



YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Financial Statements

December 31, 2021

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2210
1003 Bishop Street
Honolulu, HI 96813-6400

Independent Auditors' Report

The Board of Directors
Young Men's Christian Associate of Honolulu:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Young Men's Christian Association of Honolulu (the Association), which comprise the balance sheet as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Association's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Honolulu, Hawaii
August 24, 2022

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Balance Sheet

December 31, 2021

(with summarized financial information as of December 31, 2020)

Assets	2021	2020
Cash and cash equivalents	\$ 5,422,150	4,620,965
Accounts and pledges receivable, net	3,944,594	1,611,032
Prepaid expenses	199,070	194,845
Inventory	46,473	43,917
Investments	23,601,249	20,924,873
Land, buildings, and equipment, less accumulated depreciation	<u>35,166,302</u>	<u>35,795,621</u>
Total assets	\$ <u>68,379,838</u>	<u>63,191,253</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,893,363	2,815,505
Deferred revenue	1,645,398	591,180
Note payable	373,467	—
Liability under split-interest agreements	<u>11,788</u>	<u>7,812</u>
Total liabilities	<u>4,924,016</u>	<u>3,414,497</u>
Net assets:		
Without donor restrictions	55,004,671	45,714,294
With donor restrictions	<u>8,451,151</u>	<u>14,062,462</u>
Total net assets	63,455,822	59,776,756
Commitments and contingent liabilities	<u> </u>	<u> </u>
Total liabilities and net assets	\$ <u>68,379,838</u>	<u>63,191,253</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Activities

Year ended December 31, 2021

(with summarized financial information for the year ended December 31, 2020)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2021 total</u>	<u>2020 total</u>
Revenue, gains, and other support:				
Program service fees	\$ 10,069,870	—	10,069,870	9,674,247
Government grants	6,433,616	—	6,433,616	7,744,511
Contributions and bequests	3,620,275	80,385	3,700,660	2,047,302
Investment return, net	2,193,551	960,178	3,153,729	2,549,552
Aloha United Way contribution allocation	8,421	—	8,421	16,781
Special events and others, net of cost of sales of \$3,568	27,828	—	27,828	72,336
Other	524,114	—	524,114	925,989
Net assets released from restrictions:				
Satisfaction of capital and program restrictions	<u>6,651,874</u>	<u>(6,651,874)</u>	<u>—</u>	<u>—</u>
Total revenue, gains, and other support	<u>29,529,549</u>	<u>(5,611,311)</u>	<u>23,918,238</u>	<u>23,030,718</u>
Expenses:				
Program services:				
Youth development	8,937,346	—	8,937,346	9,885,812
Healthy living	5,409,070	—	5,409,070	6,030,080
Social responsibility	<u>2,574,969</u>	<u>—</u>	<u>2,574,969</u>	<u>3,545,732</u>
Total program services	<u>16,921,385</u>	<u>—</u>	<u>16,921,385</u>	<u>19,461,624</u>
Supporting services:				
Management and general	2,778,006	—	2,778,006	2,637,491
Fund-raising	<u>539,781</u>	<u>—</u>	<u>539,781</u>	<u>521,502</u>
Total supporting services	<u>3,317,787</u>	<u>—</u>	<u>3,317,787</u>	<u>3,158,993</u>
Total expenses	<u>20,239,172</u>	<u>—</u>	<u>20,239,172</u>	<u>22,620,617</u>
Change in net assets	9,290,377	(5,611,311)	3,679,066	410,101
Net assets at beginning of year	<u>45,714,294</u>	<u>14,062,462</u>	<u>59,776,756</u>	<u>59,366,655</u>
Net assets at end of year	<u>\$ 55,004,671</u>	<u>8,451,151</u>	<u>63,455,822</u>	<u>59,776,756</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Functional Expenses

Year ended December 31, 2021

(with summarized financial information for the year ended December 31, 2020)

	Program services			Total program services	Supporting services		Total supporting services	2021 total	2020 total
	Youth development	Healthy living	Social responsibility		Management and general	Fund-raising			
Salaries and wages	\$ 4,639,238	2,546,265	1,320,654	8,506,157	1,663,694	342,636	2,006,330	10,512,487	10,719,697
Employee benefits	595,296	398,072	291,740	1,285,108	279,573	63,557	343,130	1,628,238	1,921,163
Payroll taxes	485,500	280,411	145,730	911,641	159,196	34,188	193,384	1,105,025	1,961,998
Total salaries and related expenses	5,720,034	3,224,748	1,758,124	10,702,906	2,102,463	440,381	2,542,844	13,245,750	14,602,858
Occupancy	895,121	632,109	222,268	1,749,498	50,593	120	50,713	1,800,211	1,703,428
Supplies	332,577	220,161	69,966	622,704	50,523	25,476	75,999	698,703	1,399,927
Professional fees	177,874	161,727	199,512	539,113	182,276	33,934	216,210	755,323	1,103,250
Travel and employee expenses	96,841	17,519	20,546	134,906	1,927	—	1,927	136,833	195,835
Equipment rental and maintenance	155,147	112,924	28,505	296,576	198,167	6,486	204,653	501,229	493,239
Printing, publishing, and promotions	119,083	54,564	9,899	183,546	—	4,998	4,998	188,544	109,793
Insurance premiums	103,672	73,190	56,047	232,909	72,018	—	72,018	304,927	356,862
Conferences, conventions, and meetings	17,120	20,194	3,618	40,932	9,184	4,721	13,905	54,837	24,481
Membership dues	133,885	94,436	17,691	246,012	6,124	4,075	10,199	256,211	268,379
Telephone	129,339	63,619	37,424	230,382	30,926	900	31,826	262,208	251,730
Bad debt	22,576	15,937	2,950	41,463	—	—	—	41,463	152,616
Postage and shipping	3,880	7,531	332	11,743	4,474	12,837	17,311	29,054	21,957
Awards and grants	51,600	—	—	51,600	2,000	—	2,000	53,600	51,300
Other	1,473	20,586	1,057	23,116	21,731	5,853	27,584	50,700	26,772
Total expenses before depreciation	7,960,222	4,719,245	2,427,939	15,107,406	2,732,406	539,781	3,272,187	18,379,593	20,762,427
Depreciation of buildings and equipment	977,124	689,825	147,030	1,813,979	45,600	—	45,600	1,859,579	1,858,190
Total	\$ 8,937,346	5,409,070	2,574,969	16,921,385	2,778,006	539,781	3,317,787	20,239,172	22,620,617

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Statement of Cash Flows

Year ended December 31, 2021

(with summarized financial information for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,679,066	410,101
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,859,579	1,858,190
Net realized and unrealized (gain) on investments	(2,648,688)	(2,117,951)
Bad debt expense	41,463	152,616
Loss on disposal of land, buildings, and equipment	5,445	—
Contributions restricted for long-term investment	(80,385)	(165,141)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts and pledges receivable	(2,375,025)	912,398
(Increase) decrease in prepaid expenses	(4,225)	219,401
(Increase) decrease in inventory	(2,556)	3,023
Increase in accounts payable and accrued expenses	399,831	409,593
Increase (decrease) in deferred revenues	<u>1,054,218</u>	<u>(1,295,580)</u>
Net cash provided by operating activities	<u>1,928,723</u>	<u>386,650</u>
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(1,557,678)	(5,089,725)
Proceeds from sale of investments	2,379,717	7,274,385
Purchases of investments	<u>(2,407,405)</u>	<u>(3,349,424)</u>
Net cash used in investing activities	<u>(1,585,366)</u>	<u>(1,164,764)</u>
Cash flows from financing activities:		
Decrease in liabilities under split-interest agreements, net	3,976	(990)
Proceeds from contributions restricted for long-term investment:		
Endowment	80,385	165,141
Proceeds from note payable	<u>373,467</u>	—
Net cash provided by financing activities	<u>457,828</u>	<u>164,151</u>
Net increase (decrease) in cash and cash equivalents	801,185	(613,963)
Cash and cash equivalents at beginning of year	<u>4,620,965</u>	<u>5,234,928</u>
Cash and cash equivalents at end of year	\$ <u><u>5,422,150</u></u>	<u><u>4,620,965</u></u>
Supplemental disclosures of noncash investing activities:		
Accounts payable and accrued expenses associated with purchases of land, buildings, and equipment	\$ —	321,973

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Notes to Financial Statements

December 31, 2021

(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, 2021, the Association held \$113,580 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Notes to Financial Statements

December 31, 2021

(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:

	<u>Years</u>
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, 2021.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Notes to Financial Statements

December 31, 2021

(j) 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	\$ 5,422,150
Accounts and pledges receivable, net	3,944,594
Investments	<u>23,601,249</u>
Total financial assets	32,967,993
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(8,451,151)
Less net assets with purpose restrictions to be met in less than a year	<u>816,658</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u><u>25,333,500</u></u>

The Association's goal is generally to maintain cash and cash equivalents to meet 60 days of operating expenses (approximately \$3,300,000). As part of its liquidity plan, excess cash is invested in short-term investments, including certificates of deposit, mutual funds, bond funds, common stock and exchange traded funds. The Association has a margin account to meet additional cash flow needs.

(k) 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, the fair value of investments, and the valuation allowances of receivables.

(l) 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 2018 and state tax authorities for years before 2017.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Notes to Financial Statements

December 31, 2021

(m) 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.

(n) 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, 2020, from which the summarized information was derived.

(o) 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. The Association is currently evaluating the effect that the adoption of this ASU will have on the financial statements.

In November 2021, the FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Entities*, which allows non-public entities to make the risk-free rate election by class of underlying asset, rather than at the entity-wide level. An entity that makes the risk-free rate election is required to disclose the asset classes for which it has elected to apply a risk-free rate. The amendments further require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election. The ASU is effective for the Association's annual periods beginning after December 15, 2021. 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, 2021:

Contributions to be received within one year	\$	422,084
Contributions to be received in one to five years		<u>48,500</u>
		470,584
Less unamortized discount (1.7%–2.5%)		<u>(2,121)</u>
Net pledges receivable	\$	<u><u>468,463</u></u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Notes to Financial Statements

December 31, 2021

The allowance for uncollectible pledges receivable at December 31, 2021 was \$23,623.

(3) Investments

(a) 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Notes to Financial Statements

December 31, 2021

The following table presents the balances of assets that are measured at fair value on a recurring basis by level at December 31, 2021:

	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	\$ 342,074	—	—	342,074
Certificates of deposit	—	200,000	—	200,000
Mutual funds – alternative	341,904	—	—	341,904
Bond funds	950,332	—	—	950,332
International funds	1,825,644	—	—	1,825,644
Common stocks	168,559	—	—	168,559
Exchange traded funds	19,772,736	—	—	19,772,736
	<u>\$ 23,401,249</u>	<u>200,000</u>	<u>—</u>	<u>23,601,249</u>

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 significant transfers into or out of Level 3 for the year ended December 31, 2021.

(4) Land, Buildings, and Equipment

A summary of land, buildings, and equipment as of December 31, 2021 is as follows:

Land	\$ 5,557,770
Buildings and building improvements	50,784,084
Furniture, fixtures, and equipment	11,074,302
Vehicles	1,211,872
Construction in progress	<u>1,915,294</u>
	70,543,322
Less accumulated depreciation	<u>(35,377,020)</u>
	<u>\$ 35,166,302</u>

(5) Payroll Protection Program Loan

On February 17, 2021, the Association was granted a loan (the Loan) from a financial institution in the aggregate amount of \$2,528,375, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a note dated February 17, 2021 issued by a financial institution, matures on August 4, 2021 and bears interest at a rate of 1.00% per annum. The note may be prepaid by

YOUNG MEN'S CHRISTIAN ASSOCIATION OF HONOLULU

Notes to Financial Statements

December 31, 2021

the Association at any time prior to maturity with no prepayment penalties. Funds from the Loan may be used for payroll costs, costs used to continue group healthcare benefits, mortgage payments, rent, and utilities incurred before August 4, 2021. The Association used \$2,154,908 for qualifying expenses.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Association applied for forgiveness on December 30, 2021.

The Association is accounting for the Loan as contribution revenue under ASC 958-605. The Loan program's expenditures and results were subject to review and acceptance by the Small Business Administration (SBA). In 2021, the Association determined that it is probable that it met the conditions for forgiveness of \$2,154,908 of the loan. On April 22, 2022, the SBA granted forgiveness of the \$2,154,908. The Association recognized this amount as contribution revenue in 2021. The remaining balance of \$373,467 has a two-year repayment period at the interest rate of 1%.

(6) Credit Facilities

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, 2021, the Association did not have any outstanding borrowings.

The Association has a \$2,500,000 line of credit with a financial institution to be utilized for working capital requirements, which expires on September 23, 2022. Interest rates on the drawings are 1% below the institution's Prime Rate. Drawings under the line of credit are secured by the Association's assets and investments, and are subject to certain tangible net worth requirements. There were no borrowings against the line of credit as of December 31, 2021.

The Association has a second \$2,500,000 line of credit with another financial institution to be utilized for short-term working capital requirements, which expires on November 12, 2022. Interest rates on the drawings are 1% below the institution's Base Rate, provided the rate does not fall below 2% with interest payable monthly. Drawings under the line of credit are secured by the Association's assets and investments. At December 31, 2021, there were no borrowings against the line of credit.

(7) 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 2023 under an operating lease. In addition, the Association has operating leases for its office machines,

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which expire at various dates through 2022. Total rent expense under these leases was \$101,000 in 2021. At December 31, 2021, future minimum lease payments are as follows:

2022	\$	68,000
2023		68,000
2024		50,000
2025		50,000
2026		50,000
		<u>50,000</u>
	\$	<u>286,000</u>

(b) As Lessor

The Association leases portions of its Kalihi, and Nuuanu branches under operating leases expiring through 2054.

At December 31, 2021, future minimum rental income is as follows:

2022	\$	88,000
2023		84,000
2024		87,000
2025		88,000
2026		89,000
Thereafter		<u>1,785,000</u>
	\$	<u>2,221,000</u>

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.

(8) 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 monthly basis. Contributions made by the Association to the YMCA Retirement Fund for the year ended December 31, 2021 totaled \$888,100.

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.

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(9) Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 are available for the following purposes:

Subject to expenditure for specific purposes:

Capital projects	\$ 451,676
Scholarships	1,065,451
Other	<u>3,729,868</u>
	<u>5,246,995</u>

Restricted for investment in perpetuity and the income from which is expendable to support the following:

General endowment	2,134,839
Weinberg Endowment Fund	200,000
H.B. Clark, Jr. Scholarship Fund	211,254
B.F. Beardmore Endowment Fund	162,005
H.B. Clark, Jr. Philippine Fund	102,355
Rodney and Lena Matsumoto Family Education Fund	73,514
August Yee International Scholarship Fund	42,545
Don Anderson Scholarship Fund	42,608
Elias Family Fund	26,500
A.J. Jackson Camp Scholarship Fund	20,266
Michael & Gail Kawaharada and Matsuko Kawaharada Family Endowment Fund	59,861
Chan Ju Richardson Endowment Fund	25,000
Michael Broderick Fund for At-Risk Youth	<u>103,409</u>
	<u>3,204,156</u>

Total net assets with donor restrictions	\$ <u><u>8,451,151</u></u>
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In 2021, net assets in the amount of \$6,651,874 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	\$ (6,182,102)
Other	<u>(469,772)</u>
	\$ <u><u>(6,651,874)</u></u>

(10) Endowment

The Association's endowment consists of 13 donor-designated endowment funds established for a variety of purposes. At December 31, 2021, the endowment fund amounted to \$7,007,700.

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For the year ended December 31, 2021, the changes in endowment net assets are as follows:

Endowment net assets, beginning of year	\$ 6,328,454
Investment return, net	828,588
Contributions	51,626
Appropriations of endowment assets for expenditure	<u>(200,968)</u>
Endowment net assets, end of year	\$ <u>7,007,700</u>

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	\$ 1,443,451
The portion of endowment funds that is required to be retained either by explicit donor stipulation or by HUPMIFA	<u>7,007,700</u>
Total net assets with donor restrictions	\$ <u>8,451,151</u>

(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

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- (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.

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(11) 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.

(12) 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.

(13) COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. As a result of the outbreak, actions taken to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures or limited access to business establishments throughout the 2021 year.

The outbreak of COVID-19 has caused disruption in operations. In an effort to minimize the spread of COVID-19, government imposed restrictions forced the Association to limit in-person programs throughout the 2021 year. As of March 26, 2022, the Association was allowed to reinstitute in-person programs without restrictions. Going forward, there may be additional challenges relating to the pandemic, however, the potential future financial impact resulting from COVID-19 is not known at this time.

(14) Subsequent Events

The Association has evaluated subsequent events from the balance sheet date through August 24, 2022, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.