

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA**

Chattanooga, Tennessee

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

Years Ended December 31, 2023 and 2022

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Chattanooga, Tennessee

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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of the
Young Men's Christian Association
of Metropolitan Chattanooga**

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Young Men's Christian Association of Metropolitan Chattanooga (a nonprofit YMCA), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Young Men's Christian Association of Metropolitan Chattanooga as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Young Men's Christian Association of Metropolitan Chattanooga and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Statements

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 Young Men's Christian Association of Metropolitan Chattanooga's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Young Men's Christian Association of the Metropolitan Chattanooga'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 Young Men's Christian Association of Metropolitan Chattanooga'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 and state 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 and state 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 June 5, 2024, on our consideration of the Young Men's Christian Association of Metropolitan Chattanooga'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 Young Men's Christian Association of Metropolitan Chattanooga's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Young Men's Christian Association of Metropolitan Chattanooga's internal control over financial reporting and compliance.

Johnson, Niskey & Menckem, P.C.

Chattanooga, Tennessee
June 5, 2024

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

ASSETS

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|--------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 5,957,467 | \$ 6,488,578 |
| Accounts receivable | | |
| Members, net | 343,623 | 188,807 |
| Grants and contracts receivable | 132,406 | 162,340 |
| Employee Retention Tax Credits receivable | - | 1,094,037 |
| Pledges receivable, net | 1,148,246 | 636,081 |
| Prepaid expenses | <u>124,838</u> | <u>93,449</u> |
| Total current assets | <u>7,706,580</u> | <u>8,663,292</u> |
| NON-CURRENT ASSETS | | |
| Investments | 12,318,306 | 10,167,337 |
| Pledges receivable, net | 851,877 | 145,040 |
| Property and equipment, net | 16,537,576 | 15,496,832 |
| Right of use assets, net | <u>568,141</u> | <u>407,942</u> |
| Total non-current assets | <u>30,275,900</u> | <u>26,217,151</u> |
| | <u>\$ 37,982,480</u> | <u>\$ 34,880,443</u> |

(The accompanying notes are an integral part of these statements.)

LIABILITIES AND NET ASSETS

| | <u>2023</u> | <u>2022</u> |
|--|--------------------------|--------------------------|
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | \$ 436,018 | \$ 450,062 |
| Current portion of lease obligations | 295,146 | 181,511 |
| Accounts payable | 224,025 | 408,705 |
| Deferred grant revenue | 806,474 | 744,202 |
| Accrued expenses | 416,100 | 324,921 |
| Deferred revenue | <u>1,182,126</u> | <u>1,286,146</u> |
| Total current liabilities | 3,359,889 | 3,395,547 |
| LONG-TERM LIABILITIES | | |
| Interest rate swap liability | 10,483 | 20,336 |
| Long-term lease obligations, less current maturities shown above | 294,718 | 236,173 |
| Long-term debt, less current maturities shown above | <u>694,650</u> | <u>1,130,706</u> |
| Total liabilities | <u>4,359,740</u> | <u>4,782,762</u> |
| NET ASSETS | | |
| Without donor restrictions | | |
| Net investment in property and equipment | 15,385,185 | 13,906,322 |
| Board designated | 11,670,713 | 10,625,345 |
| Undesignated | <u>2,967,186</u> | <u>4,821,915</u> |
| | 30,023,084 | 29,353,582 |
| With donor restrictions | | |
| Restricted by purpose or time | <u>3,599,656</u> | <u>744,099</u> |
| | <u>33,622,740</u> | <u>30,097,681</u> |
| | <u>\$ 37,982,480</u> | <u>\$ 34,880,443</u> |

(The accompanying notes are an integral part of these statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA**

STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

(With summarized financial information for the year ended December 31, 2022)

| | Without Donor Restrictions | With Donor Restrictions | 2023 Total | 2022 Total |
|--|-------------------------------|----------------------------|---------------|---------------|
| OPERATING ACTIVITIES | | | | |
| Public support | | | | |
| Contributions | \$ 613,090 | \$ 3,452,977 | \$ 4,066,067 | \$ 918,011 |
| United Way allocations | 344,606 | 146,679 | 491,285 | 334,243 |
| Government grants | 2,514,689 | - | 2,514,689 | 2,269,244 |
| Net assets released from restrictions | 744,099 | (744,099) | - | - |
| Total public support | 4,216,484 | 2,855,557 | 7,072,041 | 3,521,498 |
| Revenue | | | | |
| Membership fees | 11,341,750 | - | 11,341,750 | 9,192,545 |
| Program service fees | 5,104,966 | - | 5,104,966 | 5,401,279 |
| Other revenue | 461,595 | - | 461,595 | 360,549 |
| Total revenue | 16,908,311 | - | 16,908,311 | 14,954,373 |
| Total public support and revenue | 21,124,795 | 2,855,557 | 23,980,352 | 18,475,871 |
| Expenses | | | | |
| Program services | | | | |
| Youth development | 4,531,544 | - | 4,531,544 | 4,040,234 |
| Healthy living | 11,613,865 | - | 11,613,865 | 9,763,811 |
| Social responsibility | 1,656,774 | - | 1,656,774 | 1,832,036 |
| Supportive services | | | | |
| Management and general | 3,937,536 | - | 3,937,536 | 3,378,331 |
| Fundraising | 584,458 | - | 584,458 | 550,673 |
| Total expenses | 22,324,177 | - | 22,324,177 | 19,565,085 |
| Change in net assets from operations | (1,199,382) | 2,855,557 | 1,656,175 | (1,089,214) |
| NON-OPERATING ACTIVITIES | | | | |
| Investment income (loss) | 1,856,640 | - | 1,856,640 | (1,056,928) |
| Gain on sale of property and equipment | 2,391 | - | 2,391 | 22,557 |
| Unrealized gain on interest rate swap | 9,853 | - | 9,853 | 116,285 |
| Paycheck Protection Program loan forgiveness | - | - | - | 1,657,875 |
| Total non-operating activities | 1,868,884 | - | 1,868,884 | 739,789 |
| INCREASE (DECREASE) IN NET ASSETS | 669,502 | 2,855,557 | 3,525,059 | (349,425) |
| NET ASSETS | | | | |
| Beginning of year | 29,353,582 | 744,099 | 30,097,681 | 30,447,106 |
| End of year | \$ 30,023,084 | \$ 3,599,656 | \$ 33,622,740 | \$ 30,097,681 |

(The accompanying notes are an integral part of these statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|---------------|
| OPERATING ACTIVITIES | | | |
| Public support | | | |
| Contributions | \$ 298,803 | \$ 619,208 | \$ 918,011 |
| United Way allocations | 209,352 | 124,891 | 334,243 |
| Government grants | 2,269,244 | - | 2,269,244 |
| Net assets released from restrictions | 571,077 | (571,077) | - |
| Total public support | 3,348,476 | 173,022 | 3,521,498 |
| Revenue | | | |
| Membership fees | 9,192,545 | - | 9,192,545 |
| Program service fees | 5,401,279 | - | 5,401,279 |
| Other revenue | 360,549 | - | 360,549 |
| Total revenue | 14,954,373 | - | 14,954,373 |
| Total public support and revenue | 18,302,849 | 173,022 | 18,475,871 |
| Expenses | | | |
| Program services | | | |
| Youth development | 4,040,234 | - | 4,040,234 |
| Healthy living | 9,763,811 | - | 9,763,811 |
| Social responsibility | 1,832,036 | - | 1,832,036 |
| Supportive services | | | |
| Management and general | 3,378,331 | - | 3,378,331 |
| Fundraising | 550,673 | - | 550,673 |
| Total expenses | 19,565,085 | - | 19,565,085 |
| Change in net assets from operations | (1,262,236) | 173,022 | (1,089,214) |
| NON-OPERATING ACTIVITIES | | | |
| Investment loss | (1,056,928) | - | (1,056,928) |
| Gain on sale of property and equipment | 22,557 | - | 22,557 |
| Unrealized gain on interest rate swap | 116,285 | - | 116,285 |
| Paycheck Protection Program loan forgiveness | 1,657,875 | - | 1,657,875 |
| Total non-operating activities | 739,789 | - | 739,789 |
| INCREASE (DECREASE) IN NET ASSETS | (522,447) | 173,022 | (349,425) |
| NET ASSETS | | | |
| Beginning of year | 29,876,029 | 571,077 | 30,447,106 |
| End of year | \$ 29,353,582 | \$ 744,099 | \$ 30,097,681 |

(The accompanying notes are an integral part of these statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

| | PROGRAM SERVICES | | | |
|---|------------------------------|---------------------------|----------------------------------|---------------------------------------|
| | Youth Development | Healthy Living | Social Responsibility | Total Program Services |
| Salaries and wages | \$ 2,659,639 | \$ 4,924,445 | \$ 455,450 | \$ 8,039,534 |
| Employee benefits | 232,673 | 338,410 | 43,998 | 615,081 |
| Payroll taxes | 243,208 | 418,537 | 43,259 | 705,004 |
| Total salaries and related expenses | 3,135,520 | 5,681,392 | 542,707 | 9,359,619 |
| Professional fees and services | 299,015 | 275,478 | 84,564 | 659,057 |
| Supplies | 487,117 | 792,932 | 772,060 | 2,052,109 |
| Telephone | 17,508 | 21,048 | 2,849 | 41,405 |
| Postage | 723 | 1,379 | 152 | 2,254 |
| Building and equipment rental | 51,249 | - | 21,100 | 72,349 |
| Repairs and maintenance | 61,652 | 1,920,226 | 31,026 | 2,012,904 |
| Transportation and travel | 69,906 | 25,401 | 37,732 | 133,039 |
| Conferences, conventions and meetings | 43,060 | 46,837 | 6,050 | 95,947 |
| Promotion | 30,887 | 128,543 | 4,271 | 163,701 |
| Organizational and national dues | 73,696 | 154,662 | 14,584 | 242,942 |
| Debt service | - | 65,717 | - | 65,717 |
| Insurance | - | 379,276 | - | 379,276 |
| Utilities | 49,613 | 1,099,417 | 23,300 | 1,172,330 |
| Total expenses before depreciation and amortization | 4,319,946 | 10,592,308 | 1,540,395 | 16,452,649 |
| Depreciation and amortization | 211,598 | 1,021,557 | 116,379 | 1,349,534 |
| Total expenses | <u>\$ 4,531,544</u> | <u>\$ 11,613,865</u> | <u>\$ 1,656,774</u> | <u>\$ 17,802,183</u> |

(The accompanying notes are an integral part of these statements.)

SUPPORTIVE SERVICES

| Management and General | Fundraising | Total Supportive Services | Total |
|------------------------------|-------------------|---------------------------------|----------------------|
| \$ 1,885,979 | \$ 335,210 | \$ 2,221,189 | \$ 10,260,723 |
| 417,969 | 43,044 | 461,013 | 1,076,094 |
| 222,002 | 28,761 | 250,763 | 955,767 |
| 2,525,950 | 407,015 | 2,932,965 | 12,292,584 |
| 391,168 | - | 391,168 | 1,050,225 |
| 92,481 | 136,889 | 229,370 | 2,281,479 |
| 151,278 | 12,299 | 163,577 | 204,982 |
| 5,380 | 156 | 5,536 | 7,790 |
| 42,788 | - | 42,788 | 115,137 |
| 207,503 | - | 207,503 | 2,220,407 |
| 49,589 | - | 49,589 | 182,628 |
| 237,606 | 21,291 | 258,897 | 354,844 |
| 169,913 | 6,808 | 176,721 | 340,422 |
| 63,880 | - | 63,880 | 306,822 |
| - | - | - | 65,717 |
| - | - | - | 379,276 |
| - | - | - | 1,172,330 |
| 3,937,536 | 584,458 | 4,521,994 | 20,974,643 |
| - | - | - | 1,349,534 |
| <u>\$ 3,937,536</u> | <u>\$ 584,458</u> | <u>\$ 4,521,994</u> | <u>\$ 22,324,177</u> |

(The accompanying notes are an integral part of these statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

| | PROGRAM SERVICES | | | |
|---|------------------------------|---------------------------|----------------------------------|---------------------------------------|
| | Youth Development | Healthy Living | Social Responsibility | Total Program Services |
| Salaries and wages | \$ 2,426,196 | \$ 4,133,605 | \$ 542,774 | \$ 7,102,575 |
| Employee benefits | 205,895 | 289,780 | 46,858 | 542,533 |
| Payroll taxes | 215,239 | 347,882 | 55,315 | 618,436 |
| Total salaries and related expenses | 2,847,330 | 4,771,267 | 644,947 | 8,263,544 |
| Professional fees and services | 131,514 | 248,045 | 7,444 | 387,003 |
| Supplies | 501,621 | 735,749 | 944,625 | 2,181,995 |
| Telephone | 19,471 | 23,943 | 4,525 | 47,939 |
| Postage | 542 | 1,164 | 170 | 1,876 |
| Building and equipment rental | 40,108 | 79,686 | 18,000 | 137,794 |
| Repairs and maintenance | 59,221 | 963,413 | 17,812 | 1,040,446 |
| Transportation and travel | 71,369 | 16,379 | 39,737 | 127,485 |
| Conferences, conventions and meetings | 24,451 | 35,071 | 2,338 | 61,860 |
| Promotion | 28,524 | 110,690 | 6,278 | 145,492 |
| Organizational and national dues | 65,548 | 119,146 | 17,492 | 202,186 |
| Resales | - | 145,404 | - | 145,404 |
| Debt service | - | 106,195 | - | 106,195 |
| Insurance | - | 321,674 | - | 321,674 |
| Utilities | 51,173 | 1,090,424 | 900 | 1,142,497 |
| Total expenses before depreciation and amortization | 3,840,872 | 8,768,250 | 1,704,268 | 14,313,390 |
| Depreciation and amortization | 199,362 | 995,561 | 127,768 | 1,322,691 |
| Total expenses | \$ 4,040,234 | \$ 9,763,811 | \$ 1,832,036 | \$ 15,636,081 |

(The accompanying notes are an integral part of these statements.)

SUPPORTIVE SERVICES

| Management and General | Fundraising | Total Supportive Services | Total |
|------------------------------|-------------------|---------------------------------|----------------------|
| \$ 1,725,166 | \$ 315,900 | \$ 2,041,066 | \$ 9,143,641 |
| 372,304 | 38,118 | 410,422 | 952,955 |
| 180,246 | 27,104 | 207,350 | 825,786 |
| 2,277,716 | 381,122 | 2,658,838 | 10,922,382 |
| 336,737 | - | 336,737 | 723,740 |
| 156,365 | 136,461 | 292,826 | 2,474,821 |
| 151,787 | 12,749 | 164,536 | 212,475 |
| 5,128 | 143 | 5,271 | 7,147 |
| 38,990 | - | 38,990 | 176,784 |
| 106,806 | - | 106,806 | 1,147,252 |
| 56,942 | - | 56,942 | 184,427 |
| 44,165 | 14,621 | 58,786 | 120,646 |
| 127,782 | 5,577 | 133,359 | 278,851 |
| 75,913 | - | 75,913 | 278,099 |
| - | - | - | 145,404 |
| - | - | - | 106,195 |
| - | - | - | 321,674 |
| - | - | - | 1,142,497 |
| 3,378,331 | 550,673 | 3,929,004 | 18,242,394 |
| - | - | - | 1,322,691 |
| <u>\$ 3,378,331</u> | <u>\$ 550,673</u> | <u>\$ 3,929,004</u> | <u>\$ 19,565,085</u> |

(The accompanying notes are an integral part of these statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase (decrease) in net assets | \$ 3,525,059 | \$ (349,425) |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Allowance for uncollectible pledges | (179,195) | 109,167 |
| Depreciation and amortization | 1,351,072 | 1,322,691 |
| Unrealized gain on interest rate swap | (9,853) | (116,285) |
| Net realized and unrealized gains (losses) on investments | (1,395,397) | 1,282,329 |
| Gain on disposal of equipment | (2,391) | (22,557) |
| Forgiveness of Paycheck Protection Program loan | - | (1,657,875) |
| Donated capital assets | (85,000) | - |
| Net (increase) decrease in operating assets | | |
| Accounts receivable and prepaids | 939,422 | (13,639) |
| Pledges receivable | (1,041,461) | 199,382 |
| Net increase (decrease) in operating liabilities | | |
| Accounts payable and accrued expenses | (93,503) | 338,020 |
| Deferred revenue | <u>(41,748)</u> | <u>488,320</u> |
| Net cash provided by operating activities | <u>2,967,005</u> | <u>1,580,128</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposal of equipment | 13,000 | 85,351 |
| Purchase of property and equipment | (2,021,877) | (1,539,148) |
| Purchase of investments | (7,867,050) | (15,231,179) |
| Proceeds from sale of investments | <u>7,111,478</u> | <u>16,555,239</u> |
| Net cash used by investing activities | <u>(2,764,449)</u> | <u>(129,737)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on finance lease obligations | (283,567) | (215,181) |
| Payment of long-term debt | <u>(450,100)</u> | <u>(449,109)</u> |
| Net cash used by financing activities | <u>(733,667)</u> | <u>(664,290)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (531,111) | 786,101 |
| CASH AND CASH EQUIVALENTS | | |
| Beginning | <u>6,488,578</u> | <u>5,702,477</u> |
| Ending | <u>\$ 5,957,467</u> | <u>\$ 6,488,578</u> |

(The accompanying notes are an integral part of these statements.)

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for | | |
| Interest | <u>\$ 111,674</u> | <u>\$ 106,195</u> |

(The accompanying notes are an integral part of these statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business

The Young Men's Christian Association of Metropolitan Chattanooga's (YMCA) mission is to advance our cause of strengthening community through youth development, healthy living and social responsibility. The YMCA is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation's health and well-being and providing opportunities to give back and support neighbors, the YMCA enables youth, adults, families and communities to be healthy, confident, connected and secure.

Program activities

Youth development – Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills, and relationships that lead to positive behaviors, better health and educational achievement. Our YMCA programs, such as child care, youth sports, day and resident camp programs and other youth programming, offer a range of experiences that enrich cognitive, social, physical and emotional growth.

Healthy living – The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun and shared interests. As a result, people in our community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment.

Social responsibility – Our YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community's most critical social needs. YMCA programs such as the food program, backpack blessings and outdoor education, are examples of how we deliver training, resources and support that empower our neighbors to effect change, bridge gaps and overcome obstacles. We engage YMCA members, participants and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

As part of our mission our programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. We provide financial assistance to people who otherwise may not have been able to afford to participate.

Basis of accounting

The financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for property maintenance and branches.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

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

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

Operating activities

Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investment such as contributions for facilities and equipment, investment returns, and changes in the fair value of the interest rate swap.

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Public support

Contributions – The YMCA receives contributions to support operating activities and capital projects. These contributions can be from individuals, foundations, corporations, or trusts. The YMCA records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. The YMCA discounts multi-year pledges that are expected to be collected after one year using a risk adjusted discount rate. Multi-year pledges are recorded at fair value at the date of the pledge.

Government grants and contracts – The YMCA receives grant and contract funding from various federal, state, and local governments to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, curriculum, staffing and other requirements. These program services range from child care after school programs, day camp, family programs, and food programs. The YMCA's government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred.

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NOTES TO FINANCIAL STATEMENTS
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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Public support (continued)

Government grants and contracts (continued)

Cash received on government grants and contracts prior to incurring allowable expenses are recorded as advances upon receipt.

Government grants and contracts receivable are recorded in grants and contracts receivable. All other contributions are recorded in pledges receivable. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

In-kind contributions – The YMCA recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed. The YMCA did not record any contributed services for the years ended December 31, 2023 and 2022, respectively.

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

Contributions of assets other than cash are recorded at estimated fair value. During the year ended December 31, 2023, the YMCA received contributions of assets other than cash totaling \$85,000.

Revenue Recognition

The YMCA has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees and government contract revenues.

Because the YMCA's performance obligations relate to contracts with a duration of less than one year, the YMCA has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Membership dues and program fees – Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time and may cancel with 30 days' notice. Members generally pay a onetime joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The YMCA offers a variety of programs including family, child care, day camp, resident camp, fitness, aquatics, health, and senior programs. Fee-based programs are available to the public.

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Membership dues and program fees (continued)

Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees.

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

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

Government contract revenues – The YMCA has contracts with city, state, and federal agencies to provide a variety of program services to the public based on contract requirements. Such contracts from government agencies are recorded as revenue as performance obligations are satisfied, which is generally when the related expenditures are incurred over the period the service is provided.

Advances are recorded as deferred revenue from government contracts upon receipt. Included in government receivables are contract assets for unbilled services and receivables for billed unpaid services.

For government receivables, the allowance for doubtful accounts is determined by a monthly and semi-annual review of account balances, including the age of the balance, historical collection experience and specific identification of uncollectible accounts. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

Accounts receivable

Accounts receivable consists primarily of receivables from program registrants. The YMCA's accounts receivable represents an unconditional right to consideration from its contracts with customers. Receivables are recorded at estimated fair value at the time of origination and are reflected in the statements of financial position net of allowances for doubtful accounts. An allowance is determined by management based on historical collections, specific participants' circumstances, and economic conditions. Member receivables are written off when management has exhausted collection efforts and deems the account uncollectible. The YMCA does not accrue interest on unpaid accounts receivable.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are stated at fair value which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy which gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

Investments in private investment entities are valued based on the YMCA's proportional share of the net asset valuations reported by the underlying entities. Adjustments, if necessary, are made by the general partner if the net asset valuation is not calculated in a manner consistent with the measurement principles used to determine fair value as prescribed by generally accepted accounting principles. Investments in private investment entities are classified in Level 2 or 3 of the fair value hierarchy as specified in Accounting Standards Update, *Fair Value Measurements and Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*.

Property and equipment

Property and equipment are stated at cost or, if donated, fair market value at the time of donation. Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for additions and improvements are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

Depreciation is computed by the straight-line method based on the estimated useful lives of the depreciable assets, which range from five to forty years.

Income taxes

The YMCA is a tax-exempt not-for-profit entity under Section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. The YMCA has unrelated business income under Section 511 of the Internal Revenue Code. This income arises from investment activities.

The Financial Accounting Standards Board guidance requires tax effects from uncertain tax positions be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense, however, there is no interest or penalties recognized in the statements of activities. The tax years after 2020 are still open to audit for both federal and state purposes.

Advertising costs

The YMCA's policy is to expense advertising costs as incurred.

Cash equivalents

The YMCA considers all highly liquid, debt instruments with an original maturity of three months or less to be cash equivalents.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional allocation of expenses

The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon full-time equivalent and square footage usages.

Right of Use Assets and Lease Liabilities

Right of use ("ROU") assets represent the YMCA's right to use the underlying assets for the lease term and lease liabilities represent the net present value of the YMCA's obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the YMCA's incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the YMCA will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. Finance lease expense is recognized as amortization of the right of use asset and interest expense. As permitted by ASU 2016-02, *Leases: Topic 842*, leases with an initial term of twelve months or less ("short-term leases") are not recorded on the accompanying statements of financial position.

The YMCA has lease agreements with lease and non-lease components, which are accounted for as a single lease component under the practical expedient provisions of the standard. The YMCA has lease agreements with terms less than one year. For the qualifying short-term leases, the YMCA elected the short-term lease recognition exemption in which the YMCA will not recognize ROU assets or lease liabilities, including the ROU assets or lease liabilities for existing short-term leases of those assets upon adoption.

Variable lease payments such as common area maintenance, utilities, and taxes, are not included in the recognition of ROU assets and related lease liabilities. Variable lease payments and short-term lease expenses were immaterial to the YMCA's financial statements for the years ended December 31, 2023 and 2022. The YMCA's lease agreements do not contain material restrictive covenants.

Leasing activities

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases: Topic 842*. This ASU affects any entity that enters a lease, with some specified scope exemptions. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The YMCA has implemented this ASU for the year ended December 31, 2022, using the modified retrospective approach. The YMCA elected the optional practical expedient package which, among other things, includes the historical classification of leases.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(2) LIQUIDITY AND AVAILABILITY

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

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 5,957,467 |
| Accounts receivable, net | 476,029 |
| Investments | 12,318,306 |
| Pledges receivable, net | <u>1,148,246</u> |
| | <u>\$ 19,900,048</u> |

As part of YMCA's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the YMCA invests cash in excess of daily requirements in short-term investments. Although the YMCA does not intend to spend from its investment portfolio other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its investment portfolio could be made available if necessary. However, the portfolio contains investments with lock-up provisions that would reduce the total investments that could be made available (see Note 4 for disclosures about investments).

(3) PLEDGES RECEIVABLE

Unconditional promises to give as of December 31, 2023 and 2022, consist of \$146,679 and \$124,891 from the United Way to fund ongoing programs. Annual support campaign contributions and capital campaign contributions from the general public totaled \$1,853,444 and \$656,230 for the years ended December 31, 2023 and 2022. The remaining funds from the Camp Ocoee capital campaign will be used towards the renovation of existing facilities along with expanded programs at the camp. The funds from the ongoing comprehensive capital campaign will be used to renovate and upgrade all existing facilities across the YMCA.

Unconditional promises to give as of December 31, 2023, are expected to mature as follows:

| | |
|---|---------------------|
| For the year ending December 31, 2024 | \$ 1,546,535 |
| 2025 | 298,998 |
| 2026 | 298,998 |
| 2027 | 256,398 |
| 2028 | 47,525 |
| Thereafter | <u>4,333</u> |
| | 2,452,787 |
| Less discount for pledges receivable | 54,375 |
| Less reserve for uncollectible promises to give | <u>398,289</u> |
| | <u>\$ 2,000,123</u> |

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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(4) INVESTMENTS

Assets held in the investment accounts as of December 31, 2023 and 2022, were composed of the following:

| 2023 | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|---------------|
| | Cost | Market Value | Unfunded Commitments | Redemption Frequency | Notice Period |
| Equities | | | | | |
| UBS Equities | \$ 7,838,266 | \$ 8,458,671 | \$ - | Daily | 1 Day |
| Fixed Income | | | | | |
| UBS Fixed Income | 717,734 | 730,277 | - | Daily | 1 Day |
| Real Estate | | | | | |
| GT Real Assets II | 174,778 | 302,620 | 42,000 | N/A | Liquidation |
| GT Real Assets III | 326,588 | 536,593 | 175,000 | N/A | Liquidation |
| GT Real Property Holdings IV | 118,099 | 64,819 | 50,000 | N/A | Liquidation |
| Private Equity | | | | | |
| Palladian Partners V-A, LLC | 152,653 | 13,518 | - | N/A | Liquidation |
| GT Private Equity X-A | 300,064 | 300,981 | 399,000 | N/A | Liquidation |
| Palladian Partners VI-A, LLC | 211,045 | 37,986 | 100,000 | N/A | Liquidation |
| Palladian Partners VIII-A, LLC | 233,805 | 532,225 | 50,000 | N/A | Liquidation |
| Palladian Partners IX-A, LLC | 325,391 | 569,387 | 130,000 | N/A | Liquidation |
| Palladian Partners VII, VIII, & IX (Acorn) | 216,685 | 771,229 | 154,800 | N/A | Liquidation |
| | <u>\$ 10,615,108</u> | <u>\$ 12,318,306</u> | <u>\$ 1,100,800</u> | | |
| 2022 | | | | | |
| | Cost | Market Value | Unfunded Commitments | Redemption Frequency | Notice Period |
| Equities | | | | | |
| UBS Equities | \$ 6,651,480 | \$ 5,971,337 | \$ - | Daily | 1 Day |
| Fixed Income | | | | | |
| UBS Fixed Income | 1,177,673 | 1,117,894 | - | Daily | 1 Day |
| Commodities | | | | | |
| UBS Commodities | 82,568 | 65,476 | - | Daily | 1 Day |
| Real Estate | | | | | |
| GT Real Assets II | 194,278 | 305,349 | 66,000 | N/A | Liquidation |
| GT Real Assets III | 301,588 | 459,978 | 200,000 | N/A | Liquidation |
| GT Real Property Holdings IV | 126,099 | 77,132 | 50,000 | N/A | Liquidation |

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
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(4) INVESTMENTS (continued)

| | <u>Cost</u> | <u>Market Value</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Notice Period</u> |
|---|----------------------|-------------------------|---------------------------------|---------------------------------|--------------------------|
| Equity & Debt | | | | | |
| GT Emerging Markets, LP | 104,472 | 62,099 | - | Yearly | 90 Days |
| Private Equity | | | | | |
| Palladian Partners V-A, LLC | 162,653 | 22,376 | - | N/A | Liquidation |
| GT Private Equity X-A | 188,064 | 175,612 | 511,000 | N/A | Liquidation |
| Palladian Partners VI-A, LLC | 249,045 | 68,509 | 100,000 | N/A | Liquidation |
| Palladian Partners VIII-A, LLC | 268,805 | 534,422 | 75,000 | N/A | Liquidation |
| Palladian Partners IX-A, LLC | 300,391 | 573,644 | 155,000 | N/A | Liquidation |
| Palladian Partners VII, VIII, & IX (Acorn) | <u>216,685</u> | <u>733,509</u> | <u>154,800</u> | N/A | Liquidation |
| | <u>\$ 10,023,801</u> | <u>\$ 10,167,337</u> | <u>\$ 1,311,800</u> | | |

The YMCA has invested in various investment entities under capital commitment agreements. The total capital commitments of the YMCA are \$6,160,000. The YMCA could be required to make additional contributions of up to \$1,100,800 in connection with these commitments.

Real estate and private equities – This category includes several real estate and private equity funds that invest primarily in U.S. and foreign commercial real estate and private equity funds. These investments can never be voluntarily redeemed by the holder. Instead the nature of the investments in these categories are that distributions are received through the liquidation of the underlying assets of the funds. As of December 31, 2023, it is probable that all the investments in these categories will be sold at an amount different from the net asset value of the YMCA's ownership interest. The fair values of the underlying investments of the real estate and private equity funds in these categories have been estimated by the fund managers using estimates, appraisals, recent observable transaction information for similar investments and non-binding bids received from potential buyers of the investments. The YMCA has valued its investment based on its proportional share of the net asset valuations reported by the real estate and private equity funds. As of December 31, 2023, a buyer (or buyers) for these investments has not yet been identified. Once a buyer has been identified, the investee fund's management must approve the buyer before the sale of the investments can be completed.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(4) INVESTMENTS (continued)

Summaries of investment return are as follows:

| | <u>2023</u> | <u>2022</u> |
|---|---------------------|-----------------------|
| Dividends and interest | \$ 461,243 | \$ 281,361 |
| Net realized gains (losses) and unrealized gains (losses) | <u>1,395,397</u> | <u>(1,338,289)</u> |
| | <u>\$ 1,856,640</u> | <u>\$ (1,056,928)</u> |

The average annual yield, exclusive of net capital gains, was 13.94% and (39.67%) for the years ending December 31, 2023 and 2022, respectively. The total annual return for the same periods were 12.62% and (8.29%). Yields were computed using market values.

(5) PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, fixed assets are as follows:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|----------------------|----------------------|
| Land | \$ 2,866,867 | \$ 2,781,867 |
| Buildings | 37,232,438 | 34,783,781 |
| Furniture, fixtures and equipment | 3,675,230 | 3,512,870 |
| Vehicles | 749,440 | 800,143 |
| Construction in process and other | <u>880,041</u> | <u>1,495,224</u> |
| | 45,404,016 | 43,373,885 |
| Less accumulated depreciation | <u>28,866,440</u> | <u>27,877,053</u> |
| | <u>\$ 16,537,576</u> | <u>\$ 15,496,832</u> |

Depreciation expense, including amortization expense on right of use assets discussed in Note 15, totaled \$1,351,072 and \$1,322,691, for the years ended December 31, 2023 and 2022, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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(6) LONG-TERM DEBT

Long-term debt at December 31, 2023 and 2022, consists of the following:

| | <u>2023</u> | <u>2022</u> |
|---|--------------------------|----------------------------|
| Note payable to Pathway Lending, in monthly installments of \$4,280, including interest at 2.00%, through September 2024. | \$ 36,017 | \$ 86,118 |
| Bonds payable - details below | <u>1,094,651</u> | <u>1,494,650</u> |
| | 1,130,668 | 1,580,768 |
| Less current maturities | <u>436,018</u> | <u>450,062</u> |
| | <u><u>\$ 694,650</u></u> | <u><u>\$ 1,130,706</u></u> |

Future maturities are as follows:

| | |
|---------------------------------------|----------------------------|
| For the year ending December 31, 2024 | \$ 436,018 |
| 2025 | 400,000 |
| 2026 | <u>294,650</u> |
| | <u><u>\$ 1,130,668</u></u> |

On December 1, 2010, the YMCA refinanced a loan agreement with the Industrial Development Board of the City of Chattanooga whereby it borrowed the sum of \$6.9 million representing the proceeds from the sale of revenue bonds to finance an addition to the Hamilton facility and remodel of the Downtown Chattanooga and Cleveland facilities. These revenue bonds were issued by the Board and are secured by a trust indenture with a financial institution. Both the Bank and the Board have been granted a security interest via a Deed of Trust.

The above agreement contains covenants that impose restrictions with respect to, among other things, capitalization, net indebtedness, financial ratios, and the acquisition and disposition of assets. As of December 31, 2023, the YMCA was in compliance with the above debt covenants.

Interest costs incurred for the years ended December 31, 2023 and 2022, were \$66,666 and \$83,250, respectively.

The YMCA has an interest rate swap agreement that was entered into on September 17, 2007, as a hedge of cash flow variability caused by changes in interest rates on variable rate bonds issued in 2006. The differential interest required to be paid or that will be received under this agreement is accrued consistent with the terms of the agreement and is recognized as interest expense as accrued. Terms of the swap agreement require the differential interest to be paid or received monthly.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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(6) LONG-TERM DEBT (continued)

Generally accepted accounting principles require derivative instruments, such as interest rate swap agreements, to be recognized at fair value as either assets or liabilities in the statement of financial position. Accordingly, the negative \$10,483 value of the swap agreement at December 31, 2023, is reported as a liability in the statement of financial position. The increase in value of \$9,853 is reported in the statement of activities as a separate component of changes in unrestricted net assets. Value has been measured based on estimates of the amount needed to settle the agreement as calculated by the counterparty to the swap agreement. Such calculations were based on changes in market conditions and/or assumptions underlying valuation models.

The notional principal amount of the swap agreement is \$1,100,000. The agreement effectively fixes the YMCA's interest rate exposure at 2.0% or SOFR rate.

(7) PAYCHECK PROTECTION PROGRAM LOAN

In March 2021, the YMCA applied for and received forgivable loan amounts totaling \$1,657,875 through the Paycheck Protection Program which was administered by the Small Business Administration as part of the Coronavirus Aid, Relief and Economic Security Act. In order for these funds to be forgiven, the funds may only be used for payroll, employee pension, health insurance, rent and utilities expense. Additionally, these funds are not legally forgiven until the YMCA applies for forgiveness and the Small Business Administration approves forgiveness. On February 16, 2022, the YMCA received principal forgiveness of \$1,657,875 and interest forgiveness of \$14,875. For the year ended December 31, 2022, the forgiven principal is reported as Paycheck Protection Program loan forgiveness in the statement of activities as a non-operating activity.

(8) BOARD DESIGNATED NET ASSETS

Board designated net assets as of December 31, 2023 and 2022, consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|-----------------------------------|----------------------|----------------------|
| Property maintenance | \$ 5,601,942 | \$ 5,100,166 |
| Branches | <u>6,068,771</u> | <u>5,525,179</u> |
| Total board designated net assets | <u>\$ 11,670,713</u> | <u>\$ 10,625,345</u> |

**YOUNG MEN'S CHRISTIAN ASSOCIATION
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(9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2023 and 2022, consists of the following:

| | <u>2023</u> | <u>2022</u> |
|---|--------------|-------------|
| Pledges designated for specific program or capital campaign | \$ 3,599,656 | \$ 744,099 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor. Those amounts released from restrictions during the years ended December 31, 2023 and 2022, are as follows:

| | <u>2023</u> | <u>2022</u> |
|----------------------------------|-------------|-------------|
| Time and satisfying restrictions | \$ 744,099 | \$ 571,077 |

(10) CONCENTRATION OF CREDIT RISK

The YMCA has cash at financial institutions with balances that exceed federal insurance coverage. At December 31, 2023 and 2022, the uninsured balances were approximately \$3,925,000 and \$3,268,000, respectively.

(11) FAIR VALUE MEASUREMENTS

At December 31, 2023, the YMCA's fair value hierarchy was classified as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|-------------------------|---------------------|---------------------|---------------------|----------------------|
| Assets | | | | |
| Investments | | | | |
| Equities | \$ 8,458,671 | \$ - | \$ - | \$ 8,458,671 |
| Fixed income | - | 730,277 | - | 730,277 |
| Real estate | - | - | 904,032 | 904,032 |
| Private equity | - | - | 2,225,326 | 2,225,326 |
| | 8,458,671 | 730,277 | 3,129,358 | 12,318,306 |
| Pledges receivable, net | - | 2,000,123 | - | 2,000,123 |
| | <u>\$ 8,458,671</u> | <u>\$ 2,730,400</u> | <u>\$ 3,129,358</u> | <u>\$ 14,318,429</u> |

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(11) FAIR VALUE MEASUREMENTS (continued)

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|--------------------|----------------|----------------|----------------|-------------------|
| Liabilities | | | | |
| Interest rate swap | \$ - | \$ 10,483 | \$ - | \$ 10,483 |

(12) FINANCIAL ASSISTANCE PROVIDED

The YMCA provides financial assistance, through contributions and other fundraising, to help defray the costs of membership, program and other fees for individuals with need. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were as follows for the years ended December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|----------------------|---------------------|
| Membership dues | \$ 11,810,395 | \$ 9,680,183 |
| Less financial assistance | <u>468,645</u> | <u>487,638</u> |
| Membership dues, net | <u>\$ 11,341,750</u> | <u>\$ 9,192,545</u> |
| Program fees | \$ 5,347,117 | \$ 5,613,477 |
| Less financial assistance | <u>242,151</u> | <u>212,198</u> |
| Program fees, net | <u>\$ 5,104,966</u> | <u>\$ 5,401,279</u> |

(13) RETIREMENT PLAN

The YMCA participates in a defined contribution, individual account, money purchase retirement plan that is administered by the YMCA Retirement Fund (a separate corporation). This plan is for the benefit of all eligible professional and support staff of the YMCA who qualify under applicable participation requirements.

The YMCA Retirement Fund is operated as a church pension plan and is a not-for-profit, tax exempt, state of New York Corporation. Participation is available to all duly organized and recognized YMCAs in the United States. As a defined contribution plan, the YMCA Retirement Fund has no unfunded benefit obligations. In accordance with the agreement with the YMCA Retirement Fund, the YMCA and employee contributions are a percentage of the participating employees' salaries, paid for by the YMCA, and are remitted to the YMCA Retirement Fund monthly. The YMCA contributions charged to retirement expense were \$473,748 and \$435,358 for the years ended December 31, 2023 and 2022, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(14) RELATED PARTY TRANSACTIONS

During the normal course of business, the Young Men's Christian Association of Metropolitan Chattanooga purchases various supplies and services from companies associated with Board Members. All purchases are deemed to be arms-length transactions. The YMCA also pays dues to YMCA of the USA. Dues paid to YMCA of the USA for the year ended December 31, 2023 and 2022, were \$258,361 and \$203,315.

(15) LEASING ACTIVITIES

The YMCA has financing leases for exercise equipment at the YMCA's branches that have initial lease terms maturing annually through April 2034.

The following summarizes the line items in the statements of financial position which include amounts for the Organization's finance leases as of December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Finance lease | | |
| ROU – exercise equipment | \$1,207,073 | \$ 755,331 |
| ROU – accumulated amortization | <u>(638,932)</u> | <u>(347,389)</u> |
| ROU, net | <u>\$ 568,141</u> | <u>\$ 407,942</u> |
| Current portion of finance leases | \$ 295,146 | \$ 181,511 |
| Long-term finance leases, less current maturities | <u>294,718</u> | <u>236,173</u> |
| Total finance lease liability | <u>\$ 589,864</u> | <u>\$ 417,684</u> |

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Weighted average remaining lease term – finance leases | 2.47 years | 2.28 years |
| Weighted average discount rate – finance leases | 7.76% | 7.31% |

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(15) LEASING ACTIVITIES (continued)

The maturities of lease liability as of December 31, 2023, is as follows:

| | <u>Finance</u> |
|-------------------------|--------------------------|
| December 31, 2024 | \$ 330,505 |
| 2025 | 224,835 |
| 2026 | 33,377 |
| 2027 | 22,433 |
| 2028 | 22,433 |
| Thereafter | <u>20,564</u> |
| Total lease payments | 654,147 |
| Present value discount | <u>(64,283)</u> |
| Total lease liabilities | <u><u>\$ 589,864</u></u> |

The following summarizes the line items in the statements of activities which include the components of lease expense for the years ended December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|--------------------------|--------------------------|
| Lease expense | | |
| Finance lease expense | | |
| Amortization of ROU assets | \$ 291,543 | \$ 221,245 |
| Interest on lease liabilities | <u>45,957</u> | <u>22,945</u> |
| Total | <u><u>\$ 337,500</u></u> | <u><u>\$ 244,190</u></u> |

The following summarizes cash flow information related to leases for the years ended December 31, 2023 and 2022:

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from finance leases | \$ 45,957 | \$ 22,945 |
| Financing cash flows from finance leases principal portion | \$ 279,562 | \$ 215,181 |
| ROU assets obtained in exchange for net operating lease liability | \$ 451,742 | \$ 459,953 |

As of December 31, 2023, the YMCA has additional operating and financing leases, primarily for rental of office facilities and exercise equipment, that have not yet commenced of approximately \$1,030,000 and \$345,000, respectively. These operating and finance leases will commence during 2024 with lease terms of 3 years to 10 years.

(16) RECLASSIFICATIONS

Certain prior year numbers have been reclassified to conform with current year presentation.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

(17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 5, 2024, the date which these financial statements were available for issue.

SUPPLEMENTAL DATA

YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN CHATTANOOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing Number | Grant Revenue Receivable December 31, 2022 | Grant Revenue Received | Expenditures | Adjustments | Grant Revenue Receivable/Deferred December 31, 2023 |
|--|----------------------------------|---|-------------------------------|---------------------|--------------------|--|
| FEDERAL GRANTS | | | | | | |
| U.S. Department of Justice | | | | | | |
| Passed through Tennessee Commission on Children and Youth Juvenile Justice Supplements (TCCY) | 16.540 | \$ 23,478 | \$ 84,179 | \$ 80,392 | \$ - | \$ 19,691 |
| U.S. Department of Agriculture | | | | | | |
| Child Nutrition Cluster | | | | | | |
| Passed through Georgia Dept. of Early Care and Learning Summer Food Service Program | 10.559 | - | 45,642 | 45,642 | - | - |
| Passed through Tennessee Dept of Human Services Summer Food Service Program | 10.559 | - | 397,507 | 397,507 | - | - |
| Total Child Nutrition Cluster | | - | 443,149 | 443,149 | - | - |
| Passed through Georgia Dept. of Early Care and Learning Child & Adult Care Food Program | 10.558 | 6,227 | 36,563 | 38,658 | - | 8,322 |
| Passed through Tennessee Dept of Human Services Child & Adult Care Food Program | 10.558 | 86,525 | 494,367 | 491,146 | - | 83,304 |
| Community Food Projects | 10.225 | - | 23,713 | 23,713 | - | - |
| Total U.S. Department of Agriculture | | 92,752 | 997,792 | 996,666 | - | 91,626 |
| U.S. Department of Health and Human Services | | | | | | |
| CCDF Cluster | | | | | | |
| Passed through City of Chattanooga American Rescue Plan Act COVID-19 Stabilization Grant for Child Care Providers | 93.575 | - | 122,767 | 122,767 | - | - |
| Passed through Tennessee Department of Human Services COVID-19 American Rescue Plan Act Stabilization Grant for Child Care Providers | 93.575 | (391,694) | 346,925 | 417,960 | (38,000) | (282,659) |
| Passed through Georgia Department of Human Services COVID-19 American Rescue Plan Act Stabilization Grant for Child Care Providers | 93.575 | (352,508) | 696,634 | 525,327 | - | (523,815) |
| Total U.S. Department of Health and Human Services | | (744,202) | 1,166,326 | 1,066,054 | (38,000) | (806,474) |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | (627,972) | 2,248,297 | 2,143,112 | (38,000) | (695,157) |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN CHATTANOOGA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing Number | Grant Revenue Receivable December 31, 2022 | Grant Revenue Received | Expenditures | Adjustments | Grant Revenue Receivable December 31, 2023 |
|---|--|---|-----------------------------------|---------------------|--------------------|---|
| STATE GRANTS | | | | | | |
| Tennessee Department of Education | | | | | | |
| Direct | | | | | | |
| Lottery for Education: Afterschool Programs (LEAPs) | N/A | 46,110 | 168,594 | 143,573 | - | 21,089 |
| Tennessee Department of Human Services | | | | | | |
| Direct | | | | | | |
| Child Care Certification Program | N/A | - | 144,036 | 144,036 | - | - |
| Passed through the Putnam County YMCA | | | | | | |
| Drowning Prevention Education | N/A | - | 58,200 | - | - | (58,200) |
| Passed through the YMCA of Middle Tennessee | | | | | | |
| Community Action Program | N/A | - | 83,968 | 83,968 | - | - |
| TOTAL EXPENDITURES OF STATE AWARDS | | 46,110 | 454,798 | 371,577 | - | (37,111) |
| TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS | | <u>\$ (581,862)</u> | <u>\$ 2,703,095</u> | <u>\$ 2,514,689</u> | <u>\$ (38,000)</u> | <u>\$ (732,268)</u> |

**YOUNG MEN’S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
DECEMBER 31, 2023**

(1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Young Men’s Christian Association of Metropolitan Chattanooga. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited to reimbursement. Young Men’s Christian Association of Metropolitan Chattanooga has elected not to use the 10-percent de minimis indirect cost rate 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 Board of Directors of the
Young Men's Christian Association
of Metropolitan Chattanooga**

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 Young Men's Christian Association of Metropolitan Chattanooga (a nonprofit organization) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the YMCA'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCA'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 YMCA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YMCA's 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 to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the YMCA'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 YMCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson, Wiley & Menckem, P.C.

Chattanooga, Tennessee
June 5, 2024



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

**To the Board of Directors of the
Young Men's Christian Association
of Metropolitan Chattanooga**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Young Men's Christian Association of Metropolitan Chattanooga's compliance requirements with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the YMCA's major federal programs for the year ended December 31, 2023. The YMCA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the YMCA 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the YMCA'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 the YMCA'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 the YMCA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the YMCA'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 the YMCA'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.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the YMCA's response to the noncompliance finding identified in our compliance audit described in the accompany schedule of findings and questioned costs. The YMCA's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

Johnson, Nicky & Menckson, P.C.

Chattanooga, Tennessee
June 5, 2024

**YOUNG MEN’S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors’ report expresses an unmodified opinion on whether the financial statements of Young Men’s Christian Association of Metropolitan Chattanooga were prepared in accordance with GAAP.
2. No material weaknesses were identified and no significant deficiencies were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Young Men’s Christian Association of Metropolitan Chattanooga were disclosed by the audit.
4. No material weaknesses were identified and no significant deficiencies were reported during the audit of the major federal award programs.
5. The auditors’ report on the major federal award programs for Young Men’s Christian Association of Metropolitan Chattanooga expresses an unmodified opinion.
6. Audit finding 2023-001 was required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
U.S. Department of Health and Human Services
Child Care and Development Block Grant – Assistance Listing Number 93.575
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Young Men’s Christian Association of Metropolitan Chattanooga was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Current Year Findings

None

Prior Year Findings

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Current Year Findings

2023-001 Late Filing of 2022 Data Collection Form

Condition

The YMCA is not in compliance with the annual financial reporting requirements of the Federal Audit Clearinghouse.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN CHATTANOOGA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2023**

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Current Year Findings

2023-001 Late Filing of 2022 Data Collection Form (continued)

Criteria

Uniform Guidance requires annual reporting by specified due dates after the YMCA's year-end. The due dates are the shorter of 30 days after the release of the audited financial statements but no later than 9 months after the YMCA's year-end.

Cause of Condition

The 2022 Data Collection Form was initially entered in the old Federal Audit Clearinghouse system before the old system was closed down and was certified by the auditor. The YMCA's CFO did not login to the old system and certify the submission until after the changeover was required to the new system. As a result the 2022 data collection form was not certified by the auditee and was not filed with the Federal Audit Clearinghouse.

Effect

The YMCA did not meet the reporting requirements of the Uniform Guidance.

Recommendation

The YMCA should file the 2022 Data Collection Form as soon as feasibly possible and develop procedures to ensure that the Uniform Guidance reporting requirements are met.

Views of Responsible Officials and Planned Corrective Actions

Management concurs with the finding. The YMCA now has procedures in place to ensure that all Uniform Guidance reporting requirements are met for the December 31, 2023, financial statement audit and the 2022 Data Collection Form will be filed as soon as feasibly possible.

Prior Year Findings

None



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

Management Corrective Action Plan

Finding 2023-001 - Late Filing of 2022 Data Collection Form

Problem:

The annual reporting requirements of the Federal Audit Clearinghouse were not met in relation to the certification of the 2022 Data Collection Form.

Corrective Action:

Our YMCA management team will work closely with our audit firm to file and certify the 2022 Data Collection Form alongside the filing and certification of the 2023 Data Collection Form to ensure compliance with the reporting requirements of the Uniform Guidance.

Timeline:

The 2022 Data Collection Form will be filed and certified no later than 30 days after the release of the audited financial statements. In this case, the form will be filed by July 5, 2024.

Monitoring for Future Compliance:

Our YMCA management team will ensure that processes are in place to work with our audit firm each year subsequent to 2024 to ensure that the Data Collection Form is filed and certified timely and in accordance with requirements of the Uniform Guidance.

Jordan Pierce, CPA
Chief Financial Officer
YMCA of Metropolitan Chattanooga

