



YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.

ANNUAL REPORT
December 31, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
FINANCIAL STATEMENTS
December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Young Men's Christian Association of Greater Michiana, Inc.
Niles, Michigan

We have audited the accompanying financial statements of Young Men's Christian Association of Greater Michiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Greater Michiana, Inc. as of December 31, 2020, 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.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel Lawton & Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan
April 30, 2021

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

CURRENT ASSETS

Cash and cash equivalents	\$ 1,052,260
Accounts receivable, net	273,200
Grants receivable, net	107,595
Pledges receivable, current	421,553
Prepaid expenses and other assets	43,226
Inventory	17,297
Total current assets	\$ 1,915,131

PROPERTY AND EQUIPMENT, NET

\$ 17,395,092

OTHER ASSETS

Investments	\$ 5,185
Security deposits	13,916
Deferred financing costs (net of accumulated amortization of \$38,240)	22,041
Beneficial interest in assets held at Community Foundations	1,290,840
Total other assets	\$ 1,331,982

TOTAL ASSETS

\$ 20,642,205

CURRENT LIABILITIES

Current portion of long-term debt	\$ 140,276
Accounts payable - trade	503,124
Accrued payroll and payroll taxes	175,378
Deferred revenue	115,397
Total current liabilities	\$ 934,175

LONG-TERM DEBT

4,976,392

TOTAL LIABILITIES

\$ 5,910,567

NET ASSETS

Without donor restrictions	\$ 11,763,623
With donor restrictions	2,968,015

TOTAL NET ASSETS

\$ 14,731,638

TOTAL LIABILITIES AND NET ASSETS

\$ 20,642,205

The Notes to Financial Statements are an integral part of this statement.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
Membership	\$ 2,089,028	\$ -	\$ 2,089,028
Programs and service fees	1,003,761		
Less: scholarships and discounts	(29,854)		
Net revenues from programs and service fees	973,907	-	973,907
Sales of merchandise	27,920		
Less: cost of sales	(20,422)		
Net revenue from sales of merchandise	7,498	-	7,498
Rent	186,475	-	186,475
Contributions and grants	1,336,935	236,752	1,573,687
Other governmental grants	884,000	-	884,000
Miscellaneous	195,527	-	195,527
Investment income	19,980	-	19,980
Change in beneficial interest	129,943	-	129,943
Special event revenue	125,722		
Less: costs of direct benefits to donors	(28,898)		
Net revenues from special events	96,824	-	96,824
Total Public Support and Revenue	\$ 5,920,117	\$ 236,752	\$ 6,156,869
EXPENSES			
Program	\$ 4,333,974	\$ -	\$ 4,333,974
Management and general	1,783,383	-	1,783,383
Fundraising	150,617	-	150,617
Total Expenses	\$ 6,267,974	\$ -	\$ 6,267,974
CHANGE IN NET ASSETS	\$ (347,857)	\$ 236,752	\$ (111,105)
NET ASSETS AT BEGINNING OF YEAR	12,111,480	2,731,263	14,842,743
NET ASSETS AT END OF YEAR	\$11,763,623	\$ 2,968,015	\$14,731,638

The Notes to Financial Statements are an integral part of this statement.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Wages	\$ 1,972,341	\$ 807,209	\$ 81,308	\$ 2,860,858
Employee benefits	428,289	106,537	535	535,361
Payroll taxes	144,281	59,049	5,948	209,278
Contractual services	7,228	315,487	323	323,038
Supplies	319,356	47,353	367	367,076
Telephone	43,440	5,992	499	49,931
Postage and shipping	3,284	491	-	3,775
Occupancy	343,080	49,293	1,972	394,345
Insurance	138,929	20,600	160	159,689
Repairs and maintenance	7,027	1,050	-	8,077
Travel and employee expense	36,952	3,398	2,124	42,474
Dues	113,695	-	-	113,695
Depreciation	758,400	113,324	-	871,724
Equipment rental	7,328	1,095	-	8,423
Advertising	-	-	57,381	57,381
Training	1,664	249	-	1,913
Miscellaneous	8,680	58,089	-	66,769
Interest expense	-	194,167	-	194,167
Event expense	-	-	28,898	28,898
Total Expense	<u>\$ 4,333,974</u>	<u>\$ 1,783,383</u>	<u>\$ 179,515</u>	<u>\$ 6,296,872</u>
Less: event expense netted with revenues	-	-	(28,898)	(28,898)
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 4,333,974</u></u>	<u><u>\$ 1,783,383</u></u>	<u><u>\$ 150,617</u></u>	<u><u>\$ 6,267,974</u></u>

The Notes to Financial Statements are an integral part of this statement.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (111,105)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	871,724
Amortization	6,953
Unrealized gain	(476)
Change in beneficial interest in assets held at community foundations	(129,943)
Changes in operating assets and liabilities:	
Accounts receivable	(183,169)
Grants receivable	(107,595)
Inventory	4,273
Pledges receivable	214,817
Prepaid expenses and other assets	15,179
Security deposit	3,100
Accounts payable - trade	387,420
Accrued payroll and payroll taxes	8,165
Deferred revenue	(168,944)
Other accrued expenses	(23,830)
Net Cash Flows from Operating Activities	<u>\$ 786,569</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net change in certificate of deposit	\$ 430,214
Net change in line of credit	(475,000)
Net change in investments	501,533
Purchase of fixed assets	(2,295,257)
Net Cash Flows used in Investing Activities	<u>\$ (1,838,510)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	\$ 5,006,084
Payments on long-term debt	(5,837,898)
Net Cash Flows used in Financing Activities	<u>\$ (831,814)</u>

CHANGE IN CASH

\$ (1,883,755)

CASH AT BEGINNING OF YEAR

2,936,015

CASH AT END OF YEAR

\$ 1,052,260

SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES:

Interest Paid	<u><u>\$ 194,167</u></u>
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The Notes to Financial Statements are an integral part of this statement.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NATURE OF BUSINESS

The Young Men’s Christian Association of Greater Michiana, Inc. (the “Association”) is a Michigan nonprofit organization organized to put Christian principles into practice through programs that build a healthy spirit, mind, and body for all. Its operations are supported primarily by memberships, programs fees, and contributions from the public. The Association was created January 1, 2020 when the YMCA of Southwest Michigan, Inc. and YMCA of Michiana, Inc. merged operations. In March 2020, the South Bend location ceased operations in accordance with the local government restrictions due to the COVID-19 pandemic. As a result of the pandemic shuttering the Association’s profitable camp operations which effectively financed other ongoing operational losses, the South Bend location remains closed and operations have been relocated to another facility in collaboration with the City of South Bend Venues Park and Arts Foundation.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Association have been prepared on the accrual basis.

The Association adheres to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association’s management and Board of Directors.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

FAIR VALUE MEASUREMENTS

Management accounts for all assets and liabilities that are measured and reported on a fair value basis under the *Fair Value Measurements and Disclosures* Topic of FASB ASC 820. ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The framework for measuring fair value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

USE OF ESTIMATES

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at local banks and insured up to the \$250,000 limit of the Federal Deposit Insurance Corporation ("FDIC"). The Association has not experienced any losses in such accounts.

REVENUE RECOGNITION

Membership and program revenues

The Association generates contract revenue from membership fees and programs. The Association recognizes revenue from these services on a ratable basis over the contract term beginning on the date service commences. The contract terms generally are on an annual basis that matches the reporting period and are billed in installments. These fees are recognized as revenue in the Statement of Activities at the start date of the program, membership month, or camper week to which they pertain.

Sales of merchandise

The Association recognizes revenues from the sale of clothing, food and beverage, and other items when control of the promised goods is transferred to customers in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods. These revenues are recognized at a point in time.

Receivables for point-in-time revenues are stated at the amount management expects to collect from outstanding balances and are presented net of allowance for doubtful accounts. Management has determined that no allowance is necessary at December 31, 2020. Factors considered in determining collectability include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. The Association does not charge interest on past due accounts.

CONTRIBUTIONS

The Association records contributions, including promises to give, when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the assets or at the time an unconditional promise to give is made.

Contributions received are considered to be available for current use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restrictions are met in the year in which the contributions are received.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

DONATED SERVICES

In order to recognize donated services as contributions in financial statements, the services must require special skills, be provided by individuals who possess those skills, and typically need to be purchased if not contributed. The Association has a number of unpaid volunteers that have made significant contributions of their time to the Association's various programs. The value of the contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition under ASC 958-605.

PLEDGES RECEIVABLE

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until the conditions are substantially met.

The Association uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific pledges made. There is no allowance for uncollectible pledges estimated at December 31, 2020 as management believes all pledges will be collected.

INVENTORY

Inventory is valued at the lower of average cost or net realizable value. Cost is determined by the first in, first out method.

INVESTMENTS

In accordance with the requirements of *Accounting for Certain Investments Held by Not-for-Profit Associations* Topic of FASB ASC 958-320, the Association reports investments in equity securities with readily determinable fair values and all investments in debt securities at fair value in the Statement of Financial Position. Gains and losses are reflected as increases or decreases in the net assets without restrictions unless the donor or relevant laws place restrictions on the gains and losses.

Donated securities are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as current support at their estimated fair value unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time.

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. The Association's fixed asset capitalization policy is to capitalize long-lived assets with a value greater than \$500. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$871,724 for the year ended December 31, 2020. The Association had \$2,554,635 of construction in progress which was not depreciated as of December 31, 2020.

A summary of the range of lives by asset category follows:

Buildings and building improvements	15 - 40 years
Furniture and equipment	5 - 15 years
Land improvement	15 years

DEFERRED FINANCING COSTS

Deferred financing costs consist of fees and expenses paid in connection with the issuance of the bonds discussed in Note 8. The bonds from the pre-merger entity, YMCA of Southwest Michigan, were paid in full and no longer exist. These costs are being amortized on a straight-line basis over the term of the bonds. Amortization expense was \$6,953 for the year ended December 31, 2020.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the year ended December 31, 2020 were \$57,381.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2020

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among program and supporting services benefited. These costs have been allocated based on time and effort, estimated actual usage, or other reasonable basis.

Expense	Method of Allocation
Wages; employee benefits; payroll taxes	Time and effort
Supplies; telephone; postage and shipping; occupancy; insurance; repairs and maintenance; travel and employee expense; depreciation; equipment rental; training; miscellaneous	Estimated actual usage
Dues; advertising; interest expense; event expense	Direct assignment

INCOME TAXES

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service has determined that the Association is not a private foundation within the meaning of Section 509(a).

The *Income Taxes* Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. ASC 740 requires an entity to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The entity recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Association has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Association's evaluation was performed for all federal and state tax periods still subject to examination. The Association’s federal and state exempt organization returns are subject to examination by the IRS and state taxing authorities up to three years prior to the current year ended.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of December 31, 2020, the Association has working capital and average days cash on hand of:

Working capital	\$	980,956
Average days' cash on hand		61

The table below represents financial assets available for general expenditures within one year at December 31, 2020:

Cash and cash equivalents		\$ 1,052,260
Accounts receivable		273,200
Grants receivable		107,595
Investments		5,185
Assets limited to use:		
Donor restricted pledges		421,553
Financial assets available to meet general expenditures within one year		\$ 1,859,793

The Association has certain board designated and donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year.

NOTE 3 – PLEDGES RECEIVABLE

The entity assumed a capital campaign, previously started in 2016 by one of the merged entities, for expansions to its Niles-Buchanan facility. The pledges receivable consist of \$421,553 that is due in less than one year as of December 31, 2020.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2020

NOTE 4 – FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2: Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Association utilizes quoted market prices to measure fair value when available. The beneficial interest is recorded at fair value.

The following table summarizes the valuation of the Association’s financial assets by the above categories as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Equity securities	\$ 5,185	\$ -	\$ -	\$ 5,185
Beneficial interest in assets held by Community Foundation	-	-	1,290,840	1,290,840
	<u>\$ 5,185</u>	<u>\$ -</u>	<u>\$ 1,290,840</u>	<u>\$ 1,296,025</u>

See Note 6 for reconciliation of level 3 investments.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 5 – PROPERTY AND EQUIPMENT

The cost of property and equipment and related accumulated depreciation are as follows at December 31, 2020:

Land	\$ 1,611,338
Land improvements	207,992
Building	25,148,752
Building improvements	1,535,482
Equipment	3,784,838
Construction-in-progress	2,554,635
Subtotal	<u>\$ 34,843,037</u>
Less: accumulated depreciation	<u>(17,447,945)</u>
Total Property and Equipment	<u><u>\$ 17,395,092</u></u>

NOTE 6 – BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION

The Association follows the provisions of FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. FASB ASC 958-605 establishes standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer these assets, the return on investment of these assets or both to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a Not-for-Profit Organization (“NPO”) establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the Association must account for the transfer of such assets as a beneficial interest in funds held by the community foundation. The community foundation refers to such funds as agency fund endowments.

The foundation maintains variance power and legal ownership of agency endowment funds and as such continues to report the funds as assets of the foundation. However, in accordance with FASB ASC 958-605, an asset has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be received by the Association. The Association’s endowments have been established with the Michigan Gateway Community Foundation, Berrien Community Foundation, and the Community Foundation of St. Joseph County.

The foundation also holds donor advised endowment funds contributed by others in the Association’s name. However, these funds are assets of the foundation and, as such, are not included in the financial statements of the Association. The fair value of those funds is \$21,791 at the Berrien Community Foundation, \$528,322 at the Michigan Gateway Community Foundation, and \$837,523 at the Community Foundation of St. Joseph County as of December 31, 2020.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 6 – BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION, CONCLUDED

The following is a summary of the non-direct and direct donor funds held at December 31, 2020:

<u>Fund Name</u>	<u>Non-direct donor funds</u>	<u>Direct donor funds</u>	<u>Total funds</u>
Michigan Gateway			
NB Agency Endowment	\$ 211,466	\$ -	\$ 211,466
Tim Tyler Memorial Agency	36,743	-	36,743
YMCA 3rd Party Endowment	-	217,382	217,382
Cole Scholarship	-	78,716	78,716
Capital Endowment	-	167,184	167,184
Tim Tyler Memorial	-	22,912	22,912
DLYC Scholarship	-	36,392	36,392
Marcellus YMCA	-	5,736	5,736
Berrien Community Foundation			
Benton Harbor-St. Joseph YMCA Endowment	-	21,791	21,791
Benton Harbor-St. Joseph YMCA - Agency	315,665	-	315,665
YMCA SWMI Camp School Endowment	28,503	-	28,503
Community Foundation of St. Joseph County			
YMCA Camp Eberhart Fund	32,457	292,115	324,572
YMCA Camp Eberhart Facilities Fund	-	260,508	260,508
YMCA Charles Martin Fund	2,017	26,791	28,808
Peter Kreig Memorial Fund for Camp Eberhart	108,423	-	108,423
YMCA fund	197,783	88,859	286,642
YMCA of Michiana, Inc. - South Bend Tribune Fund	357,783	-	357,783
YMCA Mary Morris Leighton Lodge at Camp Eberhart	-	169,250	169,250
Total	<u>\$ 1,290,840</u>	<u>\$ 1,387,636</u>	<u>\$ 2,678,476</u>

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 7 – ENDOWMENTS

The Association's endowment funds were established to provide financial support for the Association in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the State Prudent Management Investment Fiduciary Act (“SPMIFA”) as requiring realized and unrealized gains of donor-restricted net assets (if any) to be retained as net assets with donor restrictions until appropriated by the Board of Directors for expenditure unless explicitly stated otherwise in the gift instrument. In addition, the Board of Directors has interpreted SPMIFA to appropriate as much of net appreciation of restricted net assets (if any) as is prudent considering the duration and preservation of the endowment fund, the purposes of the Association and endowment fund, general economic conditions, effect of inflation or deflation, expected total return on its investments, and the investment policy of the Association.

On an annual basis, the Association's endowment funds will be used to support its operations under the specified terms of underlying endowment and funding agreements, as defined. The beneficial interest fund agreements call for 5% of a defined average balance to be distributed for operational purposes. Earnings on the Association's beneficial interest may be appropriated for expenditure by the Board of Directors.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a stream of funding to support a portion of operations under the specified terms of the underlying endowment agreements, while seeking to preserve the endowment assets in perpetuity. In establishing this policy, the Association considered the long term expected return on its endowments. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity.

The Association has implemented an investment strategy for its endowment assets. Endowments are held at the Community Foundation which has primary responsibility over the investment philosophy utilized. The Community Foundation's December 31, 2020 asset allocation philosophy includes the following asset classes: domestic (small and large cap) and global equities, fixed income securities, hedge funds and other investments as defined.

The following table summarizes the activity in the funds during the year ended December 31, 2020:

	Michigan Gateway	Berrien Community Foundaton	Community Foundation of St. Joseph County	Total
Beginning balance	\$ 223,992	\$ 314,728	\$ 622,177	\$ 1,160,897
Change in beneficial interest	24,217	29,440	76,286	129,943
Ending balance	<u>\$ 248,209</u>	<u>\$ 344,168</u>	<u>\$ 698,463</u>	<u>\$ 1,290,840</u>

NOTE 8 – LINE OF CREDIT

The Association maintains a \$1,000,000 revolving line of credit with Honor Credit Union. Interest is charged at a fixed rate of 3.25%. The line of credit is secured by the Association’s properties. The Association did not have an outstanding balance on the line of credit at December 31, 2020.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended December 31, 2020

NOTE 9 – LONG-TERM DEBT

The following summarizes outstanding long-term debt as of December 31, 2020:

Promissory note payable to Honor Credit Union, requiring monthly payments at a rate of 3.00% through Nov. 25, 2030. The note is collateralized by all assets. Any remaining balance on the note is due and payable in full on the loan due date of Nov. 25, 2030.	<u>\$ 5,116,668</u>
Total long-term debt	<u>\$ 5,116,668</u>
Less current portion	<u>(140,276)</u>
Long-term debt	<u><u>\$ 4,976,392</u></u>

Long-term debt is scheduled to mature as follows for the years ending December 31:

2022	\$ 144,543
2023	148,939
2024	153,469
2025	158,137
Thereafter	<u>4,371,304</u>
	<u><u>\$ 4,976,392</u></u>

NOTE 10 – RETIREMENT PLAN

The Association participates in a defined contribution, individual account, money purchase retirement plan that is administered by the YMCA Retirement Fund (a separate corporation). This plan is for the benefit of all eligible professional and support staff of the Association who qualify under applicable participation requirements.

The YMCA Retirement Fund is operated as a church pension plan and is a not-for-profit, tax-exempt, state of New York Corporation. Participation is available to all duly organized and recognized YMCAs in the United States. As a defined contribution plan, the YMCA Retirement Plan has no unfunded benefit obligations.

In accordance with the agreement with the YMCA Retirement Fund, the Association and employee contributions are a percentage of the participating employees’ salaries, paid for by the Association, and are remitted to the YMCA Retirement Fund monthly. The Association contributions charged to retirement expense was \$166,459 for the year ended December 31, 2020.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 11 – CAPITAL LEASES

The Association assumed a 36 month capital lease with a finance company for exercise equipment, previously entered into in 2015 by one of the merged entities. The agreement requires monthly payments of \$761 including interest at 5.76%. The Association separately assumed a 36 month capital lease with a finance company for exercise equipment, previously entered into in 2016 by one of the merged entities. The agreement requires monthly payments of \$2,117 including interest at 4.05%. The Association assumed a three year capital lease with a finance company for equipment, entered into in April 2018 by one of the merged entities. The agreement requires monthly payments of \$903 including interest at 5.35%. The capital leases are included in furniture and equipment.

All capital lease obligations were paid in full in August 2020.

NOTE 12 – CONCENTRATIONS

The Association's members and donors are concentrated in the Southwestern Michigan and St. Joseph County Indiana area. Accordingly, conditions in that area may affect its membership, gift, and other sources of support and revenue.

NOTE 13 – PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Association entered into a loan (the "PPP Loan") with 1st Source Bank (the "Lender") evidencing an unsecured promissory note in the amount of \$884,000 (the "PPP Note") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Subject to the terms of the PPP Note, the PPP Loan bears interest at a fixed rate of 1% per year, with the first ten months of interest deferred, and payable over a term of two to five years. The PPP Loan is unsecured and guaranteed by the Small Business Administration ("SBA").

The PPP Loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, and also interest payments on any debt obligations that were entered into before February 15, 2020. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities.

Pursuant to the guidance under the Debt Topic of FASB ASC 470, the Association has recorded the loan as a government grant by analogy to International Accounting Standard ("IAS") 20, Accounting for Government Grants and Disclosure of Government Assistance. This treatment allowed for the PPP loan proceeds to be recorded as a deferred income liability. In November 2020, the Association submitted the PPP loan forgiveness application which was subsequently approved by the Lender. As a result, the Association reduced the deferred income liability and recognized an equivalent amount as "other grant income" in the Statement of Activities.

YOUNG MEN’S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 14 – COVID-19 OUTBREAK

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As discussed in Note 13, the Association obtained a PPP loan during 2020 which helped mitigate the effect COVID-19 had on the 2020 financial position. The Association also closed one of their facilities as well as paused many programs as a result of the pandemic. However, full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Association’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and the impact on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Association is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for 2021.

Although the Association cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Association’s results of future operations, financial position, and liquidity in 2021.

NOTE 15 – MERGER DISCLOSURE

The Association was formed on January 1, 2020, as a result of the merger of two not-for-profit entities – Young Men’s Christian Association of Southwest Michigan, Inc. and Young Men’s Christian Association of Michiana, Inc. The merger will enable the organization to provide expanded service offerings to existing members and increase the geographic area to serve more communities throughout Southwest Michigan and Northern Indiana. The amounts recognized for each entity consist of the following at January 1, 2020:

	<u>Michiana</u>	<u>SWMI</u>
Current assets	\$ 490,213	\$ 3,130,628
Property and equipment, net	4,367,005	11,604,553
Other assets	1,362,981	783,190
Total assets	<u>\$ 6,220,199</u>	<u>\$ 15,518,371</u>
Current liabilities	\$ 220,684	\$ 370,404
Noncurrent liabilities	1,016,828	5,287,911
Total liabilities	<u>\$ 1,237,512</u>	<u>\$ 5,658,315</u>
Without donor restrictions	\$ 4,363,311	\$ 7,748,169
With donor restrictions	619,376	2,111,887
Total Net Assets	<u>\$ 4,982,687</u>	<u>\$ 9,860,056</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 16 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions available for the following purposes at December 31, 2020:

Endowment earnings	\$ 190,198
Campaign contributions	<u>2,777,817</u>
Total	<u><u>\$ 2,968,015</u></u>

NOTE 17 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through April 30, 2021, the date the financial statements were available to be issued. The Association applied for the second round of PPP loans, and was awarded a second PPP loan in the amount of \$884,000 on January 26, 2021.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
Young Men's Christian Association of Greater Michiana, Inc.
Niles, Michigan

We have audited the accompanying financial statements of Young Men's Christian Association of Greater Michiana, Inc. (a nonprofit organization), as of and for the year ended December 31, 2020, and our report thereon dated April 30, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information as of December 31, 2020 and 2019, as outlined in the table of contents, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel, Lawton & Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan
April 30, 2021

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENTS OF FINANCIAL POSITION
For the Years Ended December 31, 2020 and 2019
(See Independent Auditor's Report on Supplementary Information)

	2020	2019		
		Michiana	SWMI	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,052,260	\$ 371,822	\$ 2,564,193	\$ 2,936,015
Accounts receivable, net	273,200	21,868	68,163	90,031
Grants receivable	107,595	-	-	-
Inventory	17,297	21,570	-	21,570
Pledges receivable	421,553	43,834	470,986	514,820
Prepaid expenses	43,226	31,119	27,286	58,405
Total current assets	<u>\$ 1,915,131</u>	<u>\$ 490,213</u>	<u>\$ 3,130,628</u>	<u>\$ 3,620,841</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 17,395,092</u>	<u>\$ 4,367,005</u>	<u>\$ 11,604,553</u>	<u>\$ 15,971,558</u>
OTHER ASSETS				
Certificates of deposit	\$ -	\$ 226,594	\$ 101,810	\$ 328,404
Pledges receivable, less current portion	-	12,201	109,349	121,550
Investments	5,185	502,009	4,709	506,718
Security deposits	13,916	-	17,016	17,016
Deferred financing costs (net of accumulated amortization)	22,041	-	11,586	11,586
Beneficial interest in assets held at Community Foundation	1,290,840	622,177	538,720	1,160,897
Total other assets	<u>\$ 1,331,982</u>	<u>\$ 1,362,981</u>	<u>\$ 783,190</u>	<u>\$ 2,146,171</u>
TOTAL ASSETS	<u>\$ 20,642,205</u>	<u>\$ 6,220,199</u>	<u>\$ 15,518,371</u>	<u>\$ 21,738,570</u>
CURRENT LIABILITIES				
Accounts payable - trade	\$ 503,124	\$ 62,791	\$ 52,913	\$ 115,704
Accrued payroll and payroll taxes	175,378	34,244	132,969	167,213
Deferred revenue	115,397	99,819	184,522	284,341
Current portion of capital lease obligation	-	10,295	-	10,295
Current portion of long-term debt	140,276	126,598	65,443	192,041
Lines of credit	-	475,000	-	475,000
Other accrued expenses	-	23,830	-	23,830
Total current liabilities	<u>\$ 934,175</u>	<u>\$ 832,577</u>	<u>\$ 435,847</u>	<u>\$ 1,268,424</u>
LONG-TERM DEBT	<u>4,976,392</u>	<u>404,935</u>	<u>5,222,468</u>	<u>5,627,403</u>
TOTAL LIABILITIES	<u>\$ 5,910,567</u>	<u>\$ 1,237,512</u>	<u>\$ 5,658,315</u>	<u>\$ 6,895,827</u>
NET ASSETS				
Without donor restrictions	\$ 11,763,623	\$ 4,363,311	\$ 7,748,169	\$ 12,111,480
With donor restrictions	2,968,015	619,376	2,111,887	2,731,263
TOTAL NET ASSETS	<u>\$ 14,731,638</u>	<u>\$ 4,982,687</u>	<u>\$ 9,860,056</u>	<u>\$ 14,842,743</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,642,205</u>	<u>\$ 6,220,199</u>	<u>\$ 15,518,371</u>	<u>\$ 21,738,570</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
 STATEMENTS OF ACTIVITIES
 For the Years Ended December 31, 2020 and 2019
 (See Independent Auditor's Report on Supplementary Information)

		Without Donor Restrictions	With Donor Restrictions	2020	Summarized 2019		
					Michiana	SWMI	Total
PUBLIC SUPPORT AND REVENUE:							
Membership		\$ 2,089,028	\$ -	\$ 2,089,028	\$ 3,016,559	\$ 2,951,023	\$ 5,967,582
Programs and service fees	1,003,761						
Less: scholarships and discounts	(29,854)						
Net revenues from programs and service fees		973,907	-	973,907	67,611	1,280,759	1,348,370
Sales of merchandise	27,920						
Less: cost of sales	(20,422)						
Net revenue from sales of merchandise		7,498	-	7,498	38,459	-	38,459
Rent		186,475	-	186,475	-	224,050	224,050
Contributions and grants		1,336,935	236,752	1,573,687	501,974	1,034,652	1,536,626
Other governmental grants		884,000	-	884,000	-	-	-
Miscellaneous		195,527	-	195,527	147,540	309,474	457,014
Investment income		19,980	-	19,980	83,895	-	83,895
Change in beneficial interest		129,943	-	129,943	107,749	77,856	185,605
Special event revenue	125,722						
Less: costs of direct benefits to donors	(28,898)						
Net revenues from special events		96,824	-	96,824	200,100	119,158	319,258
Total Public Support and Revenue		\$ 5,920,117	\$ 236,752	\$ 6,156,869	\$ 4,163,887	\$ 5,996,972	\$ 10,160,859
EXPENSES							
Program		\$ 4,333,974	\$ -	\$ 4,333,974	\$ 3,039,190	\$ 4,111,929	\$ 7,151,119
Management and general		1,783,383	-	1,783,383	872,929	1,395,922	2,268,851
Fundraising		150,617	-	150,617	63,527	113,795	177,322
Total Expenses		\$ 6,267,974	\$ -	\$ 6,267,974	\$ 3,975,646	\$ 5,621,646	\$ 9,597,292
CHANGE IN NET ASSETS							
		\$ (347,857)	\$ 236,752	\$ (111,105)	\$ 188,241	\$ 375,326	\$ 563,567
NET ASSETS AT BEGINNING OF YEAR							
		12,111,480	2,731,263	14,842,743	4,794,446	9,484,730	14,279,176
NET ASSETS AT END OF YEAR							
		\$ 11,763,623	\$ 2,968,015	\$ 14,731,638	\$ 4,982,687	\$ 9,860,056	\$ 14,842,743

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2020 and 2019
(See Independent Auditor's Report on Supplementary Information)

					2019		
	Program	Management & General	Fundraising	2020 Total	Michiana	SWMI	Total
Wages	\$ 1,972,341	\$ 807,209	\$ 81,308	\$ 2,860,858	\$ 2,095,700	\$ 2,964,009	\$ 5,059,709
Employee benefits	428,289	106,537	535	535,361	-	286,264	286,264
Payroll taxes	144,281	59,049	5,948	209,278	-	219,973	219,973
Contractual services	7,228	315,487	323	323,038	542,026	216,074	758,100
Supplies	319,356	47,353	367	367,076	330,463	325,183	655,646
Telephone	43,440	5,992	499	49,931	10,760	22,004	32,764
Postage and shipping	3,284	491	-	3,775	3,221	7,887	11,108
Occupancy	343,080	49,293	1,972	394,345	235,316	309,084	544,400
Insurance	138,929	20,600	160	159,689	83,243	50,636	133,879
Repairs and maintenance	7,027	1,050	-	8,077	95,735	67,846	163,581
Travel and employee expense	36,952	3,398	2,124	42,474	27,871	47,729	75,600
Dues	113,695	-	-	113,695	75,994	88,273	164,267
Depreciation	758,400	113,324	-	871,724	255,403	573,438	828,841
Equipment rental	7,328	1,095	-	8,423	-	14,106	14,106
Advertising	-	-	57,381	57,381	47,662	28,731	76,393
Training	1,664	249	-	1,913	19,475	14,446	33,921
Miscellaneous	8,680	58,089	-	66,769	110,081	198,591	308,672
Interest expense	-	194,167	-	194,167	42,696	187,372	230,068
Event expense	-	-	28,898	28,898	24,906	68,701	93,607
Total Expense	<u>\$ 4,333,974</u>	<u>\$ 1,783,383</u>	<u>\$ 179,515</u>	<u>\$ 6,296,872</u>	<u>\$ 4,000,552</u>	<u>\$ 5,690,347</u>	<u>\$ 9,690,899</u>
Less: event expense netted with revenues	<u>-</u>	<u>-</u>	<u>(28,898)</u>	<u>(28,898)</u>	<u>(24,906)</u>	<u>(68,701)</u>	<u>(93,607)</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 4,333,974</u></u>	<u><u>\$ 1,783,383</u></u>	<u><u>\$ 150,617</u></u>	<u><u>\$ 6,267,974</u></u>	<u><u>\$ 3,975,646</u></u>	<u><u>\$ 5,621,646</u></u>	<u><u>\$ 9,597,292</u></u>