,116,307 | 1,696,859 |
| Pledges receivable, current portion | 248,300 | 711,581 |
| Other receivables | 228,260 | 213,781 |
| Inventories, at cost | 16,959 | 15,698 |
| Prepaid expenses | 25,512 | 34,758 |
| Investments | 2,035,163 | 1,686,826 |
| Total Current Assets | 5,196,388 | 4,867,363 |
| **PROPERTY AND EQUIPMENT, NET** | 24,556,033 | 25,426,864 |
| **OTHER ASSETS:** | | |
| Pledges receivable, less current portion | 97,795 | 235,305 |
| Equity Investment in Hollingsworth Fund | 37,953,785 | 35,408,909 |
| Total Other Assets | 38,051,580 | 35,644,214 |
| **TOTAL ASSETS** | $ 67,804,001 | $ 65,938,441 |

*(continued)*

**YMCA OF GREENVILLE**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**DECEMBER 31, 2019 AND 2018 (CONTINUED)**

**LIABILITIES AND NET ASSETS**

| | 2019 | 2018 |
|---|---|---|
| **CURRENT LIABILITIES:** | | |
| Accounts payable | $ 466,196 | $ 689,448 |
| Accrued expenses and other liabilities | 536,136 | 612,230 |
| Line of credit | 344,735 | 214,735 |
| Notes payable – current portion | 804,741 | 688,894 |
| Revenue bonds payable – current portion | 375,000 | 375,000 |
| Obligations under capital leases – current portion | 125,329 | 150,450 |
| Deferred revenue | 790,086 | 637,533 |
| Total Current Liabilities | 3,442,223 | 3,368,290 |
| **LONG-TERM DEBT:** | | |
| Notes payable – less current portion | 4,839,099 | 5,602,635 |
| Revenue bonds payable – less current portion | 1,836,663 | 2,203,195 |
| Obligations under capital leases – less current portion | 33,209 | 138,787 |
| Total Long-Term Debt | 6,708,971 | 7,944,617 |
| **TOTAL LIABILITIES** | 10,151,194 | 11,312,907 |
| **NET ASSETS:** | | |
| Without Donor Restrictions | | |
| Undesignated | 10,912,587 | 11,295,723 |
| Board designated | 5,079,431 | 4,670,101 |
| Hollingsworth equity investment | 37,953,785 | 35,408,909 |
| With Donor Restrictions | | |
| Restricted by time or purpose | 1,200,651 | 887,772 |
| Restricted in perpetuity | 2,506,353 | 2,363,029 |
| **TOTAL NET ASSETS** | 57,652,807 | 54,625,534 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 67,804,001 | $ 65,938,441 |

*The accompanying notes are an integral part of these consolidated financial statements.*

## YMCA OF GREENVILLE

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
### FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **REVENUES:** | | | | | | |
| Contributions and grants: | | | | | | |
| Contributions: | | | | | | |
| Public support | $ 1,738,614 | $ 262,956 | $ 2,001,570 | $ 1,663,927 | $ 303,987 | $ 1,967,914 |
| Capital campaign | - | 942,274 | 942,274 | - | 1,274,847 | 1,274,847 |
| Grants: | | | | | | |
| United Way | 48,750 | - | 48,750 | 45,000 | - | 45,000 |
| Other | 71,271 | 124,348 | 195,619 | 96,135 | 173,179 | 269,314 |
| Total Contributions and Grants | 1,858,635 | 1,329,578 | 3,188,213 | 1,805,062 | 1,752,013 | 3,557,075 |
| Other revenues and gains (losses): | | | | | | |
| Membership | 10,178,451 | - | 10,178,451 | 10,135,375 | - | 10,135,375 |
| Program services fees | 8,133,919 | - | 8,133,919 | 8,108,269 | - | 8,108,269 |
| Sales and rental income | 459,825 | - | 459,825 | 331,242 | - | 331,242 |
| Interest and dividends | 3,899 | 55,104 | 59,003 | 2,308 | 49,609 | 51,917 |
| Realized gain (loss) on sale of investments | - | 13,155 | 13,155 | - | 43,257 | 43,257 |
| Unrealized gain (loss) on investments | - | 330,247 | 330,247 | - | (228,662) | (228,662) |
| Realized gain (loss) on sale of fixed assets | 11,828 | - | 11,828 | (3,525) | - | (3,525) |
| Unrealized gain (loss) on equity investment | 2,544,876 | - | 2,544,876 | (1,734,500) | - | (1,734,500) |
| Miscellaneous | 244,162 | - | 244,162 | 31,369 | - | 31,369 |
| Total Other Revenues and Gains (Losses) | 21,576,959 | 398,506 | 21,975,466 | 16,870,538 | (135,796) | 16,734,742 |
| Net assets released from restriction | 1,271,882 | (1,271,882) | - | 583,432 | (583,432) | - |
| **TOTAL REVENUES** | $ 24,707,476 | $ 456,203 | $ 25,163,679 | $ 19,259,032 | $ 1,032,785 | $ 20,291,817 |

(continued)

## YMCA OF GREENVILLE

## CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
## FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| **EXPENSES:** | | | | | | |
| Program services: | | | | | | |
| Health development | $ 8,393,974 | $ - | $ 8,393,974 | $ 8,461,445 | $ - | $ 8,461,445 |
| Residential camp | 2,720,468 | - | 2,720,468 | 2,618,161 | - | 2,618,161 |
| Child care | 2,242,529 | - | 2,242,529 | 2,262,432 | - | 2,262,432 |
| Day camp | 1,151,610 | - | 1,151,610 | 1,108,797 | - | 1,108,797 |
| Recreation | 1,599,035 | - | 1,599,035 | 1,471,150 | - | 1,471,150 |
| Personal development | 1,062,937 | - | 1,062,937 | 1,106,141 | - | 1,106,141 |
| Total Program Services | 17,170,553 | - | 17,170,553 | 17,028,126 | - | 17,028,126 |
| Supporting services: | | | | | | |
| Fundraising | 558,400 | - | 558,400 | 528,249 | - | 528,249 |
| Management and general | 4,407,453 | - | 4,407,453 | 4,346,322 | - | 4,346,322 |
| Total Supporting Services | 4,965,853 | - | 4,965,853 | 4,874,571 | - | 4,874,571 |
| **TOTAL EXPENSES** | 22,136,406 | - | 22,136,406 | 21,902,697 | - | 21,902,697 |
| **CHANGES IN NET ASSETS** | 2,571,070 | 456,203 | 3,027,273 | (2,643,665) | 1,032,785 | (1,610,880) |
| **NET ASSETS,** Beginning of year | 51,374,733 | 3,250,801 | 54,625,534 | 54,018,398 | 2,218,016 | 56,236,414 |
| **NET ASSETS,** End of year | $ 53,945,803 | $ 3,707,004 | $ 57,652,807 | $ 51,374,733 | $ 3,250,801 | $ 54,625,534 |

*The accompanying notes are an integral part of these consolidated financial statements.*

## YMCA OF GREENVILLE

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED DECEMBER 31, 2019

| | Program Services | | | | | | | | Supporting Services | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Health Development | Residential Camp | Child Care | Day Camp | Recreation | Personal Development | TOTAL PROGRAM SERVICES | Fundraising | Management and General | TOTAL ALL SERVICES |
| **EXPENSES:** | | | | | | | | | | |
| Salaries/contract services | $ 4,353,399 | $ 888,676 | $ 954,818 | $ 573,414 | $ 731,414 | $ 194,534 | $ 7,696,255 | $ 315,228 | $ 1,899,351 | $ 9,910,834 |
| Employee benefits | 481,273 | 196,790 | 136,100 | 49,145 | 86,638 | 37,064 | 987,010 | 71,449 | 360,982 | 1,419,441 |
| Payroll taxes | 289,520 | 57,999 | 63,546 | 39,110 | 42,318 | 13,443 | 505,936 | 22,540 | 120,682 | 649,158 |
| Total Employee compensation | 5,124,192 | 1,143,465 | 1,154,464 | 661,669 | 860,370 | 245,041 | 9,189,201 | 409,217 | 2,381,015 | 11,979,433 |
| Supplies | 640,448 | 485,821 | 111,386 | 117,904 | 275,833 | 152,961 | 1,784,353 | 73,117 | 338,105 | 2,195,575 |
| Telephone | 38,388 | 14,772 | 11,725 | 3,290 | 6,581 | 1,512 | 76,268 | - | 365,463 | 441,731 |
| Postage and shipping | 122 | 2,329 | 251 | 5 | 11 | 1 | 2,719 | 2,004 | 4,864 | 9,587 |
| Occupancy | 803,439 | 159,792 | 202,430 | 96,791 | 137,732 | - | 1,400,184 | - | 40,566 | 1,440,750 |
| Rental and maintenance of equipment | 132,099 | 15,696 | 33,345 | 10,961 | 21,922 | 3,287 | 217,310 | - | 26,702 | 244,012 |
| Printing and publications | 10,679 | 14,684 | 441 | 3,563 | 3,991 | 20,472 | 53,830 | 585 | 373,602 | 428,017 |
| Travel and transportation | 23,303 | 105,371 | 31,776 | 12,023 | 4,483 | 337,623 | 514,579 | 3,843 | 24,420 | 542,842 |
| Conferences, conventions, and meetings | 31,106 | 16,384 | 7,623 | 3,637 | 3,387 | 147,707 | 209,844 | 5,484 | 55,080 | 270,408 |
| Professional fees | - | 778 | - | - | - | - | 778 | 61,231 | 157,315 | 219,324 |
| Organizational dues | 10,274 | 5,838 | 2,814 | 678 | 1,356 | - | 20,960 | 1,823 | 23,451 | 46,234 |
| Recruitment and relocation | 24,898 | 7,822 | 4,742 | 1,978 | 3,957 | - | 43,397 | - | 5,686 | 49,083 |
| Capital debt interest | 115,709 | 58,070 | 19,836 | 9,918 | 19,836 | - | 223,369 | - | 20,985 | 244,354 |
| Interest | 33,690 | 14,734 | 7,558 | 2,888 | 5,775 | - | 64,645 | - | - | 64,645 |
| Insurance | 155,333 | 44,828 | 53,023 | 13,314 | 26,628 | - | 293,126 | - | 8,337 | 301,463 |
| Scholarships | 361,319 | 197,662 | 312,336 | 114,020 | 41,460 | 413 | 1,027,210 | - | - | 1,027,210 |
| Bad Debt Expense | - | - | - | - | - | - | - | - | 76,000 | 76,000 |
| Other | 12,273 | 15,568 | 1,740 | 932 | 10,721 | 1,414 | 42,648 | 1,096 | 85,802 | 129,546 |
| Total Expenses Before Depreciation and Payments to Affiliated Organizations | 7,517,272 | 2,303,614 | 1,955,490 | 1,053,571 | 1,424,043 | 910,431 | 15,164,421 | 558,400 | 3,987,393 | 19,710,214 |
| Depreciation and amortization | 716,919 | 400,631 | 253,030 | 84,343 | 147,601 | 147,601 | 1,750,125 | - | 358,460 | 2,108,585 |
| Payments to affiliated organizations | 159,783 | 16,223 | 34,009 | 13,696 | 27,391 | 4,905 | 256,007 | - | 61,600 | 317,607 |
| **TOTAL EXPENSES** | $ 8,393,974 | $ 2,720,468 | $ 2,242,529 | $ 1,151,610 | $ 1,599,035 | $ 1,062,937 | $ 17,170,553 | $ 558,400 | $ 4,407,453 | $ 22,136,406 |

*The accompanying notes are an integral party of these consolidated financial statements.*

**YMCA OF GREENVILLE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**FOR THE YEAR ENDED DECEMBER 31, 2018**

| | Program Services | | | | | | TOTAL | | Supporting Services | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| | Health Development | Residential Camp | Child Care | Day Camp | Recreation | Personal Development | PROGRAM SERVICES | Fundraising | Management and General | ALL SERVICES |
| **EXPENSES:** | | | | | | | | | | |
| Salaries/contract services | $ 4,233,309 | $ 830,668 | $ 876,698 | $ 545,788 | $ 629,405 | $ 225,922 | $ 7,341,790 | $ 302,652 | $ 2,061,357 | $ 9,705,799 |
| Employee benefits | 538,036 | 215,839 | 148,302 | 45,296 | 89,358 | 57,060 | 1,093,891 | 80,609 | 508,095 | 1,682,595 |
| Payroll taxes | 283,806 | 54,632 | 58,472 | 37,606 | 35,811 | 16,489 | 486,816 | 21,690 | 134,772 | 643,278 |
| Total Employee Compensation | 5,055,151 | 1,101,139 | 1,083,472 | 628,690 | 754,574 | 299,471 | 8,922,497 | 404,951 | 2,704,224 | 12,031,672 |
| Supplies | 729,323 | 400,205 | 94,809 | 102,717 | 238,059 | 169,496 | 1,734,609 | 62,372 | 259,158 | 2,056,139 |
| Telephone | 43,325 | 17,953 | 12,211 | 3,714 | 7,427 | 1,846 | 86,476 | - | 233,904 | 320,380 |
| Postage and shipping | 238 | 3,166 | 228 | 17 | 35 | 74 | 3,758 | 3,134 | 11,778 | 18,670 |
| Occupancy | 816,797 | 155,101 | 237,556 | 101,941 | 140,022 | - | 1,451,417 | - | 43,795 | 1,495,212 |
| Rental and maintenance of equipment | 92,209 | 41,134 | 21,321 | 7,652 | 15,305 | 12,590 | 190,211 | - | 25,878 | 216,089 |
| Printing and publications | 11,066 | 12,008 | 1,547 | 5,460 | 6,621 | 22,041 | 58,743 | 8,817 | 319,987 | 387,547 |
| Travel and transportation | 25,593 | 88,995 | 42,372 | 8,599 | 4,905 | 355,234 | 525,698 | 3,063 | 23,156 | 551,917 |
| Conferences, conventions, and meetings | 23,252 | 12,321 | 9,564 | 1,906 | 1,452 | 87,151 | 135,646 | 15,494 | 80,183 | 231,323 |
| Professional fees | - | 711 | - | - | - | - | 711 | 27,297 | 142,086 | 170,094 |
| Organizational dues | 3,577 | 3,421 | 2,729 | 114 | 229 | - | 10,070 | 370 | 24,365 | 34,805 |
| Recruitment and relocation | 17,107 | 5,570 | 3,514 | 1,466 | 2,933 | 2,642 | 33,232 | - | 32,769 | 66,001 |
| Capital debt interest | 113,306 | - | 19,424 | 9,712 | 19,424 | - | 161,866 | - | 18,206 | 180,072 |
| Interest | 56,588 | 63,806 | 10,189 | 4,850 | 9,701 | - | 145,134 | - | 4,170 | 149,304 |
| Insurance | 151,508 | 41,194 | 49,057 | 12,986 | 25,973 | - | 280,718 | - | 7,643 | 288,361 |
| Scholarships | 408,734 | 241,591 | 379,604 | 117,614 | 47,555 | 317 | 1,195,415 | - | - | 1,195,415 |
| Other | 15,165 | 9,936 | 2,526 | 1,299 | 18,040 | 1,664 | 48,630 | 2,751 | 31,772 | 83,153 |
| Total Expenses Before Depreciation and Payments to Affiliated Organizations | 7,562,939 | 2,198,251 | 1,970,123 | 1,008,737 | 1,292,255 | 952,526 | 14,984,831 | 528,249 | 3,963,074 | 19,476,154 |
| Depreciation and amortization | 721,693 | 403,299 | 254,715 | 84,905 | 148,584 | 148,584 | 1,761,780 | - | 360,847 | 2,122,627 |
| Payments to affiliated organizations | 176,813 | 16,611 | 37,594 | 15,155 | 30,311 | 5,031 | 281,515 | - | 22,401 | 303,916 |
| **TOTAL EXPENSES** | $ 8,461,445 | $ 2,618,161 | $ 2,262,432 | $ 1,108,797 | $ 1,471,150 | $ 1,106,141 | $ 17,028,126 | $ 528,249 | $ 4,346,322 | $ 21,902,697 |

*The accompanying notes are an integral party of these financial statements.*

YMCA OF GREENVILLE

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Change in net assets | $ 3,027,273 | $ (1,610,880) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,108,586 | 2,122,627 |
| Unrealized (gain) loss on investments | (330,247) | 228,662 |
| Realized (gain) loss on sale of investments | (13,155) | (43,258) |
| Realized (gain) loss on sale of property and equipment | (11,828) | 15,902 |
| (Gain) loss on equity investment | (2,544,876) | 1,734,500 |
| Net changes in operating assets and liabilities: | | |
| Pledges receivable | (51,692) | 39,160 |
| Other receivables | (14,479) | 23,609 |
| Inventories, at cost | (1,261) | 1,474 |
| Prepaid expenses | 9,246 | 8,620 |
| Accounts payable | (223,253) | 138,720 |
| Accrued expenses and other liabilities | (76,094) | (28,024) |
| Deferred revenue | 152,555 | 153,061 |
| **NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | 2,030,775 | 2,784,173 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Purchases of property and equipment | (1,259,109) | (836,839) |
| Investments acquired at cost | (473,102) | (695,413) |
| Proceeds from disposition of property and equipment | 41,650 | - |
| Proceeds from sale of investments | 468,168 | 647,551 |
| **NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** | (1,222,393) | (884,701) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Capital Campaign pledge contributions | 929,537 | 522,193 |
| Capital Campaign and endowment pledges | (277,056) | (444,365) |
| Payments on notes payable | (786,352) | (803,169) |
| Payments on capital lease payable | (154,823) | (184,607) |
| Proceeds from issuance of line of credit | 130,000 | 214,735 |
| Proceeds from issuance of notes payable | 138,663 | 49,760 |
| Proceeds from capital leases | 24,124 | 31,605 |
| Payments on revenue bonds | (375,000) | (375,000) |
| **NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES** | (370,907) | (988,848) |

(continued)

**YMCA OF GREENVILLE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (CONTINUED)**

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | $ | 437,475 | $ | 910,624 |
| **CASH AND CASH EQUIVALENTS,** Beginning of year | | 2,204,719 | | 1,294,095 |
| **CASH AND CASH EQUIVALENTS,** End of year | $ | 2,642,194 | $ | 2,204,719 |
| **RECONCILIATION OF CASH:** | | | | |
| Cash and cash equivalents | $ | 525,887 | $ | 507,860 |
| Restricted cash | | 2,116,307 | | 1,696,859 |
| **TOTAL CASH AND CASH EQUIVALENTS** | $ | 2,642,194 | $ | 2,204,719 |
| **SUPPLEMENTAL DISCLOSURES:** | | | | |
| Cash paid during the year for interest | $ | 308,999 | $ | 329,376 |
| Acquisition of equipment through capital leases | $ | 24,124 | $ | 31,605 |

*The accompanying notes are an integral part of these consolidated financial statements.*

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization: The YMCA of Greenville (the "Association") is a human services organization whose purpose is helping individuals grow in spirit, mind, and body. The Association is a member of the National Council of Young Men's Christian Associations, and accordingly, remits annual membership fees based on a percentage of its non-exempt income which generally excludes support from foundations and governmental grants. This percentage was approximately 1.20% for both 2019 and 2018.

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of the YMCA of Greenville Foundation, Inc. (the "Foundation"), an affiliated corporation established to receive certain gifts to primarily achieve the goals of the Association. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

Basis of Accounting: The consolidated financial statements of the Association have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

Presentation: The YMCA records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Operating Activities: Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investment such as contributions for endowment and facilities and equipment and investment returns in excess of amounts designated for current operations.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

**Public Support**

Contributions: The Association receives contributions to support operating activities, endowments, and capital projects. These contributions can be from individuals, foundations, corporations, or trusts. The Association records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

In-kind contributions: The Association recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed. The Association received no contributed services for the years ended December 31, 2019 or 2018.

The Association receives services from many volunteers who give significant amounts of their time to the programs of the Association. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

Contributions of assets other than cash are recorded at estimated fair value.

**Revenue Recognition**

The Association has multiple revenue streams that are accounted for as reciprocal 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 optional exemption provided in FASB ASC 606-10-50-14(a), Revenue from Contracts with Customers, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Membership dues and program fees: Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time and may cancel with 10 days' notice. Members generally pay a onetime 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Association offers a variety of programs including family, childcare, day camp, resident camp, teen, fitness, aquatics, and health services. Fee-based programs are available to the public. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid weekly or monthly 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. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees.

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

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

Accounts Receivables: The YMCA extends credit to its members and program participants enrolling in certain programs, such as summer and day camp, which are due in full prior to the start of the program. The YMCA's accounts receivable represents an unconditional right to consideration from its contracts with customers. Receivables are recorded at estimated fair value at the time of origination and are reflected in the statements of financial position net of allowances for doubtful accounts. The allowance for doubtful accounts is determined by a monthly review of account balances, including the age of the balance and historical collection experience. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

Classification of Revenue and Expense: Revenues and expenses of the Association are reported in the consolidated financial statements according to the Association's basic programs. A brief description of the programs follows:

- *Health development* – The Association has developed a complete wellness program that includes all necessary elements for a healthy body through the provision of health and fitness equipment, training and dietary recommendations.

- *Residential camp* – The resident camp brings together children from all over the United States to learn to express themselves while showing respect and appreciation for others, all while learning to enjoy outdoor skills and experiences. Additionally, several outreach programs have been developed for the spring and fall sessions that include environmental educations, leadership, teamwork and self-esteem for school children, and group camping

- *Child care* – The Association child development area includes a variety of programs. The infant-toddler care program provides babies the consistent attention needed while guiding children

**<u>NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</u>**

through the early years of developmental stages. The preschool care programs build on children's natural desire to learn new things and become more self-reliant. The after-school programs involve participants in educational and arts activities – plus sports, field trips and service projects. All of the programs are designed to reach all critical areas of child development – spirit, mind and body.

- *Day camp* – The day camp program is designed to be fun as well as educationally stimulating while teaching social skills and values like caring, honesty, respect and responsibility. Healthy spirit, mind and body are emphasized in the day camps. To that end, sports and games, including aquatics, are core areas, as are outdoor skills and the arts.

- *Recreation* – The youth sports programs strive to teach sports skills but always focus on teamwork, responsibility, good sportsmanship and fun. This area primarily consists of sports clinics and sports leagues.

- *Personal development* – A variety of programming is included in this category. Adventure guides provide opportunities for fathers and their children to have fun together with other fathers and kids. Additionally, the Association provides a series of weeklong leadership development training sessions including classroom instructions, hands-on job shadowing, team-building and game leadership. The YMCA Youth in Government program seeks to help create the next generation of good citizens through demystifying local, state and national governmental systems so tomorrow's adults will know how to affect change within these systems.

- *Management and general* – This category represents expenses that indirectly support the programs provided by the Association. In addition, it assures that the Association has a clear direction towards the future development of the community and assures that the Association has the human and financial resources to carry out its work.

- *Fundraising* – Fundraising represents expenses that constitute an appeal for financial support, such as costs incurred in connection with pledge receivables. Fundraising costs include costs of personnel, supplies, postage and printing.

<u>Cash and Cash Equivalents</u>: For purposes of the statement of cash flows, the Association considers cash accounts which are not subject to withdrawal restrictions or penalties, money market accounts and certificates of deposit with original maturities of 90 days or less to be cash or cash equivalents.

Restricted cash represents deposits held for a variety of projects for which donations were restricted by the donors. Also, capital campaign restricted cash is used for debt service requirements of the JEDA bonds and the payment of the $4,847,901 note payable described in Note 11.

<u>Tax Status</u>: The Association has obtained a favorable tax determination letter from the Internal Revenue Service, and management believes that the Association continues to qualify and is therefore tax exempt under Section 501 (c)(3) of the Internal Revenue Code.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Accounting Standards Board (FASB) Accounting Standards Codification ("ASC") 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Association has taken or expects to take on a tax return. In accordance with FASB ASC 740-10, the Association recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Association's income tax filings are subject to audit by various taxing authorities. Management believes there was no significant impact on the Association's financial statements as a result of the adoption of ASC 740-10.

Investments: Investments consist primarily of assets invested in marketable equity and debt securities and money-market accounts. The Association accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. The realized and unrealized gain or loss on investments is reflected in the statement of activities.

*Equity Investments*
Equity investments consist of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

*Debt Investments*
Debt investments consist of U.S. Government obligations, corporate bonds and notes, and daily traded mutual funds. All investments in debt securities are valued based on quoted market prices in active markets and are categorized as Level 1.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statements of financial position.

Pledges Receivable: Pledges receivable consists of capital campaign contributions due from local individuals and businesses. Absent donor stipulations, the Association classifies all capital campaign pledges as increases in net assets with donor restrictions. When restrictions expire due to passage of time or when the purpose is fulfilled, net assets with donor restrictions are reclassified net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Allowances for uncollectible pledges receivable are established based on historical collection rates and specific identification of uncollectible accounts. An allowance equal to 5% of the outstanding pledge balances was recorded at December 31, 2019 and 2018.

Inventories: Inventories, consisting primarily of items held for resale, are valued at the lower of cost (first in, first out) or market.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment: All property and equipment costing more than $1,000 are capitalized at cost, if purchased, or fair value, if donated, at the date of donation. Property and equipment held under capital leases are stated at the present value of future minimum lease payments at the inception of the lease which approximates fair market value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is included as part of the capitalized value of the assets constructed. During the years ended December 31, 2019 and 2018, there was no net interest capitalization.

Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Property and equipment held under capital leases and leasehold improvements are amortized on the straight-line method over the shorter of the lease terms or estimated useful lives of the assets. Depreciation expense is calculated based on the following useful lives:

| | |
|---|---|
| Improvements other than building | 8 – 40 years |
| Buildings and building improvements | 5 – 39 years |
| Furniture and equipment | 3 – 20 years |

Fair Value of Financial Instruments: The provisions of topic 820, *Fair Value Measurements and Disclosures*, of the Financial Accounting Standards Board's Accounting Standards Codification, defines fair value, establish a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures regarding the fair value measurements of certain financial instruments. Topic 820 addresses acceptable valuation techniques and establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows:

- *Level 1 inputs* are unadjusted quoted prices for identical assets and liabilities in active markets to which the reporting entity has access.

- *Level 2 inputs* are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. They include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable (for example, interest rates), and inputs that are derived from or corroborated by observable market data.

- *Level 3 inputs* are unobservable and are significant to the fair value measurement.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value codification expands disclosures about fair value measurements for certain financial assets and liabilities.

The carrying amounts of cash, receivables, accounts payable, and other accrued liabilities approximate fair value because of the short maturity of these financial instruments. The carrying values of the Association's investments are based on information provided by external investment managers or comparison to quoted market values. The carrying amounts of pledges receivable represent the estimated present values of expected future cash flows.

The carrying amounts of the notes payable, bonds payable and capital leases approximate fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit equity.

Functional Allocation of Expenses: The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equity Investment in Hollingsworth Funds, Inc: In December 2000, the equity interest of John D. Hollingsworth On Wheels, Inc. and the substantial real estate holdings passed to an Internal Revenue Service (IRS)-qualified supporting organization, Hollingsworth Funds, Inc. (the Funds), upon the death of John D. Hollingsworth, the company's founder and sole stockholder. According to Mr. Hollingsworth's last will and testament, the YMCA of Greenville will receive 10% of the annual distribution to beneficiaries of the Funds; the YMCA of Greenville accounts for this interest under the equity method of accounting and recognizes its share of changes in net assets of the Fund. The YMCA of Greenville recognized an unrealized gain of $2,544,876 at December 31, 2019 and an unrealized loss of $1,734,500 at December 31, 2018 in the statement of activities.

Accounting Pronouncements Adopted: In August 2016, the FASB issued (ASU) 2016-14, Not-for-Profit Entities: Topic 958. The amendments in this update affect not-for-profit entity's (NFP's) and the users of their general-purpose financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources. The Association implemented this ASU effective for the year ended December 31, 2018.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers Topic (606). This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The YMCA adopted this ASU on January 1, 2019.

The YMCA implemented ASU 2014-09 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

Recent Accounting Pronouncements: In February 2016, the FASB issued (ASU) 2016-02, *Leases*. This ASU affects any entity that enters into a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2021. The YMCA has not yet implemented this ASU and is in the process of assessing the effect on the organization's financial statements.

## NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 2,642,194 |
| Accounts receivable | | 228,260 |
| Endowment spending-rate appropriations | | 94,416 |
| | $ | 2,964,870 |

The Association's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Association's board-designated endowment of $1,685,865 is subject to an annual spending rate of five percent as described in Note 9. Although management does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Association's liquidity management plan, management invests cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was $262,863 as of December 31, 2019 and $253,289 as of December 31, 2018.

## NOTE 2 - LIQUIDITY AND AVAILABILITY (CONTINUED)

The YMCA also maintains a line of credit in the amount of $500,000, which could be drawn upon in the event of an anticipated liquidity need.

## NOTE 3 – PLEDGES RECEIVABLE — CAPITAL CAMPAIGNS

The capital campaigns for the Prisma Health Family YMCA, Camp Greenville, and Caine Halter Family YMCA have received pledges of $2,814,397, $4,498,664, and $181,371, respectively, as of December 31, 2019. The gross pledge receivable balances at December 31, 2019 for the Prisma Health Family YMCA, Camp Greenville, and Caine Halter Family YMCA capital campaigns were $40,000, $145,100, and $95,000, respectively. The pledges from these campaigns are expected to be collected in five years, with the donors designating their terms of payment.

Unconditional promises to give at December 31 are:

| | 2019 | 2018 |
|---|---|---|
| Pledges due in less than one year | $ 248,300 | $ 711,581 |
| Pledges due in one to five years | 111,800 | 285,142 |
| Pledges due in more than five years | - | - |
| | 360,100 | 996,723 |
| Less: discount to net present value | (14,005) | (49,837) |
| | $ 346,095 | $ 946,886 |

## NOTE 4 – INVENTORIES

Inventories at December 31 consisted of the following:

| | 2019 | 2018 |
|---|---|---|
| Merchandise for resale | $ 11,959 | $ 10,698 |
| Food inventory | 5,000 | 5,000 |
| | $ 16,959 | $ 15,698 |

## NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at December 31:

| | 2019 | 2018 |
|---|---|---|
| Land | $ 2,957,224 | $ 2,957,224 |
| Land improvements | 5,253,502 | 5,228,362 |
| Building and building improvements | 35,755,061 | 35,442,805 |
| Furniture and equipment | 10,605,888 | 9,863,109 |
| | 54,571,675 | 53,491,500 |
| Less: accumulated depreciation | 30,015,642 | 28,064,636 |
| Property and equipment, net | $ 24,556,033 | $ 25,426,864 |

Depreciation expense for the years ended December 31, 2019 and 2018 was $2,100,118 and $2,113,944, respectively.

## NOTE 6 – CAPITALIZED FINANCING COSTS

The Association capitalized $173,671 in financing costs associated with the issuance of the 2007 JEDA bond. These costs are being amortized over the term of the bonds using the effective interest method. Amortization expenses were $8,684 for each of the years ended December 31, 2019 and 2018, respectively. Accumulated amortization for the years ended December 31, 2019 and 2018 was $108,550 and $99,866, respectively. For December 31, 2019 and 2018, the remaining unamortized capitalized financing costs balance is offset against the long-term portion of the revenue bonds, described in Note 11.

Future amortizations of capitalized financing costs as of December 31, 2019 are as follows:

| | |
|---|---|
| 2020 | $ 8,684 |
| 2021 | 8,684 |
| 2022 | 8,684 |
| 2023 | 8,684 |
| 2024 | 8,684 |
| Thereafter | 21,701 |
| | $ 65,121 |

## NOTE 7 – RETIREMENT PLANS

The National Council of the YMCA organized a retirement plan for all YMCA employees who qualify for participation in the retirement program. To qualify for enrollment, the employee (exempt and non-exempt) must work a minimum of 1,000 hours per year in any two anniversary years. Contributions for this plan, which are based on employee compensation, are paid at 12% and are 100% funded by the Association.

The Associations' retirement expense related to these plans was $529,611 and $555,888 for the years ended December 31, 2019 and 2018, respectively.

## NOTE 8 – CONCENTRATION OF CREDIT RISK

The Association maintains cash balances at several financial institutions. Interest bearing accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the Association's cash balances on deposit at these financial institutions are in excess of the federally insured limits. The Association has not experienced any losses in its bank accounts and believes it is not exposed to any significant credit risk on cash balances.

## NOTE 9 – ENDOWMENT INVESTMENTS

The endowment consists of individual donor donations for a variety of purposes which the Board has designated as endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Association considers all contributions, unless specifically restricted by the donor, to be permanently restricted and part of the corpus.

**Interpretation of Relevant Law**

The Board of Directors has interpreted the State Prudent Management Institutional Funds Act ("SPMIFA") 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 asset with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standards of prudence prescribed by UPMIFA.

In accordance with UPMIFA, 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. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Association.
7. The investment policies of the Association.

2019 Endowment Net Asset Composition by Type of Fund as of December 31, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment funds | $ - | $ 2,119,591 | $ 2,119,591 |

## NOTE 9 – ENDOWMENT INVESTMENTS (CONTINUED)

2018 Endowment Net Asset Composition by Type of Fund as of December 31, 2018:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment funds | $ - | $ 1,848,909 | $ 1,848,909 |

Changes in endowment net assets for the year ended December 31:

| | With Donor Restrictions | Without Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, December 31, 2017 | $ - | $ 1,968,002 | $ 1,968,002 |
| Investment return: | | | |
| Investment income (loss), net | - | 49,527 | 49,527 |
| Net appreciation (depreciation) realized and unrealized | - | (185,404) | (185,404) |
| Contributions | - | 209,561 | 209,561 |
| Apropriation of endowment assets for expenditure | (192,777) | - | (192,777) |
| Net assets released from restrictions | 192,777 | (192,777) | - |
| Endowment net assets, December 31, 2018 | $ - | $ 1,848,909 | $ 1,848,909 |
| | | | |
| Endowment net assets, December 31, 2018 | $ - | $ 1,848,909 | $ 1,848,909 |
| Investment return: | | | |
| Investment income (loss), net | - | 55,104 | 55,104 |
| Net appreciation (depreciation) realized and unrealized | - | 343,402 | 343,402 |
| Contributions | - | 63,348 | 63,348 |
| Apropriation of endowment assets for expenditure | (191,172) | - | (191,172) |
| Net assets released from restrictions | 191,172 | (191,172) | - |
| Endowment net assets, December 31, 2019 | $ - | $ 2,119,591 | $ 2,119,591 |

Funds with Deficiencies: From time to time, the fair value of assets associated with Board restricted endowment funds may fall below the level that the Board requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 or 2018.

## NOTE 9 – ENDOWMENT INVESTMENTS (CONTINUED)

Return Objectives and Risk Parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that achieve conservative growth with moderate income; preservation of capital is a very important long-term objective. The Foundation expects its endowment funds, over rolling five-year periods, to provide an average rate of return of approximately seven percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments (65% target allocation) to achieve its long-term return objectives within prudent constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Foundation has a policy of appropriating for distribution each year no more than five percent of its endowment fund's average fair value over the prior five years. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES

At times, the Association has certain tort claims. The Association has insurance coverage for these claims and payments and expenses for these claims, if any, are expected to be within the policy coverage.

During the years ended December 31, 2019 and 2018, the Association participated in a federally assisted program; neither year met the threshold requirement of the Single Audit Act Amendments of 1996. Amounts received from federal grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures which may be disallowed by the grantor cannot be determined at this time although the Association expects such amounts, if any, to be immaterial.

## NOTE 11 – LONG-TERM DEBT

The following is a summary of the Association's long-term debt at December 31:

| | 2019 | 2018 |
|---|---|---|
| 3.75% note payable to bank in monthly installments of principal and interest totaling $1,693 through May 2021; secured by two vehicles with a net book value of $27,705 and $59,367 at December 31 2019 and 2018, respectively. | $ 27,835 | $ 46,718 |

## NOTE 11 – LONG-TERM DEBT (CONTINUED)

| | 2019 | 2018 |
|---|---|---|
| 3.75% note payable to bank in monthly installments of principal and interest totaling $860 through November 2021; secured by two vehicles with a net book value of $13,886 and $30,034 at December 31, 2019 and 2018, respectively. | $ 19,021 | $ 28,452 |
| 4.09% note payable to bank in monthly installments of principal and interest totaling $7,740 through January 2020; secured by wellness equipment with a net book value of $52,979 and $158,938 at December 31, 2019 and 2018, respectively. | 63,359 | 151,685 |
| 4.05% note payable to bank in monthly installments of principal and interest totaling $4,215 through February 2020; secured by wellness equipment with a net book value of $28,267 and $86,616 at December 31, 2019 and 2018, respectively. | 38,614 | 86,568 |
| 4.03% note payable to bank in monthly installments of principal and interest totaling $2,708 through June 2022; secured by three vehicles with a total net book value of $72,363 and $115,453 at December 31, 2019 and 2018 respectively. | 77,160 | 105,917 |
| 0.00% note payable to an equipment dealer in monthly installments of $344 through October 2022; secured by two gators with a net book value of $10,325 and $14,455 at December 31, 2019 and 2018, respectively. | 11,701 | 15,831 |
| 0.00% note payable to an equipment dealer in monthly installments of $284 through April 2022; secured by a tractor with a net book value of $8,529 and $11,941 at December 31, 2019 and 2018, respectively. | 7,961 | 11,372 |
| 3.75% note payable to bank in monthly installments of principal and interest totaling $4,149 through May 2019; secured by five vehicles with a total net book value of $0 and $138,377 at December 31, 2019 and 2018, respectively. | - | 20,549 |

## NOTE 11 – LONG-TERM DEBT (CONTINUED)

| | 2019 | 2018 |
|---|---|---|
| 4.29% note payable to bank in monthly installments of principal and interest totaling $13,092 through December 2020; secured by wellness equipment with a net book value of $260,886 and $434,810 at December 31, 2019 and 2018, respectively. | $ 240,953 | $ 384,369 |
| 4.29% note payable to bank in monthly installments of principal and interest totaling $5,265 through December 2020; secured by wellness equipment with a net book value of $104,902 and $174,837 at December 31, 2019 and 2018, respectively. | 96,889 | 154,556 |
| 5.25% note payable to equipment financing in monthly installments of principal and interest totaling $985 through April 2023; secured by building equipment with a net book value of $34,994 and $51,602 at December 31, 2019 and 2018, respectively. | 36,064 | 45,711 |
| 4.44% note payable to bank in montly installments of principal and interest totaling $926 through June 2023; secured by a vehicle with a net book value of $34,832 and $46,005 at December 31, 2019 and December 32, 2018, respectively. | 35,177 | 44,505 |
| 0.00% note payable to an equipment dealer in montly installments of $123 through October 2024; secured by equipment with a net book value of $6,638 at December 31, 2019. | 7,130 | - |
| 0.00% note payable to an equipment dealer in montly installments of $263 through July 2023; secured by equipment with a net book value of $11,066 at December 31, 2019. | 11,330 | - |
| 4.60% note payable to bank in monthly installments of principal and interest totaling $1,802 through June 2024; secured by two vehicles with a net book vlaue of $88,778 at December 31, 2019. | 87,743 | - |

## NOTE 11 – LONG-TERM DEBT (CONTINUED)

| | 2019 | 2018 |
|---|---|---|
| 4.72% note payable to bank in monthly installments of principal and interest totaling $802 through December 2023; secured by vehicle with a net book vlaue of $38,492 at December 31, 2019. | $ 35,002 | $ - |
| 4.00% note payable to bank in annual principal installments of $247,395 through January 2025; interest is due monthly; secured by land, building, and furniture, fixtrues and equipment with total net book values of $4,244,117 and $4,371,591 at December 31, 2019 and 2018, respectively. | 4,847,901 | 5,195,296 |
| Total notes payable | 5,643,840 | 6,291,529 |
| Less: current portion | 804,741 | 688,894 |
| Notes payable, less current portion | $ 4,839,099 | $ 5,602,635 |

In January 2018, the Association consolidated the $3,942,691 note payable and the $1,500,000 Line of Credit outstanding into a single debt instrument.

Future maturities of notes payable as of December 31, 2019 are as follows:

| | |
|---|---|
| 2020 | $ 804,741 |
| 2021 | 356,448 |
| 2022 | 323,249 |
| 2023 | 289,178 |
| 2024 | 259,285 |
| Thereafter | 3,610,939 |
| | $ 5,643,840 |

**NOTE 11 – LONG-TERM DEBT (CONTINUED)**

Revenue Bonds:

| | | 2019 | | 2018 |
|---|---|---|---|---|
| SC-JEDA (Jobs-Economic Development Authority) revenue bonds payable in annual principal installments of $375,000 to $2,527,000 plus interest at a variable, weekly rate through March 2028, secured by real property and facilities. | $ | 2,277,000 | $ | 2,652,000 |
| Less: current portion | | (375,000) | | (375,000) |
| Less: unamortized capitalized financing costs | | (65,121) | | (73,805) |
| Revenue bonds payable, less current portion | $ | 1,836,879 | $ | 2,203,195 |

Future maturities of revenue bonds payable as of December 31, 2019 are as follows:

| | | |
|---|---|---|
| 2020 | $ | 375,000 |
| 2021 | | 375,000 |
| 2022 | | 375,000 |
| 2023 | | 375,000 |
| 2024 | | 375,000 |
| Thereafter | | 402,000 |
| | $ | 2,277,000 |

The revenue bond agreement includes restrictive covenants. As of December 31, 2019 and 2018, management believes the Association was in compliance with the covenants.

Interest expense on all debt obligations for the years ended December 31, 2019 and 2018 was $308,999 and $329,376, respectively.

**NOTE 12 – LINE OF CREDIT**

The Association entered into a line of credit agreement with a bank for $1,500,000 in 2016. At December 31, 2017 there were $1,500,000 of borrowings against the line. In January 2018, the Association consolidated the $1,500,000 Line of Credit and the $3,942,691 note payable into a single debt instrument. As part of that instrument, the organization entered into an additional line of credit agreement with the same bank for $500,000. The additional line of credit will be available for capital development. The line of credit bears interest at 4.5%. Borrowings outstanding at both December 31, 2019 and 2018 were $214,735.

The Association entered into a non-revolving line of credit agreement with a bank for $220,000 in 2019 for the temporary financing of a capital project. The line of credit will be repaid as pledge payments are

## NOTE 12 – LINE OF CREDIT (CONTINUED)

received for the capital project. The line of credit bears interest at 4.5%. Borrowings outstanding at December 31, 2019 were $130,000.

## NOTE 13 – OBLIGATIONS UNDER CAPITAL LEASES

The Company leased wellness equipment and other equipment under capital leases; the assets and liabilities under these capital leases were recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets were depreciated over their estimated productive lives. Depreciation of assets under these capital leases was included in depreciation expense for the years ended December 31, 2019 and 2018.

Following is a summary of property held under capital leases:

| | 2019 | 2018 |
|---|---|---|
| Program equipment | $ 390,695 | $ 520,150 |
| Fixtures and equipment | 202,175 | 198,278 |
| Less: Accumulated depreciation | (428,637) | (457,957) |
| | $ 164,233 | $ 260,471 |

Minimum future lease payments under capital leases as of December 31, 2019 are:

| | |
|---|---|
| 2020 | $ 125,329 |
| 2021 | 16,066 |
| 2022 | 12,756 |
| 2023 | 11,534 |
| 2024 | - |
| Total minimum lease payments | 165,685 |
| Less: amount representing interest | (7,147) |
| Present value of net minimum lease payments | 158,538 |
| Less: current portion | (121,070) |
| | $ 37,468 |

Interest rates on capitalized leases vary and are imputed based on the Association's borrowing rate at the inception of each lease.

## NOTE 14 – DEFERRED REVENUE

The Association defers recognition of revenue for membership deposits and fees received in advance for use of facilities at Camp Greenville. The balances at December 31 were as follows:

## NOTE 14 – DEFERRED REVENUE (CONTINUED)

| | 2019 | 2018 |
|---|---|---|
| Deferred membership deposits | $ 311,309 | $ 298,300 |
| Deferred Camp Greenville facility fees | 384,967 | 339,233 |
| Other deferred revenue | 93,810 | - |
| | $ 790,086 | $ 637,533 |

## NOTE 15 – OPERATING LEASES

The Association has operating leases for office equipment and vehicles. Rent expense under leases for the years ended December 31, 2019 and 2018, amounted to approximately $336,000 and $340,000, respectively.

Future minimum lease payments under the operating leases are as follows:

| | |
|---|---|
| 2020 | $ 282,621 |
| 2021 | 203,336 |
| 2022 | 147,327 |
| 2023 | 31,084 |
| 2024 | 31,861 |
| Thereafter | 18,854 |
| | $ 715,083 |

## NOTE 16 – FAIR VALUE INFORMATION

Fair values of assets and liabilities measured on a recurring basis at December 31, 2019 and 2018 were as follows:

| | Assets (Liabilities) | | |
|---|---|---|---|
| Description | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Unobservalbe Inputs (Level 3) |
| December 31, 2019: | | | |
| ASSETS: | | | |
| Investments: | | | |
| Corporate stock | | | |
| Energy | $ 63,661 | $ 63,661 | $ - |
| Materials | 33,018 | 33,018 | - |
| Industrials | 239,975 | 239,975 | - |
| Consumer Discretionary | 127,771 | 127,771 | - |
| Consumer Staples | 76,899 | 76,899 | - |
| Healthcare | 141,254 | 141,254 | - |
| Financials | 309,447 | 309,447 | - |
| Information Technology | 234,386 | 234,386 | - |
| Communication Services | 156,666 | 156,666 | - |
| Utilities | 24,345 | 24,345 | - |
| Real Estate | 28,257 | 28,257 | - |
| Non Classified | 343,786 | 343,786 | - |
| Total corporation stock | 1,779,465 | 1,779,465 | - |
| Corporate bonds | 143,059 | 143,059 | - |
| U.S. Government securities | 112,639 | 112,639 | - |
| TOTAL ASSETS | $ 2,035,163 | $ 2,035,163 | $ - |
| LIABILITIES: | | | |
| Derivative instrument | $ - | $ - | $ - |

## NOTE 16 – FAIR VALUE INFORMATION (CONTINUED)

| Description | Assets (Liabilities) Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|
| December 31, 2018: | | | |
| ASSETS: | | | |
| Investments: | | | |
| Corporate stock | | | |
| Energy | $ 65,189 | $ 65,189 | $ - |
| Materials | 28,818 | 28,818 | - |
| Industrials | 183,629 | 183,629 | - |
| Consumer Discretionary | 111,711 | 111,711 | - |
| Consumer Staples | 66,391 | 66,391 | - |
| Healthcare | 90,200 | 90,200 | - |
| Financials | 244,964 | 244,964 | - |
| Information Technology | 182,406 | 182,406 | - |
| Telecommunications | 104,043 | 104,043 | - |
| Utilities | 23,190 | 23,190 | - |
| Real Estate | 31,567 | 31,567 | - |
| Non Classified | 361,276 | 361,276 | - |
| Total corporation stock | 1,493,384 | 1,493,384 | - |
| Corporate bonds | 111,411 | 111,411 | - |
| U.S. Government securities | 82,031 | 82,031 | - |
| TOTAL ASSETS | $ 1,686,826 | $ 1,686,826 | $ - |
| LIABILITIES: | | | |
| Derivative instrument | $ - | $ - | $ - |

The valuation techniques for the assets and liabilities presented above were determined as follows:

- Level 1 fair values for investments were determined by reference to quoted market prices in active markets.

The Association had no Level 2 or 3 assets or liabilities at December 31, 2019 or 2018.

## NOTE 17 – NET ASSETS

Net assets restricted by time or purpose at December 2019 and 2018 are available for the following purposes or programs:

## NOTE 17 – NET ASSETS (CONTINUED)

| | 2019 | 2018 |
|---|---|---|
| Capital campaign | $ 1,654,362 | $ 1,706,568 |
| Other | (453,711) | (818,796) |
| | $ 1,200,651 | $ 887,772 |

## NOTE 18 – SUBSEQUENT EVENTS

Management has performed an analysis of the activities and transactions subsequent to December 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. Management has performed their analysis through August 10, 2020, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a Public Health Emergency of International Concern. Later, on March 11, 2020, the World Health Organization made the assessment that COVID-19 was a global health pandemic. Measures taken by federal, state, and local officials to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses, resulting in an economic slowdown.

## NOTE 19 – COVID-19 AND MANAGEMENT'S PLAN

The outbreak of COVID-19 caused a temporary disruption in operations. While the Association feels this disruption is temporary, there is considerable uncertainty as to when the Association will re-institute programs to the same level as before the COVID-19 outbreak.

During 2020, the Association received a $1,300,000 forgivable loan under the Paycheck Protection Program of the CARES Act. The Association will continue to work with its stakeholders to develop solutions and strategies for addressing these financial and operational challenges.