YOUNG MEN'S CHRISTIAN ASSOCIATION OF WESTERN NORTH CAROLINA, INC.

Asheville, North Carolina

Financial Statements and
Supplementary Information

Years Ended September 30, 2022 and 2021

CARTER
ACCOUNTING • TAX • ASSURANCE

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

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CARTER
ACCOUNTING • TAX • ASSURANCE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Young Men's Christian Association of Western North Carolina, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Young Men's Christian Association of Western North Carolina, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, 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 Young Men's Christian Association of Western North Carolina, Inc. as of September 30, 2022 and 2021, 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 Young Men's Christian Association of Western North Carolina, Inc. 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 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 Young Men's Christian Association of Western North Carolina, Inc.'s ability to continue as a going concern within one year after the date 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 Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of changes in promises to give is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, 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 changes in promises to give and the schedule of expenditures of federal and state awards are 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 January 13, 2023, on our consideration of Young Men's Christian Association of Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'s internal control over financial reporting and compliance.

Carter, P.C.

Asheville, North Carolina
January 13, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statements of Financial Position
September 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and equivalents	$ 14,923,420	$ 12,210,405
Accounts receivable	371,082	253,411
Grants receivable	195,198	439,035
Promises to give, current portion	144,355	171,206
Prepaid expenses	41,316	115,245
Deposits	138,794	115,476
Real estate held for sale		800,000
Total current assets	15,814,165	14,104,778
Promises to give, net of current portion	137,448	66,986
Investments	2,174,877	2,485,366
Beneficial interest in trust	44,618	
Beneficial interest in endowment funds	684,358	818,776
Property and equipment, net	28,307,449	29,292,263
Goodwill	733,600	825,300
Total assets	$ 47,896,515	$ 47,593,469
Liabilities and net assets		
Current liabilities:		
Current portion of tax-exempt bonds payable	$ 495,000	$ 462,000
Current maturities of long-term debt	1,534,786	1,363,272
Accounts payable	827,964	577,113
Accrued expenses	1,029,418	1,077,285
Deferred revenue	779,832	495,793
Total current liabilities	4,667,000	3,975,463
Tax-exempt bonds payable, net of current portion	6,356,194	6,844,954
Long-term debt, net of current maturities	8,400,909	9,684,936
Total liabilities	19,424,103	20,505,353
Net assets:		
Without donor restrictions	24,539,377	22,929,222
With donor restrictions	3,933,035	4,158,894
Total net assets	28,472,412	27,088,116
Total liabilities and net assets	$ 47,896,515	$ 47,593,469

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.**

Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Membership and joining fees	$ 11,244,614	$	$ 11,244,614
Less, financial assistance	(2,089,606)		(2,089,606)
Program and facility fees	5,930,934		5,930,934
Less, financial assistance	(1,386,150)		(1,386,150)
Special events	13,250		13,250
Rental income	366,168		366,168
Management fees	357,952		357,952
Sales of merchandise	50,927		50,927
Investment income, net	44,709	24,049	68,758
Miscellaneous income	88,054		88,054
Total revenue	14,620,852	24,049	14,644,901
Public support			
Charitable contributions	1,186,423	660,489	1,846,912
In-kind contributions	398,580	240,513	639,093
Government grants		6,974,350	6,974,350
Other grants		421,774	421,774
Total public support	1,585,003	8,297,126	9,882,129
Net assets released from restrictions	8,207,773	(8,207,773)	
Total revenue and public support	24,413,628	113,402	24,527,030
Expenses			
Program services	18,275,017		18,275,017
Supporting services	4,133,109		4,133,109
Total expenses	22,408,126		22,408,126
Increase in net assets before other losses	2,005,502	113,402	2,118,904
Other losses			
Net losses on investments	(54,942)	(339,261)	(394,203)
Net losses on beneficial interest in endowment funds	(136,146)		(136,146)
Loss on sale of real estate held for sale	(192,820)		(192,820)
Loss on disposal of property and equipment	(11,439)		(11,439)
Total other losses	(395,347)	(339,261)	(734,608)
Increase (decrease) in net assets	1,610,155	(225,859)	1,384,296
Net assets at beginning of year	22,929,222	4,158,894	27,088,116
Net assets at end of year	$ 24,539,377	$ 3,933,035	$ 28,472,412

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

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Membership and joining fees	$ 9,044,575	$	$ 9,044,575
Less, financial assistance	(1,711,686)		(1,711,686)
Program and facility fees	4,241,919		4,241,919
Less, financial assistance	(1,011,157)		(1,011,157)
Special events	10,102		10,102
Rental income	429,469		429,469
Management fees	299,224		299,224
Sales of merchandise	80,760		80,760
Investment income, net	24,035	24,106	48,141
Miscellaneous income	70,192		70,192
Total revenue	11,477,433	24,106	11,501,539
Public support			
Charitable contributions	1,054,451	30,103	1,084,554
In-kind contributions	482,897	207,836	690,733
Government grants		7,519,801	7,519,801
Other grants		1,082,658	1,082,658
Total public support	1,537,348	8,840,398	10,377,746
Net assets released from restrictions	8,766,597	(8,766,597)	
Total revenue and public support	21,781,378	97,907	21,879,285
Expenses			
Program services	14,863,891		14,863,891
Supporting services	3,612,249		3,612,249
Total expenses	18,476,140		18,476,140
Increase in net assets before other gains (losses)	3,305,238	97,907	3,403,145
Other gains (losses)			
Net gains on investments	48,591	301,629	350,220
Net gains on beneficial interest in endowment funds	127,032		127,032
Gains on disposal of property and equipment	50,640		50,640
Loss on discontinued operations	(657,611)		(657,611)
Total other gains (losses)	(431,348)	301,629	(129,719)
Increase in net assets	2,873,890	399,536	3,273,426
Net assets at beginning of year	20,055,332	3,759,358	23,814,690
Net assets at end of year	$ 22,929,222	$ 4,158,894	$ 27,088,116

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

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statement of Functional Expenses
Year Ended September 30, 2022

	Program Services	Supporting Services: Management & General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Salaries	$ 8,243,190	$ 2,060,657	$ 357,776	$ 2,418,433	$ 10,661,623
Payroll taxes	808,546	107,413	27,330	134,743	943,289
Health insurance	432,106	166,177	11,043	177,220	609,326
Retirement benefits	388,328	216,653	42,176	258,829	647,157
Worker's compensation insurance	86,153	23,545	3,475	27,020	113,173
Total salaries and related expenses	9,958,323	2,574,445	441,800	3,016,245	12,974,568
Occupancy and rental	1,515,805	100		100	1,515,905
Supplies	1,496,870	26,336	4,487	30,823	1,527,693
Professional and contract services	1,097,807	272,692		272,692	1,370,499
Building and grounds maintenance	283,641	14,691		14,691	298,332
Repairs and maintenance	536,489	146,502		146,502	682,991
Advertising	110,890	79,061		79,061	189,951
Equipment rental	29,789	39,178		39,178	68,967
Banking fees	319,653	4,213		4,213	323,866
Vehicle expenses	118,093	8,705		8,705	126,798
National support	172,797	14,058		14,058	186,855
Telephone and communications	165,076	16,741		16,741	181,817
Insurance	150,223	32,239		32,239	182,462
Training and employee recognition	60,257	24,489		24,489	84,746
Meeting food costs	10,456	21,289	3,284	24,573	35,029
Conferences and conventions	47,013	6,994		6,994	54,007
Saleable merchandise	12,732				12,732
Swim meet costs	16,169				16,169
Property expenses		28,382		28,382	28,382
Organizational dues	19,428	22,696		22,696	42,124
Recruitment	2,887	19,284		19,284	22,171
Interest	303,837	88,927		88,927	392,764
Interest on tax-exempt bonds	234,171				234,171
Printing	43,526	373		373	43,899
Miscellaneous	9,342	2,957	12	2,969	12,311
Bad debt			36,614	36,614	36,614
Total expenses before depreciation, amortization, and income taxes	16,715,274	3,444,352	486,197	3,930,549	20,645,823
Depreciation	1,468,043	164,948	16,495	181,443	1,649,486
Amortization of goodwill	91,700				91,700
Income taxes		21,117		21,117	21,117
Total expenses	$ 18,275,017	$ 3,630,417	$ 502,692	$ 4,133,109	$ 22,408,126

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

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statement of Functional Expenses
Year Ended September 30, 2021

		Supporting Services			
	Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	$ 6,133,094	$ 1,903,797	$ 252,230	$ 2,156,027	$ 8,289,121
Payroll taxes	497,034	196,611	24,193	220,804	717,838
Health insurance	388,558	139,916	10,698	150,614	539,172
Retirement benefits	275,027	175,862	19,296	195,158	470,185
Worker's compensation insurance	73,858	19,383	2,524	21,907	95,765
Total salaries and related expenses	7,367,571	2,435,569	308,941	2,744,510	10,112,081
Occupancy and rental	1,589,841	100		100	1,589,941
Supplies	1,177,783	11,984	5,225	17,209	1,194,992
Professional and contract services	819,416	88,443	80,203	168,646	988,062
Building and grounds maintenance	201,087	32,954		32,954	234,041
Repairs and maintenance	430,284	119,071		119,071	549,355
Advertising	28,962	37,622		37,622	66,584
Equipment rental	30,364	35,313		35,313	65,677
Banking fees	228,422	4,697		4,697	233,119
Vehicle expenses	90,571	834		834	91,405
National support	214,567	13,233		13,233	227,800
Telephone and communications	183,583	17,002		17,002	200,585
Insurance	139,854	29,253		29,253	169,107
Training and employee recognition	40,416	9,898		9,898	50,314
Meeting food costs	1,609	3,170	441	3,611	5,220
Conferences and conventions	4,908	824		824	5,732
Saleable merchandise	28,019				28,019
Swim meet costs	13,003				13,003
Property expenses	22,253	22,509		22,509	44,762
Organizational dues	21,645	17,600		17,600	39,245
Recruitment	5,776	347		347	6,123
Interest	313,729	117,096		117,096	430,825
Interest on tax-exempt bonds	256,657				256,657
Printing	30,661		73	73	30,734
Miscellaneous	3,662	6,577		6,577	10,239
Bad debt			324	324	324
Total expenses before depreciation, amortization, and income taxes	13,244,643	3,004,096	395,207	3,399,303	16,643,946
Depreciation	1,527,548	171,635	17,163	188,798	1,716,346
Amortization of goodwill	91,700				91,700
Income taxes		24,148		24,148	24,148
Total expenses	$ 14,863,891	$ 3,199,879	$ 412,370	$ 3,612,249	$ 18,476,140

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

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Increase in net assets	$ 1,384,296	$ 3,273,426
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,649,486	1,716,346
Amortization of goodwill	91,700	91,700
Amortization of debt issuance costs	10,693	10,694
Net (gains) losses on investments	394,203	(350,220)
Net (gains) losses on beneficial interest in endowment funds	136,146	(127,032)
Bad debt expense	36,614	324
Present value adjustment	22,923	(560)
Loss on sale of real estate held for sale	192,820	
(Gain) loss on disposal of property and equipment	11,439	(50,640)
Receipt of donated stock	(146,476)	(34,015)
Paycheck Protection Program loan forgiveness		(2,491,736)
Gain on debt forgiveness	(210,710)	
Noncash interest expense	23,226	27,449
Loss on discontinued operations		657,611
Changes in working capital - sources (uses):		
Accounts receivable	(130,208)	38,283
Grants receivable	243,837	(134,342)
Promises to give	(74,054)	117,274
Prepaid expenses	73,929	(36,227)
Deposits	(23,318)	72,887
Beneficial interest in trusts	(61,175)	
Accounts payable	250,851	242,790
Accrued expenses	(47,867)	280,552
Deferred revenue	284,039	(242,153)
Net cash provided by operating activities	4,112,394	3,062,411
Cash flows from investing activities		
Proceeds from sale of investments	4,652,041	2,951,763
Proceeds from sale of real estate held for sale	607,180	
Proceeds from sale of property and equipment		50,640
Purchase of investments	(4,589,279)	(2,726,996)
Change in beneficial interest in endowment funds	(1,728)	1,106
Purchase of property and equipment	(676,111)	(1,301,325)
Net cash used by investing activities	(7,897)	(1,024,812)

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

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statements of Cash Flows (continued)
Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from financing activities		
Principal payments on bonds payable	$ (462,000)	$ (450,000)
Principal payments on long-term debt	(962,622)	(865,347)
Proceeds from long-term debt	33,140	2,056,081
Net cash provided (used) by financing activities	(1,391,482)	740,734
Net increase in cash and equivalents	2,713,015	2,778,333
Cash and equivalents at beginning of year	12,210,405	9,432,072
Cash and equivalents at end of year	$ 14,923,420	$ 12,210,405
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 551,135	$ 625,198
Cash paid for income taxes	$ 21,117	$ 24,148

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

Note 1 - Summary of Significant Accounting Policies

Association

Young Men's Christian Association of Western North Carolina, Inc. (Association or YMCA) was incorporated in 1889 under the laws of the State of North Carolina. The Association applies Christian principles by providing programs that build healthy spirit, mind, and body for all. The Association seeks to promote its mission and core values by focusing on Youth Development, Healthy Living, and Social Responsibility in programs conducted at seven centers, one resident summer camp, approximately 35 child-care sites, one food pantry, and numerous mobile food distribution sites.

Income Tax Status

The Association is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income.

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Association 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 purposes of the Association. These net assets may be used at the discretion of Association's management and Board of Directors.

- *Net assets with donor restrictions*: Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Association has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions, grants received for a specific purpose, and investment income generated by donor-restricted endowment funds. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded 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. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions.

The net asset classification of donor-restricted endowment funds is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). As a result, the investment return from donor-restricted endowment funds is classified as net assets with donor restrictions until appropriated for expenditure.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Association's ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to resources that include gains and losses on investments, disposal of property and equipment, losses on discontinued operations, and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than promises to give, real estate held for sale, investments, beneficial interest in trust, beneficial interest in endowment funds, tax-exempt bonds payable, and long-term debt, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for promises to give and beneficial interest in trust approximate fair value due to the allowance for uncollectible promises to give and net present value adjustments applied to outstanding balances.

Fair value of real estate held for sale is discussed in Note 5.

Fair value of investments and beneficial interest in endowment funds are discussed in Note 7.

The carrying value of tax-exempt bonds payable and long-term debt approximates fair value due to market interest rates charged at the time of borrowing.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those amounts designated and classified as investments.

Account Receivable

Accounts receivable consist of uncollateralized customer obligations for memberships, childcare fees, administrative fees, sales tax receivables, and other services. The Association provides credit to customers and bills them as services are provided or on a monthly basis. Receipts of payments are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Association has not experienced significant difficulties in collecting accounts receivable and therefore does not assess finance charges. All accounts receivable are considered by management to be fully collectible and therefore no allowance for uncollectible accounts has been recorded. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Association's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Grants Receivable

Grants receivable are funds due from federal, state, or local government agencies and nonprofit organizations at fiscal year-end. Grants receivable are stated at the amount management expects to collect from outstanding balances. As of September 30, 2022 and 2021, no allowance for doubtful accounts was recorded as management expects all amounts to be collectible.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in charitable contributions. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give.

Investments

Investments are recorded at fair value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are recognized in the statements of activities.

Note 1 - Summary of Significant Accounting Policies (continued)

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in net assets with donor restrictions until the related restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished).

Fair Value Measurements and Disclosures

The Association applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the fair value hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Association's assessment of the significance of an input requires judgement, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized. Expenditures for repairs, maintenance, and minor renewals that do not improve or extend the life of the asset are expensed. The Association has adopted an accounting policy to capitalize all property and equipment with a cost greater than $1,500 and an estimated useful life extending beyond one year. Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable asset, generally three to fifty years.

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Property and Equipment

Donations of property and equipment are recorded as in-kind contributions at their estimated fair value at the date of the gift. The Association reports gifts of property and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities are recorded as charitable contributions at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. Noncash donated assets are described in Note 15.

Donated Services

Donated services are recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. Donated services are described in Note 15.

Revenue Recognition

Membership dues are recognized ratably over the period of membership, which varies based on when members join or leave the YMCA. Unearned membership revenue is reflected as deferred revenue on the statements of financial position. Members are provided with monthly access to the YMCA locations with a variety of services, and revenue is recognized monthly as services are provided. Management has adopted the practical expedient whereby costs to obtain membership contracts are not capitalized as the average length of a membership contract is less than one year. Dues revenue is allocated among the performance obligations and is recognized when each of the performance obligations are satisfied. Monthly access to the various YMCA locations and services that are included in the monthly membership are recognized monthly as service is provided. Discounted program service fees are recognized during the year in which the discount is actually taken and the program service provided.

Program and facility fees are reported at the amount that reflects the consideration to which the YMCA expects to be entitled in exchange for providing services to program participants. Program fees include fitness classes, child-care, day camps, overnight camps, swim lessons, and various other programs operating at YMCA locations, program sites, camps, or schools. Performance obligations are determined based on the nature of the services provided by the YMCA. Performance obligations are generally providing a service at a point in time. Revenue is recognized at the time the program is held. Unearned program fees are reflected as deferred revenue on the statements of financial position.

Note 1 - Summary of Significant Accounting Policies (continued)

The Association also recognizes revenue from acting as a lessor in operating leases. Revenue is recorded as rental income and is accounted for on the straight-line basis over the lease term.

Management fees are generated from operating pools, managing properties, and other agent services. Management fees are recognized at the amount earned and do not include pass through expenditures that occur within the agency agreement such as paying utilities and taxes on behalf of an entity where the Association facilitates the transaction and does not have a liability for the bills. Revenue is recorded as the services are provided in accordance with the terms of the various agreements.

The Association sells merchandise through vending machines and stands. Those sales contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customers.

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met. The Association received a conditional contribution of $63,787 that has not been recognized as of September 30, 2022. This amount will be included in deferred revenue until qualifying expenditures have been incurred.

A portion of the Association's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions. The Association received $175,857 in advance payments on a cost-reimbursement grant that have not been recognized as of September 30, 2022. This amount will be included in deferred revenue until qualifying expenditures have been incurred.

Advertising

The Association uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended September 30, 2022 and 2021, was $189,951 and $66,584, respectively.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for saleable merchandise, swim meet costs, interest on tax-exempt bonds, bad debt, amortization of goodwill, and income taxes are allocated on the basis of a combination of estimates of time and effort and the square footage of building space in which the programs are operated. Saleable merchandise, swim meet costs, interest on tax-exempt bonds, and amortization of goodwill are directly related to program services. Bad debt is directly related to fundraising which is a supporting service. Income taxes is directly related to the corporate office and rental income which are supporting services.

Note 1 - Summary of Significant Accounting Policies (continued)

Newly Adopted Accounting Pronouncements

During the year ended September 30, 2022, the Association adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Association's financial statements.

- Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 clarifies and expands the presentation and disclosure requirements of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. In-kind contributions are now presented as a separate line item on the accompanying statements of activities and additional note disclosures are included in Note 15, In-kind Contributions.

- Accounting Standards Update No. 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activity purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in accelerated expense recognition, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning October 1, 2022. The Association is currently evaluating the effect this ASU will have on its financial statements.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Note 2 - Net Assets

Net assets are described as follows:

At September 30	2022	2021
Net assets without donor restrictions:		
Undesignated	$ 13,085,284	$ 13,811,692
Board designated:		
Reserves	10,453,420	7,939,510
Endowment funds	1,000,673	1,178,020
Net assets without donor restrictions	24,539,377	22,929,222
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
Camp Watia	1,550,635	1,551,145
Ferguson YMCA and nutrition	187,448	167,986
Annual campaign and sponsorships	93,340	40,663
Programs	144,180	199,139
Total subject to expenditure for specified purpose or period	1,975,603	1,958,933
Subject to the Association's spending policy or appropriation:		
Endowment promises to give, net	1,015	28,453
Beneficial interest in trust	44,618	
Donor-restricted endowment	861,799	1,121,508
Total subject to the Association's spending policy or appropriation	907,432	1,149,961
Not subject to spending policy or appropriation:		
Investment in perpetuity - endowment	1,050,000	1,050,000
Net assets with donor restrictions	3,933,035	4,158,894
Total net assets	$ 28,472,412	$ 27,088,116

Note 3 - Liquidity and Availability of Financial Assets

The Association received significant contributions and promises to give restricted by donors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures. Promises to give made to endowments are not considered available to meet cash needs for general expenditures.

Board-designated endowment funds are available, if necessary, for expenditure by appropriation by the Board.

Note 3 - Liquidity and Availability of Financial Assets (continued)

The Association manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Dedicated reserves to provide reasonable assurance that obligations and lender requirements are met.

The following reflects the liquidity and availability of the Association's financial assets:

At September 30	2022	2021
Financial assets:		
Cash and equivalents	$ 14,923,420	$ 12,210,405
Accounts receivable	371,082	253,411
Grants receivable	195,198	439,035
Promises to give, net	281,803	238,192
Deposits	138,794	115,476
Real estate held for sale		800,000
Investments	2,174,877	2,485,366
Beneficial interest in trust	44,618	
Beneficial interest in endowment funds	684,358	818,776
Total financial assets	18,814,150	17,360,661
Amounts not available for general expenditure:		
Board designated reserves	(10,453,420)	(7,939,510)
Board-designated endowment funds	(1,000,673)	(1,178,020)
Total net assets with donor restrictions	(3,933,035)	(4,158,894)
Add back: restricted grants receivable	129,180	18,365
Add back: promises to give, current portion	143,340	140,937
Total amounts not available for general expenditure	(15,114,608)	(13,117,122)
Net financial assets available to meet cash needs for general expenditures within one year	$ 3,699,542	$ 4,243,539

Note 4 - Contract Assets and Liabilities

Accounts receivable, grants receivable, promises to give, and beneficial interest in trust represent the Association's contract assets with an unconditional right to receive consideration from customers. Accounts receivable and grants receivable are recorded at invoiced amounts or amounts expected to be received based on contract terms without conditions. Promises to give are recorded at net realizable value or present value of future cash flows. The beneficial interest in trust is recorded at the fair value of the Association's interest in the underlying assets that are expected to be received which approximates the net present value of future cash flows.

Note 4 - Contract Assets and Liabilities (continued)

The following provides information about contract assets:

At September 30	2022	2021	2020
Accounts receivable:			
Program receivables	$ 272,935	$ 217,111	$ 203,911
Sales tax receivables	97,626	35,779	90,303
Interest receivable	521	521	521
Accounts receivable	371,082	253,411	294,735
Grants receivable	195,198	439,035	304,693
Promises to give:			
Due in less than one year	166,409	182,066	295,529
Due in one to five years	150,000	70,000	82,922
Total unconditional promises to give	316,409	252,066	378,451
Less, allowance for uncollectible promises to give	(22,054)	(10,860)	(22,688)
Less, discount to net present value at 4.5%	(12,552)	(3,014)	(3,574)
Promises to give, net	281,803	238,192	352,189
Beneficial interest in trust	44,618		
Total contract assets	$ 892,701	$ 930,638	$ 951,617

Contract liabilities are recorded when a customer pays consideration, or the Association has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Association has an obligation to transfer the good or service to the customer at a future date. The Association's contract liabilities consist of deferred revenue and security deposits.

Deferred revenue is comprised of payments received in advance for membership dues, program fees, camp deposits, and conditional grants prior to performance obligations being met. Revenue will be recognized as performance obligations are fulfilled.

Security deposits are included in accrued expenses on the accompanying statements of financial position. These deposits will be recognized as rental income when earned or refunded to the tenant in accordance with the underlying lease terms.

Note 4 - Contract Assets and Liabilities (continued)

The following provides information about contract liabilities:

At September 30	2022	2021	2020
Deferred revenue:			
Membership dues and program fees	$ 412,975	$ 373,454	$ 465,124
Camp deposits	127,213	122,339	230,958
Conditional grants	239,644		41,864
Deferred revenue	779,832	495,793	737,946
Security deposits	12,668	12,668	12,668
Total contract liabilities	$ 792,500	$ 508,461	$ 750,614

Note 5 - Real Estate Held for Sale

The Association received a donation of land which was included with the purchase of the building at 40 North Merrimon Avenue. Upon closing, the Association placed the parcel of land for sale. According to the terms of the agreement, the Association shall pay the donor any net proceeds received from the sale in excess of the donated value of $900,000. Management determined during the year ended September 30, 2019, that the carrying value of the asset was not expected to be fully recoverable and recorded an impairment loss of $100,000. The carrying value of the land was $800,000 as of September 30, 2021. The land was sold during the year ended September 30, 2022, for $607,180.

Note 6 - Beneficial Interest in Endowment Funds

The beneficial interest in endowment funds is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreements grant variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds if, in its sole judgement (without the approval of any trustee, custodian, guardian or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by the Foundation. Under the terms of the agreements, the Association can withdraw all or a portion of the original principal provided the governing board of the Association and the Foundation approve the withdrawal. The Association’s beneficial interest in endowment funds is invested in an allocated investment pool at the Foundation and is presented in the financial statements in the aggregate at fair value.

Note 7 - Fair Value Measurements

Investments and beneficial interest in endowment funds are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Note 7 - Fair Value Measurements (continued)

Cash and Money Market Funds
Cash and money market funds are valued using observable market data and are categorized as Level 1 to the degree that they are valued based on quoted market prices in active markets. Although these funds are readily available, it is the intent of the Association to hold them for investment purposes and therefore has classified them as investments.

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

Beneficial Interest in Endowment Funds
The fair value of the beneficial interest in endowment funds is provided by the Foundation. Due to inputs being unobservable, the instruments are categorized as a Level 3.

The following table sets forth estimated fair values for financial instruments:

At September 30, 2022	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 38,979	$	$	$ 38,979
Equity investments:				
Exchange-traded funds	2,130,491			2,130,491
Mutual funds	5,407			5,407
Total investments	2,174,877			2,174,877
Beneficial interest in endowment funds			684,358	684,358
Total fair value measurements	$ 2,174,877	$	$ 684,358	$ 2,859,235

At September 30, 2021	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 40,098	$	$	$ 40,098
Equity investments:				
Exchange-traded funds	2,439,009			2,439,009
Mutual funds	6,259			6,259
Total investments	2,485,366			2,485,366
Beneficial interest in endowment funds			818,776	818,776
Total fair value measurements	$ 2,485,366	$	$ 818,776	$ 3,304,142

Note 7 - Fair Value Measurements (continued)

A reconciliation of changes in Level 3 inputs is as follows:

Years Ended September 30	2022	2021
Level 3 inputs, beginning of year	$ 818,776	$ 692,850
Interest and dividends	9,260	5,994
Investment fees	(7,532)	(7,100)
Net gains (losses)	(136,146)	127,032
Total Level 3 inputs, end of year	$ 684,358	$ 818,776

Note 8 - Endowment Funds

The Association's endowment funds consist of approximately 20 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted endowment funds are classified as net assets with donor restrictions and board-designated endowment funds are classified as net assets without donor restrictions.

Interpretation of Relevant Law

Absent explicit donor stipulations to the contrary, the Board of Directors of the Association has interpreted North Carolina UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds. As a result of this interpretation, the Association retains in perpetuity (1) the original value of initial and subsequent gifts donated to the permanent endowment and (2) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure. UPMIFA permits the Board of Directors to appropriate for expenditure as much of a donor-restricted endowment fund as determined prudent for uses, benefits, purposes, and duration for which the endowment fund was established. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) investment policies of the Association.

Note 8 - Endowment Funds (continued)

Investment Return Objectives, Risk Parameters, and Strategies

The Association has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of endowment assets. As authorized by the Board of Directors, these assets are invested to maximize long-term returns, while mitigating risk through a diversified portfolio. The assets are invested in a manner that is intended to produce an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds expenditures with acceptable levels of risk. The Association expects its endowment assets, over time, to produce an average rate of return in excess of inflation. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy

The Association has a policy of appropriating for distribution an average spending rate of up to 5% of the average of the three most recent year-end market values of the endowment funds. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Underwater Endowment Funds

The Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. These deficiencies could result from unfavorable market fluctuations. The Association has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Association has no material underwater endowment funds at September 30, 2022 and 2021.

Note 8 - Endowment Funds (continued)

Endowment net asset composition by type of fund is as follows:

At September 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board-designated endowment fund	$ 316,315	$	$ 316,315
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor		1,332,592	1,332,592
Accumulated investment gains		579,207	579,207
Beneficial interest in trust		44,618	44,618
Promises to give, net		1,015	1,015
Total funds	$ 316,315	$ 1,957,432	$ 2,273,747

At September 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board-designated endowment fund	$ 359,244	$	$ 359,244
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor		1,277,088	1,277,088
Accumulated investment gains		894,420	894,420
Promises to give, net		28,453	28,453
Total funds	$ 359,244	$ 2,199,961	$ 2,559,205

Changes in endowment net assets are as follows:

Year Ended September 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 359,244	$ 2,199,961	$ 2,559,205
Contributions	9,649	74,095	83,744
Unfulfilled promises to give recovery		1,766	1,766
Investment returns, net	(52,578)	(315,212)	(367,790)
Appropriation of endowment assets for expenditure		(3,178)	(3,178)
Endowment net assets, end of year	$ 316,315	$ 1,957,432	$ 2,273,747

Note 8 - Endowment Funds (continued)

Year Ended September 30, 2021	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 294,751	$ 1,864,220	$ 2,158,971
Contributions	12,330	10,419	22,749
Unfulfilled promises to give recovery		9	9
Investment returns, net	52,163	325,735	377,898
Appropriation of endowment assets for expenditure		(422)	(422)
Endowment net assets, end of year	$ 359,244	$ 2,199,961	$ 2,559,205

Note 9 - Property and Equipment

A description of property and equipment is as follows:

At September 30	2022	2021
Land	$ 3,759,198	$ 3,770,229
Property improvements	9,825,152	9,543,405
Buildings and structures	27,499,852	27,364,768
Equipment and fixtures	6,663,915	6,566,028
Transportation vehicles	930,535	895,790
Construction in progress	67,874	31,679
	48,746,526	48,171,899
Less, accumulated depreciation	(20,439,077)	(18,879,636)
Property and equipment	$ 28,307,449	$ 29,292,263

Depreciation expense for the years ended September 30, 2022 and 2021, was $1,649,486 and $1,716,346, respectively.

Note 10 - Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets in a business acquisition. Goodwill was recorded in connection with the acquisition of assets of a local fitness center in September 2018. During the year ended September 30, 2021, the Association adopted ASU 2019-06 and elected to begin amortizing goodwill on a straight-line basis over a 10 year period. The provisions of this standard also require testing goodwill for impairment only when a triggering event occurs indicating the fair value may be below the carrying amount. No impairment loss has been recorded for the years ended September 30, 2022 and 2021.

Note 10 - Goodwill (continued)

A description of goodwill is as follows:

At September 30	2022	2021
Goodwill	$ 917,000	$ 917,000
Less, accumulated amortization	(183,400)	(91,700)
Total goodwill	$ 733,600	$ 825,300

Amortization expense was $91,700 for each of the years ended September 30, 2022 and 2021.

Future amortization of goodwill is as follows:

Years Ending September 30	
2023	$ 91,700
2024	91,700
2025	91,700
2026	91,700
2027	91,700
Thereafter	275,100
Total future amortization	$ 733,600

Note 11 - Accrued Expenses

Accrued expenses consist of the following:

At September 30	2022	2021
Accrued payroll	$ 447,895	$ 337,571
Accrued employee benefits	48,306	79,895
Deferred social security taxes	183,463	351,946
Health insurance claims	182,919	182,919
Security deposits	12,668	12,668
Accrued interest payable	154,167	112,286
Accrued expenses	$ 1,029,418	$ 1,077,285

Note 12 - Tax-Exempt Bonds Payable

On October 31, 2014, the Association entered into a bond purchase and loan agreement with the Public Finance Authority (a political subdivision of the State of Wisconsin), as the Authority, and TD Bank, N.A, as the purchaser, for the issuance of $9,090,000 Recreational Facilities Revenue Bond (YMCA of Western North Carolina), Series 2014. Bond proceeds were to be used to finance and refinance certain capital improvement projects, refund, in advance of maturity, the outstanding principal amount of the Buncombe County Industrial Facilities and Pollution Control Financing Authority Tax-Exempt Adjustable Mode Recreational Facilities Revenue Bonds (YMCA of Western North Carolina), Series 2001, finance interest on the bonds during the project construction period, and pay certain expenses incurred in connection with the issuance of the bonds by the Authority. The bonds are redeemable in varying principal amounts of $5,000 to $644,000 between June 1, 2017, and June 1, 2034, and bear interest at a rate of 3.11%.

Initial bond issuance costs of $135,802, included bond fees for underwriters, rating agencies, trustee counsel, fiscal and certifying agents, and for engineering and feasibility and other issuance costs. These costs are being amortized over the life of the debt. Bond amortization costs totaled $6,240 and $6,241, for the years ended September 30, 2022 and 2021.

Bonds payable consisted of the following:

At September 30	2022	2021
Bond credit agreement	$ 6,924,000	$ 7,386,000
Less, unamortized bond issuance costs	(72,806)	(79,046)
Bonds payable, less unamortized bond issuance costs	6,851,194	7,306,954
Less, current portion	(495,000)	(462,000)
Bonds payable, less current portion	$ 6,356,194	$ 6,844,954

Principal maturities on tax-exempt bonds payable are as follows:

Years Ending September 30	
2023	$ 495,000
2024	527,000
2025	538,000
2026	549,000
2027	561,000
Thereafter	4,254,000
Principal payments on tax-exempt bonds payable	$ 6,924,000

Note 12 - Tax-Exempt Bonds Payable (continued)

Covenants

The Association's credit agreement and related agreements contain the same covenants as long-term debt in Note 13. As of September 30, 2022, the Association was in compliance with debt covenants.

Note 13 - Long-term Debt

Long-term debt is described as follows:

At September 30	2022	2021
Various notes payable bearing interest at fixed rates between 2.86% and 3.75%, payable in 36 - 60 monthly installments ranging from $821 - $1,612 maturing through March 2025, secured by vehicles	$ 38,818	$ 78,986
Various notes payable bearing interest at fixed rates between 0.41% and 3.71%, payable in 36 - 96 monthly installments ranging from $471 - $7,252 maturing through December 2025, secured by equipment	491,948	746,148
Note bearing interest at 3.7%, payable in 119 monthly installments of $30,695, with balloon of $3,097,345, due August 2027, secured by building	4,201,724	4,409,017
Note bearing interest at 4.09%, payable in 19 monthly installments of $20,876, with balloon of $2,068,141, due November 2028, secured by building	2,958,251	3,083,300
Economic Injury Disaster Loan (EIDL) note bearing interest at 2.75%, payable in 330 monthly installments of $641 beginning November 2022, due June 2050, secured by essentially all property	149,900	149,900
Note bearing interest at 3.25%, payable in 24 monthly installments of $28,338, maturing in May 2023, unsecured	223,963	550,952
Note bearing interest at 8%, payable in three annual installments of $196,406 in principal plus interest through January 2024, unsecured	392,812	556,078
Paycheck Protection Program (PPP) note payable due in 50 monthly installments of $30,897, including interest at 1%, due May 2026, unsecured	1,500,000	1,500,000

Note 13 - Long-term Debt (continued)

At September 30	2022	2021
Total long-term debt	$ 9,957,416	$ 11,074,381
Less, unamortized debt issuance costs	(21,721)	(26,173)
Long-term debt, less unamortized debt issuance costs	9,935,695	11,048,208
Less, current portion	(1,534,786)	(1,363,272)
Long-term debt, less current portion	$ 8,400,909	$ 9,684,936

If PPP funds are used for certain expenses, predominantly salaries and related costs, all or a portion of the balance could be forgiven. Repayments for PPP loans have been deferred until an application for forgiveness had been filed and the loan forgiveness amount known.

Principal maturities on long-term debt is as follows:

Years Ending September 30	
2023	$ 1,534,786
2024	1,042,662
2025	862,258
2026	686,362
2027	3,447,836
Thereafter	2,383,512
Principal payments on long-term debt	$ 9,957,416

Covenants

During 2017 and 2018, the Association entered into two term loan agreements with TD Bank, N.A. for $5,175,000 and $3,400,000, respectively. The agreements contain restrictive covenants, including maintaining a primary banking relationship and various financial covenants. As a result, a concentration of debt exists with TD Bank, N.A. in the form of long-term debt and tax-exempt bonds payable. As of September 30, 2022, the Association was in compliance with debt covenants.

Note 14 - Rental Income

The Association leases portions of the buildings located at Reuter Family YMCA and Woodfin YMCA to third parties. The leases expire at various dates through December 2029. Rental income from the leases for the years ended September 30, 2022 and 2021, totaled $350,436 and $369,824, respectively.

Note 14 - Rental Income (continued)

The following is a schedule of future minimum rental income:

Years Ending September 30	
2023	$ 297,373
2024	264,940
2025	149,892
2026	128,814
2027	84,537
Thereafter	178,387
Total future rental income	$ 1,103,943

From time to time, the Association leases space in its facilities to third parties under short-term rental agreements. During the years ended September 30, 2022 and 2021, rental income totaled $15,732 and $59,645, respectively.

Note 15 - In-kind Contributions

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Association. Volunteers also donated a significant amount of time to the Association's operations and program services throughout the fiscal year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

In-kind contributions are summarized as follows:

Year Ended September 30, 2022	Fair Value	Usage in Program	Donor Restriction
Building space	$ 395,000	Program	None
Food	240,513	Program	Nutrition Pantry
Other	3,580	Allocated to program and fundraising	None
Total contributions of nonfinancial assets	$ 639,093		

Note 15 - In-kind Contributions (continued)

Year Ended September 30, 2021	Fair Value	Usage in Program	Donor Restriction
Building space	$ 395,000	Program	None
Food	207,836	Program	Nutrition Pantry
Advertising	80,203	Fundraising	None
Other	7,694	Allocated to program and fundraising	None
Total contributions of nonfinancial assets	$ 690,733		

Fair valuation techniques - The fair value of donated building space is based on current market rates. Donated food products are valued using the average value per pound of donated food. The value used for the years ended September 30, 2022 and 2021, was $1.79 and $1.74 respectively. Donated professional services for advertising are valued by the donor based on standard billing rates for the underlying services provided. All other in-kind contributions are valued at the donor provided amount, price that would be paid to purchase a comparable item, or current sales price of the item as sold by the donating vendor.

Note 16 - Retirement Fund

The Association 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 Association 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 Association and employee contributions are a percentage of the participating employees' salaries, paid for by the Association, and are remitted to the YMCA Retirement Fund monthly. The Association's contributions charged to retirement expense were $647,157 and $470,185 for the years ended September 30, 2022 and 2021, respectively.

Note 17 - Commitments and Contingencies

Lease Commitments

The Association leases office equipment, space, and land under non-cancelable operating leases. The leases require various monthly payments and expire through October 2064. Total rent expense for the years ended September 30, 2022 and 2021, for all operating leases was $880,447 and $979,975, respectively, and is included in equipment rental and occupancy and rental in the accompanying statements of functional expenses.

The future minimum obligations under all operating leases are as follows:

Years Ending September 30		
2023	$	222,183
2024		202,263
2025		202,525
2026		202,790
2027		203,058
Thereafter		1,218,212
Total minimum lease commitments	$	2,251,031

Maxwell M. Corpening, Jr. Memorial Center, Inc. (the “Center”)

The Center is a nonprofit organization which provides facilities and support to the Association. The Center owns the facility located in Marion, North Carolina and is responsible for its debt. The Association is responsible for the management, staffing, and general operation of the facility. A lease and management agreement between the Association and the Center provides for the Association’s leasing of the facility from the Center for a nominal value and an annual contribution in exchange for the operation and management of the facility. The lease commenced January 1, 2003, for a twenty-year term with automatic renewal terms of five years each.

The Center has also pledged to the Association to provide restricted operational support for the Corpening Facility, and to defray start-up costs and fund operating deficits, exclusive of indirect costs. Funds are used for direct expense to include furnishings and equipment.

Grants from the Center are contingent upon the Association’s ability to meet debt covenant ratios and to pay debt service for project construction to include tax-exempt bond financing. There is no balance of the conditional pledge for the years ended September 30, 2022 and 2021. The Association received $120,000 and $194,000 during the years ended September 30, 2022 and 2021, respectively, which is included in other grants on the accompanying statements of activities. In addition, the Center has donated rent to the Association in the amount of $395,000 for each of the years ended September 30, 2022 and 2021.

Note 17 - Commitments and Contingencies (continued)

Self-insured Health Insurance

The Association offers health insurance to eligible employees through a self-insured health insurance program. The insurance costs are paid by the Association and are managed through a third-party administrator. The Association has recognized a liability in the amount of $182,919 at September 30, 2022 and 2021, which represents an estimate of claims incurred but not reported by providers. While management believes the accrual is adequate, actual claims may exceed accruals.

The Association maintains a stop loss insurance policy which limits claims to $30,000 per plan member per benefit period. The maximum annual reimbursement under the aggregate stop loss coverage is $1 million over the minimum aggregate deductible for the year ended September 30, 2022.

Federal and State Assisted Programs

The Association has received proceeds from several federal and state grants. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in a refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Association carries commercial insurance coverage for risks of loss.

Note 18 - Concentration of Credit Risk

From time to time the Association’s cash balances in financial institutions exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk related to such funds.

The Association’s investments and beneficial interest in endowment funds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Association’s financial position.

Note 18 - Concentration of Credit Risk (continued)

Concentrations of Revenue

Concentrations of revenue exist when revenue from a single source equals 10% or more of the Association's total revenue. Government grants from one grantor for the year ended September 30, 2022, were $3,399,812.

Concentrations of Receivables

Concentrations of receivables exist when receivables from a single source equals 10% or more of the Association's total receivables. Grants receivable from a single grantor totaled $120,000 as of September 30, 2022. Grants receivable from two grantors were $179,524 and $146,624 as of September 30, 2021. Promises to give from a single donor totaled $200,000 as of September 30, 2022 and 2021.

Geographical Concentration

The Association receives substantially all revenue and public support from residents, businesses, and organizations in or associated with Buncombe, Henderson, and McDowell Counties, North Carolina. The Association is exposed to a geographical concentration of members and contributors for approximately 100% of all revenue and charitable contributions as well as certain grants.

Note 19 - YMCA of the USA

The Association is a member organization of the National Council of Young Men's Christian Associations of the United States of America (the Council). The Association is an independent autonomous organization, recognized as a member, but separate from the National Council. The Association must meet annual certification requirements to remain a member. National support paid to the Council for the years ended September 30, 2022 and 2021, was $186,855 and $227,800, respectively.

Note 20 - Related Party Transactions

Charitable contributions for annual giving and the capital campaign include board member and employee contributions totaling $216,826 and $141,430 for the years ended September 30, 2022 and 2021, respectively. Promises to give for annual giving and the capital campaign include amounts due from board members and employees totaling $33,367 and $17,138 at September 30, 2022 and 2021, respectively.

During the years ended September 30, 2022 and 2021, the Association received grant funding from national and state YMCA affiliates. Grant revenues from YMCA affiliates totaled $183,783 and $844,361, for the years ended September 30, 2022 and 2021, respectively. Grants receivable from YMCA affiliates totaled $0 and $146,624 at September 30, 2022 and 2021, respectively.

Note 21 - Income Taxes

Uncertain Tax Positions

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

The Association has received rental income for commercial space it owns at 40 North Merrimon Avenue. The building is debt-financed and as such the net rental income is subject to unrelated business income tax as specified in the Internal Revenue Code. Management has determined the accrual for income taxes payable for unrelated business income would not be material.

Open Tax Years

The Association's Return of Organization Exempt From Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T) for the years ended September 30, 2021, 2020, and 2019, are subject to examination by the IRS, generally for three years after they were filed.

Note 22 - Coronavirus Pandemic Impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused unprecedented business and economic disruption through mandated closings of certain businesses and industries.

The Association received increased community support and governmental revenues to respond and adapt to the operations of the Association. Government grants received as a result of COVID-19 for the year ended September 30, 2022, consist of $3,283,062 in childcare stabilization grant funding, $1,024,365 in Employee Retention Tax Credit, $73,283 in Coronavirus Relief Fund grants, and $116,750 in COVID-19 related Child Care and Development Block Grant funding.

Government grants received as a result of COVID-19 for the year ended September 30, 2021, consist of $2,491,736 in U.S. Small Business Administration PPP loan forgiveness, $1,538,058 in Employee Retention Tax Credit, $800,188 in Coronavirus Relief Fund grants, $568,083 in COVID-19 related Child Care and Development Block Grant funding, and $58,019 in federal food program funding.

The Association received loans through the U.S. Small Business Administration Economic Injury Disaster Loan program and Paycheck Protection Program as described in Note 13.

During April 2021, the Association permanently closed one of their facilities. As a result of this closure, the Association was required to repay a capital contribution received during the 2014 fiscal year for the facility. A note payable and loss on discontinued operations in the amount of $657,611 was recorded related to this closure.

Note 22 - Coronavirus Pandemic Impact (continued)

The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak. At this point, it is unclear the extent COVID-19 will have on the Association's financial condition or results of operations.

Note 23 - Subsequent Events

Management has evaluated subsequent events through January 13, 2023, the date on which the financial statements were available to be issued.

In November 2022, the Association received formal forgiveness of the PPP loan in the amount of $1,522,151, including principal and accrued interest.

In November 2022, the Association received award notification of a federal reimbursement based grant for $900,000 in State and Local Federal Recovery Plan Funds to assist with the recovery from COVID-19 related impacts.

SUPPLEMENTARY INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Changes in Promises to Give
September 30, 2022

	Operating	Restricted	Endowment	Total Promises to Give
Promises to give, September 30, 2021	$ 40,663	$ 169,076	$ 28,453	$ 238,192
New pledges	1,167,279	605,605	35,706	1,808,590
Cash collections	(1,089,524)	(366,220)	(64,910)	(1,520,654)
Debt and interest forgiveness		(210,710)		(210,710)
Write-offs	(11,973)	(765)	(145)	(12,883)
Change in allowance	(13,105)		1,911	(11,194)
Change in discount		(9,538)		(9,538)
Promises to give, September 30, 2022	$ 93,340	$ 187,448	$ 1,015	$ 281,803

COMPLIANCE SECTION

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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
Young Men's Christian Association of Western North Carolina, Inc.

We have audited, 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, the financial statements of Young Men's Christian Association of Western North Carolina, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, 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 January 13, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Young Men's Christian Association of Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Young Men's Christian Association of Western North Carolina, Inc.'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 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.

To the Board of Directors
Young Men's Christian Association of Western North Carolina, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Young Men's Christian Association of Western North Carolina, Inc.'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 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.

Carter, P.C.

Asheville, North Carolina
January 13, 2023

CARTER
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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
Young Men's Christian Association of Western North Carolina, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Young Men's Christian Association of Western North Carolina, Inc.'s 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 Young Men's Christian Association of Western North Carolina, Inc.'s major federal programs for the year ended September 30, 2022. Young Men's Christian Association of Western North Carolina, Inc.'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, Young Men's Christian Association of Western North Carolina, Inc. 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 September 30, 2022.

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 Young Men's Christian Association of Western North Carolina, Inc. 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 Young Men's Christian Association of Western North Carolina, Inc.'s compliance with the compliance requirements referred to above.

To the Board of Directors
Young Men's Christian Association of Western North Carolina, Inc.

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 Young Men's Christian Association of Western North Carolina, Inc.'s federal programs.

Auditors' 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 Young Men's Christian Association of Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'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 Young Men's Christian Association of Western North Carolina, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
Young Men's Christian Association of Western North Carolina, Inc.

Auditors' Responsibilities for the Audit of Compliance (continued)

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 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.

Carter, P.C.

Asheville, North Carolina
January 13, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2022

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/Pass-through Grantor Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Agriculture			
Food and Nutrition Service:			
Passed through N.C. Department of Health and Human Services - Division of Public Health:			
Child and Adult Care Food Program	10.558	9066	$ 475,049
U.S. Department of Education			
Office of Academic Improvement:			
Passed through N.C. Department of Public Instruction:			
Title IV, Part B - Twenty-First Century Community Learning Centers	84.287C	PRC 110	368,655
U.S. Department of Health and Human Services			
Administration for Children and Families:			
Passed through N.C. Department of Health and Human Services - Division of Child Development and Early Education:			
CCDF Cluster:			
COVID-19 - Child Care and Development Block Grant	93.575	HB 196	116,750
Centers for Medicare and Medicaid Services:			
Passed through Impact Health:			
Medicaid Cluster:			
Medical Assistance Program (Medicaid; Title XIX)	93.778		74,988
Total U.S. Department of Health and Human Services			191,738

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended September 30, 2022

Grantor/Pass-Through Grantor/Program Title	Federal AL Number	State/Pass-through Grantor Number	Expenditures
FEDERAL AWARDS (continued)			
U.S. Department of the Treasury			
Passed through Young Men's Christian Association of the Triangle Area, Inc.:			
Coronavirus Relief Fund	21.019	103-01-020	$ 73,283
Total expenditures of federal awards			$ 1,108,725
STATE AWARDS			
North Carolina Department of Health and Human Services			
Division of Child Development and Early Education:			
Stabilization Grant			$ 3,283,062
N.C. Office of Minority Health and Health Disparities:			
Passed through Buncombe County Department of Health and Human Services:			
Minority Diabetes Prevention Program		1672 & 2304	286,417
Total expenditures of state awards			$ 3,569,479

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended September 30, 2022

Notes to the Schedule of Expenditures of Federal and State Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of Young Men's Christian Association of Western North Carolina, Inc. under programs of the federal government and the State of North Carolina for the year ended September 30, 2022. The information in this SEFSA 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 SEFSA presents only a selected portion of the operations of Young Men's Christian Association of Western North Carolina, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Young Men's Christian Association of Western North Carolina, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are presented 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

Young Men's Christian Association of Western North Carolina, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ yes _X_ no
Significant deficiency(ies) identified?	____ yes _X_ none reported
Noncompliance material to financial statements noted?	____ yes _X_ no

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	____ yes _X_ no
Significant deficiency(ies) identified?	____ yes _X_ none reported
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____ yes _X_ no

Identification of major federal program:
AL# 10.558 - Child and Adult Care Food Program

The threshold for distinguishing Type A and Type B programs was $750,000.

Auditee qualified as a low-risk auditee?	_X_ yes ____ no

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.**

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2022

No findings were reported for the year ended September 30, 2021.

No findings were reported for the year ended September 30, 2020.