

YMCA OF DELAWARE, INC. & AFFILIATES  
SINGLE AUDIT REPORT  
DECEMBER 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Board  
YMCA of Delaware, Inc. & Affiliates

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying consolidated financial statements of YMCA of Delaware, Inc. & Affiliates (YMCADE), a nonprofit organization, which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of YMCADE as of December 31 2021 and 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the YMCADE 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 opinions.

#### Responsibilities of Management for the Financial Statement

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

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



## **Auditor's 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the YMCAD'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 YMCAD'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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the YMCADE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the YMCADE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering YMCADE's internal control over financial reporting and compliance.

*Gunnip & Company LLP*

Wilmington, Delaware  
September 28, 2022

## CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

YMCA OF DELAWARE, INC.  
AND AFFILIATES

DECEMBER 31, 2021 AND 2020

	2021	2020
<b>ASSETS</b>		
Cash and equivalents	\$ 12,103,132	\$ 8,041,959
Accounts receivable, net	2,440,604	1,162,171
Capital campaign pledges receivable, net	2,904	2,904
Prepayments and other assets	558,256	657,120
Investments	18,624,778	17,665,579
Restricted assets		
Tenant security deposits	6,222	6,977
Reserves and escrowed funds	1,243,222	1,115,154
Beneficial interest in perpetual trusts	6,272,790	5,541,415
Intangibles, net	58,494	57,750
Property and equipment, net	47,920,245	50,588,912
Contributed use of facility	2,530,684	2,546,496
Total Assets	<u>\$ 91,761,331</u>	<u>\$ 87,386,437</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,494,191	\$ 1,211,266
Accrued payroll and related taxes	428,743	425,342
Deferred revenue	863,969	942,474
Interest rate swap	223,986	512,859
Other liabilities	282,153	290,316
Notes payable and accrued interest	5,505,228	5,437,308
Capital lease payable	583,072	1,014,015
Bonds payable, net	14,838,324	15,520,068
Total Liabilities	<u>24,219,666</u>	<u>25,353,648</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Unrestricted for general use	52,690,272	48,286,462
Board designated	3,181,183	3,655,590
Without donor restrictions	55,871,455	51,942,052
With donor restrictions	11,670,210	10,090,737
Total Net Assets	<u>67,541,665</u>	<u>62,032,789</u>
Total Liabilities and Net Assets	<u>\$ 91,761,331</u>	<u>\$ 87,386,437</u>

See accompanying notes to financial statements



CONSOLIDATED STATEMENTS OF ACTIVITIES

YMCA OF DELAWARE, INC. & AFFILIATES

FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	Without donor restrictions	With donor restrictions	2021 Totals	2020 Totals
REVENUES, GAINS, AND OTHER SUPPORT				
Membership dues	\$ 12,929,242	\$ 0	\$ 12,929,242	\$ 15,954,627
Less membership financial assistance	(358,356)	0	(358,356)	(2,384,584)
Program service fees	8,284,174	0	8,284,174	5,620,549
Less program financial assistance	(39,358)	0	(39,358)	(1,209,664)
Contributions	2,368,712	3,041,369	5,410,081	14,980,313
Contributed use of facilities	103,188	0	103,188	103,722
Fees and grants from governments	13,080,287	0	13,080,287	8,007,810
Investment income	1,210,831	0	1,210,831	878,637
Annual fundraising events, net	3,208	0	3,208	23,935
Change in value of beneficial interest in perpetual trusts	0	731,375	731,375	414,167
Fees for products and services	92,838	0	92,838	136,126
Gain on disposal of property	21,898	0	21,898	0
Other income	55,751	0	55,751	212,962
Total Revenues, Gains, and Other Support, Before Net Assets Released from Restriction	37,752,415	3,772,744	41,525,159	42,738,600
NET ASSETS RELEASED FROM RESTRICTION	2,193,271	(2,193,271)	0	0
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	39,945,686	1,579,473	41,525,159	42,738,600
EXPENSES AND LOSSES				
Program Services				
Youth development	20,148,534	0	20,148,534	18,469,503
Healthy living	4,463,270	0	4,463,270	5,186,682
Social responsibility	5,622,073	0	5,622,073	5,634,032
Supporting Services				
Management and general	5,724,432	0	5,724,432	4,918,620
Fundraising costs	346,847	0	346,847	351,501
TOTAL EXPENSES AND LOSSES	36,305,156	0	36,305,156	34,560,338
CHANGE IN NET ASSETS FROM OPERATIONS	3,640,530	1,579,473	5,220,003	8,178,262
NONOPERATING ACTIVITY				
Swap valuation gain (loss)	288,873	0	288,873	(332,677)
CHANGES IN NET ASSETS	\$ 3,929,403	\$ 1,579,473	\$ 5,508,876	\$ 7,845,585

See accompanying notes to financial statements.



**CONSOLIDATED STATEMENTS OF ACTIVITIES**
**YMCA OF DELAWARE, INC. & AFFILIATES**
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Without donor Restrictions	With donor Restrictions	Totals
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>			
Membership dues	\$ 15,954,627	\$ 0	\$ 15,954,627
Less membership financial assistance	(2,384,584)	0	(2,384,584)
Program service fees	5,620,549	0	5,620,549
Less program financial assistance	(1,209,664)		(1,209,664)
Contributions	13,090,621	1,889,692	14,980,313
Contributed use of facilities	103,722	0	103,722
Fees and grants from governments	8,007,810	0	8,007,810
Investment income	878,637	0	878,637
Annual fundraising events, net	23,935	0	23,935
Change in value of beneficial interest in perpetual trusts	0	414,167	414,167
Fees for products and services	136,126	0	136,126
Other income	212,962	0	212,962
<b>Total Revenues, Gains, and Other Support, Before Net Assets Released from Restriction</b>	<b>40,434,741</b>	<b>2,303,859</b>	<b>42,738,600</b>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>	<b>1,610,731</b>	<b>(1,610,731)</b>	<b>0</b>
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>42,045,472</b>	<b>693,128</b>	<b>42,738,600</b>
<b>EXPENSES AND LOSSES</b>			
Program Services			
Youth development	18,469,503	0	18,469,503
Healthy living	5,186,682	0	5,186,682
Social responsibility	5,634,032	0	5,634,032
Supporting Services			
Management and general	4,918,620	0	4,918,620
Fundraising costs	351,501	0	351,501
<b>TOTAL EXPENSES AND LOSSES</b>	<b>34,560,338</b>	<b>0</b>	<b>34,560,338</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>7,485,134</b>	<b>693,128</b>	<b>8,178,262</b>
<b>NONOPERATING ACTIVITY</b>			
Swap valuation gain/(loss)	(332,677)	0	(332,677)
<b>TOTAL NONOPERATING ACTIVITY</b>	<b>(332,677)</b>	<b>0</b>	<b>(332,677)</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 7,152,457</b>	<b>\$ 693,128</b>	<b>\$ 7,845,585</b>

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YMCA OF DELAWARE, INC. & AFFILIATES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services		
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management & General	Fundraising Costs	Total Expenses
EXPENSES AND LOSSES							
Personnel Costs							
Salaries	\$ 8,857,152	\$ 2,182,064	\$ 1,780,024	\$ 12,819,240	\$ 2,297,151	\$ 228,641	\$ 15,345,032
Employee benefits and payroll taxes	2,043,916	481,304	486,687	3,011,907	752,014	75,048	3,838,969
Total Personnel Costs	10,901,068	2,663,368	2,266,711	15,831,147	3,049,165	303,689	19,184,001
Other Expenses							
Occupancy	2,347,273	468,130	406,883	3,222,286	88,395	0	3,310,681
Supplies	1,291,953	202,373	601,953	2,096,279	150,039	(225)	2,246,093
Professional fees	653,593	132,451	215,681	1,001,725	1,080,942	29,786	2,112,453
Printing and publications	73,273	29,094	3,592	105,959	786,153	5,837	897,949
Rental and maintenance of equipment	61,811	38,489	0	100,300	245,170	0	345,470
Nonpayroll insurance	539,060	95,596	89,528	724,184	63,915	0	788,099
Travel	172,476	23,770	21,837	218,083	69,377	1,010	288,470
Membership dues	241,195	48,386	14,340	303,921	13,574	1,852	319,347
Telephone	311,607	57,122	21,805	390,534	54,982	401	445,917
Conferences, conventions, and meetings	37,457	15,435	6,641	59,533	44,044	4,058	107,635
Special events expense	6,914	-	-	6,914	12,174	-	19,088
Postage and shipping	11,645	1,814	-	13,459	45,368	439	59,266
Bad debt expense	348,906	(2,557)	507,151	853,500	19,334	-	872,834
Interest expense	315,128	69,516	133,744	518,388	-	-	518,388
Minor equipment purchases	11,735	2,341	12,266	26,342	598	-	26,940
Miscellaneous expenses	21,694	(159)	21,456	42,991	1,202	-	44,193
Total Other Expenses	6,445,720	1,181,801	2,056,877	9,684,398	2,675,267	43,158	12,402,823
Total Expenses and Losses Before Depreciation and Amortization	17,346,788	3,845,169	4,323,588	25,515,545	5,724,432	346,847	31,586,824
Depreciation and amortization	2,801,746	618,101	1,298,485	4,718,332	0	0	4,718,332
Total Expenses and Losses	\$ 20,148,534	\$ 4,463,270	\$ 5,622,073	\$ 30,233,877	\$ 5,724,432	\$ 346,847	36,305,156

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YMCA OF DELAWARE, INC. & AFFILIATES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services			Total Program Services	Supporting Services		Total Expenses
	Youth Development	Healthy Living	Social Responsibility		Management & General	Fundraising Costs	
<b>EXPENSES AND LOSSES</b>							
Personnel Costs							
Salaries	\$ 8,529,677	\$ 2,461,940	\$ 1,746,841	\$ 12,738,458	\$ 2,183,173	\$ 228,771	\$ 15,150,402
Employee benefits and payroll taxes	2,011,062	550,104	339,752	2,900,918	773,968	75,051	3,749,937
Total Personnel Costs	10,540,739	3,012,044	2,086,593	15,639,376	2,957,141	303,822	18,900,339
Other Expenses							
Occupancy	1,908,225	490,582	431,490	2,830,297	95,074	0	2,925,371
Supplies	1,015,557	276,261	755,113	2,046,931	119,605	0	2,166,536
Professional fees	429,548	120,327	148,984	698,859	782,128	19,204	1,500,191
Printing and publications	107,393	67,506	9,022	183,921	584,211	23,346	791,478
Rental and maintenance of equipment	39,919	37,271	0	77,190	90,195	201	167,586
Nonpayroll insurance	468,570	104,459	80,834	653,863	57,708	0	711,571
Travel	118,501	27,831	47,784	194,116	63,876	1,114	259,106
Membership dues	277,509	68,949	16,828	363,286	15,495	1,866	380,647
Telephone	285,619	65,732	21,541	372,892	53,020	640	426,552
Conferences, conventions, and meetings	46,120	16,067	12,283	74,470	23,278	1,308	99,056
Special events expense	14,744	0	0	14,744	0	0	14,744
Postage and shipping	21,325	4,644	178	26,147	17,171	0	43,318
Bad debt expense	0	0	267,016	267,016	0	0	267,016
Interest expense	313,389	87,844	136,037	537,270	0	0	537,270
Minor equipment purchases	15,729	13,148	39,514	68,391	992	0	69,383
Loss on disposal of property	0	0	0	0	10,027	0	10,027
Miscellaneous expenses	56,399	6,091	157,125	219,615	48,699	0	268,314
Total Other Expenses	5,118,547	1,386,712	2,123,749	8,629,008	1,961,479	47,679	10,638,166
Total Expenses and Losses Before Depreciation and Amortization	15,659,286	4,398,756	4,210,342	24,268,384	4,918,620	351,501	29,538,505
Depreciation and amortization	2,810,217	787,926	1,423,690	5,021,833	0	0	5,021,833
Total Expenses and Losses	\$ 18,469,503	\$ 5,186,682	\$ 5,634,032	\$ 29,290,217	\$ 4,918,620	\$ 351,501	\$ 34,560,338

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

YMCA OF DELAWARE, INC. & AFFILIATES

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Without donor restrictions				
	General-Use	Board Designated	Total Without donor Restrictions	With donor Restrictions	Total Net Assets
Balance, December 31, 2019	\$ 40,533,172	\$ 4,256,423	\$ 44,789,595	\$ 9,397,609	\$ 54,187,204
Change in net assets	8,063,850	(911,393)	7,152,457	693,128	7,845,585
Balance, December 31, 2020	48,597,022	3,345,030	51,942,052	10,090,737	62,032,789
Reclassification	(310,560)	310,560			0
Balance, December 31, 2020	48,286,462	3,655,590	51,942,052	10,090,737	62,032,789
Change in net assets	4,403,810	(474,407)	3,929,403	1,579,473	5,508,876
Balance, December 31, 2021	<u>\$ 52,690,272</u>	<u>\$ 3,181,183</u>	<u>\$ 55,871,455</u>	<u>\$ 11,670,210</u>	<u>\$ 67,541,665</u>

See accompanying notes to financial statements.



**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**YMCA OF DELAWARE & AFFILIATES**
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 5,508,876	\$ 7,845,585
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,718,332	5,021,833
Amortization - bond and loan costs	26,416	26,416
(Gain) Loss on disposition of property	(21,898)	10,027
(Gain) Loss on swap valuation	(288,873)	332,677
Bad debt expense	872,834	267,016
Gain on investments and beneficial interest in perpetual trusts	(1,432,161)	(948,099)
Changes in assets and liabilities:		
Accounts receivable and pledges	(2,151,267)	(317,480)
Tenant security deposits	755	5,746
Prepayments and other assets	98,864	168,452
Intangibles	(744)	16,500
Contributed use of facility	15,812	15,278
Accounts payable	282,925	340,151
Notes payable and accrued expenses	78,161	42,666
Deferred revenue	(78,505)	250,062
Other current liabilities	(8,163)	(14,610)
Net cash provided by operating activities	<u>7,621,364</u>	<u>13,062,220</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	16,463,680	6,664,162
Net draws to reserves and escrows	(128,068)	(127,011)
Purchases of investments	(16,722,093)	(18,130,204)
Acquisitions of property and equipment	(1,912,662)	(1,586,665)
Net cash used by investing activities	<u>(2,299,143)</u>	<u>(13,179,718)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on capital lease	(546,048)	(494,133)
Payment of notes payable	(15,000)	(16,260)
Payment of bonds payable	(700,000)	(670,000)
Net cash used by financing activities	<u>(1,261,048)</u>	<u>(1,180,393)</u>
<b>NET CHANGE IN CASH</b>	<u>4,061,173</u>	<u>(1,297,891)</u>
<b>CASH</b>		
Beginning of year	<u>8,041,959</u>	<u>9,339,850</u>
End of year	<u>\$ 12,103,132</u>	<u>\$ 8,041,959</u>
<b>INTEREST PAID</b>	<u>\$ 417,212</u>	<u>\$ 436,094</u>
<b>SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Equipment purchased through capital lease	<u>\$ 115,105</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

Note 1      Summary of Organization activities and significant accounting policies

Organization activities

The YMCA of Delaware, Inc. (the "YMCAD") is an association of people of all ages, ethnic groups, and religious affiliations that strive to cultivate the human potential, self-esteem, and dignity of all people. The YMCAD exists to develop and practice the Christian principles of love, caring, inclusiveness, justice and peace and to enrich the emotional, physical and social life of individuals, families and the community. The YMCAD seeks to build strong kids, strong families, and strong communities throughout the State of Delaware.

The YMCA Central Branch, LLC (the "Central Branch"), an affiliate of the YMCAD, formed as a Limited Liability Company under the laws of the State of Delaware on October 2, 2002, performs two activities: (1) residential development activity, which comprises the rental of 180 single occupancy units of which 144 of the units are designated for providing low-income and moderate income housing, and 36 of the units are designated for providing market-rate income housing in accordance with the regulatory agreement with the Delaware State Housing Authority ("DSHA"); and (2) program activity, the operation of child care and gymnasium facilities. The property is located in Wilmington, Delaware. The Central Branch is restricted as to rental charges and is required to lease 80% of the units to low- or moderate-income individuals, subject to the provisions of Section 42(g)(1)(b) of the Internal Revenue Code (IRC). The provisions of these regulations must be met during each of the 15 consecutive years, beginning in 2003, in order to remain qualified for the low-income housing tax credits. The Central Branch has executed a Declaration of Land Use Restrictive Covenant relating to low-income housing tax credits with DSHA, which requires the utilization of the project pursuant to Section 42 for a minimum of 30 years, even after the disposition of the project by the Company.

The Company also qualified for \$ 3,057,000 of federal historic tax credits under Section 47(c)(3) of the Internal Revenue Code (IRC) for the rehabilitation of the certified historic structure. Additionally, the project qualified for historic tax credits as governed by the State of Delaware Historic Preservation Tax Credit Program for \$ 3,968,000.

The Central Branch, an affiliate of the YMCAD, is a for-profit limited liability corporation formed under the laws of the State of Delaware for the purpose of managing the Central Branch.

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Note 1      Summary of Organization activities and significant accounting policies (cont'd)

Basis of presentation

The financial statements of the YMCAD have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the YMCAD to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the YMCAD's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the YMCAD or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Principals of consolidation

The consolidated financial statements include the accounts of the YMCAD and its affiliates. All material inter-affiliated accounts and transactions have been eliminated in consolidation.

The following is a current list of YMCAD and its affiliates' branches and its locations: Bear Glasgow Family YMCA (351 George Williams Way, Newark, DE 19702), Brandywine YMCA (3 Mount Lebanon Road, Wilmington, DE 19803), Brandywine YMCA Hanby Outdoor Center (35 Chestnut Street, Wilmington, DE 19810), Central YMCA (501 West 11th Street, Wilmington, DE 19801), Dover YMCA (1137 South State Street, Dover, DE 19901), Dover YMCA Kent Outdoor Complex (825 Kenton Road, Dover, DE 19904), Middletown Family YMCA (404 N. Cass Street, Middletown, DE 19709), Sussex Family YMCA (20080 Church Street, Rehoboth Beach, DE 19971), Walnut Street YMCA (1000 North Walnut Street, Wilmington, DE 19801), Western Family YMCA (2600 Kirkwood Highway, Newark, DE 19711), and YMCA Camp Tockwogh (24370 Still Pond Neck Road, Worton, MD 21678), Middletown YMCA Silver Lake Pool (200 East Cochran Street, Middletown, DE 19709).

Measure of operations

The YMCAD's statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to YMCAD's ongoing services and programs and earnings on investment. Nonoperating activities are limited to resources from other activities considered to be of a more unusual or nonrecurring nature.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash and investments of a highly liquid nature with maturities of three months or less at the time of acquisition. At December 31, 2021 and 2020, cash equivalents consisted of cash and money market funds. The recorded cost of these investments approximated their fair value at December 31, 2021 and 2020.

Accounts receivable

Accounts receivable represent uncollected billings for services rendered and past due rents from tenants. An allowance for doubtful accounts is provided based on historical experience and management's evaluation of the collectability of individual billings and credit history of tenants. The allowance for doubtful accounts at December 31, 2021 and 2020 was \$ 642,958 and \$ 295,575, respectively, and was established primarily for tenant accounts receivable.

Capital campaign pledges receivable

Capital campaign pledges receivable consist of unconditional promises to give by the donors. There were no long-term pledges at December 31, 2021 or 2020. No allowance for doubtful accounts was established as management deems all amounts fully collectible.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment gain or loss in the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on mark-to-market value and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

The fair value of marketable investments in equity and debt securities (which includes both domestic and foreign issues) and U.S. government obligations are based on the published current market value at December 31, 2021 and 2020. The fair values of the YMCADE's investments held in another entity are based on management's valuation of estimates and assumptions from information and representations provided by another entity in the absence of readily available ascertainable market values.



Note 1      Summary of Organization activities and significant accounting policies (cont'd)

Investments (cont'd)

Due to the level of risk associated with certain investment activities, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect the YMCADe's account balances and amounts reported in the financial statements.

Split-interest agreements

Split-interest agreements represent gifts of assets that are held and invested for the benefit of the YMCADe and other beneficiaries. The assets are held in an irrevocable trust by a third-party trustee. The YMCADe's share of the gift is recorded as support in the period that the YMCADe is notified of the gift, at the fair value of the assets placed in trust. The YMCADe's share of the distributions is recognized as support without donor restrictions in the period realized; the change in value of the beneficial interest is recognized as an increase in net assets with donor restrictions.

Deferred fees and amortization

Debt issuance costs of \$ 245,000, net of accumulated amortization of \$ 144,734 and \$ 136,574 as of December 31, 2021 and 2020, respectively, are reported as a direct deduction from the face amount of the mortgages payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method, which approximates the effective interest method, over the 30 year term of the debt.

Interest expense related to the debt issuance costs for each of the years ended December 31, 2021 and 2020 was \$ 8,160.

Bond issue costs of the Series 2007 bonds in the amount of \$ 529,430, net of accumulated amortization of \$ 267,754 and \$ 249,498 as of December 31, 2021 and 2020, respectively, are reported as a direct deduction from the face amount of the bonds payable to which such costs relate. Amortization of bond issue costs is reported as a component of interest expense and is computed using the straight-line method, which approximates the effective interest method, over the 30 year term of the bonds.

Interest expense related to the bond issuance costs for each of the years ended December 31, 2021 and 2020 was \$ 18,256.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Property and equipment

Property and equipment is carried at cost and consists of land and improvements, buildings and improvements, furniture and equipment, and automobiles and machinery with a useful life greater than one year. The YMCADE capitalizes all expenditures of capital assets in excess of \$ 5,000 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10 - 15
Buildings and improvements	10 - 40
Furniture and equipment	3 - 10
Automobiles and machinery	5 - 7

Expenditures for maintenance and repairs are charged to expense as incurred.

Contributions

Contributions received are recorded as net assets with donor restrictions or without donor restriction support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. Such allocations are included in the consolidated statements of functional expenses.

Expenses incurred for annual fundraising events are included in fundraising costs on the statements of activities and functional expenses as a gross amount.

Note 1      Summary of Organization activities and significant accounting policies (cont'd)

Net Assets

FASB ASC 958-10, Not-for-Profit Entities-Disclosure, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The accounting standard also includes disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

For the years ended December 31, 2021 and 2020, the YMCADE has determined that the majority of the YMCADE 's net assets do not meet the definition of endowment under UPMIFA. Certain contributions are received subject to other gift instruments, or are subject to specific agreements with the donor. The YMCADE has the ability to use as much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets and changes in net assets are classified as with donor restriction or without donor restriction based on the existence or absence of donor imposed restrictions.

Net assets with donor restrictions consist of restricted contributions receivable and the donor-restricted endowment funds. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

Income taxes

The YMCADE qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the IRC and has been classified as an organization that is not a private foundation. The YMCADE is an organization exempt from federal income tax under Section 501(c)(3) of the IRC but can be subject to tax on unrelated trade or business income. The YMCADE did not engage in any such activities during 2021 or 2020. Accordingly, there is no income tax provision.

Note 1 Summary of Organization activities and significant accounting policies (cont'd)

Income taxes (cont'd)

No provision or benefit for income taxes has been included in the financial statements of the affiliates since the taxable income or loss passes through to, and is reportable by, the members individually. The activities of the affiliates are considered exempt for the YMCADE's information reporting purposes.

The Central Branch is a for-profit limited liability corporation formed under the laws of the State of Delaware. As a limited liability company, the Central Branch is not subject to federal or state income taxes; accordingly, there is no income tax provision. For tax purposes, the limited liability company was terminated in 2017. The results of operations for the limited liability company is reported on the YMCADE's federal income tax return.

For the years ended December 31, 2021 and 2020, the YMCADE and its affiliates have determined they do not have a material tax liability for uncertain tax positions under FASB ASC 740 - Income Taxes.

The YMCADE's policy for penalties and interest assessed by income taxing authorities is to include them in administrative expenses. For the years ended December 31, 2021 and 2020, the YMCADE did not incur any interest and penalties from taxing authorities.

The federal income tax returns of the YMCADE and its affiliates for 2018, 2019 and 2020 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Advertising costs

Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2021 and 2020 were \$ 605,057 and \$ 527,446, respectively.

Revenue and Revenue Recognition

Revenues are measured based on consideration specified in a contract with a customer. The YMCADE recognizes revenue when it satisfies a performance obligation by transferring control over a promised good or service to a customer. The YMCADE's principal activities resulting in contracts with customers include membership dues, program service fees, and fees for products and services.

Membership dues are based on fixed rate schedules at the beginning of each membership month and are nonrefundable. The performance obligation consists of providing members continuous access to the YMCADE facilities. The dues are used to cover the costs of operating the YMCADE, maintaining the common elements and improvements, and providing for facility repair and replacement. Dues for 2021 were \$ 30.00 - \$ 110.00 per month per member, depending on membership level. The YMCADE recognized revenue upon receipt or commitment of the entire value of the membership since there is not a significant variance in revenue recognized between recording membership revenue upon receipt as compared to recognizing membership revenue on a pro rata basis over the membership period.



Note 1      Summary of Organization activities and significant accounting policies (cont'd)

Revenue and Revenue Recognition (cont'd)

Program service fees is recognized when the program service events take place. All amounts paid in advance are deferred to the period in which the underlying program service event takes place. Due to the nature and timing of the program services and/or transfer of services and products, substantially all deferred revenue at December 31 of each year is recognized in the following year.

The performance obligation related to fees for products and services is to provide the customer with the goods and services purchased. The transaction price is the stated retail price. The YMCADE recognizes revenue from fees for products and services in the period the goods or services are provided.

Because the contracts for membership dues, program services, and fees for products and services have an original expected duration of one year or less, the YMCADE has elected the practical expedient and not disclosed the value of unsatisfied performance obligations and expected timing for completion related to these revenues.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement to reclassify board designated funds previously stated as unrestricted funds for general use. Total net assets and change in net assets are unchanged due to these reclassifications.

Subsequent events

The date to which events occurring after December 31, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is September 28, 2022, which is the date on which the financial statements were available to be issued.

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Note 2**      Availability and liquidity

The following represents the YMCADE's financial assets at December 31, 2021 and 2020:

Financial assets at year end:	<b>2021</b>	<b>2020</b>
Cash	\$ 12,103,132	\$ 8,041,959
Accounts receivable	2,440,604	1,162,171
Pledges receivable	2,904	2,904
Investments	<u>18,624,778</u>	<u>17,665,579</u>
Total financial assets	33,171,418	26,872,613
Less amounts not available to be used within one year:		
Board designated funds	3,181,183	3,655,590
Net assets with donor restrictions	<u>11,670,210</u>	<u>10,090,737</u>
	<u>14,851,393</u>	<u>13,746,327</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 18,320,025</u>	<u>\$ 13,126,286</u>

The YMCADE's goal is generally to maintain financial assets to meet 75 days of operating expenses as required by debt covenants.

**Note 3**      Concentration of credit risk

Financial instruments which potentially subject the YMCADE to significant concentrations of credit risk are principally cash and cash equivalents and investments.

The YMCADE's cash is maintained in bank deposit accounts with financial institutions that at times exceeds federally insured limits. The YMCADE has not experienced any losses in such accounts and does not believe it is exposed to any significant risk.

Investments are managed by professional advisors subject to the YMCADE's investment policy. The degree and concentration of credit risk vary by the type of investment.

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Note 4      Restricted assets**

Restricted assets consisted of tenant security deposits of \$ 6,222 and \$ 6,977, which are held in a separate bank account in the name of the project, and reserves and escrowed funds of \$ 1,243,222 and \$ 1,115,154, held by DSHA, as of December 31, 2021 and 2020, respectively. Under agreements with the lenders and DSHA reserves, the affiliate is required to make monthly escrow deposits for debt service, insurance, and replacement of project assets, and is subject to restrictions as to distributions to members. The affiliate is required to fund an operating reserve in the amount \$ 267,834 for the benefit of the residential development. The operating reserve was fully funded as of December 31, 2021 and 2020..

A summary of activity within the restricted assets – reserves and escrowed funds at December 31, 2021 are as follows:

	<u>Insurance and Debt</u>	<u>Operating Deficit</u>	<u>Replacement Reserves</u>	<u>Residual Receipts</u>	<u>Total</u>
Beginning	\$ 311,236	\$ 266,784	\$ 524,623	\$ 12,511	\$ 1,115,154
Deposits	35,004	0	88,500	0	123,504
Interest income	323	1,050	2,189	1,002	4,564
Other	0	0	0	0	0
Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending	<u>\$ 346,563</u>	<u>\$ 267,834</u>	<u>\$ 615,312</u>	<u>\$ 13,513</u>	<u>\$ 1,243,222</u>

A summary of activity within the restricted assets - reserves and escrowed funds at December 31, 2020 are as follows:

	<u>Insurance and Debt</u>	<u>Operating Deficit</u>	<u>Replacement Reserves</u>	<u>Residual Receipts</u>	<u>Total</u>
Beginning	\$ 275,692	\$ 264,919	\$ 436,491	\$ 11,041	\$ 988,143
Deposits	35,004	0	84,825	0	119,829
Interest income	540	1,865	3,307	1,470	7,182
Other	0	0	0	0	0
Payments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending	<u>\$ 311,236</u>	<u>\$ 266,784</u>	<u>\$ 524,623</u>	<u>\$ 12,511</u>	<u>\$ 1,115,154</u>

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Note 5**      Investments in corporate bonds

The YMCADE is invested in certain corporate debt and Treasury bond securities. Contractual maturities of debt securities consisted of the following at December 31:

	<b>2021</b>		<b>2020</b>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
1 – 5 years	\$ 3,092,408	\$ 3,101,228	\$ 2,064,539	\$ 2,033,376
5 - 10 years	1,058,702	1,059,326	449,025	413,331
10 - 15 years	102,069	104,161	0	0
Over 15 years	0	0	0	0
	<u>\$ 4,253,179</u>	<u>\$ 4,264,715</u>	<u>\$ 2,513,564</u>	<u>\$ 2,446,707</u>

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

**Note 6**      Beneficial interest in perpetual trusts

The YMCADE is a beneficiary of certain donor created trusts that are held and administered by outside trustees and held totally for the benefit of the YMCADE. As of December 31, 2021 and 2020 the fair value of the trust assets was:

	<b>2021</b>		<b>2020</b>	
December 31,	<u>Amount</u>	<u>% owned</u>	<u>Amount</u>	<u>% owned</u>
Addie C. Carpenter Trust	\$ 23,157	10	\$ 21,633	10
Matilda B. Korschak Trust	198,394	25	185,744	25
Florence H. Brown Trust	300,631	100	278,475	100
H. Fletcher Brown Trust	<u>5,750,608</u>	100	<u>5,055,563</u>	100
Total fair value of beneficial interest	<u>\$ 6,272,790</u>		<u>\$ 5,541,415</u>	

The YMCADE receives annual distributions from these trusts. Under the terms of the trusts, the YMCADE has the irrevocable right to receive net investment income earned on the assets of the trusts in perpetuity, but shall never receive the assets held by these trusts. The YMCADE's distributions from those trusts are not restricted and are to be used consistent with the mission of the YMCADE, unless otherwise stipulated in the trust agreements. These distributions are reported as an increase in investment income in net assets without donor restriction in the statement of activities.



NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)

YMCA OF DELAWARE, INC. & AFFILIATES

Note 6 Beneficial interest in perpetual trusts (cont'd)

Distributions received from the trust assets were as follows for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Addie C. Carpenter Trust	\$ 902	\$ 672
Matilda B. Konschak Trust	8,692	6,037
Florence H. Brown Trust	12,209	11,739
H. Fletcher Brown Trust	<u>181,276</u>	<u>173,402</u>
Total distributions received	<u>\$ 203,079</u>	<u>\$ 191,850</u>

The change in fair value of the beneficial interest in perpetual trusts for 2021 and 2020, net of distributions, was an increase of \$ 731,375 and an increase of \$ 414,167, respectively, which is reflected as a change in net assets with restrictions.

Note 7 Fair value measurements

FASB ASC 820 – Fair Value Measurements and Disclosures establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1 - inputs are unadjusted quoted prices, such as a New York Stock Exchange closing price in active markets for identical assets. Level 1 is the highest priority in the hierarchy.

Level 2 - inputs may include quoted prices for similar assets and liabilities in active markets, as well as other significant inputs that are observable at commonly quoted intervals, such as interest rates, foreign exchange rates, and yield curves.

Level 3 - inputs are unobservable. Typically, assumptions determine the inputs since there is little, if any, related market activity. Level 3 is the lowest priority in the hierarchy.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 7 Fair value measurements (cont'd)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Accounts receivable - fair value approximates carrying value due to the short-term nature of the instrument.

Investments - the fair value of marketable debt and equity securities is determined by reference to quoted market prices and other relevant information generated by market transactions.

Beneficial interest in perpetual trusts - the fair value is estimated based on the fair value of the underlying assets in the trusts.

Accounts payable - fair value approximates carrying value due to the short-term nature of the instrument.

Bonds payable - fair value approximates carrying value since stated rates are similar to rates currently available to the YMCADE for debt with similar terms and remaining maturities.

Value of derivative instrument (interest rate swap) - the fair value is based on quotes provided by PNC Bank, the swap agreement holder, of the estimated amounts the YMCADE would receive or pay if the agreement was terminated taking into consideration current interest rates.

Carrying values and estimated fair values at December 31:

	2021		2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Accounts receivable	\$ 2,440,604	\$ 2,440,604	\$ 1,162,171	\$ 1,162,171
Investments	\$ 18,624,778	\$ 18,624,778	\$ 17,665,579	\$ 17,665,579
Beneficial interest in perpetual trusts	\$ 6,272,790	\$ 6,272,790	\$ 5,541,415	\$ 5,541,415
Financial liabilities				
Accounts payable	\$ 1,494,191	\$ 1,494,191	\$ 1,211,266	\$ 1,211,266
Bonds payable, net	\$ 14,838,324	\$ 14,838,324	\$ 15,520,068	\$ 15,520,068
Fair value of derivative instrument	\$ 223,986	\$ 223,986	\$ 512,859	\$ 512,859

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Note 7      Fair value measurements (cont'd)**

Fair value of assets and liabilities measured on a recurring basis are as follows:

<u>December 31, 2021</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Money market and sweep	\$ 2,562,096	\$ 2,562,096	\$ 0	\$ 0
Taxable commercial paper	799,438	799,438	0	0
Equity securities	7,797	7,797	0	0
Mutual funds	11,002,268	11,002,268	0	0
Corporate debt securities	2,465,486	2,465,486	0	0
Treasury bonds	1,787,693	1,787,693	0	0
Beneficial interest in perpetual trusts	<u>6,272,790</u>	<u>6,272,790</u>	<u>0</u>	<u>0</u>
Total assets at fair value	<u>\$ 24,897,568</u>	<u>\$ 24,897,568</u>	<u>\$ 0</u>	<u>\$ 0</u>

<u>December 31, 2020</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Money market and sweep	\$ 10,205,545	\$ 10,205,545	\$ 0	\$ 0
Treasury bills	1,021,570	1,021,570	0	0
Taxable commercial paper	399,646	399,646	0	0
Equity securities	40,936	40,936	0	0
Mutual funds	4,505,890	4,505,890	0	0
Corporate debt securities	922,417	922,417	0	0
Treasury bonds	569,575	569,575	0	0
Beneficial interest in perpetual trusts	<u>5,541,415</u>	<u>5,541,415</u>	<u>0</u>	<u>0</u>
Total assets at fair value	<u>\$ 23,206,994</u>	<u>\$ 23,206,994</u>	<u>\$ 0</u>	<u>\$ 0</u>

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Note 8      Property and Equipment**

Following is a comparative summary of balances in property and equipment as of December 31:

	<u>2021</u>	<u>2020</u>
<b>YMCA of Delaware</b>		
Land and improvements	\$ 7,682,699	\$ 7,636,764
Buildings and improvements	86,680,037	85,798,734
Furniture and equipment	10,823,415	10,515,272
Automobiles and machinery	1,412,044	1,450,943
Capitalized interest	222,969	222,969
Construction in progress	<u>1,235,636</u>	<u>513,143</u>
Total book value	108,056,800	106,137,825
Accumulated depreciation	<u>(69,240,296)</u>	<u>(65,072,345)</u>
Net book value	<u>38,816,504</u>	<u>41,065,480</u>
<b>YMCA Central Branch, LLC</b>		
Furniture and equipment	612,020	606,570
Buildings and improvements	<u>16,089,840</u>	<u>16,089,840</u>
Total book value	16,701,860	16,696,410
Accumulated depreciation	<u>(7,598,119)</u>	<u>(7,172,978)</u>
Net book value	<u>9,103,741</u>	<u>9,523,432</u>
Consolidated net book value	<u>\$ 47,920,245</u>	<u>\$ 50,558,912</u>

Depreciation expense for 2021 and 2020 was \$ 4,718,332 and \$ 5,021,833, respectively.

**Note 9      Line and letters of credit**

The YMCADE has an unsecured line of credit with a national bank for the purpose of providing working capital for operations. During 2021, the not to exceed amount was \$ 900,000. The YMCADE has letters of credit in the amounts of \$ 77,426 and \$ 8,000 restricted in favor of the New Castle County Department of Land Use; and \$ 199,000 restricted in favor of Sentry Insurance A Mutual Company; all have varying expiration dates. The credit line carries an interest rate based on the daily LIBOR rate plus 2.25%, and expires on March 31, 2023. No draws were made on the line of credit during 2021 or 2020.

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)

YMCA OF DELAWARE, INC. & AFFILIATES

Note 10 Notes payable

Notes payable consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
<b>YMCA of Delaware, Inc.</b>		
Note payable to New Castle County, DE, in the original amount of \$ 252,000 obtained in 1983. Collateralized by the Stopyra Tract located in New Castle County, DE. Monthly principal payments are \$ 420; the note carries no interest; due October 1, 2033.	\$ 68,880	\$ 68,880
Note payable to the Federal Home Loan Bank of New York, in the original amount of \$ 1,350,000; obtained in 2003 for the purpose of funding an affordable housing and historic real estate project at 1501 West 11 <sup>th</sup> Street, Wilmington, DE; secured by the property; non-interest bearing; payable in full if the project is not used for its restricted purpose at any time from 2003 to 2018.	1,350,000	1,350,000
Note payable to the Federal Home Loan Bank of Pittsburgh, in the original amount of \$ 500,000 obtained in 2003 for the purpose of additional funding for an affordable housing and historic real estate project at 1501 West 11 <sup>th</sup> Street, Wilmington, DE; secured by the property; non-interest bearing; payable in full if the project is not used for its restricted purpose at any time from 2003 to 2018.	<u>500,000</u>	<u>500,000</u>
Subtotal notes payable – YMCADE	<u>1,918,880</u>	<u>1,918,880</u>

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NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)

YMCA OF DELAWARE, INC. & AFFILIATES

Note 10 Notes payable (cont'd)

	<u>2021</u>	<u>2020</u>
<b>YMCA Central Branch, LLC</b>		
Permanent Mortgage Loan from Delaware State Housing Authority (DSHA) Housing Development Fund (HDF) in the original amount of \$ 2,562,669, obtained in 2005. The HDF loan was bifurcated: \$ 300,000 (the HDF priority loan) of which is a permanent loan to be repaid \$ 15,000 annually until 2025 with no interest, and the balance of \$ 2,262,669 (the HDF junior portion) is a permanent loan that bears interest at 3% per annum and is due in 2035. The payment of principal and interest on the HDF junior portion is deferred and subject to the availability of funds from operating receipts as defined in the DSHA Regulatory Agreement. The loan is secured by a second mortgage on the real property. Accrued interest at December 31, 2021 and 2020 was \$ 1,109,435 and \$ 1,041,515, respectively. Mortgage note payable of \$ 2,317,669 (\$ 2,332,669 at December 31, 2020) is shown net of unamortized loan costs of \$ 100,266 (\$ 108,426 at December 31, 2020).	2,217,403	2,224,243
Note payable to the City of Wilmington in the original amount of \$ 150,000 obtained in 2006; secured by a third mortgage on real property; assignment of rents and amounts on deposit with the lender; interest accrued at 4.58% annually. Interest and principal are to be repaid from available cash flow, as defined in the note agreement. Accrued interest at December 31, 2021 and 2020 was \$ 109,510 and \$ 102,670, respectively; due March 2033.	150,000	150,000
Subtotal notes payable – Central Branch	<u>2,367,403</u>	<u>2,374,243</u>
Subtotal accrued interest – Central Branch	<u>1,218,945</u>	<u>1,144,185</u>
Subtotal notes payable and accrued interest – Central Branch	<u>3,586,348</u>	<u>3,518,428</u>
Total notes payable and accrued interest – YMCADe and Central Branch	<u>\$ 5,505,228</u>	<u>\$ 5,437,308</u>

**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Note 10**    Notes payable (cont'd)

Components of mortgages payable are as follows at December 31:

	<b>2021</b>	<b>2020</b>
Mortgages	\$ 4,386,549	\$ 4,401,549
Unamortized loan costs	<u>100,266</u>	<u>108,426</u>
Net	<u>\$ 4,286,283</u>	<u>\$ 4,293,123</u>

Components of interest expense on the notes payable for the year ended December 31, 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
Interest expense	\$ 74,760	\$ 74,760
Amortization of loan costs	<u>8,160</u>	<u>8,160</u>
Total interest expense	<u>\$ 82,920</u>	<u>\$ 82,920</u>

Scheduled principal payments on the mortgage notes payable for each of the next five years and for the remaining term:

2022	\$ 28,860
2023	20,040
2024	20,040
2025	15,040
2026	5,040
Thereafter	<u>4,297,529</u>
	<u>\$ 4,386,549</u>

**Note 11**    Bonds payable

On May 11, 2007, the YMCADE issued Variable Rate Demand Revenue Bonds, Series 2007 (Bonds), in the amount of \$ 22.585 million through the Delaware Economic Development Authority (DEDA) with varying maturity dates through May 1, 2036. The proceeds from the Bonds were used for the refunding of a portion of indebtedness previously incurred; the payment of a portion of the "Capital Improvement Program" costs; capitalized interest on bonds; and the payment of cost of issuance of the bonds. The Bonds mature by tranches on May 1 of each year and interest is payable on the first day of each month. Interest on the bonds is payable at a weekly rate as determined by the remarketing agent. The principal balance outstanding on the bonds as of December 31, 2021 and 2020 was \$ 15,100,000 and \$ 15,800,000, respectively. The YMCADE's obligation to DEDA was guaranteed by a letter of credit issued by PNC Bank, National Association.

Note 11 Bonds payable (cont'd)

The YMCADE entered into a Letter of Credit Agreement in May 2007 with PNC Bank, N.A. Pursuant to which, PNC Bank issued an irrevocable transferrable letter of credit for the account of the YMCADE to secure payment of the principal and interest when due on the bonds.

The bonds payable of the YMCADE are considered to be conduit debt under the definition promulgated by accounting principles generally accepted in the United States. Conduit debt are securities offered by a governmental entity that are not for its own use but for the use of a private party; therefore, the YMCADE is a conduit debt obligor for conduit debt securities due to its tax exempt bonds issued by DEDA. An entity that is an obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets) meets the definition of a public entity under the definition promulgated by accounting principles generally accepted in the United States. Due to the trading activity of the YMCADE tax exempt bonds, it meets the definition of a public entity and is required to provide additional disclosures than those that would be otherwise required by a nonprofit entity.

Components of bonds payable are as follows at December 31:

	2021	2020
Principal balance outstanding on the bonds	\$ 15,100,000	\$ 15,800,000
Unamortized bond issue costs	<u>(261,676)</u>	<u>(279,932)</u>
Net	<u>\$ 14,838,324</u>	<u>\$ 15,520,068</u>

Components of interest expense on the bonds payable for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Interest expense	\$ 377,411	\$ 367,246
Amortization of bond costs	<u>18,256</u>	<u>18,256</u>
Total interest expense	<u>\$ 395,667</u>	<u>\$ 385,502</u>

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)

YMCA OF DELAWARE, INC. & AFFILIATES

Note 11 Bonds payable (cont'd)

Scheduled principal payments on the bonds payable for each of the next five years and for the remaining term are as follows:

2022	\$	730,000
2023		760,000
2024		795,000
2025		830,000
2026		870,000
Thereafter		<u>11,115,000</u>
Total bonds payable	\$	<u>15,100,000</u>

Note 12 Interest rate swap

The YMCADE has an interest rate swap agreement covering 80% of the entire value of the bonds payable. The effect of the swap agreement is to modify the interest rate characteristics of the bond issue from a variable rate to a fixed rate. Under the swap, the YMCADE pays the counterparty interest at a "weekly rate" or "term rate" as determined by the "remarketing agent" as the rate of interest which in its judgment would cause the bonds to have a market value, as of the date of determination, equal to the principal amount of the bonds, taking into account prevailing market conditions.

The swaps are recognized on the consolidated statement of financial position at fair value and are recorded as interest rate swap asset/liability. Changes in the fair value of the swaps are recorded in swap valuation gain or loss in the consolidated statements of activities. For the years ended December 31, 2021 and 2020, the YMCADE recorded swap value gains/(losses) of \$ 288,873 and \$ (332,677), respectively, in fair-market value adjustments to the asset/liability of the swap. Cumulative (gains) losses on the swaps from inception totaled \$ 223,986 and \$ 512,859 as of December 31, 2021 and 2020, respectively, which may be countered by a reduction in interest payments for the variable-rate bonds.

The estimate of fair value of the interest rate swap asset/liability at year end represents the amount YMCADE would pay to exit the swap agreement taking into account current interest rates.

Note 13 Commitments and contingencies

In the normal course of business, there are outstanding various commitments and contingencies in addition to the normal purchases of goods and services. The YMCADE does not anticipate losses as a result of these commitments and contingencies.

Note 13 Commitments and contingencies (cont'd)

Government contracts

The YMCADE participates in a number of federally and state assisted contracts. These contracts are subject to contract compliance audits by the contracting agencies or their representatives. Accordingly, the YMCADE's compliance with applicable contract requirements will be established at some future date. The amount of expenditures, not already disclosed, which may be disallowed by the contracting agencies cannot be determined at this time although the YMCADE expects such amounts, if any, to be immaterial.

Low-income housing credits

The affiliate's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

Operating deficit obligation

Pursuant to the operating agreement, the managing member (the YMCA Central Branch member, LLC) is obligated to fund deficits up to \$ 1,197,822 for a period as defined in the operating agreement, beginning the date of final closing of the permanent debt until the project achieves break-even operations for four consecutive years. As of December 31, 2021 and 2020, no operating deficit advances were received from the managing member.

Leasing arrangement

The YMCADE leases office space in Wilmington and Middletown, Delaware, under operating lease agreements for rental of corporate office space at \$ 7,434 to \$ 16,575 per month, through October 31, 2026 and April 15, 2023, respectively.

The YMCADE also leases office equipment under an operating lease. Payments are \$ 4,616 per month, and matures at March 2027.

Total rental expense of \$ 454,808 and \$ 471,993 is in occupancy cost in the statements of functional expenses for the years ended December 31, 2021 and 2020, respectively.

Future minimum payments under the leases for the next five years are as follows:

2022	\$ 346,464
2023	215,511
2024	144,596
2025	144,596
2026	129,728
Thereafter	<u>13,848</u>
Total	<u>\$ 994,743</u>



NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)

YMCA OF DELAWARE, INC. & AFFILIATES

Note 14 Net assets with donor restrictions

	2020	Additions	Releases	2021
Programs	\$ 4,549,322	\$ 3,041,369	\$ 2,193,271	\$ 5,397,420
Operations	<u>5,541,415</u>	<u>731,375</u>	<u>0</u>	<u>6,272,790</u>
	<u>\$ 10,090,737</u>	<u>\$ 3,772,744</u>	<u>\$ 2,193,271</u>	<u>\$ 11,670,210</u>
	2019	Additions	Releases	2020
Programs	\$ 4,270,361	\$ 1,889,692	\$ 1,610,731	\$ 4,549,322
Operations	<u>5,127,248</u>	<u>414,167</u>	<u>0</u>	<u>5,541,415</u>
	<u>\$ 9,397,609</u>	<u>\$ 2,303,859</u>	<u>\$ 1,610,731</u>	<u>\$ 10,090,737</u>

Note 15 Retirement Plan

The YMCADE participates in the YMCA Retirement Fund Retirement Plan (the "Plan"). The Plan is a multiple employee defined contribution, money purchase, church pension plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and the YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both plans are sponsored by The Young Men's Christian Association Retirement Fund ("Fund"). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States of America. The plans are operated as church pension plans.

Contributions plus interest credits are accumulated in individual accounts to provide benefits to eligible employees after they retire or terminate the YMCADE employment for any reason. Benefits are paid if an employee becomes permanently and totally disabled or dies while employed by a YMCA. Benefits are also paid to former employees who terminate the YMCADE employment with a vested benefit. Participation is available to all duly organized and reorganized YMCAs in the United States of America. As a defined contribution plan, the Fund has no unfunded benefit obligations. The plan is for the benefit of all eligible employees of the YMCADE who qualify under the participation requirements of at least 21 years of age performed 1,000 hours of service during two 12-month periods. The Plan became a fully vested plan as of July 1, 2006; thus, employees are fully vested in the accounts upon enrollment. The YMCADE may select a total contribution rate for the employee ranging from 8 to 12%. The YMCADE informs the employees of its contribution rate and employee share arrangement.

Note 15 Retirement Plan (cont'd)

The YMCADE makes contributions to the employee's account based upon a percentage of the employee's compensation and is made through regular payroll deductions on an after-tax basis. Total contributions charged to retirement cost for the years ended December 31, 2021 and 2020 were \$ 1,461,350 and \$ 1,145,567, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution in this plan.

Note 16 Contributed use of facility

Contributed use of the facility consisted of the following at December 31:

	2021	2020
Receivable in less than one year	\$ 119,000	\$ 119,000
Receivable in one to five years	595,000	595,000
Receivable in greater than five years	<u>5,780,999</u>	<u>5,899,999</u>
Total contributed use of facility	6,494,999	6,613,999
Less discounts to net present value	<u>3,964,315</u>	<u>4,067,503</u>
	<u>\$ 2,530,684</u>	<u>\$ 2,546,496</u>

The YMCADE entered into a nineteen-year lease agreement with the Town of Middletown for the Middletown pool facility on May 1, 2017. That lease required annual payments of rent of \$ 1 per year.

The YMCADE entered into a sixty-year lease agreement with the Town of Middletown for the Middletown premises on November 25, 2019. That lease requires annual payments of rent of \$ 1 per year. The lease includes an option to extend the lease for one additional term of forty years.

The contributed amount of rent received during the years ended December 31, 2021 and 2020 was \$ 103,188 and \$ 103,722, respectively, based on the present value of the current estimated rent value discounted at 4 percent. Rent expense of \$119,000 was recognized as an expense on the statement of functional expense under occupancy expense for both years ended December 31, 2021 and 2020.

Note 17 Capital leases

During 2018 and 2021, the YMCA entered into lease agreements as a lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS (cont'd)

YMCA OF DELAWARE, INC. & AFFILIATES

Note 17 Capital leases (cont'd)

The assets acquired through capital leases are as follows:

	2021	2020
Equipment – Jules #1	\$ 1,649,153	\$ 1,649,153
Equipment – Jules #2	509,413	509,413
Equipment – Jules #3	<u>115,105</u>	<u>0</u>
	2,273,671	2,158,566
Less accumulated depreciation	<u>(1,772,456)</u>	<u>(1,169,300)</u>
Total	<u>\$ 501,215</u>	<u>\$ 989,266</u>

Annual amortization is included in depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments for the remaining term as of December 31, 2021 were as follows:

2022	\$ 446,731
2023	106,984
2024	30,822
2025	<u>12,982</u>
	597,519
Amount representing interest	<u>(14,447)</u>
Total	<u>\$ 583,072</u>

Note 18 COVID-19

The "COVID-19" virus, declared a pandemic by the World Health Organization, has spread through the world and governments have taken various actions to try to slow the transmission. The impact of these restrictions, and the potential effect to the Organization, cannot be reasonably estimated at this time.

On March 29, 2021, the YMCA received loan proceeds of \$ 4,881,360 from PNC Bank under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provided for loans to qualified entities in the amounts up to 2.5 times the entity's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" as long as the borrower maintained its payroll levels and used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount is reduced if the borrower terminated employees or reduced salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The YMCA has used the PPP loan proceeds for purposes consistent with the PPP and determined that the estimated amount to be forgiven should be accounted for as conditional promises to give under ASC 958-605. Accordingly the balance due from the anticipated forgiven loan proceeds and any related interest expense has not been reflected as a liability in these financials.

## SUPPLEMENTARY INFORMATION

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
12/31/21**

**YMCA OF DELAWARE, INC. & AFFILIATES**

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identification Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture:</b>			
Pass-through program:			
State of Delaware, Department of Education:			
Child and Adult Care Food Program	10.558	n/a	\$ 148,459
Summer Food Service Program	10.559	n/a	252,793
<b>Total U.S. Department of Agriculture</b>			<b>401,252</b>
<b>U.S. Department of Housing and Urban Development</b>			
Pass-through program:			
City of Wilmington, Delaware:			
Community Development Block Grants/ Entitlement Grants Cluster (CDBG)			
Housing	14.218	25219000-54605-14C40 / 25219000-54605-15C40	21,583
<b>Total U.S. Department of Housing and Urban Development</b>			<b>21,583</b>
<b>U.S. Department of Health and Human Services</b>			
Pass-through program:			
State of Delaware Health and Social Services, Division of Public Health			
Promotion of Prediabetes and Uncontrolled Diabetes Awareness, Education, Early Identification and Referral Project	93.757	20-083/20-083	137,183
Pass-through program:			
State of Delaware Health and Social Services, Division of Public Health			
Livestrong at the YMCA Program for Cancer Survivors	93.283	19-067/20-054	48,580
Pass-through program:			
State of Delaware, Department of Services for Children, Youth and Their Families			
Provide extension of the hours and activities during summer months	93.459	PBH(YMCA-EH)FY15-13492	35,216
Pass-through program:			
State of Delaware, Department of Social Services, Delaware Health and Social Services			
Provide low-income families access to child care and improve quality of childcare for all children			
477 Cluster:			
Child Care and Development Block Grant (CCDF)	93.575	n/a	642,227
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF)	93.596	n/a	360,844
Temporary Assistance for Needy Families (TANF)	93.558	n/a	403,906
Total 477 Cluster			1,406,977
Coronavirus Relief Fund	21.019	n/a	162,081
Total State of Delaware, Department of Social Services, Delaware Health and Social Services			1,569,058
<b>Total U.S. Department of Health and Human Services</b>			<b>1,790,047</b>
<b>U.S. Department of Education</b>			
Pass-through program:			
21st Century Community Learning Centers			
School District:			
Charter School of New Castle	84.287	n/a	170,100
<b>Total U.S. Department of Education</b>			<b>170,100</b>
<b>U.S. Department of Treasury</b>			
Pass-through program:			
University of Delaware			
ECE School-Age Remote Learning Grants	21.019		7,500
Pass-through program:			
University of Delaware			
Childcare Stabilization Grant for childcare sites (American Rescue Plan Act - SLFRF)	21.027		2,048,463
Pass-through program:			
United Way of Delaware			
Nonprofit Support Fund	21.019		59,940
<b>Total U.S. Department of Treasury</b>			<b>2,115,903</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 4,498,885</b>



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

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Note A**      Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of YMCA of Delaware, Inc. & Affiliates under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of operations of YMCA of Delaware, Inc. & Affiliates, it is not intended to and does not present the financial position, changes in net assets, or cash flows of YMCA of Delaware, Inc. & Affiliates.

**Note B**      Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C**      Indirect cost rate

YMCA of Delaware, Inc. & Affiliates has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Members of the Board  
YMCA of Delaware, Inc. & Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of YMCA of Delaware, Inc. & Affiliates (YMCADE – a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, change in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 28, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered YMCADE's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of YMCADE's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCADE's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-003 that we consider to be significant deficiencies.

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

As part of obtaining reasonable assurance about whether YMCADÉ's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required.

#### **YMCADÉ's Response to Findings**

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

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gunnip & Company LLP*

Wilmington, Delaware  
September 28, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

To the Board Members  
YMCA of Delaware, Inc. & Affiliates

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited YMCA of Delaware, Inc. & Affiliates' (YMCADe) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of YMCADe's major federal programs for the year ended December 31, 2021. YMCADe's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, YMCADe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of YMCADe and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of YMCADe's compliance with the compliance requirements referred to above.

## **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to YMCADÉ's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on YMCADÉ's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about YMCADÉ's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding YMCADÉ's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of YMCADÉ's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of YMCADÉ's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gunnip & Company LLP*

Wilmington, Delaware  
September 28, 2022

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Section I - Summary of Audit Results**

**Consolidated Financial Statements**

Type of auditor's report issued:

unmodified opinion

Internal control over financial reporting:

Significant deficiencies in internal control over  
financial reporting?

  X   yes           no

Material weaknesses?

       yes      X   no

Noncompliance material to financial statements  
noted?

       yes      X   no

**Federal Awards**

Internal Control over major programs:

Significant deficiencies in internal control over  
major programs?

       yes      X   none reported

Material weaknesses?

       yes      X   no

Type of auditors' report issued on compliance  
for major programs:

unmodified opinion

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516(a)?

       yes      X   no

**Major Program:**

CFDA / Contract Number (s)

21.027

Name of Federal Program or Cluster

Childcare Stabilization Grant (SLFRF)

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   yes           no

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Section II - Financial Statement Findings**

**Reference Number: 2021-001**  
**Type of Finding: Significant Deficiency**  
**Monthly bank reconciliation**

**Condition**

During our audit procedures, we noted that bank reconciliations were prepared and reviewed by the same employee. In addition, the bank reconciliation for December 2021 was not completed and reviewed timely and included an unreconciled variance.

**Criteria**

Internal controls should be in place to provide reasonable assurance that monthly bank reconciliations are performed on a timely basis and reviewed by an employee independent of cash receipt and disbursement activities.

**Cause**

The decrease in accounting personnel and restrictions caused by the COVID-19 pandemic attributed lead to the lack of segregation of duties and delayed the performances of bank reconciliations.

**Identification as a repeat finding**

This is a repeat finding.

**Effect**

This provides an ineffective system of cash control in the Organization.

**Recommendation**

We recommend an employee independent of cash receipt and disbursement activities reviews the bank reconciliations for any unusual items and document his or her approval, on a timely basis.

**Views of responsible officials and planned corrective actions**

See attached for the Organization's Corrective Action Plan.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Section II - Financial Statement Findings continued**

**Reference Number: 2021-002**  
**Type of Finding: Significant Deficiency**  
**Membership rate change**

**Condition**

During our audit procedures, we noted that membership rates for the Walnut Branch was changed by an employee who was not authorized to do so.

**Criteria**

An effective system of internal control should include procedures to ensure only authorized employees has the ability to make modification to program and membership rates.

**Cause**

The Organization transitioned to new a revenue system during the year and implemented rules to standardize rates across all branches, thus reducing the number of employee authorized to modify rates. The noted employee was authorized to change rates prior to the system transition.

**Identification as a repeat finding**

This is not a repeat finding.

**Effect**

This provides an ineffective system of membership revenue control in the Organization.

**Recommendation**

We recommend that Management implement system limitations to ensure that only authorized employees has the ability to make modification to program and membership rates.

**Views of responsible officials and planned corrective actions**

See attached for the Organization's Corrective Action Plan.

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Section II - Financial Statement Findings, continued**

**Reference Number:** 2021-003  
**Type of Finding:** Significant Deficiency  
Capital Lease

**Condition**

It was noted that a capital equipment lease initiated in 2021 was not capitalized. Consequently, fixed assets and the corresponding depreciation expense were not properly accounted for during the year.

**Criteria**

An effective system of internal control should include procedures to evaluate new leases for capitalization.

**Cause**

The initial recording of the equipment lease was omitted by management.

**Identification as a repeat finding**

This is not a repeat finding.

**Effect**

This provides an ineffective system of financial statement closing control in the Organization.

**Recommendation**

We recommend that Management evaluate new leases upon initiation to ensure proper recording of assets and liabilities.

**Views of responsible officials and planned corrective actions**

See attached for the Organization's Corrective Action Plan.



**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

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

**NONE REPORTED**

**SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Section IV – Status of Prior Year Findings**

**Reference Number: 2020-001**  
**Type of Finding: Significant Deficiency**  
**Monthly bank reconciliation**

**Condition**

During our audit procedures, we noted that bank reconciliations were prepared and reviewed by the same employee. In addition, the bank reconciliation for December 2020 was not completed and reviewed timely.

**Recommendation**

We recommend an employee independent of cash receipt and disbursement activities reviews the bank reconciliations for any unusual items and document his or her approval, on a timely basis.

**Current Status**

Bank reconciliations were prepared by the accountant and reviewed by the Vice President to Finance as of December 31, 2021; however, monthly bank reconciliations were not performed and reviewed timely during 2021. Refer to current year finding 2021-001.

**SUMMARY STATUS OF PRIOR  
YEAR AUDIT FINDINGS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

**Reference Number:** 2020-002  
**Type of Finding:** Significant Deficiency  
Membership revenue

**Condition**

During our audit procedures, we noted that two out of twelve membership applications tested were unable to be located.

**Recommendation**

We recommend that Management have procedures in place to ensure all approved membership applications are filed and retained for all members.

**Current Status**

This finding has been resolved.

**SUMMARY STATUS OF PRIOR  
YEAR AUDIT FINDINGS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

<b>Reference Number:</b>	<b>2020-003</b>
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Federal Program:</b>	<b>Child Care and Development Block Grant/ Mandatory &amp; Matching Funds (CCDF) Cluster</b>
<b>CFDA Number:</b>	<b>93.575/93.596</b>
<b>Compliance Requirement:</b>	<b>Eligibility</b>
<b>Type of Finding:</b>	<b>Significant Deficiency in Internal Control over Compliance, Noncompliance</b>

**Condition**

The YMCADE did not have effective controls in place for maintaining record of prior participant eligibility and state reimbursement rates for February 2020 for the Brandywine branch.

**Recommendation**

We recommend that YMCA reiterate internal controls implemented in October 2019 to ensure that participant eligibility rates are maintained and documented on file with attendance records and reviewed by supervisor prior to request for reimbursement from the State. Files should be maintained for no less than the period required by the State as specified in the grant.

**Current Status**

This finding has been resolved.

**SUMMARY STATUS OF PRIOR  
YEAR AUDIT FINDINGS**

**YMCA OF DELAWARE, INC. & AFFILIATES**

Reference Number:	2020-004
Federal Agency:	U.S. Department of Health and Human Services
Federal Program:	Child Care and Development Block Grant/ Mandatory & Matching Funds (CCDF) Cluster
CFDA Number:	93.575/93.596
Compliance Requirement:	Eligibility
Type of Finding:	Significant Deficiency in Internal Control over Compliance, Noncompliance

**Condition**

The YMCADE did not have effective controls in place for maintaining parent site contracts for those that registered online, or those that were unable to be located.

**Recommendation**

We recommend that YMCA reiterate internal controls implemented to ensure that participant's parent contracts are maintained and documented on file with attendance records and reviewed by supervisor prior to request for reimbursement from the State. Files should be maintained for no less than the period required by the State as specified in the grant.

**Current Status**

This finding has been resolved.





FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

**Reference Number: 2021-001**

**Type of Finding: Significant Deficiency Monthly Bank Reconciliations**

**Recommendation:**

We recommend an employee independent of cash receipt and disbursement activities should review the bank reconciliations for any unusual items and document his or her approval, on a timely basis.

**Action taken in response to finding:**

Due to staffing reductions caused by the pandemic, there were only two individuals in finance who managed the day-to-day cash transactions, therefore, separation of duties and responsibilities was not an option during the audit period. With the return of staff in the 2nd quarter of 2021, we hired two additional finance staff members, allowing transition of the bank reconciliation process to be done by the accountant, who is independent of daily cash transactions. The accountant took over the bank reconciliation responsibility in October of 2021.

Because of the complexity and volume of transactions flowing through the operating account, the bank reconciliation continues to be difficult to complete on a timely basis. We are currently looking to separate out credit card transactions to have them flow through a bank account separate and apart from the general operating account. This will allow a timelier reconciliation of our core financial business items. We hope to have this process completed by December 2022.

**Name of the contact person responsible for corrective action:**

ShaQuan Buffaloe, VP of Finance/Controller, YMCA of Delaware

**Planned completion date for corrective action plan:**

Effective December 2022



FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

**Reference Number: 2021-002**

**Type of Finding: Significant Deficiency Membership Rate Change**

**Recommendation:**

We recommend that Management implement system limitations to ensure that only authorized employees have the ability to make modifications to program and membership rates.

**Action taken in response to finding:**

The Vice-President of Finance has met with the Senior Director of Information Systems to review the staff roles and categories in the sales system, Sales Force. It was determined that the software system's default configuration and permissions which was newly implemented at the beginning of this audit period, was inadequate for the YMCA of Delaware's financial standards. Therefore, the role "types" for all staff members has been re-evaluated and updated to prevent not only this type of occurrence but to also establish checks and balance within the system.

**Name of the contact person responsible for corrective action:**

ShaQuan Buffaloe, VP of Finance/Controller, YMCA of Delaware

**Planned completion date for corrective action plan:**

Effective September 30, 2022



FOR YOUTH DEVELOPMENT  
FOR HEALTHY LIVING  
FOR SOCIAL RESPONSIBILITY

**Reference Number: 2021-003**

**Type of Finding: Significant Deficiency Capital Lease**

**Recommendation:**

We recommend that management evaluate new leases upon initiation to ensure proper recording of assets and liabilities.

**Action taken in response to finding:**

Because of the late addition of capital lease #3 with Jules, this finding was a managerial oversight. A full and complete reconciliation of the capital lease account will be performed monthly.

**Name of the contact person responsible for corrective action:**

ShaQuan Buffaloe, VP of Finance/Controller, YMCA of Delaware

**Planned completion date for corrective action plan:**

Effective September 30, 2022