KISHWAUKEE FAMILY YMCA

Financial Statements and Independent Auditor's Report

December 31, 2021

KISHWAUKEE FAMILY YMCA
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LUCAS GROUP
CPAs + Advisors, LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kishwaukee Family YMCA
Sycamore, Illinois

Opinion

We have audited the accompanying financial statements of Kishwaukee Family YMCA (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Kishwaukee Family YMCA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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.

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In performing an audit in accordance with generally accepted 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 Kishwaukee Family YMCA'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 Kishwaukee Family YMCA's ability to continue as a going concern for a reasonable period of time.

Report on Summarized Comparative Information

Other auditors have previously audited Kishwaukee Family YMCA's 2020 financial statements, and they expressed an unmodified opinion on those audited financial statements in their report dated June 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

Lucas Group CPAs + Advisors, LLC

Rockford, Illinois
July 13, 2022

KISHWAUKEE FAMILY YMCA

Statement of Financial Position

December 31, 2021

With Comparative Financial Information as of December 31, 2020

	2021	2020
Assets		
Cash and cash equivalents	$ 1,201,032	$ 764,094
Investments - DCCF	41,733	39,209
Pledges receivable	19,239	1,731
Accounts receivable - operations	27,750	64,537
Prepaid expenses	-	3,013
Total current assets	1,289,754	872,584
Property and equipment, net of accumulated depreciation	6,025,071	6,331,103
Total assets	$ 7,314,825	$ 7,203,687
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	58,255	71,565
Accrued expenses	206,924	241,279
Deferred revenue	28,581	33,894
Line of credit	-	150,000
Current portion of capital lease	62,833	57,409
Current portion of notes payable	155,479	59,983
Total current liabilities	512,072	614,130
Long-term portion of capital lease	42,907	73,975
Long-term portion of notes payable	2,344,692	2,135,468
Total liabilities	$ 2,899,671	$ 2,823,573
Net assets:		
Without donor restrictions	4,308,775	4,286,269
With donor restrictions	106,379	93,845
Total net assets	4,415,154	4,380,114
Total liabilities and net assets	$ 7,314,825	$ 7,203,687

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

KISHWAUKEE FAMILY YMCA

Statement of Activities

For the Year Ended December 31, 2021

With Comparative Financial Information for the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	Without Donor Restrictions	With Donor Restrictions	2020
Revenue and support:						
Contributions and grants	$ 468,390	$ 44,357	$ 512,747	$ 586,073	$ 124,204	$ 710,277
PPP loan forgiveness	400,507	-	400,507	400,507	-	400,507
Employee Retention Tax Credit	144,469	-	144,469	-	-	-
Regular membership	1,003,362	-	1,003,362	884,364	-	884,364
Program fees	848,223	-	848,223	603,095	-	603,095
Service fees	15,941	-	15,941	25,498	-	25,498
Investment income, net of expenses	3,866	-	3,866	2,717	-	2,717
Sales to the public, net	404	-	404	4,613	-	4,613
	2,885,162	44,357	2,929,519	2,506,867	124,204	2,631,071
Net assets released from restrictions:						
Satisfaction of purpose restrictions	30,092	(30,092)	-	154,119	(154,119)	-
Satisfaction of time restrictions	1,731	(1,731)	-	7,269	(7,269)	-
Total revenue and support	2,916,985	12,534	2,929,519	2,668,255	(37,184)	2,631,071
Expenses:						
Program services	2,194,552	-	2,194,552	2,168,683	-	2,168,683
Supporting services:						
Management and general	589,003	-	589,003	592,599	-	592,599
Fundraising	110,924	-	110,924	75,210	-	75,210
Total expenses	2,894,479	-	2,894,479	2,836,492	-	2,836,492
Change in net assets	22,506	12,534	35,040	(168,237)	(37,184)	(205,421)
Net assets, beginning of year	4,286,269	93,845	4,380,114	4,454,506	131,029	4,585,535
Net assets, end of year	$ 4,308,775	$ 106,379	$ 4,415,154	$ 4,286,269	$ 93,845	4,380,114

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

KISHWAUKEE FAMILY YMCA

Statement of Functional Expenses

For the Year Ended December 31, 2021

With Summarized Financial Information for the Year Ended December 31, 2020

	Program Services	Supporting Services			
	Community Strengthening	Management & General	Fundraising	2021 Total	2020 Total
Salaries and wages	$ 1,007,068	$ 287,932	$ 78,378	$ 1,373,378	$ 1,385,744
Payroll taxes	84,963	24,292	6,612	115,867	85,085
Employee benefits	63,471	18,147	4,940	86,558	101,472
Other employee expenses	11,617	3,163	862	15,642	16,060
Workers compensation insurance	4,560	1,304	354	6,218	13,600
Program expenses	18,548	6,240	-	24,788	26,496
Training	10,834	77	-	10,911	7,885
Utilities	171,520	27,228	-	198,748	191,139
Janitorial services	11,178	1,775	-	12,953	16,212
Maintenance contract	40,200	6,382	-	46,582	47,220
Maintenance repairs	90,230	14,324	-	104,554	104,486
Supplies	72,288	14,539	-	86,827	99,171
Postage	2,327	369	-	2,696	3,059
Dues and subscriptions	123	3,435	-	3,558	3,631
Contract services	22,863	36,942	-	59,805	55,028
Conferences and training	2,789	489	-	3,278	4,216
Bank charges	103	23,244	-	23,347	18,713
Insurance	38,020	6,036	-	44,056	34,003
Interest expense	75,982	12,062	-	88,044	98,242
Office equipment lease	6,485	1,030	-	7,515	7,370
Printing & promotion	11,827	1,877	-	13,704	19,799
Telephone	11,404	1,810	-	13,214	12,320
Software support	5,647	38,172	-	43,819	44,363
Fundraising expenses	-	-	19,778	19,778	2,562
Travel	29,858	135	-	29,993	-
National support	35,299	-	-	35,299	18,416
Depreciation	365,348	57,999	-	423,347	420,200
	$ 2,194,552	$ 589,003	$ 110,924	$ 2,894,479	$ 2,836,492

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

KISHWAUKEE FAMILY YMCA

Statement of Cash Flows

For the Year Ended December 31, 2021

With Comparative Financial Information for the Year Ended December 31, 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 35,040	$ (205,421)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	423,347	420,200
Other investment income, net of expenses	(3,867)	(2,681)
(Increase) decrease in assets:		
Inventory	-	1,000
Pledges and accounts receivable	19,279	(9,707)
Prepaid expenses	3,013	(3,013)
Increase (decrease) in liabilities:		
Accounts payable	(13,310)	7,104
Accrued expenses	(34,355)	68,533
Deferred revenue	(5,313)	(27,070)
Net cash provided by (used for) operating activities	423,834	248,945
Cash flows from investing activities:		
Purchases of property and equipment	(117,315)	(115,099)
Net transfer to (from) investments	1,343	-
Net cash provided by (used for) investing activities	(115,972)	(115,099)
Cash flows from financing activities:		
Principal payments on capital lease	(60,064)	(55,368)
Borrowings from capital lease	34,420	-
Advances on line of credit	-	150,000
Payments on line of credit	(150,000)	-
Borrowings from notes payable	350,000	425,000
Principal payments on notes payable	(45,280)	(310,134)
Net cash provided by (used for) financing activities	129,076	209,498
Net increase in cash and cash equivalents	436,938	343,344
Cash and cash equivalents, beginning of year	764,094	420,750
Cash and cash equivalents, end of year	$ 1,201,032	$ 764,094
Supplemental disclosure of cash flow information:		
Interest paid during the year	$ 93,405	$ 79,952

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

Note 1 - Summary of Significant Accounting Policies

Nature of Activities
Kishwaukee Family YMCA (the Association), is a nonprofit corporation organized under the laws of the State of Illinois for the purpose of providing health and welfare facilities, programs, and services. The Association is a member of the national YMCA of which it pays dues annually to support the operations of the National Council. The Association primarily serves residents of Dekalb County, Illinois. The mission is to promote Christian principles by enriching the spirit, mind, and body of all those in the community, especially families and children, regardless of ability to pay. The Kishwaukee Family YMCA builds strong kids, strong families, and strong communities. The Association's programs focus on four core values: caring, honesty, respect, and responsibility. It serves men, women, and children of all ages, abilities, incomes, races, and religions and provides financial assistance to those who need it. It identifies needs within the community and responds to them so that the entire community benefits from its efforts. The majority of the Association's funding comes from membership and program fees, contributions, and endowments.

Basis of Accounting
The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States, in which revenue is recognized when earned and expenses are recognized when incurred.

Fund Accounting
The accounts of the Association are organized into funds. The Operating Funds are used to record normal operating revenues and disbursements for various special purposes. The Capital Campaign Funds are used to track contributions relating to facility equipment and ground improvements.

Financial Statement Presentation
Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.
>
> Net Assets With Donor Restrictions – Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Financial Information
The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Cash and Cash Equivalents
For purposes of the statement of cash flows, the Association includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with a maturity of three months or less, as cash and cash equivalents on the accompanying statement of financial position.

Investments
Investments are reported at fair value in the statement of financial position. Unrealized gains/(losses) and investment income, consisting of interest, dividends, and realized gains (losses), net of external investment expenses, are reported in the statement of activities.

Pledges Receivable
Pledges made to the Association are recorded as receivables in the year the pledge was made. Pledges to give are reported in the statement of financial position net of unamortized discounts and an allowance for uncollectible pledges. Pledges that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a discount rate that approximates the rate of government securities. Amortization of the discount is recorded as an increase or decrease in contribution revenue. There were no pledges expected to be collected beyond one year, so pledges receivable have not been discounted to net present value as of December 31, 2021 or 2020. An allowance for uncollectible accounts is determined by management based on past collection history. There was no allowance for uncollectible accounts as of December 31, 2021 or 2020.

Accounts Receivable
Accounts receivable are generally uncollateralized client obligations net of allowances for uncollectible accounts. Management individually reviews all past due accounts receivables and estimates the portion, if any, of the balance that will not be collected. Management has determined all accounts receivable balances to be collectible.

Prepaid Expenses
As of December 31, 2020, prepaid expenses consisted primarily of prepaid insurance. There were no prepaid expenses as of December 31, 2021.

Property and Equipment
Expenditures for the acquisition of property and equipment in excess of $2,000 are capitalized at cost, or if donated, at the fair value at the date of donation. Depreciation is computed on a straight-line basis as follows:

Buildings and improvements	3-40 years
Equipment	3-10 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue represents membership dues, program fees, and grants which have been received, but for which the prescribed services have not yet been completed. These fees will be recognized in income when the services are provided.

Revenue Recognition

The Association has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees. Grants and contributions of cash and other assets are recognized when the donor makes a promise to give to the Association that is in substance, unconditional. Grants and contributions are considered available for unrestricted use unless specifically restricted by the donor. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the Statement of Activities as net assets released from restrictions. Membership revenue, program fees, and daycare fees are recognized evenly over the period of membership and programs.

Membership Dues and Program Fees

Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education, and recreation activities and programs. Members join for varying lengths of time. Members generally pay a one-time joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The Association offers a variety of programs including family, child care, day camp, resident camp, teen, scholastic, fitness, aquatics, health, immigration, and international services. Fee-based programs are available to the public. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are not cancelable. Refunds may be available for services not provided. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees.

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Membership Dues and Program Fees (Continued)

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

Contributions

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized, and
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Government Grants and Contracts

The Association applies for grants each year to support various programs. The majority of the Association's grants are funded in advance. Cost reimbursement government grants are recognized as revenue in the period the qualifying allowable expenditures are incurred. Amounts collected in advance but are unearned are reflected in the statement of financial position as deferred revenue. Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

- Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award and ASC Topic 605. Revenue is recognized in the accounting period when the related expenses are incurred. Amounts received or receivable in excess of expenses are reflected as refundable advances.
- Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the terms of the award and ASC Topic 606. Revenue is recognized when the control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

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

In-kind Contributions
The Association recognizes contributions of services received if such services (a) create or enhance long-lived assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. For the years ending December 31, 2021 and 2020, the Association had no donated services that are reflected in the financial statements.

Donations of non-cash assets are recognized as support at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restrictions. Absent any explicit donor-imposed time requirement, the Association reports the expiration of donor restrictions when the donated or acquired assets are placed in service.

Additionally, the Association receives a significant amount of volunteer contributed time, which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Functional Allocation of Expenses
The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are charged on a direct functional basis whenever practical. When direct charges cannot be accomplished, the costs are allocated on the basis of the proportional use of the service provided. The expenses that are allocated on the basis of estimates of time and effort include: salaries, payroll taxes, employee benefits, other employee expenses, workers compensation insurance, utilities, janitorial services, maintenance contract, maintenance repairs, supplies, postage, insurance, interest expense, office equipment lease, printing & promotion, telephone, and depreciation.

Income Taxes
The Association, as a nonprofit charitable organization, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association accounts for income taxes in accordance with Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. FASB ASC 740 provides detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The Association recorded no liabilities for uncertain tax positions or unrecognized tax benefits. The Association's federal and state returns remain open to examination by taxing authorities through their statutory periods.

Note 2 - Investments and Fair Value Measurements

The investments of the Association are handled by the Investment Advisors of the Dekalb County Community Foundation (DCCF). The Association's funds are accounted for separately on the books of the DCCF and are invested along with other entities that are part of the DCCF. The DCCF has an audit of their records completed annually. The Association's investments are presented in the financial statements in the aggregate at their fair market value as determined by the recognized exchanges.

The Association has adopted ASC Topic 820, *Fair Value Measurements and Disclosures*, which provides a comprehensive framework for measuring fair value and expands required disclosures about fair value measurements. Specifically, ASC Topic 820 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. ASC Topic 820 defines levels within the hierarchy as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets, such as dealer or broker markets.

Level 3 – Inputs to the valuation methodology are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions, or are supported by little or no market activity. The Association used a market approach valuation technique. Significant unobservable inputs used were the fair value of assets contributed to the DCCF.

The Association's investments at December 31, 2021 and 2020 consisted of the following:

	2021				
	Fair Value	**Level 1**	**Level 2**	**Level 3**	**Cost**
Investments held by DCCF	$ 41,733	-	-	$ 41,733	$ 41,733
	$ 41,733	$ -	$ -	$ 41,733	$ 41,733

	2020				
	Fair Value	**Level 1**	**Level 2**	**Level 3**	**Cost**
Investments held by DCCF	$ 39,209	-	-	$ 39,209	$ 39,209
	$ 39,209	$ -	$ -	$ 39,209	$ 39,209

During the year ended December 31, 2021, the YMCA transferred $1,343 out of the investments for operating purposes. The investments had net earnings of $3,867 and $2,681 during the years ended December 31, 2021 and 2020, respectively.

Note 3 – Pledges Receivable

Pledges receivable consist of the following as of December 31, 2021 and 2020:

Years Ended December 31,	2021	2020
Due in less than one year	$ 19,239	$ 1,731
Due in one to five years	-	-
Total pledges receivable	$ 19,239	$ 1,731

Note 4 - Property and Equipment

A summary of changes in property and equipment is as follows:

	12/31/2020	Additions	Disposals	12/31/2021
Nondepreciable assets:				
Land	$ 163,082	-	-	$ 163,082
Total nondepreciable assets	163,082	-	-	163,082
Depreciable assets:				
Buildings and improvements	11,401,980	64,866	-	11,466,846
Equipment	1,270,739	52,449	-	1,323,188
Total depreciable assets	12,672,719	117,315	-	12,790,034
Less accumulated depreciation	(6,504,698)	(423,347)	-	(6,928,045)
Net property & equipment	$ 6,331,103	(306,032)	-	$ 6,025,071

Depreciation expense for the years ended December 31, 2021 and 2020 was $423,347 and $420,200, respectively.

Note 5 – Line of Credit

On September 10, 2019, the Association obtained a $200,000 line of credit from First Midwest Bank. The line of credit matured on September 10, 2020 and had an interest rate of 5.25%. The line of credit was renewed until July 10, 2021 at an interest rate of 3.50%. The Association renewed the line of agreement for another 7 months until January 10, 2022 at an interest rate of 3.25%. The Association did not renew the line of credit again after the January 2022 maturity date. The balance on the line of credit as of December 31, 2021 and 2020 was $0 and $150,000, respectively.

Note 6 – Notes Payable

On May 2, 2013, the Association obtained a bank loan in the amount of $2,357,000. The note matures on August 2, 2027 with a variable interest rate that ranges from 3.95% to 8.00%. Bi-monthly payments of $7,133, including interest, began on September 2, 2013. From May 2020 through July 2020, the bank agreed to defer principal and interest payments due to the hardships of the COVID-19 pandemic. In addition, on January 10, 2021, the bank agreed to defer the principal payments due January 20, 2021 through June 20, 2021. The balance on the note payable as of December 31, 2021 and 2020 was $1,736,052 and $1,772,247, respectively.

On December 1, 2019, the Association acquired the assets and liabilities of Rochelle Daycare. The Association assumed liability of three notes payable to Stillman Bancorp N.A. The three loans were refinanced on January 31, 2020 into one loan for $275,000. The note requires monthly payments of $1,750, including interest at a rate of 4.50%, with a single balloon payment of the entire unpaid balance of principal and interest at the date of maturity of January 31, 2027. As of December 31, 2021 and 2020, the balance on this loan was $263,068 and $270,753, respectively. In addition, the Association assumed a loan with Central Bank Illinois, which matures on August 25, 2022 and has a 0% interest rate. The note requires monthly payments of $117. As of December 31, 2021 and 2020, the balance on the loan was $1,051 and $2,451, respectively. Lastly, the Association assumed a loan from an individual for $6,000 at 0% interest. During the year ended December 31, 2019, $2,000 of this loan was forgiven. The remaining $4,000 balance on the loan was paid off during 2020.

On June 12, 2020, the Association received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) in the amount of $150,000. This loan was increased by $350,000 in August 2021 to an ending balance of $500,000 as of December 31, 2021. In October 2021, the Association signed an additional amendment to increase the EIDL to $1,600,000. The additional $1,100,000 in EIDL funds were not received until April 2022. The loan bears interest at 2.75%. Monthly payments of principal and interest in the amount of $6,955 will begin on December 25, 2022. The balance of principal and interest is payable 30 years from the original loan date. The loan is secured by substantially all assets of the Association. The proceeds from the loan are required to be used solely as working capital to alleviate economic injury caused by the COVID-19 pandemic. Long-term debt activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	New Issues	Retired	Ending Balance
Notes payable	$ 2,195,451	350,000	(45,280)	$ 2,500,171
	$ 2,195,451	350,000	(45,280)	$ 2,500,171

Annual debt service requirements to maturity are as follows:

Year ended December 31,	Prinicpal	Interest	Total
2022	$ 120,343	$ 79,845	$ 200,188
2023	188,925	86,715	275,640
2024	195,576	80,065	275,641
2025	202,874	72,767	275,641
2026	210,247	65,394	275,641
Thereafter	1,582,206	36,060	1,618,266
Total	$ 2,500,171	$ 420,846	$ 2,921,017

Note 7 – Capital Leases

The Association has capital lease agreements with imputed interest rates ranging from 3.612% to 5.542%. Monthly payments of principal and interest range from $625 to $4,493. The assets and liabilities under capital lease are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The gross amount of assets and accumulated depreciation recorded in the statement of financial position under capital leases are as follows:

	2021	2020
Capital leases	$ 259,910	$ 225,490
Less: accumulated depreciation	(91,836)	(50,012)
Total capital lease property	$ 168,074	$ 175,478

Future payments under the terms of the leases are as follows:

Year Ending December 31,	Capital Leases
2022	$ 66,401
2023	34,947
2024	9,360
Total minimum lease payments	110,708
Less: amount representing imputed interest	(4,968)
Present value of future minimum lease payments	$ 105,740

Note 8 – Operating Leases

The Association leases various office and fitness equipment. These leases are accounted for as operating leases. Rent expense on the operating leases was $6,970 and $7,370 for the years ended December 31, 2021 and 2020, respectively. Future payments under the terms of the lease are as follows:

Year Ending December 31,	Operating Leases
2022	$ 6,970
2023	5,809
Total minimum lease payments	$ 12,779

Note 9 – Fees to National Office

In accordance with the affiliation agreement between the Association and its National Office, the Association remitted $35,299 and $18,416 to the National Office for support of national research and other activities during the years ended December 31, 2021 and 2020, respectively.

Note 10 – Pension Plan

The Association is a participant in the YMCA Retirement Fund. The Fund provides defined contribution, money purchase pension plans and serves YMCA Associations only. Each employee who has worked over 1,000 hours during the year, has been employed for two full years, and is 21 years of age or older is required to participate by contributing a minimum of 5% of their wages to the plan. The Association is required to contribute 7% of each qualified employee's wages. Normal retirement is at age 60 with early retirement at age 55 with five years of service.

As a result of the COVID-19 pandemic and economic hardships, the Association voted in April 2020 to reduce retirement contributions to 0% for employees and 1% for the Association through September 2020. In September 2020, the Association voted to extend the reduction in contributions through January 1, 2021. For the years ending December 31, 2021 and 2020, the Association contributed $17,906 and $19,790 to the plan, respectively.

Note 11 – Concentrations of Credit Risk

The Association maintains cash balances at certain financial institutions that may exceed insurance limits provided by the Federal Deposit Insurance Corporation (FDIC) at some points throughout the year. The Association has not experienced any losses in such accounts. The Association monitors the financial stability of the financial institutions regularly and management does not believe there is a significant credit risk associated with deposits in excess of federally insured amounts. The Association's bank accounts at two banks exceeded the FDIC Insurance limit of $250,000 by $219,543 and $36,675 at December 31, 2021.

Note 12 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of December 31, 2021 and 2020:

	2021	2020
Restricted as to purpose:		
Scholarship fund	$ 5,000	$ 5,000
Camp Power	46,587	38,489
Live Healthy	15,854	16,142
Hillcrest Church	-	10,365
Pedaling for Parkinson's	9,015	9,159
Other	19,385	5,459
Total purpose restrictions	95,841	84,614
Restricted as to time:		
Pledges	3,038	1,731
Total time restrictions	3,038	1,731
Perpetual restrictions:		
Initial contribution to DCCF charitable fund	7,500	7,500
Total perpetual restrictions	7,500	7,500
Total net assets with donor restrictions	$ 106,379	$ 93,845

Note 12 – Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2021 and 2020:

	2021	2020
Expiration of purpose restrictions	$ 30,092	$ 154,119
Expiration of time restrictions	1,731	7,269
Total restrictions released	$ 31,823	$ 161,388

Note 13 - Liquidity and Availability

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

	2021	2020
Cash and cash equivalents	$ 1,201,032	$ 764,094
Accounts receivable	27,750	64,537
Pledges receivable	19,239	-
Donor restrictions	(106,379)	(92,114)
Total financial assets available for general expenditure	$ 1,141,642	$ 736,517

The Association monitors its liquidity so that it is able to meet its operating needs and other grant commitments while maximizing the investment of its excess operating cash. In the event of an unanticipated liquidity need, the Association could also draw upon the $200,000 available line of credit.

Note 14 – Coronavirus (COVID-19 Aid)

In April 2020 and January 2021, the Association received Small Business Administration (SBA) loans for $400,507 each through the Paycheck Protection Program (PPP) under the CARES (Coronavirus Aid, Relief, and Economic Security) Act. The loans, including accrued interest, had the potential of 100% loan forgiveness as long as the proceeds were used for eligible purposes, including payroll, benefits, and utilities, and payroll levels were maintained the same during the covered period. Both of the PPP loans were forgiven in full by the SBA in the years they were received, and therefore, recognized as revenue in the Statements of Activities for the years ended December 31, 2020 and 2021.

In addition, the Association applied for and received Employee Retention Tax Credits under the CARES Act in the amount of $144,469 in 2021. The EIDL funds discussed in Note 6 were also received as part of the CARES Act.

Note 15 – Risks and Uncertainties

During 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the YMCA is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as of December 31, 2021.

Note 16 - Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Association has evaluated subsequent events through July 13, 2022, which was the date that these financial statements were available to be issued. As mentioned in footnote 6, the Association received $1,100,000 of additional EIDL loan funds in April 2022. Also in April 2022, the Association used the EIDL funds to pay off approx. $1,600,000 of the note payable that had a $1,736,052 balance at year-end. The remaining note payable balance was paid with the Association's available funds. In addition, at the April 2022 board meeting, the board of directors accepted an offer to sell the Rochelle Child Care facility for $400,000.

Note 17 – Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation.

Note 18 – Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is expected to increase transparency and comparability among organizations. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their balance sheet as lease liabilities which a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current accounting principles generally accepted in the United States of America and modifies the classification criteria and accounting which lessors must apply to sales-type and direct financing leases. In June 2020, the FASB approved the delay of the effective date of ASU 2016-02, which is now effective for the YMCA's year ending December 31, 2022. Management will be evaluating the effects of the new standard.