

**Young Men's Christian Association Somerville**  
**Consolidated Financial Statements**  
**December 31, 2023 and 2022**

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To The Board of Directors,  
Young Men's Christian Association Somerville

## **Report on the Audit of the Financial Statements**

### ***Opinion***

We have audited the accompanying financial statements of Young Men's Christian Association Somerville (a nonprofit organization), which comprise the Consolidated statement of financial position as of December 31, 2023 and the related Consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related Consolidated notes to the financial statements.

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

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young Men's Christian Association Somerville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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**McLarney & Company, LLC**

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- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Young Men's Christian Association Somerville's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Men's Christian Association Somerville'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.

### ***Report on Summarized Comparative Information***

We have previously audited Young Men's Christian Association Somerville's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2024, on our consideration of Young Men's Christian Association Somerville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Young Men's Christian Association Somerville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Young Men's Christian Association Somerville's internal control over financial reporting and compliance.

***McLarney & Company, LLC***

McLarney & Company, LLC

Chelmsford, MA

July 24, 2024

**Somerville YMCA**  
**Consolidated Statement of Financial Position**  
**December 31, 2023 and 2022**

	Total 2023	Total 2022
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalent (Notes 1, 3)	\$ 1,859,765	\$ 1,266,805
Restricted Cash (Note 1, 3)	21,379	21,379
Accounts Receivable, Net of allowance of \$0 & \$0 (Note 11)	27,765	18,556
Contracts Receivable, Net of allowance of \$0 & \$0 (Note 12)	95,818	155,623
ERTC Receivable	-	166,184
Prepaid Expenses	11,740	20,190
Real Estate Deposit	-	50,000
<b>Total Current Assets</b>	<b>2,016,467</b>	<b>1,698,737</b>
<b>Property and Equipment</b>		
Property and Equipment (Notes 1, 2)	6,964,996	1,629,373
Accumulated Depreciation	(1,095,803)	(1,046,663)
Property and Equipment Net (Notes 1, 2)	5,869,193	582,710
Right-of-use lease assets- operating lease	155,564	47,325
Less: Accumulated Amortization	(37,755)	(18,774)
Total right-to-use assets	117,809	28,551
Total Property, plant and equipment	5,987,001	611,261
<b>Other Assets</b>		
Certificate of Deposits (Notes 1, 3)	-	-
Investment in Highland Ave Y 101 Properties LLC	-	472,527
Investments	311,525	257,016
<b>Total Assets</b>	<b>\$ 8,314,993</b>	<b>\$ 3,039,540</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 38,177	\$ 54,643
Accrued Expenses	81,818	50,622
Tenant Deposits	12,610	-
Installment Interest Payable	36,585	-
Deferred Revenue	-	606
Current portion of Lease Liability- operating lease	44,186	18,981
<b>Total Current Liabilities</b>	<b>213,377</b>	<b>124,853</b>
<b>Long Term Liabilities</b>		
Notes Payable (Note 13)	3,982,425	-
Long-term lease liability- operating lease	73,622	9,569
	4,056,047	9,569
<b>Net Assets (Note 1)</b>		
Without Donor Restrictions	4,065,426	2,883,739
With Donor Restrictions	21,379	21,379
Members Equity	(41,236)	-
Member Contribution	-	-
<b>Total Net Assets &amp; Members Equity</b>	<b>4,045,569</b>	<b>2,905,118</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 8,314,993</b>	<b>\$ 3,039,540</b>

The accompanying notes and auditor's report  
are an integral part of these financial statements.

**Somerville YMCA**  
**Consolidated Statement of Activities and Changes to Net Assets**  
**For the Years Ended December 31, 2023 and 2022**

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
<b>Revenue, Support and Gains (Note 1)</b>				
Fees for service				
Health & Wellness	589,075	-	589,075	492,241
Day Care	1,875,666	-	1,875,666	1,889,253
Dormitory	240,314	-	240,314	233,034
Government Grants	1,852,224	-	1,852,224	712,790
Rental Income	23,645	-	23,645	-
Other	8,465	-	8,465	14,535
Total Fees for Service	4,589,388	-	4,589,388	3,341,853
Contributions	234,276	-	234,276	249,919
Investment Return	29,026	-	29,026	(17,065)
Interest	364	-	364	13,273
Employee Retention Tax Credit (Note1, 9)	-	-	-	158,567
Other Income	16,487	-	16,487	11,989
Released from Restrictions	-	-	-	-
Total Revenue, Support and Gains	4,869,540	-	4,869,540	3,758,536
<b>Expenses and Losses</b>				
Program Services:				
Health & Wellness	907,917	-	907,917	803,628
Day Care	1,836,630	-	1,836,630	1,766,327
Dormitory	147,310	-	147,310	198,960
Other	-	-	-	49,481
Low Income Housing	65,286	-	65,286	-
Total Program Expenses	2,957,143	-	2,957,143	2,818,396
Management and General	759,802		759,802	514,499
Fundraising and Development	12,144		12,144	10,381
Total Supporting Services Expenses	771,946	-	771,946	524,880
Total Expenses and losses	3,729,089	-	3,729,089	3,343,276
Change in Net Assets	1,140,451		1,140,451	415,260
Members Equity, Beginning of Year		-	-	-
Net Assets, Beginning of Year	2,883,739	21,379	2,905,118	\$ 2,489,858
Member Contribution	-		-	-
Net Assets & Members Equity, Ending of Year (Note 1)	\$ 4,024,190	\$ 21,379	\$ 4,045,569	\$ 2,905,118

The accompanying notes and auditor's report  
are an integral part of these financial statements.

**Somerville YMCA**  
**Consolidated Statement of Functional Expenses**  
**For the Years Ended December 31, 2023 and 2022**

	<i>Dormitory</i>	<i>Health &amp; Wellness</i>	<i>Day Care</i>	<i>Low Income Housing</i>	<i>Total Program</i>	<i>Management &amp; Admin.</i>	<i>Fundraising</i>	<i>2023 total</i>	<i>Total 2022</i>
<b>Functional Expenses:</b>									
Salaries & Wages	\$ -	\$ 601,855	\$1,260,648	\$ -	\$ 1,862,503	\$ 512,113	\$ -	\$ 2,374,616	\$ 2,054,268
Payroll Taxes	-	46,153	97,845	-	143,998	40,615	-	184,613	163,536
Fringe Benefits (Note 4)	-	50,662	107,404	-	158,066	44,583	-	202,649	211,664
Office Expense	16,769	16,769	33,538	258	67,334	16,769	-	84,103	70,987
Physical Programs	-	22,905	-	-	22,905	-	-	22,905	30,010
Resale Expense	-	98	-	-	98	-	-	98	1,370
Equipment Expense	1,007	11,077	4,028	-	16,112	4,028	-	20,140	60,973
Advertising & Promotion	-	-	-	-	-	36,277	-	36,277	1,847
Transportation	-	-	71,596	-	71,596	7,955	-	79,551	63,061
National Dues	-	-	-	-	-	28,209	-	28,209	41,782
Training	-	6,978	13,956	-	20,934	6,978	-	27,912	20,742
Programs Expense	9,170	36,678	128,375	-	174,223	9,170	-	183,392	140,900
Professional Fees	-	-	-	1,303	1,303	53,105	-	54,408	100,301
Taxes	-	-	-	2,642	2,642	-	-	2,642	-
Interest	-	-	-	36,585	36,585	-	-	36,585	-
Fundraising	-	-	-	-	-	-	12,144	12,144	10,381
Other Expense	-	-	-	-	-	-	-	-	17,566
Insurance	20,386	20,386	27,182	6,403	74,357	-	-	74,357	46,026
Depreciation (Note 1)	11,623	11,623	15,498	15,431	54,175	-	-	54,175	38,364
Maintenance	21,636	21,636	28,848	782	72,901	-	-	72,901	88,985
Utilities	35,785	35,785	47,714	1,882	121,166	-	-	121,166	111,284
Janitorial	30,934	25,310	-	-	56,244	-	-	56,244	50,031
<b>Total Functional Expenses by Function</b>	<b>\$ 147,310</b>	<b>\$ 907,917</b>	<b>\$ 1,836,630</b>	<b>\$ 65,286</b>	<b>\$ 2,957,143</b>	<b>\$ 759,802</b>	<b>\$ 12,144</b>	<b>\$ 3,729,089</b>	<b>\$ 3,324,076</b>

The accompanying notes and auditor's report  
are an integral part of these financial statements.

**Somerville YMCA**  
**Consolidated Statement of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	Total 2023	Total 2022
<b>Cash Flows From Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 1,140,451	\$ 415,259
<b>Adjustments to Reconcile Net Assets To Net Cash Provided by Operating Activities:</b>		
Depreciation (Note 1)	54,175	38,364
Realized (Gain)/Loss on Short Term Investments	(19,598)	4,911
Unrealized (Gain)/Loss on Short Term Investments	(3,091)	18,490
Increase in Accrued Interest	36,585	-
(Increase) / Decrease in accounts receivable	(9,210)	272,912
(Increase) / Decrease in Contracts receivable	59,805	(155,623)
(Increase) / Decrease in ERTC receivable	166,184	(166,184)
(Increase) / Decrease in prepaid expenses	8,450	(3,859)
Increase / (Decrease) in accounts payable	(16,466)	3,000
Increase / (Decrease) in accrued expenses	31,196	(8,438)
Increase / (Decrease) in Tenant Deposits	12,610	-
Increase / (Decrease) in deferred revenue	(606)	606
Noncash portion of lease expense for operating leases	18,981	18,774
Repayments of right-of-use lease liabilities- operating leases	(19,200)	(32,400)
<b>Net Cash Provided by Operating Activities</b>	<u>1,460,269</u>	<u>405,812</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of Fixed assets	(1,427,033)	(20,266)
Proceeds from Sales of Asset	-	20,266
Proceeds from Sales of Investments	159,378	110,038
Purchases of Investments	(127,558)	(378,128)
Real Estate Deposit	50,000	(50,000)
<b>Net Cash Used by Investing Activities</b>	<u>(1,345,213)</u>	<u>(318,090)</u>
<b>Cash Flows From Financing Activities</b>		
Maturities of Certificates of Deposits	477,904	-
New Certificates of Deposits	-	-
<b>Net Cash Used by Financing Activities</b>	<u>477,904</u>	<u>-</u>
<b>Increase (Decrease) in Cash and Restricted Cash</b>	\$ 592,959	\$ 87,725
<b>Cash and Cash Equivalents and Restricted Cash - Beginning of Year</b>	\$ 1,288,184	\$ 1,200,459
<b>Cash and Cash Equivalents and Restricted Cash - End of Year</b>	<u>\$ 1,881,143</u>	<u>\$ 1,288,184</u>
<b>Noncash Investing and Financing Activities</b>		
Fixed assets acquired in exchange for notes payable	(4,075,000)	
Note re-finance repayment	(2,500,000)	
Proceeds from refinance	2,500,000	
<b>Reconciliation of Cash and Cash Equivalents and Restricted Cash on the Statement of Financial Position</b>		
Cash and Cash Equivalent (Notes 1, 3)	\$ 1,859,764	\$ 1,266,805
Restricted Cash (Note 1, 3)	\$ 21,379	\$ 21,379
Total Cash	<u>\$ 1,881,143</u>	<u>\$ 1,288,184</u>

See Note 8 For Supplemental Cash Information.

Young Men's Christian Association Somerville  
Schedule of Expenditures of Federal Awards By Grant  
For the Year Ended December 31, 2023

<i>Award Information</i>	<i>AL/other #</i>	<i>Pass-Through Entity Name</i>	<i>Pass-Through Entity #</i>	<i>Name of Grant - Grant ID No.</i>	<i>Passed-through to Subrecipients (\$)</i>	<i>Federal Expenditures (\$)</i>
<b>Child Nutrition Cluster-Cluster</b>						
<b>United States Department of Agriculture</b>						
National School Lunch Program						
National School Lunch Program	10.555	Commonwealth of Massachusetts	scdoe23758D70532118_scdoe	School lunch		43,837
Total National School Lunch Program			2375scdoe23758W70532112B			43,837
<b>Total Child Nutrition Cluster-Cluster</b>						43,837
<b>477 Cluster-Cluster</b>						
<b>Department of Health and Human Services</b>						
Child Care and Development Block Grant(477 Cluster)						
Child Care and Development Block Grant(477 Cluster)	93.575	Commonwealth of Massachusetts	2023FLEXPOOLINCOMEEL,400010SOMERVILLE23IE		0	9,326
Total Child Care and Development Block Grant(477 Cluster)					0	9,326
Child Care Mandatory and Matching Funds of the Child Care and Development Fund(477 Cluster)	93.596	Commonwealth of Massachusetts	2023FLEXPOOLINCOMEEL,400010SOMERVILLE23IE	CHILD CARE		6,791
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund(477 Cluster)					0	6,791
<b>Total Department of Health and Human Services</b>						16,117
<b>Total 477 Cluster-Cluster</b>						16,117
<b>Other Programs (Treated individually for major program determination)</b>						
<b>United States Department of Agriculture</b>						
Child and Adult Care Food Program						
Child and Adult Care Food Program	10.558	Commonwealth of Massachusetts	SCDOE23758D7053SCDOE23758T70532117A2.117A	Child & Adult Food		1,068
Total Child and Adult Care Food Program					0	1,068
<b>Total United States Department of Agriculture</b>						1,068
<b>Department of the Treasury</b>						
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS						
COVID 19: CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	City of Somerville	240027	ARPA		1,000,000
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS					0	1,000,000
<b>Total Department of the Treasury</b>						1,000,000
<b>Department of Health and Human Services</b>						
Temporary Assistance for Needy Families (TANF) State Programs						
Temporary Assistance for Needy Families (TANF) State Programs	93.558	Commonwealth of Massachusetts	2023FLEXPOOLINCOMEEL,400010SOMERVILLE23IE		0	76,356
Total Temporary Assistance for Needy Families (TANF) State Programs					0	76,356
<b>Total Department of Health and Human Services</b>						76,356
<b>Total Other Programs (Treated individually for major program determination)</b>						1,077,424
<b>Total Expenditures of Federal Awards</b>					\$ 0	\$ 1,137,378

The accompanying notes are an integral part of this schedule

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

**Note 1 – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The schedule is prepared on the same basis of accounting as the Young Men's Christian Association Somerville financial statements. Young Men's Christian Association Somerville uses the accrual basis of accounting. All federal award expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**Note 2 – Federal Indirect Cost Rate**

Young Men's Christian Association Somerville has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 – Federal Indirect Cost Rate**

The Young Men's Christian Association did not receive any Non Cash Federal Assistance during the year.

**Note 4 – Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs are more than shown. Such expenditures are recognized following, as applicable the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 5 – Pertaining to Novel Coronavirus Pandemic Relief**

In order to identify COVID-19 funds on the Schedule of Expenditures of Federal Awards, the prefix "COVID-19" will precede the Program Title on the Grantor Schedule. The following list identifies the various federal acts the Commonwealth received COVID-19 funding from:

ARPA: American Rescue Plan Act



**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**1. Summary of Significant Accounting Policies:**

**Nature of activities:**

The Somerville Young Men's Christian Association (the Organization) is a non-profit Organization incorporated in 1867 under the laws of The Commonwealth of Massachusetts. Its mission is to provide recreational, social, and educational programs to meet the needs of its members and surrounding community and to increase their potential. Program services include: preschool and after school day care programs, physical fitness and aquatic programs and providing dormitory housing for men. The Organization's primary source of revenue and support comes from fees charged for services provided and contributions.

Highland Ave Y 101 Properties, LLC is a single purpose entity controlled by the Young Men's Christian Association Somerville whose purpose is to acquire and develop property as part of the Somerville YMCA redevelopment project. In 2023, the Board of Directors of the Organization formed the LLC for the purpose of holding certain real-estate parcels and related loans on behalf of the Organization for the purpose of redevelopment in furtherance of the Organization's mission. The Organization is the sole member and is allowed to appoint the majority of the LLC's managers. Accordingly, the accounts of the Foundation have been consolidated herein, as required by generally accepted accounting principles.

The consolidated companies are hereinafter called the Organization.

**Basis of accounting:**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Principles of Consolidation:**

The accompanying consolidated financial statements include the accounts of the Young Men's Christian Association Somerville and its affiliated supporting organizations the Highland Ave Y 101 Properties, LLC. All significant interorganizational transactions and balances have been eliminated in consolidation.

**Net Assets:**

Net assets, revenues, 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 certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and investment funds.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain 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. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

**Advertising costs:**

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2023 and 2022 was \$36,277 and \$20,250, respectively.

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**1. Summary of Significant Accounting Policies Continued:**

**Measure of Operations:**

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Somerville YMCA's ongoing educational programs and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

**Leases:**

The Organization determines if an arrangement is a lease at inception. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected a practical expedient to use the risk-free interest rate for computing the present value of lease liabilities.

**Revenue and Revenue Recognition:**

Revenue is recognized when the services are provided and earned. Program service fees and payments under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The organization records donated professional services at the respective fair values of the services received.

Health & Wellness, Day Care & Dormitory on the consolidated statements of activities are inclusive of the following categories:

**Membership Dues**

Membership dues are recognized ratably over the period of membership, which varies based on when members join or leave the Organization. Unearned membership revenue is reflected as deferred revenue on the consolidated statements of financial position. Members are provided with monthly access to the Organization locations and a variety of services, and revenue is recognized monthly as the services are provided. Management has adopted the practical expedient whereby costs to obtain membership contracts are not capitalized as the average length of a membership contract is less than one year. Dues revenue is allocated among the performance obligations and is recognized when each of the performance obligations are satisfied, as follows:

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

1. Summary of Significant Accounting Policies Continued:

- Monthly access to the various YMCA locations and services included in the monthly membership-recognized monthly as service is provided.
- Discounted program service fees - recognized during the year in which the discount is actually taken and the program service provided.

Program Service Fees

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

Government Grants

Government Grants are unit rate contracts with the Commonwealth of Massachusetts for daycare and nutrition services. These fees are earned during the month and then billed at month end.

Rental Income

The Organization collects rental income in advance and earned over the month for multiple month to month tenants. All tenants have pre-paid the last month's rent which is held as security.

Contributions:

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

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

The Organization receives goods of an immaterial value used in programs, in addition to, a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. We record donated professional services at respective fair values of the services received. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Functional Expense Allocation:

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

1. Summary of Significant Accounting Policies Continued:

Shipping & Handling Fees & Costs:

All amounts billed to a customer in a sales transaction related to shipping and handling represent revenues earned and are reported as revenue. Costs incurred by the Organization for shipping and handling, including costs paid to third party shippers are reported as an expense.

Cash:

The organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long term purposes.

Certificates of Deposit:

The Organization has Certificates of deposits maturing January 2024. Certificates of deposits with maturities of more than 4 months but less than a year are considered to be current.

Receivables and Credit Policies:

Accounts Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statements of financial position. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. The allowance for uncollectable accounts for the year ended December 31, 2023 and 2022 was \$0 & \$0.

Property, plant and equipment:

We record property and equipment additions over \$1,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2023 and 2022.

Investments:

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

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

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**1. Summary of Significant Accounting Policies Continued:**

**Fair value measurements:**

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Somerville YMCA groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

**Use of estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Income taxes:**

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

We record uncertain tax provisions in accordance with ASC 740 based on a two-step process whereby (1) we determine whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (2) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. As of December 31, 2023 and 2022, the Company had no uncertain tax positions or interest and penalties that qualify for either recognition or disclosure in the financial statements.

We recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included on the related tax liability line in the consolidated balance sheet.

We are not subject to taxation in the United States or state jurisdiction. As of December 31, 2023, tax years for 2021, 2022 and 2023 are subject to examination by the tax authorities.

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**1. Summary of Significant Accounting Policies Continued:**

**Employer Retention Tax Credit:**

A nongovernmental entity may account for employer retention tax credit as income in the period that the conditions have been substantially met. This guidance is analogized to IAS 20 to account for the employer retention tax credit. The entity would not recognize the government assistance until there is reasonable assurance that any conditions attached to the assistance will be met, and the assistance will be received. The earnings impact of the government grants or assistance would be recorded on a systematic basis over the periods in which the entity recognizes as expense the related costs for which the grants are intended to compensate.

**Surplus Revenue Retention:**

If, through cost savings initiatives implemented consistent with programmatic and contractual obligations, a non-profit provider accrues an annual net surplus from the revenues and expenses associated with services provided to purchasing agencies which are subject to 808 CMR 1.00, the provider may retain, for future use, a portion of that surplus not to exceed 20% of said revenues. Surpluses may be used by the provider for any of its established charitable purposes, provided that no portion of the surplus may be used for any non-reimbursable cost set forth in 808CMR 1.05, the free care prohibition excepted. OSD shall be responsible for determining the amount of surplus that may be retained by each provider in any given year and may determine whether any excess surplus shall be used to reduce future prices or be recouped.

**Imputation of Interest – Debt Issuance Costs:**

FASB's ASU 2015-03, simplifying the Presentation of Debt Issuance Costs is effective for years beginning after December 15, 2015. Debt issue costs are capitalized as a contra liability and amortized over the term of the debt. Amortization of the discount or premium is reported as interest expense. Debt issue costs include fees and associated costs specifically associated with the issuance of debt.

**Land Development Costs:**

Costs that clearly relate to land development projects are capitalized. Costs are allocated to project components by the specific identification method whenever possible. Otherwise, acquisition costs are allocated based on their relative fair value before development, and development costs are allocated based on their relative sales value. Interest costs are capitalized while development is in progress.

**2. Property Plant and Equipment:**

Certain land and buildings, with a carrying amount of \$5,000,000, were acquired with funds received under a grant contract with the City of Somerville together with financing from the City of Somerville Affordable Housing Trust Fund and the Massachusetts Life Insurance Community Investment Initiative. Under the terms of these agreements the purpose for the asset acquisition is for the development of the site into new mixed-use development which will include a significant affordable housing component, as well as a new YMCA facility. The Organization executed a Reconveyance Agreement with the City of Somerville which mandates that if the project does not move past the acquisition phase, the site will be sold to another entity who has the ability to use the site for the purpose of creating affordable housing. Additionally, an affordable housing restriction has

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**2. Property Plant and Equipment Continued:**

not been placed on the site at this time, since the final details of the project are not yet known. Once the project design and affordability tiers have been finalized, a restriction will be executed to ensure that the designated affordable units remain affordable in perpetuity.

The following table summarizes property, plant and equipment with respective accumulated depreciation:

	<b>2023</b>	<b>2022</b>
Land	3,427,269	373,400
Land Development costs	223,674	-
Building & Improvements	2,992,174	1,025,418
Vehicles	35,053	35,053
Fixtures & Equipment	286,825	195,502
<b>Total Assets</b>	<b>6,964,996</b>	<b>1,629,373</b>
Less: Accumulated Depreciation	(1,085,407)	(970,428)
<b>Total Fixed Assets, Net</b>	<b>\$ 5,879,589</b>	<b>\$ 658,945</b>

**3. Liquidity and Availability**

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

	<b>2023</b>	<b>2022</b>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 1,640,182	\$ 1,266,805
Certificate of Deposits	240,962	472,527
Accounts Receivable	27,765	18,556
Contracts receivable	95,818	155,623
ERTC Receivable		166,184
<b>Total Financial Assets</b>	<b>2,004,727</b>	<b>2,079,694</b>

Less amounts not available to be used within one year:

Restricted Cash	21,379	21,379
Certificates of Deposit - Long Term	-	472,527
	<b>21,379</b>	<b>493,906</b>

Financial assets available to meet general expenditures  
over the next twelve months

<b>\$ 1,983,348</b>	<b>\$ 1,585,789</b>
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As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. The Organization's goal is generally to maintain 90 days of operating expenses (approximately \$600,000).

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**4.- Long-Term Investments:**

Long-term investments are stated at fair value and consist of the following at December 31:

<b>2023</b>			
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash	\$ 5,146	\$ 5,146	\$ -
Equities	311,304	306,379	(4,925)
<b>Totals</b>	<b>\$ 316,450</b>	<b>\$ 311,525</b>	<b>\$ (4,925)</b>

<b>2022</b>			
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash	\$ 5,733	\$ 5,733	-
Equities	269,773	251,283	(18,490)
<b>Totals</b>	<b>\$ 275,506</b>	<b>\$ 257,016</b>	<b>\$ (18,490)</b>

All The Organizations investment assets are classified within Level 1 because they comprise open-end mutual funds and ETF's with readily determinable fair values based on daily redemption values.

Investment return is summarized as follows for the years ended December 31:

	<b>2023</b>	<b>2022</b>
Interest and Dividends	\$ 8,692	\$ 8,418
Net Realized and Unrealized Gains/ (Losses)	19,598	(23,400)
Management Fees	(2,679)	(2,083)
<b>Total Investment Return, Net</b>	<b>\$ 25,611</b>	<b>(17,065)</b>

**5. Retirement Plan:**

The Organization participates in a defined contribution, individual account, money purchase, retirement plan that is administered by the Young Men's Christian Association Retirement Fund (a separate corporation) (the Fund). This plan is for all eligible employees of the YMCA who qualify under the participation requirements.

In accordance with the agreement with the Fund, contributions by employees and the YMCA are a percentage of the participating employees' salary and are to be remitted to the Fund monthly. Total contributions charged to expense in the year ended December 31, 2023 and 2022 was \$142,224 and \$139,396, respectively.



**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**6. Operating Leases:**

The Organization leases one bus and two vans for the childcare program operations. The vehicle are operating leases that have the following terms:

**Bus Lease-** This lease commenced in July 2021 with monthly payments totaling \$1,600. The lease expires in July 2024.

**Van Leases-** The van leases are considered short term leases that commenced June 2020 and August 2021. The first lease has a monthly payment amounting to \$396 and expired in June 2022. The next lease has monthly payments amounting to \$1,100 and expires in August 2023.

**2024 Van Lease –** On December 22, 2023 the Organization entered into a 36 month lease for two vans. This lease requires monthly payments of \$3,200 commencing on January 1, 2024 and matures December 31, 2026.

Lease expense for the year ended December 31, 2023 and 2022 amounted to \$32,400 and \$34,380, respectively.

During December 31, 2023 and 2022, we recognized rent expense associated with the bus lease as follows:

	<b>2023</b>	<b>2022</b>
Operating lease cost:		
Fixed rent expense	\$ 19,200	\$ 19,200
Variable rent expense	-	-
Total Operating Rent Expense	<u>19,200</u>	<u>19,200</u>
Lease cost – Cost of sales		
Lease cost – SG&A		
Lease cost – Depreciation and amortization	18,981	18,774
Lease cost – Interest expense	<u>219</u>	<u>426</u>
Net lease cost	<u>\$ 19,200</u>	<u>\$ 19,200</u>

Amounts recognized as right-of-use assets related to Operating leases are included in Other Assets, net in the accompanying statement of financial position, while related lease liabilities are included in Current portion of long-term debt and Long-term debt. As of December 31, 2023 and 2022, right-of-use assets and lease liabilities related to Operating Leases were as follows:

	<b>2023</b>	<b>2022</b>
Operating lease ROU assets	\$ 117,809	\$ 28,551
Operating lease liabilities:		
Current portion of long-term debt	44,186	18,981
Long-term debt	<u>73,622</u>	<u>9,569</u>
	<u>\$ 117,809</u>	<u>\$ 28,551</u>

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**6. Operating Leases Continued:**

The following is a schedule by years of future minimum rental payments required under these operating leases as of December 31, 2023:

Year ending December 31, 2023

2024	48,000
2025	38,400
2026	38,400
2027	-
2028	-
2029 & Thereafter	-
Total Minimum Payments Required	<u>\$ 124,800</u>

As of December 31, 2023 and 2022, the weighted-average remaining lease term for all operating leases is and 1 and 2.5 years, respectively. Because we generally do not have access to the rate implicit in the lease, we elected a practical expedient to use the risk-free interest rate. The risk-free rate is the rate investors expect to earn from risk-free investments over a period of time, such as a government treasury bill. Weighted average of the risk-free rate utilized was 4.09% and 1.1% for the years ended in 2023 and 2022, respectively. We utilized this rate for our entire lease portfolio. We elected not to reevaluate whether expired or existing leases contain a lease per the definition of ASC 842 and not to reassess the lease classification of existing or expired leases under ASC 842.

**7. Concentration of Credit Risk:**

The Organization maintains multiple bank accounts at multiple banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at this institution exceed the federally insured limit during the years ended December 31, 2023 and 2022 in the amount of \$1,574,095 and \$1,495,612. The amounts in excess of the FDIC limit are protected by the Depositors Insurance Fund (DIF). DIF is a private, industry-sponsored insurance fund that insures all deposits above FDIC limits at Massachusetts-chartered savings banks. The investments are not federally insured. The support of the agency is generated from fees and contributions with a small amount from grants and other contract agencies within the Commonwealth of Massachusetts.

Certain types of concentrations may be more relevant to the financial statement due to the impacts of the pandemic. For example, these may include concentrations in labor, financial assets, sources of supply, or customers that have been or will be impacted by the pandemic. We are unable to assess these potential impacts at this time.

**8. Supplemental Cash Information**

Noncash investing activities:

	<u>2023</u>	<u>2022</u>
Interest Paid	-	-
Capitalized Interest	-	-
Taxes Paid	-	-
<b>Total Noncash investing activities</b>	<u>\$ -</u>	<u>\$ -</u>

**Somerville YMCA**  
**Notes to the Financial Statement**  
**December 31, 2023 and 2022**

**9. Related Party Transactions**

The Organization had board members who were related parties. During the years ended December 31, 2023 and 2022, there was one financial transaction with the former executive director. On June 20, 2022, the company executed the automobile lease buyout for the vehicle leased by the Company, which was used by the former executive director. The amount of the lease buyout was \$ 20,266. On June 21, 2022, the former executive director paid the company \$ 20,266 and took possession of the vehicle.

**10. Employer Retention Tax Credit**

The Employer Retention Tax Credit was originally allowed under a provision of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The credit is equal to 50% of the qualified wages paid, including qualified health care expense, for up to \$ 10,000 per employee in 2020. The maximum credit per employee is \$ 5,000 in 2020. On March 21, 2021, the IRS issued Notice 2021-20 includes clarifications and describes retroactive changes applicable to 2021 and 2020, primarily related to expanded eligibility for the credit. During the year ended December 31, 2022, the Company recorded \$158,567 in other revenue and \$ 5,738 in interest income related to this credit. The remaining uncollected receivable at December 31, 2022 related to this revenue amounted to \$ 166,184, which is was collected during 2023.

**11. Accounts Receivable**

Accounts receivable consist primarily of fees dues from program services and are non-interest bearing. At December 31, 2023 and 2022, balance of Accounts receivable was \$27,765 and \$18,556, respectively and the allowance for doubtful accounts balance was \$0 and \$0, respectively.

**12. Contract Receivable**

Contracts receivable consist primarily of Commonwealth of MA state contracts from program services and are non-interest bearing. At December 31, 2023 and 2022, balance of Contracts receivable was \$95,818 and \$155,623, respectively and the allowance for doubtful accounts balance was \$0 and \$0, respectively.

**13. Debt**

The Organization's obligation under notes payable consists of the following on December 31, 2023.

**Massachusetts Life Insurance Community Investment Initiative:**

The \$5,075,000 loan containing an interest rate of 5.5% with quarterly payments of interest only with the balance due upon the earlier of five years of which \$4,075,000 was provided for the acquisition of property at 136 School St, Somerville, MA on October 31, 2023. The additional amount of \$1,000,000 is being held a credit line facility for the Organization to fund predevelopment costs. On December 19, 2023 the Organization paid down the note through a refinance transaction of \$2,500,000. The balance of the obligation at December 31, 2023 was \$1,575,000. The credit line facility had a balance of zero on December 31, 2023

**Somerville Affordable Housing Trust Fund:**

On December 19, 2023 \$2,500,000 was provided and used to pay down the acquisition financing provided by Massachusetts Life Initiative. This loan carries an interest rate of 2.5% fixed interest rate requiring quarterly payments of interest only starting six months after the closing date of December 19, 2023, and has a balloon payment due in three years from that date or with a final construction financing whichever is sooner. The due date may be extended, contingent with Trust approval.

Both loans are collateralized by 136 School St and an assignment of the rents.

**14. Subsequent Events**

The Organization has evaluated all subsequent events through July 24, 2024, the day the financials were available to be issued.



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

To the Board of Directors of  
Young Men's Christian Association Somerville

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Young Men's Christian Association Somerville (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Purpose of This Report**

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

**McLarney & Company, LLC**

McLarney & Company, LLC

Chelmsford, MA

July 25, 2024

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

To the Board of Directors of  
Young Men's Christian Association Somerville

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

***Opinion on Each Major Federal Program***

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

In our opinion, Young Men's Christian Association Somerville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

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

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

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

***Responsibilities of Management for Compliance***

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

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

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

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

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

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

#### ***Other Matters***

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

#### **Report on Internal Control over Compliance**

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

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

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

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

***McLarney & Company, LLC***

McLarney & Company, LLC

Chelmsford, MA

July 24, 2024