

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

Port Huron, Michigan

**CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

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July 21, 2020

To Our Board, Members, Employees, Volunteers, Donors and Friends:

We are pleased to present the enclosed financial statements for the year ended December 31, 2019. At the YMCA, we believe everyone deserves opportunities, no matter who you are or where you are from. Our mission guides us, our cause inspires us, and the stories of impact that we share every day prove that we strengthen the foundations of community through our work in youth development, healthy living and social responsibility.

Looking back at 2019, nearly 23,000 members and program participants were engaged at the YMCA. Of those, nearly 8,200 are youth who participated in after school programs, camps, swim lessons, sports, preschool and child care, fitness and special events. We are also a significant employer, providing over 160 full and part-time employment opportunities and engaging hundreds of volunteers.

Some highlights of the year:

- The SportPort program powered by Y on the Fly and funded by the Ralph C. Wilson Jr. Foundation and the Community Foundation of Southeast Michigan is taking sports and physical activity programming to kids in Port Huron and Marysville.
- More than 150 7th Graders joined the YMCA through the new 7th Grade Membership program sponsored by Cawood Honda and the Y's Dream Team.
- The year saw many facility changes with a new phone system as well as an \$850,000 PACE building project designed to improve energy savings throughout the Y as well as repair the roof over the pool.

During the first quarter of 2020, the outbreak of COVID-19 emerged and impacted our area in mid-March. While the stay-at-home order resulted in the layoff of 90% of the YMCA's staff, the Y responded with a variety of initiatives designed to help support the community during this difficult time:

- Initially, the YMCA was closed to all activities except child care (early childhood and school age Camp Hope) for essential workers as part of a government-mandated stay-at-home order
- Wellness check calls to hundreds of local seniors who faced social isolation
- Virtual Group Exercise with nearly 900 registrations for the spring session and nearly 700 for summer
- Once the region moved into Phase 4, live outdoor group exercise was added for the summer with limited class sizes and broadcast via zoom for virtual participation
- Pop-Up Food Pantries in cooperation with the Food Bank of Eastern Michigan serving more than 1,500 households with 200 volunteers
- At least one blood drive per month to help meet the critical need for blood
- Summer Camp Wanacomback opened for the summer

At this time, our YMCA is focusing on how we can make every day better...together. The future will be different but the organization has met significant challenges in the past. The YMCA will draw on the skill and vision of staff and volunteer leadership and continue to adapt and change to meet the needs of the community while dealing with the impact of COVID-19.

Respectfully submitted,

Denise M. Brooks
President/CEO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Young Men's Christian Association
of the Blue Water Area
Port Huron, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of the Blue Water Area (the "Association") (a nonprofit corporation) and its supporting organization which comprise the consolidated statement of financial position as of December 31, 2019, the related consolidated 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 of 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 judgement, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of the Blue Water Area and its supporting organization as of December 31, 2019 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Association's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Association will continue as a going concern. As discussed in Note 14 to the financial statements, the coronavirus (COVID-19) outbreak forced the Association to suspend nearly all of its on-site programs in mid-March 2020 through September 14, 2020, at which time they were allowed to open at 25% capacity. When the Association will be allowed to open at full capacity is unknown. Management's evaluation of the events and conditions and management's plans regarding future operations are also described in Note 14 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements and schedule of transportation expenses, as listed in the table of contents, are presented for purposes of additional analysis and are 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 consolidated financial statements as a whole.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Letter to the Board, Members, Employees, Volunteers, Donors, and Friends and the Mileage Data, as listed in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

UHY LLP

Port Huron, Michigan
September 22, 2020

BASIC FINANCIAL STATEMENTS

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

Assets:

Cash and cash equivalents	\$	148,853
Receivables (net of allowance)		36,631
Inventory		1,990
Energy Efficiency Construction Deposit		158,376
Prepaid expenses		34,181
Unconditional promises to give		5,500
Cash surrender value of life insurance		153,466
Beneficial interest in assets held by others		330,629
Land, buildings, and equipment, net		<u>3,372,853</u>
 Total Assets		 <u><u>\$ 4,242,479</u></u>

Liabilities:

Accounts payable	\$	53,620
Accrued salaries and fringes		95,591
Unearned revenue		129,834
Accrued interest		13,613
Notes payable		1,169,176
Accrued vacation and sick		<u>66,922</u>
 Total Liabilities		 <u>1,528,756</u>

Net Assets:

With Donor Restrictions		330,629
Without Donor Restrictions		<u>2,383,094</u>
 Total Net Assets		 <u>2,713,723</u>
 Total Liabilities and Net Assets		 <u><u>\$ 4,242,479</u></u>

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

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net Assets Without Donor Restrictions:

Revenues and Other Support:

Contributions	\$ 249,060
Membership and guest fees	1,661,269
Childcare fees	876,678
Other program service fees	202,187
Grants and fees from local agencies	150,267
Merchandise sales	3,906
Rental income	47,144
Other	2,804
Gain on sale of assets	900
Net investment income	26,462
Total Revenues and Other Support	3,220,677

Expenses:

Program services -	
Youth Development	1,200,826
Healthy Living	1,440,620
Social Responsibility	25,361

Supporting services -

Management and general	563,632
Fundraising	92,547

Total Expenses	3,322,986
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Change in Net Assets	(102,309)
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Net Assets Without Donor Restrictions at beginning of year	2,485,403
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Net Assets Without Donor Restrictions at end of year	2,383,094
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Net Assets With Donor Restrictions:

Change in value of beneficial interest in assets held by others	38,298
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Net Assets With Donor Restrictions at beginning of year	292,331
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Net Assets With Donor Restrictions at end of year	330,629
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Total Net Assets at the End of the Year	\$ 2,713,723
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The accompanying notes are an integral part of these financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services			Total
	Youth Development	Healthy Living	Social Responsibility	
Salaries	\$ 757,807	\$ 776,091	\$ 6,118	\$ 1,540,016
Payroll taxes & benefits	137,652	123,369	1,184	262,205
	<u>895,459</u>	<u>899,460</u>	<u>7,302</u>	<u>1,802,221</u>
Supplies	59,604	89,172	9,026	157,802
Postage	193	58	12	263
Professional fees	-	-	-	-
Contracted services	49,318	71,197	3,864	124,379
IT Services	-	-	-	-
Laundry services	7,705	13,912	-	21,617
Utilities	85,415	173,014	-	258,429
Insurance	17,661	33,963	-	51,624
Rent	5,057	9,726	-	14,783
Equipment rent	-	463	-	463
Equipment maintenance	-	15,084	-	15,084
Building maintenance	-	3,293	-	3,293
Printing and publications	-	-	-	-
Advertising	-	25	-	25
Travel/mileage reimbursement	9,181	1,020	59	10,260
Conferences and training	-	70	-	70
Interest and fees	10,595	20,469	-	31,064
Non-Capitalized equipment	1,029	7,420	-	8,449
National Dues	16,182	33,402	5,098	54,682
Miscellaneous	1,150	890	-	2,040
Depreciation	42,277	67,982	-	110,259
	<u>305,367</u>	<u>541,160</u>	<u>18,059</u>	<u>864,586</u>
Total Expenses	<u>\$ 1,200,826</u>	<u>\$ 1,440,620</u>	<u>\$ 25,361</u>	<u>\$ 2,666,807</u>

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

Management and General	Supporting Services		Total Program and Supporting Services
	Fundraising	Total	
\$ 204,776	\$ 59,984	\$ 264,760	\$ 1,804,776
39,634	17,400	57,034	319,239
<u>244,410</u>	<u>77,384</u>	<u>321,794</u>	<u>2,124,015</u>
40,533	8,932	49,465	207,267
1,932	2,728	4,660	4,923
19,240	-	19,240	19,240
104,250	1,196	105,446	229,825
10,326	-	10,326	10,326
-	-	-	21,617
5,850	-	5,850	264,279
5,661	-	5,661	57,285
242	-	242	15,025
5,053	-	5,053	5,516
12,443	-	12,443	27,527
-	-	-	3,293
363	-	363	363
50,468	842	51,310	51,335
185	472	657	10,917
1,663	-	1,663	1,733
54,872	-	54,872	85,936
-	-	-	8,449
210	-	210	54,892
4,817	993	5,810	7,850
1,114	-	1,114	111,373
<u>319,222</u>	<u>15,163</u>	<u>334,385</u>	<u>1,198,971</u>
<u>\$ 563,632</u>	<u>\$ 92,547</u>	<u>\$ 656,179</u>	<u>\$ 3,322,986</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019**

Cash Flows From Operating Activities:

Change in net assets	\$(64,011)
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	111,373
Increase in cash surrender value of life insurance	(23,711)
Increase of value on beneficial interest in assets held by others	(38,298)
Changes in assets and liabilities -	
Accounts receivable	25,225
Inventory	814
Prepaid expenses	(3,895)
Unconditional promises to give	6,498
Accounts payable	(8,095)
Accrued salaries and fringes	32,824
Accrued interest payable	13,613
Unearned revenue	(6,586)
Net Cash Provided by Operating Activities	<u>45,751</u>

Cash Flows From Investing Activities:

Acquisition of capital assets	<u>(754,969)</u>
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Cash Flows From Financing Activities:

Note/loan proceeds	657,564
Principal payments on notes/loans	(43,040)
Net Cash Provided by Financing Activities	<u>614,524</u>

Net Decrease in Cash and Cash Equivalents	(94,694)
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Cash and Cash Equivalents at beginning of year	<u>243,547</u>
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Cash and Cash Equivalents at end of year	<u><u>\$ 148,853</u></u>
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Supplementary Information for Statement of Cash Flows:

Interest paid	<u><u>\$ 17,958</u></u>
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The accompanying notes are an integral part of these financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Association -

The Young Men's Christian Association of the Blue Water Area's (the "Association") mission is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all. The Association is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen (Youth Development), improving the Blue Water Area's health and well-being (Healthy Living), and providing opportunities to give back and support neighbors (Social Responsibility), the Association enables youth, adults, families, and communities to be healthy, confident, connected, and secure.

The Blue Water YMCA Foundation (the "Foundation") was organized in 2014 as a nonprofit organization under 501(c)(3) to serve as a supporting organization to the Association. The Board of Directors of the Foundation must consist of no less than three trustees, and at all times a majority of the trustees must be appointed by the governing Board of the Association.

The consolidated financial statements report all activities of the Association and the Foundation, where any inter-company transactions are eliminated.

The Association operates the following major programs:

Youth Development - The Association is committed to nurturing the potential of every child and teen. The Association believes that all children deserve the opportunity to discover who they are and what they can achieve. That is why the Association helps young people cultivate the values, skills, and relationships that lead to positive behaviors, better health, and educational achievement. The Association's programs, such as Warm World Child Care, Prime Time Afterschool CATCH Kids Clubs, camps, and youth sports and swim lessons, offer a range of experiences that enrich cognitive, social, physical, and emotional growth.

Healthy Living - The Association is a leading voice on health and well-being. The Association brings families closer together, encourages good health, and fosters connections through fitness, sports, fun, and shared interests. As a result, people in the community are receiving the support, guidance, and resources they need to achieve greater health in spirit, mind, and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with a work/life balance, and individuals search for personal fulfillment. Examples of healthy living programs include group exercise classes for all ages and abilities, diabetes prevention and other chronic disease prevention programs, sports and recreation, personal training, walking and running groups, and support for cancer patients.

Social Responsibility - The Association believes in giving back and supporting its neighbors. The Association has been listening and responding to its community's most critical social needs. The Association's programs, such as Healthy Kids Day, free activities that bring families together, free Safety Around Water classes for drowning prevention, Walk for Summer Reading, and Fun Fitness, are examples of how the Association delivers training, resources, and support that empower its neighbors to effect change, bridge gaps, and overcome obstacles. The Association engages its members, participants, and volunteers in activities that strengthen its community and pave the way for future generations to thrive.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As part of the Association's mission, their programs are accessible, affordable, and open to all faiths, backgrounds, abilities, and income levels. The Association provides financial assistance to people who otherwise may not have been able to afford to participate.

Summary of Significant Accounting Policies -

The Association's accounting policies are in accordance with accounting principles generally accepted in the United States of America. The following is a summary of policies which are considered significant to the Association.

BASIS OF ACCOUNTING - The financial statements of the Association are reported on the accrual basis of accounting.

BASIS OF PRESENTATION - The financial statements presentation follows the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958, net assets and changes therein are classified and reported as follows:

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

Net assets with donor restrictions - Net assets subject to donor-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 donors. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

CASH AND CASH EQUIVALENTS - Cash equivalents represent highly liquid investments with a maturity of three months or less from the date of purchase.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS - Accounts receivable from program service fees are stated at the amount the Association expects to collect from outstanding balances. The Association provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts and historical experience. Balances that are still outstanding after the Association has used reasonable collection efforts are written off. The allowance for doubtful accounts was \$1,600 as of December 31, 2019.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

INVENTORY - Inventory consists of supplies which are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PREPAID EXPENSES - Certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid items.

LAND, BUILDING, AND EQUIPMENT - Property and equipment are carried at cost at the date of purchase or fair value at date of donation. Property and equipment are defined by the Association as assets with an individual cost greater than \$2,500 and an estimated life greater than one year. Major additions are charged to the property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or disposed of, the recorded value is removed from the accounts. Gains and losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated life of the asset.

The estimated useful lives of the assets are as follows:

Building and building improvements	5 - 40 years
Furniture, equipment, and vehicles	3 - 10 years

LIFE INSURANCE CASH SURRENDER VALUE - The Association is the owner and beneficiary of two separate life insurance policies with an aggregate face value of \$500,000. The annual premiums are paid with contributions received from the individuals insured by the policies or by the policies' equity. The cash surrender value of these policies was recorded as revenue and an asset when donated. Annual increases or decreases in the cash surrender value of the policies are recorded as revenue (or reduction of revenue) in the year incurred.

PUBLIC SUPPORT

Contributions - The Association receives contributions to support operating activities and capital projects. These contributions can be from individuals, corporations, or trusts. The Association records contributions receivable, net of allowance for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts with a measurable performance or other barrier and right to return are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor. Multi-year pledges that are expected to be collected after one year are discounted using a risk adjusted discount rate.

Governmental/Nonprofit Grants - The Association receives grants and contract funding from governmental (Federal and State agencies) and nonprofit organizations to provide a variety of program services to the public based on specific requirements, including eligibility, procurement, reimbursement, and other requirements. Such grants and contracts are nonreciprocal transactions and include conditions stipulated by the grantor agencies and are, therefore, accounted for as conditional contributions. Receivables are recognized for any unreimbursed grant expenses and deferred revenues for any advances received before conditions have been met.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (cont'd):**

REVENUE RECOGNITION - The Association has multiple revenue streams that are accounted for as reciprocal exchange transactions, including membership, program fees, licensed childcare fees, and government grants. Because of the Association's performance obligations related to contracts with a duration of less than one year, the Association has elected to apply the optional exemption provided in FASB 606-10-50-14(a), *Revenue from Contracts with Customers*, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contact or no significant financing components. The following are the Association's major revenues streams:

Membership Dues - Most membership dues are typically paid on a monthly basis; however, some memberships are paid on a quarterly or annual basis. Once a year on April 1, a capital improvement fee is charged to each member. If someone joins later in the year, the capital improvement fee is prorated. Monthly memberships are recognized on the 1st of the month for that month, and all longer-term memberships are prorated using the straight-line method over the period of the membership. The capital improvement fee is recognized at the time of payment. Memberships can be cancelled by providing notices by the 25th of the month for the subsequent month.

Program Fees - The Association offers a variety of programs, including day camps, fitness programs, aquatics, health and wellness, etc., some of which are provided to members free of charge and other programs in addition to the membership dues. Many of the programs are available to the public without memberships. Most program fees are for programs of less than two months and are typically paid in advance at the time of registrations. Cancellation provisions vary by program, but most transactions are cancellable with 15-30 days' notice. Generally, all fees are recognized in the first day of the program.

Licensed Child Care Fees - Licensed Child Care services are available to both members and nonmembers. Childcare services, including preschool, are registered for the school years. Payments are made in advance, at a minimum, on a weekly basis. Revenues are recognized for each week on Monday of that week. Refunds are available for fees paid more than a week in advance under certain conditions.

Governmental Contract Revenues - The Association periodically contracts with local governmental units to provide various program services to the unit's employees and/or clients. Such contracts are recorded as performance obligations are satisfied, which is generally when the related expenditures are incurred over the period services are provided.

All membership dues, program fees, child care fees, and governmental contract revenues paid to the Association in advance represent contract liabilities and are recorded as unearned revenue. Amounts billed but unpaid are contract assets and recorded as account receivables.

INCOME TAXES - The Association is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is tax-exempt under Section 501(c)(3) and is a Type 1 supporting organization under Section 509(a)(3). Accordingly, no provision for income taxes is required.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

NATIONAL SUPPORT - The Association is a member of the National Council of Young Men's Christian Association and as a member is required to contribute 2% of adjusted total income to the National Council.

FUNCTIONAL EXPENSES - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs that are directly identifiable with a program or support service are charged directly to the program or support service benefiting, including most salaries and benefits. Other costs have been allocated to the various programs and support services based on the estimated benefit received. The following are the allocation methods utilized:

Salaries and benefits - most hourly employees are allocated based on time and effort reports prepared by the employee. Salaried individuals that only work in one department/program are charged directly; any other salaried individual that serves more than one program is allocated based on estimated time spent in each program.

Laundry services and towels - based on program income.

Housekeeping and building facilities - include utilities, insurance, etc., and are allocated based on square footage.

Interest costs - interest on equipment is recorded in the department/program where the equipment is utilized. Interest on the building is allocated based on square feet.

ADVERTISING - The Association's policy is to expense advertising costs for the promotion of programs as the costs are incurred. Advertising expenses were \$51,335 for 2019, of which \$19,434 was barter transactions with advertising agencies.

UNEARNED REVENUE - Unearned revenue represents membership and program fees applicable to future periods, gift certificates, and unspent grants.

ACCRUED VACATION AND SICK - Employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under limits and conditions specified in the personnel policies.

ESTIMATES - In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAIR VALUE MEASUREMENTS - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Association accounts for certain financial assets and liabilities at fair value.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

UPCOMING ACCOUNTING PRONOUNCEMENT - In February 2016, FASB issued a new accounting standard, Topic 842, intended to improve financial reporting of leasing transactions. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flow arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet, the new standards will require both types of leases to be recognized on the balance sheet. The standard also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows from leases. The amendments in this standard are effective for the Association's financial statements for the year ending December 31, 2021. The Association has not yet implemented this ASU and is in the process of assessing the effect on the Association's financial statements.

SUBSEQUENT EVENTS - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 22, 2020, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

Financial assets available for general expenditures (that is, without donor or other restrictions limiting their use) within one year of the financial position date is composed of the following:

Cash and cash equivalents	\$ 148,853
Accounts receivable	36,631
Unconditional promise to give	<u>5,500</u>
	190,984
Less: Foundation cash	<u>(75,282)</u>
	<u>\$ 115,702</u>

NOTE 3 - CONCENTRATION OF CREDIT:

As of December 31, 2019, the Association had deposits with financial institutions with a bank balance of 165,358, which is fully covered by depository insurance.

NOTE 4 - CONTRIBUTIONS RECEIVABLE AND INTENTIONS TO GIVE:

At December 31, 2019, the Association had promises to give receivable of \$5,500, all of which is expected to be collected in 2020.

In addition, the Association has \$275,000 of "intentions to give." These intentions to give are based on bequests included in wills, therefore, are not recorded on the financial statements because the donor has the right to modify or change the bequest.

**THE YOUNG MEN’S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 - ENDOWMENTS:

The Association has received donor-restricted (in perpetuity) donations for the purpose of supplementing general operations with the income generated. In connection, the Association transferred their endowment fund to The Community Foundation of St. Clair County (the “Community Foundation”) in 2015 to establish an agency endowment fund plus accumulated investment earnings. Under the terms of the agreement with the Community Foundation, the Board of Directors of the Association may recommend or request distribution from the fund in amounts limited by the spending policies of the Community Foundation. The Community Foundation’s current spending policy is to distribute 5% of the average fair value over the prior 16 quarters determined as of September of the year preceding distribution. At the time of the transfer of assets, the Association granted variance power to the Community Foundation. The Community Foundation expects to follow the recommendation but reserves the right to accept or reject the Association’s recommendations. Variance power also gives the Community Foundation the right to distribute the spendable portion of the fund to another nonprofit of its choice if the Association ceases to exist and the Board of the Community Foundation determines that support of the Association is no longer necessary or is inconsistent with the mission or purpose of the funds or the needs of the community.

The changes in endowment net assets were as follows:

Balance at January 1, 2019	\$	292,331
Net appreciation of investments		39,997
Investment income		7,253
Investment fees	(6,491)
Distributions	(2,461)
Balance at December 31, 2019	\$	330,629

NOTE 6 - LAND, BUILDING, AND EQUIPMENT:

The following is a summary of capital assets for the year ended December 31, 2019:

Land	\$	430,000
Construction in progress		14,993
Building and building improvements		3,143,489
Furniture and equipment		518,223
Vehicles		69,263
		4,175,968
Less - Accumulated depreciation	(803,115)
Total Land, Building, and Equipment, net	\$	3,372,853

Depreciation expense for 2019 totaled \$111,373.

At December 31, 2019, the Association had committed to contracts in the amount of \$592,045 relating to energy-efficient equipment. As of December 31, 2019, \$450,244 has been incurred of this amount, leaving \$141,801 remaining, which will be paid from deposits held from the energy efficiency note.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 - NOTES PAYABLE:

In November 2015, the Association received a \$500,000 non-interest-bearing loan from the James C. Acheson Foundation. The loan is to be repaid in monthly installments of \$2,762 including interest of 5.00% (effective interest rate), commencing May 1, 2017 through May 1, 2032. \$ 304,686

In November 2015, the Association received a non-interest-bearing, short-term loan in the amount of \$125,000 to be repaid when the Association sold the Sault Ste. Marie property. The Association sold the property in 2016; however, the proceeds were not sufficient to repay the entire amount of the loan. The remaining balance is to be repaid as cashflow becomes available. 25,130

On July 25, 2017, the Association entered into an installment purchase agreement for the purchase of equipment for \$44,900, payable in 60 monthly installments of \$843 including interest of 4.79% through August 25, 2022. 25,278

On April 30, 2019, the Association received a non-interest bearing loan in the amount of \$15,928 for the purchase of a new phone system. The loan is to be repaid in monthly installments of \$265 through June 1, 2024. 14,070

On August 22, 2019, the Association received a loan for the purchase of energy-efficient equipment for \$842,138, payable in 40 semi-annual installments of \$33,431 including interest of 4.85% through September 2, 2039 (\$842,138 less unamortized debt service costs of \$42,126). 800,012
\$ 1,169,176

The principal maturities of the notes, excluding the note that will be repaid when cash is available, are as follows:

	November 2015 Note	2017 Installment Purchase	2019 Phone System	2019 Energy-efficient Equipment
2020	\$ 18,331	\$ 9,103	\$ 3,186	\$ 23,547
2021	19,269	9,549	3,186	24,898
2022	20,255	6,626	3,186	26,326
2023	21,291	-	3,186	27,837
2024	22,381	-	1,326	29,434
2025-2029	130,295	-	-	174,525
2030-2034	72,864	-	-	230,677
2035-2039	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,894</u>
	<u>\$ 304,686</u>	<u>\$ 25,278</u>	<u>\$ 14,070</u>	<u>\$ 842,138</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 - OPERATING LEASES:

In April 2018, the Association entered into a non-cancelable lease agreement for the use of a parking lot. Monthly payments of \$1,250 were due in 2019 with the agreement calling for 2% increases in the monthly rate each January through December 2022. Lease expense for the year ended December 31, 2019 was \$15,025.

In August 2019, the Association entered into a non-cancelable lease agreement for the rental of two copiers. Monthly payments of \$352 are due through July 2024. Lease expense for the year ended December 31, 2019 was \$1,056.

The minimum future lease payments under the operating leases are as follows:

	Parking Lot	Copiers	Total
2020	\$ 15,300	\$ 4,219	\$ 19,519
2021	15,606	4,219	19,825
2022	15,918	4,219	20,137
2023	-	4,219	4,219
2024	-	3,164	3,164
	\$ 46,824	\$ 20,040	\$ 66,864

NOTE 9 - RELATED PARTIES TRANSACTIONS:

During 2019, the Association received \$49,626 of contributions from board members and their families, as well as companies they own, the President/CEO, and other related parties. At December 31, 2019, the Association had \$300 due from related parties. During 2019, the Association also incurred \$86,859 of expenses related to insurance premiums paid to a company owned by a Board Member.

NOTE 10 - FAIR VALUE MEASUREMENTS:

In accordance with ASC 820, the Association uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 - FAIR VALUE MEASUREMENTS - (cont'd):

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

The following table presents the Association's fair value hierarchy for the assets measured at fair value as of December 31, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ 330,629	\$ -	\$ 330,629	\$ -
Variable life insurance policy	<u>153,466</u>	<u>-</u>	<u>153,466</u>	<u>-</u>
	<u>\$ 484,095</u>	<u>\$ -</u>	<u>\$ 484,095</u>	<u>\$ -</u>

NOTE 11 - EMPLOYEE PENSION PLAN:

The Association provides retirement benefits for all eligible employees through pension plans administered by the National Association. In order to be eligible, an employee must have completed two years of service in which at least 1,000 hours have been worked and must be 21 or older. The employee contributes 3%, and the Association contributes 5.0% of the employee's gross salary. Both Employer and Employees' contributions become fully vested immediately.

For the year ended December 31, 2019, the employer contribution to the pension plan was \$33,906.

NOTE 12 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS:

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In addition, in June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958). The amendments in this update provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidances (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional.

The Association adopted these standards as of January 1, 2019 using a full retrospective method of application. The adoption resulted in changes to the disclosure of revenue. There were no changes to the recognition or presentation of revenue as a result of these standards. As a result, no cumulative effect adjustment was recorded upon adoption.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 13 - SUBSEQUENT EVENTS:

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from Federal, State, and local authorities, requiring forced closures of all but essential businesses, stay-at-home orders, etc. As a result of COVID-19, the Association has been forced to eliminate almost all on-site programs except licensed childcare from March 16 to September 14, 2020. In addition, the Association is conducting certain programs virtually; however, because they are only a fraction of the programs and services provided, revenues will be negatively impacted. In connection, most of the Association's employees have been laid off. It is not currently possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact. However, management applied for and was awarded \$418,000 under the Paycheck Protection Program to assist the Association with the financial implications of the COVID-19 virus.

NOTE 14 - UNCERTAINTY ABOUT THE ASSOCIATION'S ABILITY TO CONTINUE AS A GOING CONCERN:

As noted in Note 13, COVID-19 resulted in governmental officials issuing stay-at-home orders and closing all but essential service providers. As a result, the Association was forced to eliminate almost all on-site programs except licensed childcare from March 16 to September 14, 2020, at which time the Association was allowed to open at 25% capacity as long as they meet a number of new restrictions, including maintaining social distancing, health screenings before anyone enters the facility, etc. As a result, the Association's revenues for the first eight months of 2020 have decreased very significantly and are expected to remain significantly lower for the foreseeable future due to the virus and new restrictions.

In connection, management has eliminated all but absolutely necessary expenditures during this period. Staffing has been reduced from 181 to approximately 70 employees to reflect the changes in the business model as a result of COVID-19. While there were significant expenditures on the building, other expenditures have been limited to personal protective equipment (PPE) and items related to being able to resume membership and program operations. The Association applied for and received a Paycheck Protection Program loan of \$418,000 to supplement cash flow and preserve key staff during this period. Based on new needs that have developed in the community, the Association has developed two new business lines - USDA food programming and expanded Out-of-School programming - both of which come with State and federal funding support. Several Association supporters put together a match pool of \$50,000 and will be leading a fundraising campaign in the fourth quarter to raise an additional \$50,000 to enhance donations. Management continues to monitor the situation closely and will make adjustments in programming and staffing levels to meet obligations.

However, because of the uncertainty of how long the virus will last, how the new restrictions will be in place, and how members of the Association will respond to the reopening, there is uncertainty about the Association's ability to have the required cash flow to meet its obligations as they come due.

SUPPLEMENTARY INFORMATION

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

	YMCA	YMCA Foundation	Consolidating Adjustments	Total
Assets:				
Cash and cash equivalents	\$ 73,571	\$ 75,282	\$ -	\$ 148,853
Receivables (net of allowance) -				
Memberships	18,469	-	-	18,469
Due from Foundation	3,000	-	(3,000)	-
Other	18,162	-	-	18,162
Inventory	1,990	-	-	1,990
Energy Efficiency Construction Deposit	158,376	-	-	158,376
Prepaid expenses	34,181	-	-	34,181
Unconditional promises to give	5,500	-	-	5,500
Cash surrender value of life insurance	153,466	-	-	153,466
Beneficial interest in assets held by others	330,629	-	-	330,629
Land, buildings and equipment, net	3,372,853	-	-	3,372,853
Total Assets	\$ 4,170,197	\$ 75,282	\$(3,000)	\$ 4,242,479
Liabilities:				
Accounts payable	\$ 53,620	\$ -	\$ -	\$ 53,620
Accrued salaries and fringes	95,591	-	-	95,591
Unearned revenue	129,834	-	-	129,834
Accrued interest	13,613	-	-	13,613
Due to YMCA	-	3,000	(3,000)	-
Notes payable	1,169,176	-	-	1,169,176
Accrued vacation and sick	66,922	-	-	66,922
Total Liabilities	1,528,756	3,000	(3,000)	1,528,756
Net Assets:				
With Donor Restrictions	330,629	-	-	330,629
Without Donor Restrictions	2,310,812	72,282	-	2,383,094
Total Net Assets	2,641,441	72,282	-	2,713,723
Total Liabilities and Net Assets	\$ 4,170,197	\$ 75,282	\$(3,000)	\$ 4,242,479

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	YMCA	YMCA Foundation	Consolidating Adjustments	Total
Net Assets Without Donor Restrictions:				
Revenues and Gains and Other Support:				
Public Support -				
Contributions	\$ 249,060	\$ -	\$ -	\$ 249,060
Revenue and Gains -				
Memberships and guest fees	1,661,269	-	-	1,661,269
Childcare fees	876,678	-	-	876,678
Other program service fees	202,187	-	-	202,187
	<u>2,740,134</u>	<u>-</u>	<u>-</u>	<u>2,740,134</u>
Grants and fees from local agencies -				
Blue Water Area Transit	5,154	-	-	5,154
Port Huron Noon Optimists	5,825	-	-	5,825
Blue Water YMCA Foundation	12,000	-	(12,000)	-
YMCA of the USA	8,926	-	-	8,926
State Alliance of Michigan YMCAs	24,524	-	-	24,524
YMCA of Metro Detroit	98,544	-	-	98,544
Other	7,294	-	-	7,294
Merchandise sales	3,906	-	-	3,906
Rental income	47,144	-	-	47,144
Other	2,804	-	-	2,804
Gain on sale of assets	900	-	-	900
Investment income net of expenses	26,331	131	-	26,462
	<u>2,983,486</u>	<u>131</u>	<u>(12,000)</u>	<u>2,971,617</u>
Total Revenues and Other Support	<u>3,232,546</u>	<u>131</u>	<u>(12,000)</u>	<u>3,220,677</u>
Expenses:				
Program services -				
Youth Development	1,200,826	-	-	1,200,826
Healthy Living	1,440,620	-	-	1,440,620
Social Responsibility	25,361	-	-	25,361
Grants	-	12,000	(12,000)	-
Supporting services -				
Management and general	563,612	20	-	563,632
Fundraising	92,547	-	-	92,547
Total Expenses	<u>3,322,966</u>	<u>12,020</u>	<u>(12,000)</u>	<u>3,322,986</u>
Change in Net Assets Without Donor Restrictions	(90,420)	(11,889)	-	(102,309)
Net Assets With Donor Restrictions:				
Change in value of beneficial interest in assets held by others	<u>38,298</u>	<u>-</u>	<u>-</u>	<u>38,298</u>
Change in Net Assets	(52,122)	(11,889)	-	(64,011)
Net Assets at beginning of year	<u>2,693,563</u>	<u>84,171</u>	<u>-</u>	<u>2,777,734</u>
Net Assets at end of year	<u>\$ 2,641,441</u>	<u>\$ 72,282</u>	<u>\$ -</u>	<u>\$ 2,713,723</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**TRANSPORTATION OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 2,072	\$ -	\$ 1,634	\$ 3,706
Other salaries and wages	712	-	-	712
Fringe benefits	355	-	361	716
Services	20	-	-	20
Materials and Supplies Consumed -				
Fuel and lubricants	976	-	-	976
Other materials and supplies	-	2,896	-	2,896
Casualty and Liability Costs -				
Premiums for Public Liability	4,031	-	-	4,031
Total Operating Expenses	<u>\$ 8,166</u>	<u>\$ 2,896</u>	<u>\$ 1,995</u>	<u>\$ 13,057</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**MILEAGE DATA (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Total Mileage</u>
Demand-Response	
1st Quarter	204
2nd Quarter	259
3rd Quarter	385
4th Quarter	<u>1,034</u>
Total Demand-Response Mileage	<u><u>1,882</u></u>