MEMORANDUM OF UNDERSTANDING (MOU)

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is made and entered into this ____ day of _____, 2026 ("Effective Date"), by and between Polk County, North Carolina, a political subdivision of the State of North Carolina ("County"), and the Young Men's Christian Association of Greater Spartanburg, a South Carolina nonprofit corporation ("YMCA"). The County and the YMCA may be referred to individually as a "Party" and collectively as the "Parties."

1. PURPOSE

The purpose of this MOU is to document the Parties' mutual understandings of the terms and conditions under which the Parties will jointly participate in the design, construction, and funding of a facility generally described as the Polk County Community Recreation Facility ("Facility"). The design and construction of the Facility are generally described as the "Project."

2. PROJECT DESCRIPTION

The County will own the Facility, and the YMCA will operate and manage the Facility under the terms of a future long-term lease ("Lease") and management agreement ("Management Agreement"), each of which will be mutually acceptable to the Parties and will follow all procedures required by North Carolina law. To ensure initial alignment, the Parties agree that the Lease and Management Agreement will be developed from an agreed term sheet (the "Term Sheet") approved by the Parties.

The Term Sheet will be non-binding, except as expressly stated in this MOU, and will outline the business terms for the Lease and Management Agreement. The Parties anticipate that the Term Sheet will address the following concepts, as well as many others: (a) an initial term of ten (10) years; (b) annual rent of One Dollar ($1.00), recognizing the YMCA's capital contribution, fundraising support, and pre-development efforts; (c) confirmation that the YMCA and its leadership will manage the Facility's day-to-day operations, staffing, programming, and member/community service model, consistent with YMCA standards, the County's public-access commitments, and any requirements of North Carolina law; and (d) in recognition of the County's investment in the Project, the YMCA will provide residents of Polk County discounted rates on membership or program fees at the Facility, with the terms of such discounted rates to be set forth in the Lease and/or Management Agreement.

The Facility will be designed to serve the needs of the County and its residents. Once plans for the Project are formalized, the County shall not materially modify the scope, purpose, or core recreational programming of the Project without first consulting with the YMCA.

3. DONATION FUNDS AND INITIAL TRANSFER

The YMCA has been working with the County to raise funds to be used for the construction of the Facility and currently holds unrestricted donations designated for the Project. Upon approval of this MOU by the Parties, the YMCA agrees to transfer Two Million Dollars ($2,000,000) to the County within thirty (30) days of such approval. The County will use these funds only for the Project, shall deposit and account for the transferred funds in an appropriate capital project fund, and shall budget and expend the funds pursuant to a duly adopted budget capital project ordinance in accordance with Chapter 159 of the North Carolina General Statutes.

4. ADDITIONAL DONATION TRANSFERS

The County anticipates financing a portion of the Project through a financing transaction that is subject to approval by the North Carolina Local Government Commission (the "LGC"). Nothing in this MOU obligates the County to enter into any financing transaction or commence construction before receiving all approvals required by law. While the approval process is proceeding, after approval of the LGC, and after confirmation that the required financing approvals are on a schedule reasonably acceptable to the Parties, the YMCA will use its best efforts to secure additional donations dedicated to provide funding for the Project of up to an additional One Million Dollars ($1,000,000). Once received by the YMCA, these funds will, likewise, be transferred to the County for deposit into the appropriate capital project fund. If the YMCA is unable to secure additional funding for the Project, it will be under no obligation to make additional transfers until donated funds can be identified and secured. The YMCA will use its best efforts to obtain and transfer funds raised for the Project until Three Million Dollars ($3,000,000) (the "Fundraising Goal") have been transferred to the County for the construction of the Facility.

5. ENDOWMENT

Any donations received by the YMCA in excess of the Fundraising Goal will be placed into a board-restricted endowment fund controlled by the YMCA and designated for capital repairs, maintenance, and improvements of the Facility (the "Capital Reserve Fund"). The Capital Reserve Fund shall remain the property of the YMCA and shall be administered in accordance with the YMCA's board-approved investment and spending policies, donor intent requirements, and applicable law. Information regarding the balance of such dedicated endowment funds, if any, will be provided to the County upon request. In the event the YMCA ceases operation of the Facility, disposition of remaining Capital Reserve Fund assets shall be determined by the YMCA consistent with donor intent, applicable law, and the Lease and/or Management Agreement.

The YMCA agrees that available Capital Reserve Fund monies and other deferred maintenance funds will be used solely for the Facility and utilized before the County is approached for additional funding for capital repairs, maintenance, or improvements to the Facility.

6. USE OF FUNDS

The County shall keep the funds dedicated to the construction of the Facility in a specified capital project fund to be used only for eligible Project costs, in compliance with North Carolina law. Eligible costs include design, engineering, make-ready work, construction, and site preparation. The County shall maintain complete financial records related to the expenditure of donated funds and shall provide the YMCA with quarterly financial reports detailing the use of the funds. The YMCA shall have the right, upon reasonable notice, to review and audit records relating to the expenditure of funds raised by the YMCA and donated to the County for the Facility. Nothing in this provision authorizes the YMCA to direct or control County financial, procurement, contracting, or audit functions.

The County shall coordinate in good faith with the YMCA regarding design development, construction documents, value engineering, material substitutions, alternates, and change orders. Before approval, the County will communicate to the YMCA any value-engineering item, material substitution, construction alternate, or change order that would materially affect the final scope, price, quality, durability, operational functionality, YMCA programming, or public-access commitments of the Facility. Routine field changes that do not materially affect scope, price, quality, durability, operations, programming, or public access may be made by the County upon notice to the YMCA.

7. FAILURE TO CONSTRUCT

If construction of the Facility is abandoned, permanently suspended, or materially diminished from the mutually approved Project; if the Parties are unable to agree on the Term Sheet; or if the Parties are unable to agree on the Lease and Management Agreement within twelve (12) months from the Effective Date, the Parties shall meet to determine if the Facility and Project will be continued or terminated. If the Project is terminated for any reason, the County shall return all unexpended and unobligated funds donated for the Project by the YMCA to the YMCA. If donated funds are returned, the YMCA will determine, in its sole discretion, the appropriate disposition of such funds consistent with donor intent and applicable law. The County shall provide the YMCA with a full accounting of all expenditures made using donated funds prior to the return of any funds.

8. OWNERSHIP AND LEASE AND OPERATIONAL INTENT

The Facility shall remain County owned. The Parties intend that the Lease will be structured to comply with North Carolina law and maintain a public purpose. The Lease and Management Agreement will set forth the operational authority and management responsibilities of the Parties throughout the life of the Lease and Management Agreement. These documents will contain terms and conditions consistent with the goals of the County in providing its citizens with public access to the Facility. Likewise, the Project documents will reflect that the YMCA intends to operate this Facility in a manner that is consistent with the YMCA's charitable mission and operational standards.

9. COMPLIANCE WITH LAW

This MOU and the Project shall comply with G.S. 153A-149, G.S. 153A-444, and G.S. 153A-449; Article 18 of Chapter 160A; Chapter 159; Article 8 of Chapter 143; and all other applicable general statutes.

10. TERM

This MOU shall remain in effect until:

(a) Project completion and execution of the Lease and Management Agreement;

(b) termination by mutual written agreement of the Parties; or

(c) termination by either Party upon material breach by the other Party following thirty (30) days' written notice and opportunity to cure.

Either Party may terminate this MOU, without cause, if the Project becomes financially unachievable, legally impracticable, or if required governmental approvals are not obtained.

11. AUTHORIZATION

This MOU shall become effective upon approval by the Polk County Board of Commissioners and the YMCA Board of Trustees. Each individual executing this MOU represents and warrants that he or she has the full authority and authorization to bind the respective Party.

12. PUBLIC COMMUNICATIONS

The Parties shall coordinate in good faith regarding major public announcements, donor communications, and press releases relating to the Project.

IN WITNESS WHEREOF, the Parties have hereunto set their hands and seals as of the Effective Date hereof.

POLK COUNTY, NORTH CAROLINA

By: _____

Name: Myron Yoder

Title: Chairman, Polk County Board of Commissioners

This instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

By: _____

Name: Sonya Ayers

Title: Polk County Finance Officer

YMCA OF GREATER SPARTANBURG

By: _____

Name: _____

Title: _____