YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Financial Statements

December 31, 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2100
1003 Bishop Street
Honolulu, HI 96813-6400

Independent Auditors' Report

To the Board of Directors
Young Men's Christian Association of Honolulu:

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of Honolulu, which comprise the balance sheet as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 U.S. generally accepted accounting principles; 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.

Auditors' 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 auditors' 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.

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 financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Honolulu as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Young Men's Christian Association of Honolulu's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Honolulu, Hawaii
July 22, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Balance Sheet

December 31, 2019
(with summarized financial information as of December 31, 2018)

Assets		**2019**	**2018**
Cash and cash equivalents	$	5,234,928	5,715,587
Accounts and pledges receivable, net		2,676,046	2,899,788
Prepaid expenses		414,246	421,388
Inventory		46,940	45,048
Short-term investments		19,744,494	16,134,854
Land, buildings, and equipment, less accumulated depreciation		32,879,221	31,191,088
Long-term investments		2,987,389	2,934,622
Total assets	$	63,983,264	59,342,375
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	2,721,047	2,199,027
Deferred revenue		1,886,760	2,054,272
Liability under split-interest agreements		8,802	9,792
Total liabilities		4,616,609	4,263,091
Net assets:			
Without donor restrictions		45,904,803	43,165,854
With donor restrictions		13,461,852	11,913,430
Total net assets		59,366,655	55,079,284
Commitments and contingent liabilities			
Total liabilities and net assets	$	63,983,264	59,342,375

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Activities

Year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

		Without donor restrictions	With donor restrictions	2019 total	2018 total
Revenue, gains, and other support:					
Program service fees	$	22,625,056	67,549	22,692,605	22,219,971
Government grants		3,803,069	—	3,803,069	3,056,147
Contributions and bequests		1,601,183	907,373	2,508,556	3,585,627
Investment return, net		3,097,721	1,000,482	4,098,203	(946,953)
Aloha United Way contribution allocation		11,414	—	11,414	28,418
Special events and others, net of cost of sales of $247,015		150,548	—	150,548	142,699
Other		1,374,357	—	1,374,357	2,155,888
Net assets released from restrictions:					
Satisfaction of capital and program restrictions		426,982	(426,982)	—	—
Total revenue, gains, and other support		33,090,330	1,548,422	34,638,752	30,241,797
Expenses:					
Program services:					
Youth development		13,922,161	—	13,922,161	13,263,630
Healthy living		9,157,996	—	9,157,996	9,079,211
Social responsibility		3,515,310	—	3,515,310	3,583,811
Total program services		26,595,467	—	26,595,467	25,926,652
Supporting services:					
Management and general		3,083,900	—	3,083,900	2,831,605
Fund-raising		672,014	—	672,014	646,063
Total supporting services		3,755,914	—	3,755,914	3,477,668
Total expenses		30,351,381	—	30,351,381	29,404,320
Change in net assets		2,738,949	1,548,422	4,287,371	837,477
Net assets at beginning of year		43,165,854	11,913,430	55,079,284	54,241,807
Net assets at end of year	$	45,904,803	13,461,852	59,366,655	55,079,284

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Functional Expenses

Year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	Program services			Total	Supporting services		Total		
	Youth development	Healthy living	Social responsibility	program services	Management and general	Fund-raising	supporting services	2019 total	2018 total
Salaries and wages	$ 7,446,356	4,823,436	1,880,579	14,150,371	1,731,843	331,328	2,063,171	16,213,542	15,493,467
Employee benefits	1,011,986	750,852	352,754	2,115,592	276,091	61,849	337,940	2,453,532	2,418,104
Payroll taxes	735,207	495,173	188,647	1,419,027	152,601	30,813	183,414	1,602,441	1,589,160
Total salaries and related expenses	9,193,549	6,069,461	2,421,980	17,684,990	2,160,535	423,990	2,584,525	20,269,515	19,500,731
Occupancy	1,236,156	855,093	253,825	2,345,074	75,544	1,680	77,224	2,422,298	2,531,111
Supplies	713,513	498,730	109,617	1,321,860	42,999	42,023	85,022	1,406,882	1,336,717
Professional fees	286,579	362,291	339,300	988,170	168,767	143,432	312,199	1,300,369	1,351,984
Equipment rental and maintenance	176,797	170,662	83,977	431,436	155,394	1,048	156,442	587,878	510,293
Travel and employee expenses	430,162	39,116	72,409	541,687	17,276	1,234	18,510	560,197	637,655
Printing, publishing, and promotions	144,828	96,863	15,738	257,429	172,699	11,956	184,655	442,084	323,078
Conferences, conventions, and meetings	123,279	81,414	20,029	224,722	120,419	33,321	153,740	378,462	314,288
Membership dues	197,688	124,753	18,798	341,239	16,904	2,749	19,653	360,892	339,323
Insurance premiums	131,509	82,919	32,844	247,272	54,644	—	54,644	301,916	315,246
Telephone	154,544	68,678	29,883	253,105	44,820	900	45,720	298,825	314,750
Bad debt	44,334	52,727	2,650	99,711	—	—	—	99,711	164,939
Awards and grants	56,944	—	—	56,944	2,250	—	2,250	59,194	66,924
Postage and shipping	10,775	20,354	1,983	33,112	4,657	6,346	11,003	44,115	33,727
Other	27,368	8,116	1,062	36,546	7,800	3,335	11,135	47,681	55,374
Total expenses before depreciation	12,928,025	8,531,177	3,404,095	24,863,297	3,044,708	672,014	3,716,722	28,580,019	27,796,140
Depreciation of buildings and equipment	994,136	626,819	111,215	1,732,170	39,192	—	39,192	1,771,362	1,608,180
Total	$ 13,922,161	9,157,996	3,515,310	26,595,467	3,083,900	672,014	3,755,914	30,351,381	29,404,320

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Cash Flows

Year ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	4,287,371	837,477
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		1,771,362	1,608,180
Net realized and unrealized (gain) loss on investments		(3,583,939)	1,374,869
Bad debt expense		99,711	164,939
Loss on sale of land, buildings and equipment		4,028	1,689,618
Contributions restricted for long-term investment		(52,767)	(102,706)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts and pledges receivable		124,031	(1,176,996)
Decrease (increase) in prepaid expenses		7,142	(135,111)
(Increase) decrease in inventory		(1,892)	10,501
Increase in accounts payable and accrued expenses		412,389	147,701
Decrease in deferred revenues		(167,512)	(510,170)
Net cash provided by operating activities		2,899,924	3,908,302
Cash flows from investing activities:			
Proceeds from sale of land, buildings and equipment		510	6,000
Purchases of land, buildings, and equipment		(3,354,402)	(2,339,174)
Proceeds from sale of investments		2,555,250	3,221,348
Purchases of investments		(2,633,718)	(3,484,742)
Net cash used in investing activities		(3,432,360)	(2,596,568)
Cash flows from financing activities:			
Decrease in liabilities under split-interest agreements, net		(990)	(990)
Proceeds from contributions restricted for long-term investment:			
Endowment		52,767	102,706
Net cash provided by financing activities		51,777	101,716
Net (decrease) increase in cash and cash equivalents		(480,659)	1,413,450
Cash and cash equivalents at beginning of year		5,715,587	4,302,137
Cash and cash equivalents at end of year	$	5,234,928	5,715,587
Supplemental disclosures of noncash investing activities:			
Accounts payable and accrued expenses associated with purchases of land, buildings, and equipment	$	637,108	527,477

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Young Men's Christian Association of Honolulu (the Association or YMCA) was founded in 1869 and today is comprised of nine operating branches on the island of Oahu, Hawaii. The Association works to advance its cause of strengthening community through youth development, healthy living, and social responsibility. Youth development aims to nurture the potential of every child and teen through programs such as afterschool and summer childcare programs, education and leadership, swim and camp. Healthy living programs aim to improve the nation's health and well-being through programs that focus on family time, well-being and fitness, sports and recreation. Social responsibility incorporates giving back and providing support to its neighbors with programs that include social services, global services, volunteerism and advocacy.

(b) Financial Statement Presentation

Net assets and revenue, gains, losses, and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Net Assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where by the donor has stipulated the funds must be maintained permanently by the Association. The donors of these assets permit the Association to use all of the income earned on related investments for general or specific purposes.

(c) Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. At December 31, 2019, the Association held $3,867,656 of cash equivalents consisting of money market accounts.

(d) Inventory

Supplies inventory is carried at the lower of cost (determined on the first-in, first-out method) or net realizable value.

(e) Investments

Investment securities are reported at fair value with unrealized gains and losses included in the statement of activities. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. The fair value of investment securities is the price that would be received to sell the investment security in an orderly transaction between market participants at the measurement date.

Investments that are used for current operations are classified as short-term investments. Investments that are restricted from withdrawal or use for other than current operations and subject to donor-imposed restrictions are classified as long-term investments.

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(f) Land, Buildings, and Equipment

Land, buildings, and equipment are capitalized at cost, if purchased, or at fair value at the date of the donation.

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the acquired long-lived assets are placed in service.

Depreciation of long-lived assets is calculated on the straight-line basis over estimated useful lives as follows:

	Years
Buildings and improvements	10 to 50
Furniture, fixtures, and equipment	3 to 10
Vehicles	3 to 7

(g) Deferred Revenue

Deferred revenue consists primarily of membership dues and program fees collected in advance of the effective period or services rendered.

(h) Contributions

Contributions are recorded in the period received. Unconditional promises to give (pledges receivable) that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using fair value interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and bequests. Conditional contributions are recorded at their estimated fair value in the period the conditions are met or in the period received if there is only a remote likelihood that those conditions will not be met.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions.

(i) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management did not identify any matter that would lead to an impairment loss for the year ended December 31, 2019.

(j) Revenue Recognition

The Association has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees, residence program and related services, and government contract revenues.

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 seven 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. The YMCA offers a variety of programs including family, child care, day camp, resident camp, teen, scholastic, 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 monthly in advance. Cancellation provisions vary by program. 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 joining fees are ratably recognized over a one-year period from the membership start date.

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

The residence program includes transitional housing, guest rooms, and community room rentals. Transitional housing program fees are paid based on the terms of the contracts, which are generally after the service is performed. Guest rooms are affordable hostel style rooms rented to visitors for brief periods. Guest rooms are either paid in advance of the stay or are billed in arrears depending on arrangements. Deposits or full advance payments may be received for guest rooms at the time the reservation is made and are generally cancellable with seven days' notice. Individual guest room reservations are paid upon check-in or in advance of the stay.

Group guest room reservations generally include a deposit at time of reservation, are billed and paid in arrears after the service is performed. Reservations are cancellable with seven days' notice. Refunds may be available for services not provided.

Community rooms and spaces are rented out to not for profit organizations, community groups, residents, members and others and are generally paid in advance. Deposits are generally received at the time the reservation is made.

Residence program and related fees revenues are recognized ratably over the period the service is provided on a straight-line basis. Deposits, advances, and upfront payments are contract liabilities and

(Continued)

are recorded as other deferred revenue upon receipt. Included in accounts receivables are contract assets for unbilled services and receivables for billed unpaid services.

The Association has contracts with state and federal agencies to provide a variety of program services to the public based on contract requirements. Such contracts from government agencies are recorded as revenue as performance obligations are satisfied, which is generally when the related expenditures are incurred over the period the service is provided. Advances are recorded as deferred revenue from government contracts upon receipt. Included in government receivables are contract assets for unbilled services and receivables for billed unpaid services.

(k) Functional Allocation of Expenses

Expenses are charged directly to the program, management and general, or fundraising in general categories based on specific identification. Expenses that benefit more than one program of the Association, are allocated among the programs based on management estimates.

(l) Liquidity and Availability

The Association's financial assets available within one year of the balance sheet for general expenditure are as follows:

Financial assets at year end:		
Cash and cash equivalents	$	5,234,928
Accounts and pledges receivable, net		2,676,046
Short-term investments		19,744,494
Total financial assets		27,655,468
Less amounts not available to be used within one year:		
Net assets with donor restrictions		(13,461,852)
Less net assets with purpose restrictions to be met in less than a year		10,474,463
Financial assets available to meet general expenditures over the next twelve months	$	24,668,079

The Association's goal is generally to maintain cash and cash equivalents to meet 60 days of operating expenses (approximately $5,000,000). As part of its liquidity plan, excess cash is invested in short-term investments, including certificates of deposit, mutual funds, common stock and exchange traded funds. The Association has a margin account to meet additional cash flow needs.

(m) Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles, requires management of the Association to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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. Such estimates include the useful lives of land, buildings, and equipment and inventory, the fair value of investments, and the valuation allowances of receivables.

(n) Income Taxes

The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association is generally not subject to federal income taxes. However, the Association is subject to income taxes on any net income that is derived from trade or business, regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded, as it is the opinion of management that net income from any unrelated trade or business, if any, is not material to the financial statements taken as a whole. The Association is no longer subject to income tax examinations by federal tax authorities for years before 2016 and state tax authorities for years before 2015.

(o) Fair Value Measurements

The Association measures its financial assets, liabilities, and nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

(p) Prior Year Comparative Information

The 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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

(q) Recently Adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue when the entity transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. An entity is also required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB also has issued several amendments to the standard, which are intended to promote a more consistent interpretation and application of the principles outlined in the standard. Entities are permitted to adopt the standard using a retrospective transition method (i.e., restate all prior periods presented) or a cumulative effect method (i.e., recognize the cumulative effect of initially applying the guidance at the date of initial application with no restatement of prior periods). However, both methods allow entities to elect certain practical expedients on transition that will help to simplify how a company restates its contracts. The Association adopted ASU No. 2014-09 on January 1, 2019 using the retrospective method. Management determined that the provisions of ASU No. 2014-09 had no impact on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new standard provides clarification in characterizing grants and similar contracts with resource providers as either exchange transactions or contributions and in determining whether a contribution is conditional when applying the revenue recognition guidance. The Association adopted ASU No. 2018-08 on January 1, 2019 using the retrospective method. Management determined that the provisions of ASU No. 2014-09 had no impact on the financial statements.

(r) Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The new standard is effective for the Association for the fiscal year beginning after December 15, 2021, with early adoption permitted. The Association is currently evaluating the effect that the adoption of this ASU will have on the financial statements.

(2) Pledges Receivable

Pledges receivable for the Association's capital campaign consist of the following at December 31, 2019:

Contributions to be received within one year	$	657,983
Contributions to be received in one to five years		937,688
		1,595,671
Less unamortized discount (1.7%–2.5%)		(51,356)
Net pledges receivable	$	1,544,315

The allowance for uncollectible pledges receivable at December 31, 2019 was $68,627.

(3) Investments

(a) Summary of Investments

As of December 31, 2019, investments are classified as short and long-term as follows:

Short-term investments	$	19,744,494
Long-term investments		2,987,389
Total investments	$	22,731,883

(b) Fair Value of Financial Instruments

The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Association determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Level 2 valuations are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

Investments are valued at closing price reported on the active market in which the individual securities are traded.

The following table presents the balances of assets that are measured at fair value on a recurring basis by level at December 31, 2019:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Investments:				
Cash and cash equivalents	$ 358,732	—	—	358,732
Certificates of deposit	—	200,000	—	200,000
Mutual funds – equity	6,822,660	—	—	6,822,660
Mutual funds – fixed income	2,436,138	—	—	2,436,138
Mutual funds – alternative funds	408,039	—	—	408,039
Common stocks	176,475	—	—	176,475
Exchange traded funds	12,329,839	—	—	12,329,839
	$ 22,531,883	200,000	—	22,731,883

The Association's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers into or out of Level 3 for the year ended December 31, 2019.

(4) Land, Buildings, and Equipment

A summary of land, buildings, and equipment as of December 31, 2019 is as follows:

Land	$	5,557,770
Buildings and building improvements		44,287,743
Furniture, fixtures, and equipment		10,635,844
Vehicles		1,256,626
Construction in progress		2,874,729
		64,612,712
Less accumulated depreciation		(31,733,491)
	$	32,879,221

(5) Debt

The Association has a revolving margin account with an investment firm to be used for working capital, short-term, or long-term needs. This account has no expiration date, and borrowings are allowed up to 50% of its investment holdings. Interest on amounts drawn are floating at the Federal Fund rate plus 1.5%. At December 31, 2019, the Association did not have any outstanding debt.

(6) Leases

(a) As Lessee

The Association leases the land underlying its Kaimuki branch under an operating lease expiring in 2026. The lease provides for early termination with 180 days prior written notice by either the Association or the lessor. The Association also leases parking for its Windward branch through 2020 under an operating lease. In addition, the Association has operating leases for its office machines, which expire at various dates through 2022. Total rent expense under these leases was $119,800 in 2019. At December 31, 2019, future minimum lease payments are as follows:

2020	$	113,000
2021		101,000
2022		50,000
2023		50,000
2024		50,000
Thereafter		100,000
	$	464,000

(b) As Lessor

The Association leases portions of its Kalihi and Nuuanu branches under operating leases expiring through 2049. Property and equipment at December 31, 2019 included leased property of $238,280, net of accumulated depreciation of $228,815.

At December 31, 2019, future minimum rental income is as follows:

2020	$	115,000
2021		118,000
2022		114,000
2023		111,000
2024		113,000
Thereafter		1,939,000
	$	2,510,000

Minimum future rental income does not include contingent rents that may be received under the partial building leases for rents based on the tenant's gross sales.

(7) Pension 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 (YMCA Retirement Fund) (a separate corporation). This plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements.

In accordance with the agreement with the YMCA Retirement Fund, contributions by the Association and employees of the Association are based on a percentage of the participating employees' salaries and are to be remitted to the YMCA Retirement Fund on a bi-weekly basis. Contributions made by the Association to the YMCA Retirement Fund for the year ended December 31, 2019 totaled $1,136,800.

The YMCA Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation (1922). Participation is available to all duly organized and reorganized Young Men's Christian Associations in the United States.

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 are available for the following purposes:

Subject to expenditure for specific purposes:		
Capital projects	$	6,583,214
Other		3,891,250
		10,474,464
Restricted for investment in perpetuity and the income from which is expendable to support the following:		
General endowment		2,132,608
Weinberg Endowment Fund		200,000
H.B. Clark, Jr. Scholarship Fund		211,254
B.F. Beardmore Endowment Fund		158,085
H.B. Clark, Jr. Philippine Fund		102,355
Rodney and Lena Matsumoto Family Education Fund		56,168
August Yee International Scholarship Fund		42,545
Don Anderson Scholarship Fund		37,608
Elias Family Fund		26,500
A.J. Jackson Camp Scholarship Fund		20,266
		2,987,389
Total net assets with donor restrictions	$	13,461,853

In 2019, net assets in the amount of $426,982 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors are as follows:

Capital projects	$	124,792
Scholarship		81,537
Other		220,653
	$	426,982

(9) Endowment

The Association's endowment consists of approximately 10 donor-designated endowment funds established for a variety of purposes. At December 31, 2019, the endowment fund amounted to $5,667,385.

For the year ended December 31, 2019, the changes in endowment net assets are as follows:

Endowment net assets, beginning of year	$	4,883,767
Investment return, net		923,519
Contributions		52,767
Appropriations of endowment assets for expenditure		(192,668)
Endowment net assets, end of year	$	5,667,385

Description of amounts classified as net assets with donor restrictions is as follows:

The portion of net assets with donor restrictions, excluding endowment funds, subject to purpose restrictions	$	7,794,467
The portion of endowment funds that is required to be retained either by explicit donor stipulation or by HUPMIFA		5,667,385
Total net assets with donor restrictions	$	13,461,852

(a) Interpretation of Relevant Law

The Association is subject to Hawaii's enacted version of the Uniform Prudent Management of Institutional Funds Act (HUPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors has interpreted HUPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted HUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with HUPMIFA, 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 organization 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 organization

(7) The investment policies of the Association.

(b) Description of Amounts Classified as Net Assets With Donor Restrictions

(i) Return Objectives and Risk Parameters

The Association 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 those assets of donor-restricted funds that the Association must hold in perpetuity.

(ii) Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Association 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 Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(iii) Spending Policy and How the Investment Objectives Relate to Spending Policy

Under the terms of the endowment fund, the Association has a policy of appropriating, for program use, amounts not to exceed 4.5% of the investment portfolio, provided that such withdrawal does not erode the principal balance. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects the current spending policy to allow its endowment to grow at a rate that exceeds the spending rate. This is consistent with the Association'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 return.

(10) Litigation

The Association is involved in claims arising in the ordinary course of business. Management, after consultation with legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the Association's financial statements.

(11) Commitments and Contingencies

Federal grant programs are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such review would not have a material effect on the financial position of the Association.

(Continued)

(12) Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact the change in net assets in future periods. There may be additional impact to the financial statements in future periods, however, such potential impact is not known at this time.

The Association has evaluated subsequent events from the balance sheet date through July 22, 2020, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.