REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

YMCA OF GREATER SEATTLE

December 31, 2021

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
YMCA of Greater Seattle

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of YMCA of Greater Seattle, which comprise the consolidated statement of financial condition as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of YMCA of Greater Seattle as of December 31, 2021, and the changes in their net assets and 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of YMCA of Greater Seattle 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 YMCA of Greater Seattle'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about YMCA of Greater Seattle'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.

Other Matters

Report on Summarized Comparative Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The management report included in this document and the information on communities served and donated goods and services included in Note 1 of the consolidated financial statements are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Moss Adams LLP

Seattle, Washington
May 19, 2022

YMCA of Greater Seattle
Consolidated Statements of Financial Position – Assets
December 31, 2021

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	$ 3,985,618	$ 8,742,947
Accounts receivable, net	6,115,619	4,457,079
Pledges receivable, net	1,928,819	2,459,774
Prepaid expenses and other current assets	585,688	835,272
Total current assets	12,615,744	16,495,072
LONG-TERM ASSETS		
Restricted cash	861,000	775,000
Pledges receivable, noncurrent, net	2,094,208	1,295,638
Long-term investments	84,720,042	77,437,367
Split-interest agreements	1,095,033	1,040,983
Land, buildings, and equipment, net	169,472,407	171,313,657
Other long-term assets	634,213	646,706
Total long-term assets	258,876,903	252,509,351
Total assets	$ 271,492,647	$ 269,004,423

See accompanying notes.

	2021	2020
CURRENT LIABILITIES		
Accounts payable	$ 1,675,446	$ 1,858,465
Accrued expenses	6,733,407	9,947,538
Deferred program revenue	5,768,610	1,400,955
Bonds payable, current	1,191,923	1,120,770
Notes payable, current	69,314	656,078
Line of credit, current	1,000,000	8,000,000
Other current liabilities	1,587,399	922,007
Total current liabilities	18,026,099	23,905,813
LONG-TERM LIABILITIES		
Liabilities under split-interest agreements	192,852	203,245
Interest rate swap agreements	731,476	1,514,659
Deferred program revenue, noncurrent	403,892	637,904
Notes payable, noncurrent	2,228,511	2,296,663
Capital leases, noncurrent	1,379,637	1,849,553
Line of credit, noncurrent	-	144,113
Bonds payable, noncurrent	29,642,443	30,869,062
Other noncurrent liabilities	-	775,713
Total long-term liabilities	34,578,811	38,290,912
Total liabilities	52,604,910	62,196,725
NET ASSETS		
Net assets without donor restrictions		
General and designated reserves	56,432,661	50,340,915
Debt service sinking fund	11,319,960	10,344,910
Invested in net fixed assets	95,389,328	96,107,035
Total net assets without donor restrictions	163,141,949	156,792,860
Net assets with donor restrictions	55,745,788	50,014,838
Total net assets	218,887,737	206,807,698
Total liabilities and net assets	$ 271,492,647	$ 269,004,423

YMCA of Greater Seattle
Consolidated Statement of Activities
Year Ended December 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
PUBLIC SUPPORT AND REVENUE				
Public support				
Contributions	$ 13,341,355	$ 5,835,278	$ 19,176,633	$ 30,812,833
United Way	393,314	-	393,314	316,857
Total public support	13,734,669	5,835,278	19,569,947	31,129,690
Revenue				
Program, net	15,594,595	-	15,594,595	10,898,481
Membership, net	18,003,696	-	18,003,696	28,486,603
Government	25,811,736	-	25,811,736	27,647,909
Other	313,614	-	313,614	371,978
Total earned revenue	59,723,641	-	59,723,641	67,404,971
Net assets released from restrictions	2,027,870	(2,027,870)	-	-
Total public support, revenue, and releases	75,486,180	3,807,408	79,293,588	98,534,661
EXPENSES				
Program services	74,236,608	-	74,236,608	69,842,643
Management and general	16,203,219	-	16,203,219	18,853,196
Fundraising	1,111,387	-	1,111,387	1,186,512
Total expenses	91,551,214	-	91,551,214	89,882,351
PUBLIC SUPPORT AND REVENUE IN EXCESS (DEFICIT) OF EXPENSES BEFORE OTHER INCOME AND LOSSES	(16,065,034)	3,807,408	(12,257,626)	8,652,310
OTHER INCOME AND LOSSES				
Contribution received for acquisition	-	-	-	4,010,342
Employee Retention Tax Credit gain	2,254,822	-	2,254,822	-
Gain on extinguishment of PPP loans	9,950,000	-	9,950,000	-
Investment return, net	9,430,649	1,927,406	11,358,055	7,279,975
(Loss) gain on sale of assets	(72,839)	-	(72,839)	5,128
Change in value of split-interest agreements	68,308	(3,864)	64,444	4,126
Change in value of interest rate swap agreements	783,183	-	783,183	(739,359)
Total other income and losses	22,414,123	1,923,542	24,337,665	10,560,212
CHANGE IN NET ASSETS	6,349,089	5,730,950	12,080,039	19,212,522
NET ASSETS				
Beginning of year	156,792,860	50,014,838	206,807,698	187,595,176
End of year	$ 163,141,949	$ 55,745,788	$ 218,887,737	$ 206,807,698

See accompanying notes.

YMCA of Greater Seattle
Consolidated Statements of Functional Expenses
Year Ended December 31, 2021

	Program Services				Support Services		
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	2021 Total
Salaries	$ 11,415,101	$ 10,325,085	$ 12,778,616	$ 34,518,802	$ 7,027,185	$ 731,170	$ 42,277,157
Employee health and retirement benefits	2,312,440	2,218,636	2,982,442	7,513,518	1,846,260	163,331	9,523,109
Payroll taxes	1,052,216	937,438	1,160,554	3,150,208	676,988	63,775	3,890,971
Subtotal	14,779,757	13,481,159	16,921,612	45,182,528	9,550,433	958,276	55,691,237
Supplies	1,794,331	1,455,949	1,156,385	4,406,665	2,007,868	9,384	6,423,917
Occupancy	2,193,315	3,170,718	1,103,796	6,467,829	103,832	-	6,571,661
Depreciation and amortization	2,247,874	5,250,923	743,203	8,242,000	1,083,540	-	9,325,540
Professional fees and contract services	875,452	920,831	1,959,600	3,755,883	978,369	81,397	4,815,649
Public relations	44,761	40,951	8,625	94,337	816,057	48,011	958,405
Transportation and travel	482,285	133,828	123,696	739,809	37,468	-	777,277
Equipment rental and maintenance	207,215	179,772	72,026	459,013	610,581	436	1,070,030
Interest	384,205	596,677	218,840	1,199,722	41,280	-	1,241,002
Conferences and training	37,532	12,772	86,018	136,322	42,534	9,680	188,536
Telephone	75,870	86,343	141,811	304,024	661,041	-	965,065
Agency dues	136,968	271,215	45,119	453,302	136,571	4,000	593,873
Other	11,667	17,165	20,047	48,879	91,624	178	140,681
Specific assistance	8,273	47,572	2,690,450	2,746,295	42,021	25	2,788,341
Total expenses	$ 23,279,505	$ 25,665,875	$ 25,291,228	$ 74,236,608	$ 16,203,219	$ 1,111,387	$ 91,551,214

See accompanying notes.

YMCA of Greater Seattle
Consolidated Statements of Functional Expenses
Year Ended December 31, 2020

	Program Services				Support Services		
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	2020 Total
Salaries	$ 10,987,418	$ 10,750,575	$ 10,753,847	$ 32,491,840	$ 7,654,667	$ 794,763	$ 40,941,270
Employee health and retirement benefits	2,348,077	2,384,735	2,736,865	7,469,677	2,037,320	158,745	9,665,742
Payroll taxes	1,021,619	985,773	1,028,598	3,035,990	2,912,383	64,825	6,013,198
Subtotal	14,357,114	14,121,083	14,519,310	42,997,507	12,604,370	1,018,333	56,620,210
Supplies	1,211,360	1,422,081	1,135,003	3,768,444	1,956,285	60,521	5,785,250
Occupancy	1,676,255	2,722,181	1,229,694	5,628,130	129,461	1,452	5,759,043
Depreciation and amortization	2,045,560	4,778,326	993,151	7,817,037	1,322,180	-	9,139,217
Professional fees and contract services	832,149	1,023,879	1,749,179	3,605,207	666,327	13,153	4,284,687
Public relations	40,888	72,624	11,671	125,183	540,566	78,153	743,902
Transportation and travel	360,618	138,231	119,272	618,121	50,138	6,235	674,494
Equipment rental and maintenance	152,317	201,704	116,492	470,513	646,485	3,560	1,120,558
Interest	317,519	525,176	216,788	1,059,483	42,900	-	1,102,383
Conferences and training	39,114	10,415	25,860	75,389	49,353	1,556	126,298
Telephone	75,864	97,106	156,796	329,766	580,502	-	910,268
Agency dues	121,048	253,052	41,817	415,917	53,577	3,040	472,534
Other	9,311	7,644	5,165	22,120	180,626	509	203,255
Specific assistance	511	-	2,909,315	2,909,826	30,426	-	2,940,252
Total expenses	$ 21,239,628	$ 25,373,502	$ 23,229,513	$ 69,842,643	$ 18,853,196	$ 1,186,512	$ 89,882,351

See accompanying notes.

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 12,080,039	$ 19,212,522
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Noncash items included in change in net assets		
Assets from acquisition of Nexus	-	(4,010,342)
Forgiveness on PPP loans	(9,950,000)	-
Depreciation and amortization	9,325,540	9,139,217
Net realized and unrealized gain on investments	(8,988,492)	(5,446,010)
Loss (gain) on disposal of fixed assets	72,839	(5,128)
Noncash change in value of split-interest agreements	(64,444)	(4,126)
Change in allowance for doubtful accounts	(313,027)	531,089
Change in discount and allowance for uncollectible pledges	(298,266)	(353,996)
Change in value in interest rate swap agreements	(783,183)	739,359
Contributions restricted for long-term purposes	(4,672,318)	(1,996,997)
Change in operating accounts		
Accounts receivable	(1,345,513)	(1,909,743)
Pledges receivable	30,651	1,744,938
Prepaid expenses and other current assets	249,584	18,907
Other long-term assets	12,493	(405)
Accounts payable and accrued expenses	(3,397,150)	2,755,597
Other liabilities	3,823,322	(3,216,647)
Net cash (used in) provided by operating activities	(4,217,925)	17,198,235
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from note receivable	-	8,551,621
Purchases of land, buildings and equipment	(7,673,133)	(4,696,714)
Proceeds from sale of land, buildings, equipment	116,006	19,898
Proceeds from lease incentive obligation	738,748	340,004
Purchases of investments	(10,325,583)	(23,377,089)
Proceeds from sale or maturity of investments	12,031,400	12,793,727
Cash acquired in acquisition of Nexus	-	302,153
Net cash used in investing activities	(5,112,562)	(6,066,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on bonds payable and capital leases	(2,164,130)	(10,782,633)
Borrowings on notes payable	9,360,000	590,000
Borrowings on line of credit	3,000,000	19,000,000
Principal payments on line of credit	(10,144,113)	(17,204,387)
Principal payments on notes payable	(64,917)	-
Proceeds from contributions restricted for endowment	1,468,906	60,505
Proceeds from contributions restricted for capital campaign	3,203,412	1,936,492
Net cash provided by (used in) financing activities	4,659,158	(6,400,023)
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(4,671,329)	4,731,812
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	9,517,947	4,786,135
End of year	$ 4,846,618	$ 9,517,947

YMCA of Greater Seattle
Consolidated Statements of Cash Flows
Year Ended December 31, 2021

	2021	2020
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 1,274,748	$ 1,109,959
Assets acquired in Nexus acquisition	$ -	$ 7,421,118
Liabilities assumed in Nexus acquisition	$ -	$ 3,410,776

Note 1 – Background and Summary of Significant Accounting Policies

Description of organization – The Young Men's Christian Association of Greater Seattle (the Y), doing business as YMCA of Greater Seattle, is a not-for-profit Washington corporation and an association of men, women, and children of all ages from all walks of life who are joined together by a shared commitment to nurturing the potential of kids, promoting healthy living, and fostering a sense of social responsibility.

Nature of operations – The Y serves residents of King County and south Snohomish County, Washington. The Y derives its revenues from participant fees, membership dues, government contracts and grants, contributions, and miscellaneous sources. The Y's programs focus on Youth Development – nurturing of the potential of every child and teen; Healthy Living – improving the health and well-being of our communities; and Social Responsibility – giving back to our community and supporting our neighbors in need.

Risks and uncertainties in operations – Due to the COVID-19 pandemic outbreak in 2020 and the Washington state requirement that all athletic facilities close, the YMCA of Greater Seattle facilities were closed March 17 to August 17, 2020. After August 17, Y facilities operated at 25% capacity until November 2020 when the Y was required to shut down again and stayed closed the remainder of 2020. This meant a significant reduction in membership and program revenues for the organization. During the shut-down, the Y was able to operate essential childcare at these closed sites (for first responders and healthcare workers). In addition, the Y maintained social services programs through existing government grant funding sources. The Y also received significant contributions in 2020 to help augment lost revenues. As a result of reduced operations, the Y quickly took action to manage cash flow. Payroll was reduced by approximately 40% and many employees were placed on furlough. Other expenditures were lowered as a by-product of reduced capacity and vendor deferrals.

In 2021, the Y was granted a loan under the Paycheck Protection Program offered by the United States Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in the amount of $9,360,000. This loan was subject to partial or full forgiveness if the Y used all proceeds for eligible purposes; maintains certain compensation levels in accordance with and subject to the CARES Act regulations and guidance. As of December 31, 2021, the Y received full forgiveness, see Note 11.

The impact of the COVID-19 pandemic is continuing to unfold. While the Y was able to open again at almost 100% capacity in July 2021, all branches were still not yet open at full operating hours; with some branches remaining closed during the weekends. Also, programming was not at full operations due to continued staff hiring challenges and community demand. Earned revenues continue to be materially adversely impacted due to the capacity restrictions and reduced hours at YMCA branches (as compared to pre-COVID-19). As of report issuance, membership revenues have slowly begun to recover.

Note 1 – Background and Summary of Significant Accounting Policies (continued)

Principles of consolidation – The accompanying consolidated financial statements as of December 31, 2021 and 2020, include the accounts of YMCA of Greater Seattle and its wholly owned subsidiaries, the 909 4th YMCA Limited Partnership, New Arcadia, and Nexus Youth and Families. See Note 3 for further information about acquisitions that occurred during 2020. All significant intercompany accounts and transactions have been eliminated.

Adoption of new accounting principle – In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (Topic 820), to improve the effectiveness of disclosures in the notes to the consolidated financial statements. The Y has implemented Topic 820 effective January 1, 2020.

Communities served (unaudited) – The Y served 152,239 people during 2021 and engaged 580 volunteers who contributed 53,988 hours of service. The Y served 145,725 people during 2020 and engaged 991 volunteers who contributed 65,673 hours of service.

Basis of presentation – The Y's consolidated financial statements are presented on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Y and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.
>
> *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met by action of the Y and/or the passage of time, or in perpetuity. Generally, the donors of these assets permit the Y to use all or part of the income and gains earned on related investment for general or specific purposes.

Cash and cash equivalents – For reporting purposes, the Y considers all investments in highly liquid debt instruments with a purchased maturity of three months or less, other than those held in the combined investment portfolio, to be cash equivalents.

Restricted cash represents cash restricted for self-insurance worker's compensation purposes, which totaled $861,000 and $775,000 as of December 31, 2021 and 2020, respectively.

Income tax – The Y is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and 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).

Note 1 – Background and Summary of Significant Accounting Policies (continued)

The Y recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Y recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2021 and 2020, the Y is not aware of any uncertain tax positions requiring accrual.

Fair value of financial instruments – Financial instruments reported at fair value on a recurring basis include investments, assets held under split-interest agreements, and interest rate swap agreements. Financial instruments not reported at fair value on a recurring basis include receivables, payables, deferred revenues, and bonds payable. The carrying amounts of these financial instruments approximate fair value.

Investments – All investments are initially recorded at acquisition cost if purchased or fair value if they were received as contributions. Investments in equity securities with readily determinable fair values and investments in debt securities are reported at fair value based on quoted market prices. All other investments, for which quoted market prices are not available, are also reported at estimated fair value based on valuations provided by the external investment managers and the management of the investees. The Y reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

The Y invests its excess cash and its endowment funds in debt instruments and securities with financial institutions and has established guidelines relative to diversification and maturities. Such amounts may be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance amounts.

Capitalization policy and depreciation – Purchased land, buildings, and equipment are recorded at cost, and those received by donations are capitalized at their estimated fair values on the date received. Depreciation is accounted for on a straight-line method based upon the estimated useful lives of the assets as follows:

	Years
Buildings - new	40
Buildings improvements	10-20
Leasehold asset	40
Leasehold improvements - lesser of lease term or useful life	Generally, 20
Furniture	7
Equipment	5
Vehicles	5–7
Leased equipment	4

Note 1 – Background and Summary of Significant Accounting Policies (continued)

Revenue recognition – Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made. Cost reimbursement government grants are recognized as revenue in the period the qualifying allowable expenditures are incurred. Program revenue is recognized at the start of the program or when goods or services are provided by the Y. Membership revenue is recognized over the membership service period. For the year ended December 31, 2021, membership and program revenues were reported on the consolidated statement of activities net of financial aid and discounts, which were $8,039,672 and $393,617 respectively. For the year ended December 31, 2020, membership and program revenues were reported on the consolidated statement of activities net of financial aid and discounts, which were $11,892,201 and $1,033,057, respectively. For the years ended December 31, 2021 and 2020, employee membership discounts were $2,427,391 and $2,559,363, respectively, which are recorded in salaries expense on the consolidated statements of functional expenses.

Due to COVID-19 and during Y closures in 2020, as mentioned above, some members elected to convert their memberships to contributions, this amounted to $1,160,602 for the year ended December 31, 2020.

In certain customer arrangements, the Y records deferred revenue for amounts received from customers in advance of the performance of services. All fees that are billed in advance are recorded as a contract liability, presented in the consolidated statement of financial position as deferred revenue.

Pledges and accounts receivable – Receivable balances consist primarily of receivables from government agencies and pledged contributions from individuals, foundations, and major corporations. Pledges and accounts receivable are stated at the amount the Y expects to collect from outstanding balances. The Y provides for probable uncollectible amounts through a charge to the consolidated statement of activities and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges or accounts receivable. Management has evaluated the balances in pledges and accounts receivable. A reserve has been provided for doubtful accounts sufficient to cover expected losses for uncollectible pledges (see Note 5) and accounts receivable. The reserve for uncollectible receivables was $525,242 and $838,269 as of December 31, 2021 and 2020, respectively.

Donated goods and services (unaudited) – Many volunteers and corporations have donated significant amounts of time and services to the Y's fund-raising campaigns, policy-making boards, and program operations. However, such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, are not reflected in the accompanying consolidated financial statements. While the consolidated financial statements reflect a de minimus value for donated professional services, the Y estimates that 580 and 991 program and policy volunteers gave over 53,988 and 65,673 hours of policy, program, administrative, and facility support services in 2021 and 2020, respectively. If valued at an average of $33.75 and $33.02 per hour (this hourly amount is suggested by the Independent Sector in Washington D.C., a not-for-profit that promotes volunteerism and philanthropy), this would result in a total value of contributed services of $1,822,095 and $2,168,522 in 2021 and 2020, respectively.

Note 1 – Background and Summary of Significant Accounting Policies (continued)

Estimates – The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results may differ from such estimates.

Allocation of functional expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on the benefits derived.

Vulnerability from certain concentrations – The Y may be vulnerable to loss of funding from various governmental agencies. Government funding accounted for 43.2% and 42.6% of earned revenue in 2021 and 2020, respectively. One contract/program through King County provided approximately $3.1 million and $3 million in revenue in 2021 and 2020, respectively, and represented 12.0% and 11.3% of government revenue, respectively. The receipt of governmental funding is subject to audit by various governmental agencies, the outcome of which is not known until the audits are completed. Management is aware of these risks and has contingency plans available.

Summarized information for prior year – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Y's consolidated financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Recent accounting pronouncements – In February 2016, the FASB issued ASU 2016-02, *Leases*. Under ASU 2016-02, lessees will be required to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on the consolidated statement of financial position. The updated guidance also expands the required quantitative and qualitative disclosures surrounding leases. In June 2020, the FASB issued ASU 2020-05, which amended the effective date of the leases standard to fiscal years beginning after December 15, 2021, with early application allowed. The Y is currently evaluating the impact of the standard on the consolidated financial statements.

Reclassification – Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Y recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Y's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

The Y has evaluated subsequent events through May 19, 2022, which is the date the consolidated financial statements were available for issuance.

Note 2 – Liquidity and Availability

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

	2021	2020
Cash and cash equivalents	$ 3,985,618	$ 8,742,947
Accounts receivable, net	6,115,619	4,457,079
Pledges receivable, net	1,928,819	2,459,774
Investments (or Endowment), net of donor restrictions	25,643,157	23,368,186
	$ 37,673,213	$ 39,027,986

Investment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor restricted funds is restricted for specific purposes. Donor restricted funds are not available for general expenditure.

The board designated endowment of $25,643,157 is subject to an annual spending rate of 5% as described in Note 15. Although the Y does not intend to spend from the board designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Y's liquidity management plan they invest cash in excess of daily requirements in short term investments, certificate of deposits, and money market funds. The Y also has access to a $12,000,000 line of credit to deal with short term liquidity needs, of which approximately $1,000,000 had been drawn down and is outstanding as of December 31, 2021.

Note 3 – Nexus Youth and Families Acquisition

Nexus Youth and Families (Nexus), formerly Auburn Youth and Families, was founded in 1973 as a nonprofit agency committed to serving the South King County. It offers free and low-cost behavioral healthcare, emergency shelter, and ongoing case management to youth, from birth to twenty-four and their families. The Y determined there was a great mission fit, and Nexus aligns closely with programming currently managed by the Social Impact (formerly Accelerator) YMCA, and therefore combined operations effective January 1, 2020. No consideration was transferred for the acquisition. Instead, the Y recognized an inherent contribution of $4,010,342 as the following assets were acquired and liabilities assumed from Nexus.

Assets acquired	
Cash and cash equivalents	$ 302,153
Accounts receivable	328,643
Prepaid expenses and other current assets	22,604
Land, buildings, and equipment	6,767,718
Total assets acquired	7,421,118
Liabilities assumed	
Accounts payable	196,734
Accrued liabilities	438,782
Line of credit	348,500
Notes payable	2,426,760
Total liabilities assumed	3,410,776
Inherent contribution recognized	$ 4,010,342

Additionally, since Nexus was the other joint owner in New Arcadia, LLC, the acquisition of Nexus resulted in the Y obtaining full control requiring New Arcadia, LLC to be presented on a consolidated basis as of January 1, 2020.

Note 4 – Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation techniques – Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets or liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities using Level 3 inputs were primarily valued using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Valuation techniques utilized to determine fair value are consistently applied.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

Money market – Money market funds are valued at cost plus accrued interest which approximates fair value.

Mutual funds – Mutual funds are valued at quoted market prices in active markets.

Split-interest agreements and beneficial interest held in trust – The assets held in split-interest agreements are valued based on market prices in active markets if the Y is the trustee, or based on estimates provided by third-party trustees.

Interest rate swap agreements – Interest rate swap agreements' values are derived from proprietary or other pricing models based on assumptions regarding past, present, and future market conditions.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Certain investments that are measured at fair value using the net asset value per share (or the equivalent) have not been classified in the fair value hierarchy leveling. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 4 – Fair Value Measurements (continued)

Fair values measured on a recurring basis – Fair values of assets and liabilities measured on a recurring basis at December 31, 2021, were as follows:

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Money market	$ 32,018,672	$ -	$ -	$ 32,018,672
Mutual funds				
Fixed income	28,788,219	-	-	28,788,219
Large cap	1,283,283	-	-	1,283,283
Small cap	5,124,727	-	-	5,124,727
International	17,505,141	-	-	17,505,141
Split-interest agreements				
Money market	8,687	-	-	8,687
Equity mutual funds	54,521	-	-	54,521
Fixed income mutual funds	31,384	-	-	31,384
Other mutual funds	385,858	-	-	385,858
Beneficial interest held in trust	-	-	614,583	614,583
Total 2021 financial assets	$ 85,200,492	$ -	$ 614,583	$ 85,815,075
2021 financial liabilities				
Interest rate swap agreement	$ -	$ -	$ 731,476	$ 731,476

Fair values of assets and liabilities measured on a recurring basis at December 31, 2020, were as follows:

	Fair Value Measurements as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market	$ 12,135,682	$ -	$ -	$ 12,135,682
Mutual funds				
Fixed income	21,518,111	-	-	21,518,111
Large cap	23,018,255	-	-	23,018,255
Small cap	4,868,611	-	-	4,868,611
International	15,022,910	-	-	15,022,910
Real estate	873,798	-	-	873,798
Split-interest agreements				
Money market	11,693	-	-	11,693
Equity mutual funds	50,659	-	-	50,659
Fixed income mutual funds	45,384	-	-	45,384
Other mutual funds	363,798	-	-	363,798
Beneficial interest held in trust	-	-	569,449	569,449
Total 2020 financial assets	$ 77,908,901	$ -	$ 569,449	$ 78,478,350
2020 financial liabilities				
Interest rate swap agreement	$ -	$ -	$ 1,514,659	$ 1,514,659

Note 5 – Pledges Receivable

Pledges receivable were as follows as of December 31:

	2021	2020
Pledges receivable expected to be collected in		
Less than one year	$ 2,006,415	$ 2,486,161
One to five years	2,881,047	2,431,952
	4,887,462	4,918,113
Less allowance for uncollectible	(563,791)	(861,796)
Less unamortized discount	(300,644)	(300,905)
Total pledges receivable, net	4,023,027	3,755,412
Less current pledges receivable	(1,928,819)	(2,459,774)
Total long-term pledges receivable	$ 2,094,208	$ 1,295,638

Long-term pledges include those pledges expected to be collected more than one year in the future, as well as those pledges restricted for long-term purposes such as endowments or fixed assets whose restrictions have not been met.

Pledges receivable are recorded as contributions based upon the net present value of the amounts expected to be collected. The five-year U.S. Treasury note rate was used to determine the present value for the long-term pledges receivable.

Note 6 – Long-Term Investments

Long-term investments were as follows as of December 31:

	2021	2020
Money market	$ 32,018,672	$ 12,135,682
Mutual funds - equity	23,913,151	42,909,776
Mutual funds - fixed income	28,788,219	21,518,111
Mutual funds - other	-	873,798
Total long-term investments	$ 84,720,042	$ 77,437,367

Investment income was as follows for the years ended December 31:

	2021	2020
Dividends and interest	$ 2,662,652	$ 2,027,047
Realized and unrealized gains	8,988,492	5,446,010
Investment fees	(293,089)	(193,082)
Total investment return, net	$ 11,358,055	$ 7,279,975

Note 7 – Split-Interest Agreements

Perpetual trust – The Y is a one-third beneficiary of one trust held in perpetuity. The trust is administered by a financial institution. The trust provides for annual earnings distributions to the Y. The Y's interest in gains and losses in the value of the trust is recognized in the consolidated statement of activities as with donor restricted activities. The fair value of the Y's beneficial interest in the trust was $597,440 and $548,814 at December 31, 2021 and 2020, respectively.

Charitable remainder trust and charitable lead trust – During 2021 and 2020, the Y held a 100% beneficial interest in one charitable remainder unitrust. The unitrust provides a percentage of the net fair value of the trust, valued on the first day of each year, to be paid in a gift annuity. The annuity provides the donors a percentage of the original gift amount for the life of the donors. Upon the donors' deaths, the remainder goes to the Y. The trust provides for semi-annual payments, calculated as 8% of the net fair market value of the trust assets, valued as of the first day of each taxable year of the trust. The assets for this trust are reported at fair value of $480,450 and $471,534 at December 31, 2021 and 2020, respectively.

The liability to the donor is recorded at the present value of the estimated future payments expected to be distributed, discounted at a rate of 6%, which was $192,852 and $203,246 at December 31, 2021 and 2020, respectively.

The Y is also the beneficiary in an additional charitable remainder unitrust and charitable lead trust, both administered by investment brokerages. The fair value of the Y's beneficial interest in these trusts was $17,143 and $20,635 at December 31, 2021 and 2020, respectively.

Note 8 – Land, Buildings, and Equipment

Land, buildings, and equipment were as follows as of December 31:

	2021	2020
Land	$ 16,923,836	$ 16,923,836
Buildings and leasehold improvements	169,207,263	168,824,977
Leasehold asset	33,475,089	32,597,241
Furniture and equipment	20,733,442	23,342,678
Vehicles	3,316,415	3,346,296
Construction in progress	10,884,567	4,490,794
Total land, buildings and equipment without donor restriction	254,540,612	249,525,822
Less accumulated depreciation	(86,589,067)	(79,835,167)
Land, buildings and equipment without donor restriction, net	167,951,545	169,690,655
Donor-restricted furniture and equipment	203,058	203,058
Donor-restricted real estate - building	1,987,135	1,987,135
Donor-restricted real estate - land	1,353,761	1,353,761
Total donor restricted land, building and equipment	3,543,954	3,543,954
Less accumulated depreciation	(2,023,092)	(1,920,952)
Restricted land, buildings and equipment, net	1,520,862	1,623,002
Total land, buildings and equipment, net	$ 169,472,407	$ 171,313,657

Note 8 – Land, Buildings, and Equipment (continued)

The Y is the beneficiary of a large charitable contribution for the purpose of purchasing and operating group residential homes for former foster care youth. The donor has requested that the real estate purchased be restricted for use with the youth program and kept in perpetuity. Between 2001 and 2005, the Y purchased six homes, selling one in 2006, the proceeds of which were used to fund the same youth program. The homes are classified as with donor restricted real estate and are being depreciated. The land associated with these homes has been classified with donor restriction.

On April 29, 2013, the Y entered into an agreement with the City of Sammamish, whereby it would contribute approximately $5 million toward the cost of construction on a new facility. In exchange, the Y would lease the facility, once complete, from the City at a rate of $1 per year under an original 25-year lease. The lease also contains a provision allowing the Y to renew the lease for an additional 25-year period. At the inception date of the lease, the fair value of the building was estimated to be $32,597,241. This amount, less the $5,404,489, contributed by the Y was recognized in 2016 as a contribution and a leasehold asset. The contribution of the leasehold asset is reflected in the accompanying consolidated statements of financial position as a net asset with donor restrictions and is being released into net assets without donor restrictions over the estimated useful life of the building at 40 years. As of December 31, 2021 and 2020, the contribution that remains in net asset with donor restriction is $22,935,109 and $23,750,040, respectively. Amortization expense for the years ended December 31, 2021 and 2020 was $814,931. The agreement also includes the lease of 7 acres of land, owned by the Y to the City for $1 per year, for 25 years with the option to renew for an additional 25 years.

On June 29, 2018, the Y entered into an agreement with the City of Kent, to fully fund construction of a new $26 million YMCA facility, located on City park land (Morrill Meadows Park). The City donated one park parcel to the Y, appraised at $650,000, subject to a reversionary interest in favor of the City should the Y ever stop operating the facility (once constructed) as a YMCA. This agreement will remain in effect for fifty years from its effective date and will automatically extend for additional five-year periods until the YMCA stops operating the Kent YMCA as a community center.

The Y also entered into an agreement with the City of Kent to construct certain improvements in the park surrounding the new Kent YMCA and a 20-year agreement with the Y to allow the improvements to be used by the City of Kent that includes payment terms that repays the Y for the cost of the improvements. The agreement was for a total of $8,499,900, bearing interest at 3.95%, requires monthly payments that started in September 2019, and allows for full repayment at election of the City. The balance of the note receivable was paid in full during 2020.

Note 9 – Deferred Program Revenue

Deferred program revenue was as follows as of December 31:

	2021	2020
Current portion deferred revenue		
City of Auburn	$ 107,460	$ 107,460
City of SeaTac	51,552	51,552
King County	75,000	75,000
Membership and program deferred revenue	1,009,278	646,755
Other deferred program revenue	4,525,320	520,188
	5,768,610	1,400,955
Long-term deferred revenue		
City of Auburn	49,582	157,042
City of SeaTac	348,031	399,583
King County	6,279	81,279
	403,892	637,904
	$ 6,172,502	$ 2,038,859

In 2003 and 2004, the Y entered into a series of agreements with the City of Auburn to provide specific services and access to its facilities over a 20-year period. The City of Auburn paid $1,429,200 in 2003 and $720,000 in 2004 as part of these agreements. These amounts are considered deferred revenue and will be recognized ratably over the 20-year periods ending in 2023 and 2024.

In 2006, the Y entered into an agreement with the City of SeaTac to provide specific services and access after the construction of a new facility in SeaTac. Upon completion of the facility in 2009, the City of SeaTac paid $1,031,105 as part of this agreement. This amount is considered deferred revenue and will be recognized ratably over a 20-year period ending in 2029.

In 2007, the Y entered into an agreement with King County to provide specific services after the construction of a new facility in SeaTac. Upon completion of the facility in 2009, King County paid $1,000,000 for Youth and program activities for the community in and around SeaTac. The $250,000 and $750,000 portions of this amount are considered deferred revenue and will be recognized ratably over a 10-year period, which ended in 2019 and 15-year period, ending in 2024, respectively.

Other deferred program revenue consisted of funds received for grants, childcare, and other programs by the Y for services to be provided after December 31.

Note 10 – Lines of Credit

The Y entered into a line of credit agreement with a financial institution in September 2015 for borrowings up to $6,000,000. In September 2016, the Y modified the agreement, which increased the amount of the line to $12,000,000. The line of credit is unsecured and matures on September 30, 2022. Interest expense for the line of credit was $130,153 in 2021. The agreement also requires the Y to meet certain financial covenants, which the Y was in compliance with as of December 31, 2021 and 2020. At December 31, 2021 and 2020, the balance outstanding under the agreement was $1,000,000 and $8,000,000 respectively.

With the Nexus merger the Y acquired a line of credit agreement with a financial institution for borrowings up to $400,000. This agreement originated in August 2019 with Nexus and continued with the Y in 2020. At December 31, 2020, the balance outstanding under the agreement was $0. This line of credit was cancelled in 2021.

The Y entered into a non-revolving line of credit with a financial institution in October 2018 for borrowings up to $8,500,000. This is primarily to fund construction of the new Kent YMCA which opened in September 2019. Monthly principal and interest payments began February 2019, with full principal due October 31, 2020. This line was repaid in full during 2020.

Note 11 – Notes and Bonds Payable

Bonds payable consisted of the following as of December 31:

	2021	2020
Variable Rate Demand Nonprofit Revenue Bonds, Series 2012, due August 1, 2037, interest payable monthly and principal payable annually in varying amounts, interest rate adjusted weekly but not to exceed a maximum rate of 10% per annum; interest rates averaged .94% and 1.48% in 2021 and 2020 respectively.	$ 23,145,000	$ 24,065,000
Fixed Rate Demand Nonprofit Revenue Bonds, Series 2019, due October 1, 2045, interest payable monthly at a rate of 2.48%, principal payments began October 1, 2020.	7,689,366	7,924,832
Fixed Rate Revenue Bond, 2009, due December 2039, monthly payments of $2,646, interest rate of 5.25%. Bond is secured by a deed of trust.	368,182	380,029

Note 11 – Notes and Bonds Payable (continued)

	2021	2020
Note payable with quarterly, interest only payment of $1,169 at 1% through June 2036. Quarterly principal and interest payment of $12,301 shall begin September 2036. A recoverable grant in the amount of $132,336 has no expectation of repayment if the terms and conditions of the contract have been met through the term of the commitment	467,664	467,664
Note payable with principal and interest payable monthly at $9,912. Interest rate at 4.375%, due October 2024	1,461,979	1,515,048
Paycheck Protection Program Loan, principal balance of $590,000 at 1% per annum interest rate from April 21, 2020 until paid in full.	-	590,000
	33,132,191	34,942,573
Less bonds and notes payable, current	(1,261,237)	(1,776,848)
Total bonds payable, noncurrent	$ 31,870,954	$ 33,165,725

On September 1, 2007, the Washington State Housing Finance Commission issued Variable Rate Demand Nonprofit Revenue Bonds, Series 2007 of $30,000,000 (the 2007 Bonds) and loaned the proceeds to the Y. The 2007 Bonds were issued with the purpose of providing funding to finance the construction, renovation, expansion, and equipping of program facilities. Effective August 1, 2012, the 2007 Bonds were refinanced with a private lender. As part of the refinance, the Washington State Housing Finance Commission issued Variable Rate Demand Nonprofit Revenue Bonds, Series 2012 (the 2012 Bonds) of $30,000,000. The 2012 Bonds were then sold to a private lender. The 2012 Bonds are collateralized by a deed of trust on real property. The terms of the 2012 Bonds were not significantly changed from the 2007 Bonds. As such, this refinance was accounted for as a debt modification. Under the terms of the 2012 Bond agreement, the private lender has the right to call any remaining outstanding principal balance on September 1, 2022, 2027, and 2032. In April 2017, the Y amended its agreement with the private lender to change the private lender's call dates to May 1, 2024, and each May 1 thereafter. All other terms remained significantly the same.

On October 4, 2019, the Washington State Housing Finance Commission issued Fixed Rate Demand Nonprofit Revenue Bonds, Series 2019 of $8,000,000 (the 2019 bonds) and loaned the proceeds to the Y. The obligations to the Bank under this agreement will be secured by the Mortgage. The funds were used for construction of the new Kent YMCA completed in 2019.

On December 30, 2009, the Housing Authority of the County of King issued Low-Income Housing Assistance Revenue Bond, Series 2009 of $475,000 to Nexus Youth and Families. The Bond was initially purchased and is currently held by a private lender. Bond is secured by a deed of trust.

Note 11 – Notes and Bonds Payable (continued)

On March 31, 2006, the Housing Authority of the County of King issued a promissory note of $600,000 to Nexus Youth and Families. $467,664 of the funds is a loan and $132,336 is a recoverable grant, if the terms and conditions of the contract have been met through the term of the commitment that ends June 2046. The loan in the amount of $467,664 is amortized beginning July 1, 2006. Quarterly payments are made on interest only, in the amount of $1,169, beginning on September 30, 2006, and shall continue each quarter through June 30, 2036. The principal amount of $467,664 shall then be amortized through June 30, 2046. Quarterly payments of $12,300 on principal and interest shall then begin on September 30, 2036, and continue each quarter through June 30, 2046. The final payment of principal and interest shall be due and payable on or before June 30, 2046. The note is secured by real estate.

On October 16, 2014, Nexus Youth and Families obtained a Variable Rate Nondisclosable Loan of $1,800,000, due on October 20, 2024. For the first 60 payments, the interest rate on the loan was 4.250%. Thereafter, the interest rate is subject to change from time to time based on the Five Year Home Loan Bank (FHLB) of Seattle Fixed Advance Rate. The note is secured by a deed of trust.

On April 21, 2020, Nexus Youth and Families (Nexus) was approved for CARES Act Paycheck Protection Program (PPP) loan of $590,000. The PPP loan is partially or fully eligible for forgiveness if spent on eligible payroll and related compensation expenses. The Y applied for loan forgiveness on behalf of Nexus in 2021 and was granted forgiveness by the Small Business Association (SBA) as of December 31, 2021. The PPP loan forgiveness of $590,000 is included within other income on the statement of activities as of December 31, 2021.

On March 31, 2021, YMCA of Greater Seattle was approved for CARES Act Paycheck Protection Program (PPP1) loan of $9,360,000. The PPP1 loan is partially of fully eligible for forgiveness if spent on eligible payroll and related compensation expense. The Y applied for loan forgiveness in 2021 and was granted forgiveness by the SBA as of December 31, 2021. The PPP loan forgiveness of $9,360,000 is included within other income on the consolidated statement of activities for the year ending December 31, 2021.

Principal maturities on the bonds and notes payable are as follows for the year ending December 31:

For the Year Ending December 31,	
2022	$ 1,261,237
2023	1,338,226
2024	2,682,830
2025	1,398,711
2026	1,464,437
Thereafter	24,986,750
	$ 33,132,191

Note 12 – Interest Rate Swap Agreements

To minimize the effect of the change in the variable interest rate of outstanding bonds payable, the Y entered into two swap agreements in 2017. Under the terms of the swap agreements, the Y pays the swap counterparties fixed amounts of interest over the term of the contracts and receives variable interest payments equal to 70% of LIBOR. Additional key terms of the agreements are as follows:

Outstanding Notional	Trade Date	Effective Date	Swap Fixed Rate	Final Maturity Date
$ 25,780,000	4/28/2017	4/1/2019	2.120%	5/1/2024

As of December 31, 2021 and 2020, the net fair value of the swap agreements was a liability of $731,476 and $1,514,659, respectively, and the related unrealized gain/loss on the value of the swap agreement was included in the consolidated statement of activities.

Note 13 – Leases

In 2015, the Y entered into a master agreement with a financial institution for a $2,000,000 equipment line of credit facility. As of December 31, 2021, the Y had sixteen lease schedules for equipment and buses under the agreement. The leases mature between April 2020 and August 2026, bear interest at rates between 2.27% and 4.64%, and are secured by the underlying equipment and buses. As of December 31, 2021 and 2020, the Y had total capital lease payables of $1,310,805 and $2,330,595, respectively. Amounts due in the next year of the capital lease payable are recorded in other current liabilities in the consolidated statement of financial position.

The future lease payments under all capital leases at December 31, 2021, are as follows:

For the Year Ending December 31,	
2022	$ 826,747
2023	274,537
2024	124,745
2025	114,011
2026	34,471
	1,374,511
Less amounts for interest	(63,706)
	$ 1,310,805

Note 13 – Leases (continued)

Certain operations of the Y are conducted in leased space in the Seattle area. The Y also leases copiers and other electronic equipment with future minimum commitments. Future minimum lease payments under all significant noncancelable operating leases at December 31, 2021, are as follows:

For the Year Ending December 31,	
2022	$ 1,315,139
2023	576,701
2024	390,180
2025	290,664
2026	213,981
Thereafter	976,841
	$ 3,763,506

The Y also leases several spaces on a month-to-month basis for its programs. Payments on those leases are not included in the future minimum lease payments schedule above.

Note 14 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 are available for the following purposes or periods:

	2021	2020
Subject to expenditure for specified purpose		
Program activities		
Camp reserves	$ 208,018	$ 226,651
Transitional houses	1,231,027	1,231,027
Transitions program support, charitable lead trust, other	325,803	312,907
Contribution of long-term asset	22,935,109	23,750,040
Buildings	9,997,312	7,627,543
	34,697,269	33,148,168
Subject to the passage of time		
For periods after year-end	2,079,727	2,020,024
Subject to spending policy and appropriation		
Endowment earnings for use in Y programming	5,575,484	4,120,788
Not subject to appropriation or expenditure		
Land required for Transitional houses	698,830	698,830
Land contribution for Kent YMCA	650,000	650,000
Endowment donor restricted funds	12,044,478	9,377,028
	13,393,308	10,725,858
Total net assets with donor restrictions	$ 55,745,788	$ 50,014,838

Note 14 – Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions where restrictions were met by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended December 31:

	2021	2020
Purpose restrictions accomplished		
Accelerator program expenses	$ 99,324	$ 327,338
Use of contributed long-term asset	814,931	814,931
Acquisition of buildings	61,063	3,503,408
	975,318	4,645,677
Time restrictions accomplished		
Passage of specified time	434,194	1,306,707
Release of appropriated endowment amounts with purpose restrictions	618,358	541,416
Total restrictions released	$ 2,027,870	$ 6,493,800

Note 15 – Endowments

The Y's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi endowment). 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.

Interpretation of relevant law – The Y's Board of Directors has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Y classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

Note 15 – Endowments (continued)

As of December 31, 2021, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021			
Board-designated endowment funds	$ 25,662,874	$ -	$ 25,662,874
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	12,044,478	12,044,478
Endowment investment gains	-	5,575,484	5,575,484
Total Funds	$ 25,662,874	$ 17,619,962	$ 43,282,836

As of December 31, 2020, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2020			
Board-designated endowment funds	$ 23,387,903	$ -	$ 23,387,903
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	(19,717)	9,377,028	9,357,311
Endowment investment gains	-	4,120,788	4,120,788
Total Funds	$ 23,368,186	$ 13,497,816	$ 36,866,002

Changes to endowment net assets for the year ended December 31, 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2020	$ 23,368,186	$ 13,497,816	$ 36,866,002
Investment return gain, net	3,247,031	1,873,803	5,120,834
Contributions and recollection of pledges	121,732	2,829,451	2,951,183
Appropriation of endowment for expenditure	(1,074,075)	(581,108)	(1,655,183)
Endowment net assets, December 31, 2021	$ 25,662,874	$ 17,619,962	$ 43,282,836

Note 15 – Endowments (continued)

Changes to endowment net assets for the year ended December 31, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	$ 21,877,556	$ 12,671,708	$ 34,549,264
Investment return gain, net	2,506,522	1,313,604	3,820,126
Contributions and recollection of pledges	17,500	43,005	60,505
Unrealized loss of underwater endowment	-	(14,835)	(14,835)
Appropriation of endowment for expenditure	(1,033,392)	(515,666)	(1,549,058)
Endowment net assets, December 31, 2020	$ 23,368,186	$ 13,497,816	$ 36,866,002

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Y to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets without donor restrictions were $0 and $(19,717) as of December 31, 2021 and 2020, respectively. These deficiencies resulted from unfavorable market fluctuations.

Return objectives and risk parameters – The Y has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Y must hold in perpetuity or for donor-specified periods as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom Policy Index made up of various indices. Actual returns in any given year may be positive or negative.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Y relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Y targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to the spending policy – The Y has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 36 months through May of the calendar year preceding the year of distribution. In establishing this policy, the Y considered the long-term expected return on its endowment. Accordingly, over the long-term, the Y expects the current spending policy and expected rate of return to allow the endowment to maintain its inflation adjusted value. This is consistent with the Y’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 16 – Retirement Plans

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

The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. Employees are eligible to participate in the Retirement Plan, upon attaining the age of 21, and upon completion of 1,000 hours of service during each of any two 12-month periods, beginning with their date of hire. Employees are eligible to participate in the Savings Plan upon their date of hire.

In accordance with the agreement with the Fund, the Y contributions are 12% of the participating employees' eligible salaries, and are remitted to the Fund monthly. Total Y retirement contributions charged to employee benefit expenses were $3,054,417 and $2,674,258 in 2021 and 2020, respectively.

Note 17 – Employee Retention Tax Credit

The YMCA was able to file for $2,254,822 of Employee Retention Tax Credit (ERTC) for five quarters spanning Q2 2020 through Q2 2021. This tax credit allowed the YMCA to retain employees on the payroll through the COVID-19 pandemic and was taken all in the 2021 fiscal year by filing amended 941 IRS payroll tax returns for these periods. The ERTC is a broad based refundable tax credit designed to encourage employers to retain employees on the payroll. As of December 31, 2021, the full credit balance of $2,254,822 is in accounts receivable.

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