Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Financial Report

December 31, 2019

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Contents

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Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of
Metropolitan Detroit and Subsidiary
and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate (the "Association"), which comprise the consolidated balance sheet as of December 31, 2019 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate as of December 31, 2019 and the changes in their net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

To the Board of Directors
Young Men's Christian Association of
Metropolitan Detroit and Subsidiary
and Affiliate

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Association will continue as a going concern. The Association's operations were significantly impacted by the COVID-19 pandemic after the consolidated balance sheet date. As described in Note 6, the Association has material debt obligations with associated covenant requirements. The Association has determined substantial doubt exists regarding its ability to meet its obligations as they come due within the next year, which raises doubt about its ability to continue as a going concern. Management has started implementing plans to mitigate the risk of default. These plans are described in Note 18. The consolidated 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020 on our consideration of Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 23, 2020

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Balance Sheet

December 31, 2019
(with summarized comparative totals for December 31, 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 2,355,947	$ 1,059,935
Cash - Strategic growth fund (Note 6)	-	694,924
Investments - Short term (Note 14)	1,328,012	945,068
Receivables - Net of allowances:		
Accounts	110,737	157,352
United Way - Operating	94,949	259,309
Other	2,096,448	367,521
Contributions receivable - Net (Note 3)	225,085	258,990
Prepaid expenses and other current assets	187,991	122,296
Cash equivalents held for long-term use	382,614	379,966
Investments - Long term (Note 14)	6,065,653	6,065,279
Other noncurrent assets	535,647	535,489
Fair value of interest rate swap agreement (Notes 7 and 14)	-	20,406
Property and equipment - Net (Note 4)	41,994,475	43,722,428
Total assets	**$ 55,377,558**	**$ 54,588,963**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,480,964	$ 1,117,170
Accrued liabilities and other	999,506	1,011,066
Bank line of credit (Note 5)	500,000	425,904
Deferred revenue	1,232,819	1,318,761
Obligations under life income contracts	120,919	144,639
Fair value of interest rate swap agreement (Notes 7 and 14)	36,751	-
Bonds payable - Net (Note 6)	16,318,534	17,149,722
Long-term notes payable (Note 6)	961,975	1,002,402
Total liabilities	21,651,468	22,169,664
Net Assets		
Without donor restrictions:		
Undesignated	23,230,158	24,261,241
Board designated (Note 15)	883,529	570,189
Total without donor restrictions	24,113,687	24,831,430
With donor restrictions (Notes 9 and 15)	9,612,403	7,587,869
Total net assets	33,726,090	32,419,299
Total liabilities and net assets	**$ 55,377,558**	**$ 54,588,963**

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Camping and program fees	$ 13,876,621	$ -	$ 13,876,621	$ 13,827,588
Contributions and bequests	1,631,182	296,078	1,927,260	1,302,238
Grants and government contracts	2,864,152	2,124,962	4,989,114	1,829,248
Membership fees	13,712,799	-	13,712,799	14,186,561
United Way - Operating	70,054	45,343	115,397	469,000
Rentals	638,169	-	638,169	647,059
Change in fair value of interest swap agreement	(57,157)	-	(57,157)	46,548
Net special events	534,326	-	534,326	548,438
Net realized and unrealized gains (losses) on investments	1,016,125	95,802	1,111,927	(772,083)
Interest income	188,163	-	188,163	183,926
Distributions on life income contracts	(28,174)	-	(28,174)	(30,411)
Change in value of life income contracts	-	23,720	23,720	(9,620)
Gain (loss) on disposal of fixed assets	190,141	-	190,141	(60)
Other revenue	134,708	-	134,708	197,259
Total revenue, gains, and other support	34,771,109	2,585,905	37,357,014	32,425,691
Net Assets Released from Restrictions	561,371	(561,371)	-	-
Total revenue, gains, other support, and net assets released from restrictions	35,332,480	2,024,534	37,357,014	32,425,691
Expenses				
Program services	29,697,898	-	29,697,898	28,007,207
Support services:				
Management and general	5,126,378	-	5,126,378	5,355,955
Fundraising	1,225,947	-	1,225,947	1,342,903
Total support services	6,352,325	-	6,352,325	6,698,858
Total expenses	36,050,223	-	36,050,223	34,706,065
(Decrease) Increase in Net Assets	(717,743)	2,024,534	1,306,791	(2,280,374)
Net Assets - Beginning of year	24,831,430	7,587,869	32,419,299	34,699,673
Net Assets - End of year	**$ 24,113,687**	**$ 9,612,403**	**$ 33,726,090**	**$ 32,419,299**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

		Support Services			Total	
	Program Services	Management and General	Fundraising	Total Support Services	2019	2018
Salaries	$ 14,595,532	$ 1,903,876	$ 540,797	$ 2,444,673	$ 17,040,205	$ 16,919,859
Health and retirement costs	1,186,282	334,327	119,271	453,598	1,639,880	1,663,176
Payroll taxes	1,362,019	169,194	52,235	221,429	1,583,448	1,496,991
Total salaries and related expenses	17,143,833	2,407,397	712,303	3,119,700	20,263,533	20,080,026
Contracted program instruction and other fees	1,272,692	291,793	60,292	352,085	1,624,777	1,549,437
Legal, audit, and consulting	168,695	172,321	99,929	272,250	440,945	195,922
Supplies	2,430,295	54,933	33,879	88,812	2,519,107	2,382,530
Telephone	143,229	77,943	6,247	84,190	227,419	210,446
Postage and shipping	20,676	21,057	656	21,713	42,389	54,326
Occupancy	464,104	101,665	-	101,665	565,769	558,761
Utilities	1,696,222	237,945	70,403	308,348	2,004,570	2,110,950
Repairs and maintenance	1,298,743	170,019	50,305	220,324	1,519,067	1,062,591
Insurance and taxes	403,347	76,991	16,291	93,282	496,629	429,543
Promotion and advertising	573,512	4,992	705	5,697	579,209	506,907
Travel and entertainment	88,029	123,231	4,021	127,252	215,281	203,881
Conferences and trainings	171,944	117,727	8,557	126,284	298,228	254,540
Dues and fees	108,805	440,429	8,990	449,419	558,224	611,802
Federation membership dues to national office	-	390,666	-	390,666	390,666	398,469
Equipment rental	407,986	3,038	4,944	7,982	415,968	222,091
Miscellaneous	19,327	7,890	13	7,903	27,230	4,096
Bad debt expense	242,757	-	22,265	22,265	265,022	386,840
In-kind expense	7,590	-	-	-	7,590	22,857
Interest expense	485,861	68,226	20,187	88,413	574,274	562,966
Depreciation	2,550,251	358,115	105,960	464,075	3,014,326	2,897,084
Special events	-	-	419,848	419,848	419,848	469,459
Total functional expenses	**$ 29,697,898**	**$ 5,126,378**	**$ 1,645,795**	**$ 6,772,173**	**$ 36,470,071**	**$ 35,175,524**

See notes to consolidated financial statements.

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Statement of Cash Flows

Year Ended December 31, 2019

(with summarized comparative totals for the year ended December 31, 2018)

	2019	2018
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 1,306,791	$ (2,280,374)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	3,014,326	2,897,084
Bad debt expense	265,022	386,840
Amortization of debt issuance costs	22,068	22,068
(Gain) loss on investments	(1,111,927)	772,083
(Gain) loss on disposition of assets	(190,141)	60
Change in value of life income contracts	4,454	40,031
Change in fair value of interest rate swap agreement	57,157	(46,548)
Contributions restricted for endowment	(5,000)	(5,000)
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(1,749,069)	(431,539)
Prepaid expenses and other current assets	(65,853)	(14,318)
Accounts payable	363,794	47,185
Accrued liabilities and other	(11,560)	(16,762)
Deferred revenue	(85,942)	(61,125)
Net cash provided by operating activities	1,814,120	1,309,685
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,350,057)	(1,259,353)
Purchases of investments	(1,872,571)	(2,572,389)
Proceeds from sales of investments	2,598,532	2,840,637
Proceeds from sale of property and equipment	253,825	-
Net cash used in investing activities	(370,271)	(991,105)
Cash Flows from Financing Activities		
Proceeds from line of credit	700,000	675,000
Payments on line of credit	(625,904)	(249,096)
Principal payments on long-term notes payable	(378,006)	(303,658)
Principal payments on bonds payable	(853,256)	(853,256)
Proceeds from debt financing	337,579	637,149
Distributions on life income contracts	(28,174)	(30,411)
Proceeds from endowment gifts	5,000	5,000
Net cash used in financing activities	(842,761)	(119,272)
Net Increase in Cash	601,088	199,308
Cash - Beginning of year	1,754,859	1,555,551
Cash - End of year	**$ 2,355,947**	**$ 1,754,859**
Consolidated Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 2,355,947	$ 1,059,935
Cash - Strategic growth fund	-	694,924
Total cash	**$ 2,355,947**	**$ 1,754,859**
Supplemental Cash Flow Information - Cash paid for interest	$ 555,916	$ 512,607

See notes to consolidated financial statements.

Note 1 - Nature of Business

The accompanying consolidated financial statements reflect the consolidated balance sheet and the consolidated statements of activities and changes in net assets, functional expenses, and cash flows for Young Men's Christian Association of Metropolitan Detroit (the "Organization"); its wholly owned subsidiary, Y-Education Services, L3C (Y-ES); and its affiliate, the Young Men's Christian Association of Metropolitan Detroit Foundation (the "Foundation") (collectively, the "Association"). All material intercompany accounts and transactions have been eliminated.

Young Men's Christian Association of Metropolitan Detroit is an 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, improving the nation's health and well-being, and providing opportunities to give back and support neighbors, the Organization enables youth, adults, families, and communities to be healthy, confident, connected, and secure. The Organization is composed of 10 branches, two resident camps, and six outreach programs, located primarily in the southeastern Michigan area. Y-ES is a Michigan low-profit limited liability company formed in 2010 to provide management, supervision, and administrative oversight and services related to the operations of two Michigan public school academies. All Y-ES management relationships ended prior to 2019. The Foundation is a separate legal entity formed in 2003 to manage certain investment activity and to provide financial support to the Organization. The Organization and the Foundation have certain common board members.

Note 2 - Significant Accounting Policies

Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Association considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Cash Equivalents Held for Long-term Use

Cash equivalents held for long-term use consist of cash equivalents held for the purpose of fulfilling the agreements on life income contracts and cash equivalents of endowment funds held temporarily until invested in long-term investments.

Investments

Investments are recorded at fair market value. Estimated fair values are provided by external investment managers. The Association reviews and evaluates the values provided by the investment manager and agrees with the valuation methods and significant assumptions used in determining fair value of the nonmarketable alternative investments.

These alternative investments include hedged investments and private investments, which may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for these securities existed.

Accounts Receivable

Accounts receivable are stated at the applicable membership or program fee. The Association's policy is to record accounts receivable for certain types of memberships and programs when a commitment to participate has been made by the third party to the Association. An allowance for uncollectible amounts is calculated by considering historical losses and applying that information to total accounts receivable. Amounts deemed to be uncollectible are charged to the provision for doubtful accounts in the period that such a determination is made. The Association has recorded an allowance for doubtful accounts for accounts receivable of $125,000 at December 31, 2019.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Purchased property and equipment are recorded at cost. Property and equipment received as contributions are recorded at the fair market value at the date of receipt. When certain events or changes in operating conditions occur, an impairment assessment is performed and the value and lives of property and equipment may be adjusted. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Costs of repairs and maintenance are charged to expense as incurred.

Revenue Recognition

The Association has revenue resulting from contracts with members and participants related to membership dues and service fees. Total revenue from contracts with customers for the year ended December 31, 2019 was $28,362,297.

Membership Dues

Membership dues are reported at the amount that reflects the consideration to which the Association expects to be entitled in exchange for providing member services. Family and individual memberships are available on an annual basis. Most of the membership dues are billed and paid on a monthly basis via electronic payment methods.

For memberships, the Association has performance obligations based on the nature of the services provided and include performance obligations to provide access to the facilities, such as the gym, pool, and exercise equipment, to members each month. The annual membership price is allocated, and revenue is recognized on a straight-line basis throughout the annual membership period since the performance obligation is the same each month (i.e., to provide access to facilities). There are no receivables associated with memberships since the payments are automatically withdrawn from member bank accounts or charged to member credit cards.

Membership dues constitutes approximately 49 percent of total revenue from contracts with members and participants for the year ended December 31, 2019.

Camping and Program Fees

For camping and program fee revenue, the Association has performance obligations related to child care services, programs, and camps.

The performance obligation related to child care is to provide daily child care services. The transaction price is based on a weekly rate for services provided each week. Since services are provided on a daily basis, the transaction price is allocated on a straight-line basis for each day that care is provided. Child care is billed and recognized as revenue over time because the performance obligation is satisfied as the services are performed. Accounts receivable exists for unpaid amounts, the majority of which has an allowance for doubtful accounts established. Deferred revenue is recorded for amounts paid in advance.

The Association provides a variety of programs for a fee, including aquatics, sports, fitness classes, etc. The duration of the programs is generally short (approximately six to eight weeks). The contract is to provide the program in exchange for a fee. The performance obligation related to programs is to provide the program (i.e., class or scheduled gym space), which is provided equally throughout the duration of the program. The transaction price is allocated on a straight-line basis because the services are provided equally throughout the duration of the program. There are generally no receivables or deferred revenue, as participants cannot participate if they do not pay, and payment is received shortly before the program starts.

Note 2 - Significant Accounting Policies (Continued)

The Association offers camping programs throughout southeastern Michigan. Individuals and groups enroll in the camp programs. The camping programs are provided in exchange for a fee. The performance obligation related to the camp programs is to provide the camping program for the duration for which the individual or group has signed up. The price is allocated on a straight-line basis because the services are provided equally throughout the duration of the camping program. Camp fees are charged and paid in advance of the services provided. The YMCA defers prepaid camp fees until the services are provided. Revenue is recognized on a straight-line basis over the period the camping program is provided.

Camping and program fee revenue constitutes approximately 49 percent of total revenue from contracts with customers for the year ended December 31, 2019.

Revenue from the sale of certain types of memberships and programs is deferred and recognized as income over the period of the membership or program.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as support without donor restrictions. Other donor-restricted gifts are reported as donor-restricted support and net assets with donor restrictions.

At December 31, 2019, contributions receivable consisted of several unconditional promises to give generated from annual fundraising campaigns.

The Association's policy is to record pledges when such pledges are made to the Association, less an allowance for uncollectible amounts, if applicable. The Association has recorded an allowance for doubtful accounts for contributions receivable of $75,000 at December 31, 2019.

Donated Services and Assets

Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. During 2019, the Association received the use of a vehicle as a donation. The value of the services is $7,590 and has been recorded as an in-kind expense and contribution in the consolidated financial statements.

Other volunteers have donated significant amounts of their time to the Association's program services. These volunteer services are not recordable under accounting principles generally accepted in the United States of America. The value of the volunteer services is not disclosed, as no objective basis is available to measure the value of such services.

Long-lived Assets

The Association reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There were no gifts of long-lived assets in 2019.

Note 2 - Significant Accounting Policies (Continued)

Grants and Government Contracts

Grants and government contracts are generally recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Depreciation and amortization are allocated on the basis of the program or support service, which uses the fixed asset. Costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Financial Assistance

The Association provides financial assistance to low-income individuals for membership and program fees. Membership and program fees revenue has been reported net of any applicable financial assistance.

Income Taxes

The Association is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2016.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk Arising from Deposit Accounts

The Association maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Association evaluates the financial institutions with which it deposits funds; however, it may not be practical to insure all cash deposits.

Note 2 - Significant Accounting Policies (Continued)

Risks and Uncertainties

The Association invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet.

Summarized Comparative Information

The financial information presented for comparative purposes for the year ended December 31, 2018 is not intended to be a complete consolidated financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's 2018 consolidated financial statements, from which the summarized information was derived.

Upcoming Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which will supersede the current lease requirements in Accounting Standards Codification (ASC) 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Association's year ending December 31, 2022 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard. Management has analyzed the Association's current leases and does not expect this standard to have a significant effect on the consolidated financial statements.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2019, the Association adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which supersedes the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new standard pertains to the Association's membership and service fee revenue. The Association adopted ASC 606 effective January 1, 2019 using the modified retrospective transition method. There was no effect on the opening balance of net assets as a result of adopting the standard as of January 1, 2019.

For the year ended December 31, 2019, the Association also adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The new standard was applied on a modified prospective basis, and, therefore, there was no effect on the opening balance of net assets.

Note 2 - Significant Accounting Policies (Continued)

Subsequent Events

Management evaluated subsequent events through June 23, 2020, which is the date the consolidated financial statements were available to be issued. The large-scale COVID-19 pandemic may have a material adverse effect due to the temporary shutdown of facilities, staffing shortages, volatility of investment portfolio, and restrictions on business operations over an extended period of time; more information regarding the impact is included within Note 18.

Subsequent to year end, the Association began marketing its Virgil property for sale, and an offer was accepted in April 2020. The book value of $1,514,436 at December 31, 2019 exceeds the sale price of $1,300,000; therefore, the Association expects to incur a loss on the sale. The property is included within property and equipment on the consolidated balance sheet.

Note 3 - Contributions Receivable

Included in contributions receivable at December 31, 2019 are several unconditional promises to give generated from annual fundraising campaigns. They are expected to be collected as follows:

Within one year	$ 300,085
Less allowance for uncollectible contributions	(75,000)
Net contributions receivable	$ 225,085

Note 4 - Property and Equipment

Property and equipment at December 31, 2019 are summarized as follows:

	Amount	Depreciable Life - Years
Land	$ 5,680,350	-
Land improvements	1,694,006	10-15
Buildings	70,010,008	15-50
Building improvements	16,884,047	10-15
Machinery and equipment	2,670,472	2-5
Transportation equipment	349,559	5
Furniture and fixtures	4,618,734	5-10
Computer equipment and software	1,205,535	3-5
Total cost	103,112,711	
Accumulated depreciation	61,118,236	
Net property and equipment	$ 41,994,475	

Depreciation expense for 2019 was $3,014,326.

Note 5 - Lines of Credit

During 2019, the Organization had a revolving line of credit and a nonrevolving draw-to-term line for capital expenditures. The revolving line of credit allows for borrowings up to $500,000 and bears interest at a rate of 2.25 percent plus the 30-day London Interbank Offered Rate (LIBOR) (4.03 percent as of December 31, 2019). The revolving line of credit expires on August 1, 2020. The nonrevolving $500,000 capital expenditure draw-to-term line bears interest at a rate of 2.50 percent plus the 30-day LIBOR. The capital expenditure draw-to-term line expired on August 1, 2019, at which point the line converted to a term loan and will be amortized over a four-year period. At December 31, 2019, there was an outstanding balance on the revolving line of credit of $500,000.

The lines of credit are collateralized by accounts receivable, legally available investments, land, buildings, and equipment. In addition, the Organization is subject to meeting certain financial covenants, including maintaining certain financial ratios.

During 2019, the Organization used approximately $338,000 of proceeds from the nonrevolving capital expenditure draw-to-term lines to purchase equipment. The total amount was converted into a term loan and is included in long-term notes payable on the consolidated balance sheet at December 31, 2019.

Note 6 - Long-term Debt

In June 2014, the Organization entered into an agreement with the Michigan Strategic Fund to issue the Series 2014 Variable Rate Limited Obligation Revenue Refunding Bonds (Series 2014 Bonds) to pay off the remaining principal on the 2001 and 2003 Bonds. The Series 2014 Bonds were directly purchased by a bank for the outstanding principal amount of $28,135,000.

The bank will hold the Series 2014 Bonds until June 1, 2021. During the year ended December 31, 2017, the Organization elected to redeem principal and renegotiate certain terms of the agreement. As a part of the renegotiated agreement, the Organization redeemed a $7,000,000 principal amount of the Series 2014 Bonds in December, and the lender required the Organization to deposit $1,000,000 for the purpose of establishing a reserve account to fund the Association's strategic growth initiatives. The balance of the reserve account was spent during the year ended December 31, 2019.

Monthly principal payments remaining range from approximately $71,000 to $98,000 until the maturity of the Series 2014 Bonds and are due on the first day of each month. The debt bears interest at the rate of 0.65001 percent multiplied by the sum of LIBOR and 210 basis points (an effective rate of 2.52 percent at December 31, 2019). The amount reported at December 31, 2019 is $16,318,534, which represents the outstanding principal due of $16,638,488, net of unamortized debt issuance costs of $319,954. Debt issuance costs are being amortized on a straight-line basis over the term of the bonds. Amortization expense was $22,068 in 2019.

The maturity date of the bond agreement is July 1, 2034. Because the date to which the bank has agreed to hold the bonds is before the bonds' maturity date, the bonds will either be remarketed in the future, or the Organization will negotiate with the bank to extend the terms of the agreement.

The debt is collateralized by accounts receivable, legally available investments, land, buildings, and equipment of the Organization and Foundation. In addition, the Association is subject to meeting certain financial covenants, including maintaining certain financial ratios. The Association was in compliance with those covenants at December 31, 2019; however, management believes it is probable the Association will not meet the covenants as of June 30, 2020 and December 31, 2020. If the Association does not meet the covenant, the bank could exercise its right to call the bonds or issue a waiver.

The remaining long-term debt relates to outstanding equipment term loans for equipment purchases financed through the bank. The remaining loans mature between June 2019 and 2023. Monthly principal payments range from $6,902 to $10,019.

Note 6 - Long-term Debt (Continued)

Minimum principal payments on the bonds and note payable to maturity as of December 31, 2019 are as follows:

Years Ending	Amount
2020	$ 1,230,423
2021	1,312,485
2022	1,377,511
2023	1,256,206
2024	1,173,906
Thereafter	11,249,932
Total	$ 17,600,463

Interest expense for 2019 was $572,973, which includes $22,068 of bond amortization expense. The repayment terms on the bonds were modified subsequent to year end. See Note 18 for details.

Note 7 - Interest Rate Swap Agreement

The Organization uses interest rate swaps to manage the risk associated with interest rates on variable-rate borrowings, which are reported in the consolidated balance sheet and the consolidated statement of activities and changes in net assets.

During 2014, the Organization entered into an interest rate swap agreement covering a notional amount (25 percent of the outstanding principal of the Series 2014 Bonds) whereby the Organization pays a fixed interest rate to, and receives a variable rate from, the counterparty to the swap based on the total notional amount. The interest rate swap hedges a portion of the Organization's interest rate exposure under the variable-rate bonds held by a bank. The fair value of the interest rate swap agreement at December 31, 2019 was recorded in the Organization's consolidated financial statements as a liability of $36,751. Accordingly, the Organization recognized an unrealized loss of $57,157 for the year ended December 31, 2019 related to the fair value of the interest rate swap agreement (see Note 14).

Note 8 - Operating Leases

The Association leases educational, program, and other space and certain equipment and vehicles under operating lease agreements that expire through 2021.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2020	$ 114,854
2021	9,900
Total	$ 124,754

Total expense under these leases for 2019 was approximately $171,000.

Note 9 - Donor-restricted Net Assets

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

Subject to expenditures for a specified purpose and the passage of time:	
United Way	$ 121,176
Contributions for various program activities	2,535,702
Subject to the passage of time - Life Income Fund	508,579
Not subject to appropriation or expenditure (Note 15)	6,446,946
Total	$ 9,612,403

The Life Income Fund includes resources and obligations created by various split-interest agreements entered into with donors. Under the terms of the contracts, the Association is required to invest amounts received and distribute the investment income, net of related expenses, to designated beneficiaries.

Upon the death of a beneficiary, the principal remaining under each contract reverts to the Association or other designated beneficiaries, in accordance with the terms of the respective contract. Investments are recorded at fair market value. Liabilities are recorded at the net present value of payments due using the 1980 commissioner's standard ordinary mortality table and discount rates ranging from 6 to 7 percent.

Note 10 - Van Dusen Endowment

Certain funds donated by outside donors for the benefit of the Association are held and managed by the Community Foundation for Southeastern Michigan (the "Community Foundation"). The Community Foundation maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Association. The fair market value of these funds is $2,025,932 at December 31, 2019. These funds are not reflected in the consolidated financial statements. Earnings are available for distribution to the Association for operations at the discretion of the Community Foundation and are, therefore, not reflected as revenue in the consolidated financial statements until received by the Association. During the year ended December 31, 2019, the Community Foundation distributed $84,345 to the Association.

Note 11 - Retirement Plans

The Association participates in the YMCA Retirement Fund Retirement Plan, which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986 (the "Code"), as amended, and the YMCA Retirement Fund Tax-Deferred Savings Plan, which is a retirement income account plan, as defined in Section 403(b)(9) of the Code. Both plans are sponsored by the Young Men's Christian Association Retirement Fund (the "Fund"). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the state of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of Young Men's Christian Associations (YMCAs) throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the retirement plan and tax-deferred savings plan have no unfunded benefit obligations.

In accordance with the agreement between the Association and the Fund, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salaries. These amounts are paid by the Association. Total contributions charged to retirement costs in the fiscal year were approximately $643,000.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution in this plan.

Note 12 - Related Party Transactions

During 2019, the Association conducted various transactions with entities that have owners or key employees who are Association board members. The following is a summary of the significant transactions:

Facility leases and rentals	$ 118,409
Facility leases received	264,000
Electricity and gas	1,342,209
Marketing and promotion	252,769
Legal services	57,210

In addition, a board member of the Association is an employee of the bank that is a participant in the Series 2014 Bond financing arrangement, as described in Note 6.

Note 13 - Minimum Future Rentals

Effective July 1, 2018, the Organization entered into a lease for a building with an unrelated charter school. The base rent is $264,000 annually. The lease will end on June 30, 2023 unless terminated earlier or extended, as provided in the agreement. Rent charged to the unrelated charter school under this lease agreement during 2019 totaled $264,000.

The Organization entered into an additional lease agreement with a different unrelated party for use of the building previously mentioned. The lease is also effective July 1, 2018 and expires on June 30, 2023. The annual base rent ranges from approximately $33,000 to approximately $35,000. Rent charged to the unrelated party during 2019 totaled approximately $33,000.

Subsequent to year end, the Organization received a signed offer from the unrelated charter school to purchase the buildings that are subject to the lease agreements described above. Through the date of the financial statements, $148,644 was received in rental payments in 2020.

Note 14 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Association's assets measured at fair value on a recurring basis at December 31, 2019 and the valuation techniques used by the Association to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 14 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2019			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2019
Assets				
Investments:				
Index funds	$ 5,072,245	$ -	$ -	$ 5,072,245
Fixed income and preferred stocks	-	1,579,636	-	1,579,636
Total assets	$ 5,072,245	$ 1,579,636	$ -	6,651,881
Investments measured at net asset value - Alternative investments:				
Hatteras multistrategy				320,551
JLL Property Income Trust				421,233
Total assets				$ 7,393,665

The fair value of the interest rate swap at December 31, 2019 was primarily determined based on Level 2 inputs. The Association estimates the fair value of these investments based on contract terms and variable interest rates.

Investments in Entities that Calculate Net Asset Value per Share

The alternative investments valued at net asset value consist of investments in the Hatteras Multi-Strategy TEI Institutional Fund, L.P. (the “Hatteras”) and the JLL Property Income Trust (the "Trust").

The Hatteras is a closed-end management investment company registered under the Investment Company Act of 1940, as amended. The Foundation holds a limited partnership interest in the Hatteras. This fund of funds investment invests in hedged investments and private investments. The Hattaras' investment objective is to provide capital appreciation consistent with the return characteristics of larger endowments. The estimated fair value of the Association's interest in the investment company is provided by an external investment manager and is based on net asset value per share (or its equivalent) of the investment company. The Association reviews and evaluates the values provided by the investment manager and agrees with the valuation methods and significant assumptions used in determining fair value. At December 31, 2019, the Association had no unfunded commitments with the investment company. Liquidity is made available, through a tender process, on a quarterly basis with 65 days' notice.

The JLL Income Property Trust is an institutionally managed, daily valued, perpetual life real estate investment trust (REIT). The Trust's investment objective is to acquire, own, and actively manage a broadly diversified portfolio of core properties and real estate-related assets that aims to generate income for stockholders. The estimated fair value of the Association's interest in the trust is provided by an external investment manager and is based on net asset value per share (or its equivalent) of the trust. The Association reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and significant assumptions used in determining fair value. At December 31, 2019, the Association had no unfunded commitments with the Trust. After an initial one-year holding period, liquidity is made available through a daily share repurchase plan, subject to certain limitations.

Note 15 - Donor-restricted and Board-designated Endowments

The Association's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Association is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Furthermore, unrealized and realized gains and losses are considered appropriated in the year they occur and simultaneously designated by the board. The board of directors of the Association had interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

	Endowment Net Asset Composition by Type of Fund as of December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 883,529	$ -	$ 883,529
Donor-restricted endowment funds	-	6,446,946	6,446,946
Total	$ 883,529	$ 6,446,946	$ 7,330,475

Note 15 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 570,189	$ 6,441,946	$ 7,012,135
Investment return:			
Investment income	-	175,425	175,425
Net appreciation (realized and unrealized)	1,055,943	-	1,055,943
Total investment return	1,055,943	175,425	1,231,368
Contributions	-	5,000	5,000
Appropriation of endowment assets for expenditure	(279,424)	(175,425)	(454,849)
Other changes - Additional transfer to support operations	(463,179)	-	(463,179)
Endowment net assets - End of year	$ 883,529	$ 6,446,946	$ 7,330,475

Underwater Endowment Funds

As of December 31, 2019, there were no funds with deficiencies.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the market index, or blended market index, net of fees selected and agreed upon by the Foundation's board that most closely correspond to the style of investment management, while displaying an overall level of risk in the portfolio, which is consistent with the risk associated with the benchmark specified. The Association expects its endowment funds, over time, to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution each year 6 percent of its endowment fund's average fair value for the previous three years as of March 31 through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association expects to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of the assets. The Association has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Note 16 - Y-Education Services, L3C

During 2010 and 2012, the Association assisted in the formation of DLA and DIA (the "Academies"), respectively. Each academy is a separate legal entity with an independent board of directors, and each academy was awarded a license to operate a charter school. To facilitate the startup and operation of the charter schools, the Association formed Y-ES to provide management, administrative oversight, and other services to the Academies. The Y-ES management contract with DLA expired on June 30, 2015 and was not renewed. The Y-ES management contract with DIA expired on June 30, 2017 and was not renewed.

The majority of assets constructed or acquired related to the building utilized by DLA are owned by the Association and are included as property and equipment in the consolidated balance sheet at their historical cost, net of accumulated depreciation, which is approximately $1.5 million. Management continues to perform an assessment of the expected recoverability of the building's current net book value. After evaluating the assessment, including a review of the probability of likely outcomes of various scenarios, it was determined the expected undiscounted future cash inflows exceed the net book value and that there continues to be no impairment of the asset at December 31, 2019. However, there are uncertainties related to the assumptions used in the calculation. If actual events and conditions are different from those anticipated, those changes may result in a future impairment charge. As included within Note 13, a signed offer was received to sell the building subsequent to December 31, 2019.

Note 17 - Liquidity and Availability of Financial Resources

The following reflects the Association's financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated balance sheet date:

Financial assets at year end	$ 12,659,444
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	866,070
Subject to appropriation and satisfaction of donor restrictions	3,361,490
Investments held in annuity trust	445,806
Board designations - Endowment fund, primarily for long-term investing, net of 2019 appropriation	435,216
Financial assets available to meet cash needs for general expenditures within one year	$ 7,550,862

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due, while it also realizes there could be unanticipated liquidity needs. The Association considers general expenditures to include all costs with the exception of bond debt service costs, principal and interest, and capital outlay. In addition, the Association invests cash in excess of daily requirements in various short-term investments.

At December 31, 2018, the Association has a committed line of credit of up to $500,000, which it could draw upon if needed, as further described in Note 5. The line was fully extended at December 31, 2019. There is a requirement that the line of credit has a $0 outstanding balance for 30 consecutive days at some point during the year.

Note 17 - Liquidity and Availability of Financial Resources (Continued)

The Association's endowment consists of a board-designated endowment of $883,529 at December 31, 2019, in addition to the donor-restricted endowment. Income from the endowment is not restricted and, therefore, available for general expenditure. As described in Note 15, the endowment has a spending rate of 6 percent, and approximately $448,000 of appropriations from the endowment will be available within the next 12 months. Subsequent to year end, the Association completed a process through the probate courts that released the restrictions on approximately $3 million of net assets previously reported as donor-restricted net assets. Those funds are intended to be used within the next 12 months to help fund management's plans, as further described in Note 18, and, therefore, are included in the total financial assets available to meet cash needs for general expenditures within one year. The endowment contains investments with lock-up provisions that would reduce the total investments that could be made available (see Note 14 for disclosures about investments).

Note 18 - Management's Plan

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic (commonly referred to as COVID-19). The global impact of the outbreak has been rapidly evolving, and many countries, including the United States, have reacted by instituting quarantines, mandating business and school closures, and restricting travel. Many experts predict that the outbreak will trigger a period of global economic slowdown or a global recession. Subsequent to the consolidated balance sheet date, the outbreak has created a material disruption of the Association's business operations.

On March 16, 2020, the governor of Michigan issued an executive order temporarily closing certain nonessential businesses, including fitness and recreation centers. As a result of this order, the Association was required to close all of its branch locations. As of the date of issuance of these financial statements, the branches remain closed, and a reopening date is not yet known. While the branches were closed, essential work was able to continue throughout southeastern Michigan. The Association continued working with at-risk youth through virtual programming and served tens of thousands of meals to children throughout the pandemic. However, the extended closure and the statewide business disruption attributable to COVID-19 caused the Association to experience significant declines in program and membership revenue during March, April, May, and June 2020, as well as a significant decrease in membership units, which have had and will continue to have a negative impact on liquidity. Association leadership believes it is likely the Association will not meet its bond covenant requirements at June 30, 2020 and December 31, 2020 (see Note 6 for details).

Additionally, the Association's investment portfolio has incurred a significant decline in fair value subsequent to year end consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

No impairments were recorded as of the consolidated balance sheet date as a result of the pandemic and market declines; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. While the suspension of operations is expected to be temporary, there is uncertainty regarding the duration of the shutdown, as well as the period and ultimate level of recovery. The Association's liquidity, results of operations, cash flows, and financial condition have been negatively impacted by these events, and the full extent of the short and long-term impact cannot be reasonably estimated at this time.

The disruption in normal operations caused by the pandemic exasperated existing financial challenges, including multiyear declines in membership units, aging facilities, and significant debt. Given these existing challenges, the temporary business shutdown beginning in March and going through at least mid-June creates substantial doubt about the Association's ability to meet its obligations for the 12-month period after the report date.

Note 18 - Management's Plan (Continued)

The Association has implemented the following plans to mitigate the impact of the pandemic and other financial and operational challenges:

- Significant reductions in operating expenses were implemented in response to the temporary business shutdown, including immediately furloughing all part-time staff on March 16, 2020 in conjunction with the executive order issued by the governor of Michigan. In addition, a majority of full-time staff were furloughed by March 31, 2020. The Association also worked with many of its vendors and contractors to secure waivers of fees for services not needed during the shutdown, as well as extending payment terms.
- The Association's banks agreed to defer principal payments on the Series 2014 Bonds for a six-month period beginning on April 1, 2020 through September 30, 2020. The deferred principal payments are now due over a six-month period from October 1, 2024 through March 1, 2025. In addition, the banks deferred all principal and interest payments on the equipment term loans for the same six-month period beginning on April 1, 2020 through September 30, 2020. The maturity date for each term loan has been extended by six months to accommodate future payments of the deferred principal. The deferred interest on the equipment term loans is due as a lump-sum payment on the original maturity date of each term loan. The banks have also waived the financial covenants for the rolling 12 months ending on June 30, 2020. The Association will need additional financial accommodations and is working with its bank to reach agreement on future terms. As described in Note 6, the maturity date for the bond agreement is July 1, 2034, but the banks hold the Series 2014 Bonds through June 1, 2021. Management will begin working with banks later this year to determine the renewal strategy.
- On May 15, 2020, the Association announced the permanent closures of the Lakeshore and Livonia family YMCA locations. Both branches have experienced several years of operating declines that were further exacerbated by the pandemic. The closures will mitigate future anticipated losses and required capital expenditures. The Lakeshore branch is a leased facility, with the lease set to expire on August 31, 2020. The Livonia branch will be placed on the real estate market for sale.
- In April 2020, the board of directors of the Detroit Leadership Academy (an independent organization) approved a motion to purchase the Virgil school property from the Association for $1,300,000. Though the property is pledged as collateral against the Series 2014 Bonds, the bank has agreed to allow the Association to keep all of the proceeds from the sale in order to assist with the financial challenges brought on by the pandemic
- In addition to the sale of the Virgil property and the Livonia branch, management and the board are also actively pursuing additional branch closures and property sales. It is the goal of management to place additional properties on the real estate market for sale before December 31, 2020.
- In February 2020, the Probate Court for the County of Wayne approved a petition to release from charitable restrictions $3,085,457 of the Association's donor-restricted endowment funds to support operating cash flow needs. Management also intends to access these funds as necessary to manage through the financial challenges brought on by the pandemic.

Note 18 - Management's Plan (Continued)

- In response to financial challenges existing prior to the pandemic, the Association had developed and was in the process of implementing a turnaround plan. The key elements of the plan included investments in staff and facilities with funds raised through the sale of certain properties and the execution of a successful capital campaign. With the onset of the pandemic, resources were diverted from the implementation of the turnaround plan to manage through the significant challenges created by the temporary business shutdown. The plans outlined above will satisfy a portion of the estimated liquidity needs over the next 12 months from the issuance date of the financial statements, but further action steps remain that need to be taken. Additional property sales must be pursued in order to generate the resources to meet liquidity needs for the entire 12-month period from the issuance date of the financial statements. Management and the board are committed to pursuing this course of action and have taken steps to begin the process, including targeted conversations with a potential buyer for one of the properties. Management's goal is to finalize all property dispositions over the next 12 to 24 months, generating the resources necessary to meet liquidity needs and focus once again on the implementation of the key components of the turnaround plan.

The response to the COVID-19 pandemic has required the management team to devote extensive resources and is likely to continue to do so in the near future, which adversely affects the ability to implement the turnaround plan that was launched in 2019. Though the COVID-19 pandemic (including governmental responses, broad economic impacts, and market disruptions) has heightened the Association's risk factors, management continues to believe that long-term financial sustainability can be achieved through investments in staff and facilities designed to improve and enhance the member experience, the key components of the turnaround plan. While association management is taking steps to mitigate the financial impacts of the pandemic and to address other operating and financial issues, there can be no assurance that these efforts will be successful and enable the Association to meet its obligations as they come due.

This YMCA is a 168-year-old, mission-driven community benefit organization, committed to youth, family, and community, and leadership intends to take appropriate financial and other actions to allow the Association to continue to serve metropolitan Detroit as a relevant and impactful organization for another century. To be successful, these actions will require continuing and enhanced support from donors, members, volunteers, staff, and local government.