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

Consolidated Financial Report

December 31, 2021

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 Audit of the Consolidated Financial Statements

Opinion

We have audited the 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, 2021 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2021 and the changes in its 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.

Basis for Opinion

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

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 that began in March 2020. 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 implemented plans to mitigate the risk of default. These plans are described in Note 17. 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.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 26, 2022

Consolidated Balance Sheet

December 31, 2021
(with summarized comparative totals for December 31, 2020)

	2021	2020
Assets		
Cash and cash equivalents	$ 727,722	$ 526,023
Restricted cash (Note 2)	100,051	100,037
Cash equivalents designated for future use (Note 2)	7,002,248	-
Investments - Short term (Note 13)	6,699,278	4,463,400
Receivables - Net of allowances: (Note 2)		
Accounts	49,071	16,548
United Way - Operating	-	87,300
Other	1,752,649	1,005,018
Contributions receivable - Net (Note 3)	360,438	10,209,644
Prepaid expenses and other current assets	165,506	181,319
Cash equivalents held for long-term use	120,822	102,284
Investments - Long term (Note 13)	3,332,698	3,262,304
Other noncurrent assets	505,244	545,088
Cash restricted to investment in property, plant, and equipment	529,422	-
Contributions receivable restricted to investment in property, plant, and equipment - Net (Note 3)	205,809	-
Assets held for sale (Note 4)	7,585,244	11,048,579
Property, plant, and equipment - Net (Note 4)	27,262,473	27,844,792
Total assets	**$ 56,398,675**	**$ 59,392,336**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,288,277	$ 1,147,576
Line of credit (Note 5)	-	500,000
Accrued liabilities and other	859,984	914,792
Deferred revenue	651,488	857,938
Obligations under life income contracts	145,132	137,212
Fair value of interest rate swap agreement (Notes 7 and 13)	-	43,321
Bonds payable - Net (Note 6)	14,380,378	15,913,975
Long-term notes payable (Note 6)	1,035,516	830,048
Total liabilities	18,360,775	20,344,862
Net Assets		
Without donor restrictions:		
Undesignated	18,741,630	29,497,944
Board designated (Note 14)	13,168,407	3,967,489
Total without donor restrictions	31,910,037	33,465,433
With donor restrictions (Note 9)	6,127,863	5,582,041
Total net assets	38,037,900	39,047,474
Total liabilities and net assets	**$ 56,398,675**	**$ 59,392,336**

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2021

(with summarized comparative totals for the year ended December 31, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Camping and program fees	$ 5,214,610	$ -	$ 5,214,610	$ 3,699,640
Contributions and bequests	1,019,528	1,736,413	2,755,941	11,310,206
Grants and government contracts	2,422,874	-	2,422,874	2,702,989
Pandemic relief funding (Note 15)	6,185,225	-	6,185,225	-
Membership fees	4,970,151	-	4,970,151	7,102,484
United Way - Operating	46,000	-	46,000	407,300
Rentals	129,629	-	129,629	364,954
Change in fair value of interest swap agreement	-	-	-	(6,570)
Net special events	439,403	-	439,403	560
Net realized and unrealized gains on investments	692,801	28,964	721,765	591,689
Interest income	185,146	-	185,146	188,164
Distributions on life income contracts	(36,454)	-	(36,454)	(27,605)
Change in value of life income contracts	-	(7,920)	(7,920)	(16,293)
Gain on disposal of fixed assets	1,191,730	-	1,191,730	(270,447)
Impairment loss on asset held for sale	(2,500,000)	-	(2,500,000)	-
Other revenue	35,879	-	35,879	73,008
Total revenue, gains, and other support	19,996,522	1,757,457	21,753,979	26,120,079
Net Assets Released from Restrictions	1,211,635	(1,211,635)	-	-
Total revenue, gains, other support, and net assets released from restrictions	21,208,157	545,822	21,753,979	26,120,079
Expenses				
Program services	16,180,734	-	16,180,734	15,022,003
Support services:				
Management and general	5,538,142	-	5,538,142	5,089,850
Fundraising	1,044,677	-	1,044,677	686,842
Total support services	6,582,819	-	6,582,819	5,776,692
Total expenses	22,763,553	-	22,763,553	20,798,695
(Decrease) Increase in Net Assets	(1,555,396)	545,822	(1,009,574)	5,321,384
Net Assets - Beginning of year	33,465,433	5,582,041	39,047,474	33,726,090
Net Assets - End of year	**$ 31,910,037**	**$ 6,127,863**	**$ 38,037,900**	**$ 39,047,474**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

(with summarized comparative totals for the year ended December 31, 2020)

		Support Services			Total	
	Program Services	Management and General	Fundraising	Total Support Services	2021	2020
Salaries	$ 7,074,208	$ 2,027,612	$ 295,831	$ 2,323,443	$ 9,397,651	$ 7,693,868
Health and retirement costs	888,548	368,247	74,789	443,036	1,331,584	1,425,587
Payroll taxes	627,400	150,098	26,789	176,887	804,287	787,189
Total salaries and related expenses	8,590,156	2,545,957	397,409	2,943,366	11,533,522	9,906,644
Contracted program instruction and other fees	803,279	410,539	72,559	483,098	1,286,377	834,918
Legal, audit, and consulting	51,127	281,783	170,280	452,063	503,190	271,321
Supplies	1,148,721	45,255	2,872	48,127	1,196,848	1,306,388
Telephone	100,738	89,746	4,686	94,432	195,170	203,544
Postage and shipping	637	2,576	156	2,732	3,369	21,724
Occupancy	217,485	5,704	2,748	8,452	225,937	262,119
Utilities	1,323,525	392,267	61,231	453,498	1,777,023	1,531,009
Repairs and maintenance	721,053	205,902	32,062	237,964	959,017	684,606
Insurance and taxes	462,476	134,083	16,169	150,252	612,728	526,593
Promotion and advertising	255,532	337,630	614	338,244	593,776	444,762
Travel and entertainment	77,788	95,922	2,534	98,456	176,244	117,560
Conferences and trainings	73,931	21,120	5,711	26,831	100,762	76,713
Dues and fees	43,617	225,287	25,758	251,045	294,662	336,062
Federation membership dues to national office	-	114,145	-	114,145	114,145	222,764
Equipment rental	167,195	39,721	2,679	42,400	209,595	202,768
Miscellaneous	3,159	-	-	-	3,159	46,465
Bad debt expense	147,926	-	155,034	155,034	302,960	489,581
In-kind expense	-	-	-	-	-	79,500
Interest expense	300,834	89,161	13,918	103,079	403,913	422,594
Depreciation	1,691,555	501,344	78,257	579,601	2,271,156	2,811,060
Special events	-	-	309,543	309,543	309,543	45,280
Total functional expenses	**$ 16,180,734**	**$ 5,538,142**	**$ 1,354,220**	**$ 6,892,362**	**$ 23,073,096**	**$ 20,843,975**

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

Consolidated Statement of Cash Flows

Year Ended December 31, 2021
(with summarized comparative totals for the year ended December 31, 2020)

	2021	2020
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (1,009,574)	$ 5,321,384
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	2,271,156	2,811,060
Bad debt expense	302,960	489,581
Amortization of debt issuance costs	22,068	22,068
Gain on investments	(713,446)	(591,689)
(Gain) loss on disposition of assets	(1,191,730)	270,447
Change in value of life income contracts	44,374	43,898
(Gain) loss in fair value of interest rate swap agreement	(43,321)	6,570
Contributions restricted for endowment and long-term use	(616,574)	(5,000)
Impairment loss	2,500,000	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Receivables	8,647,584	(9,305,872)
Prepaid expenses and other current assets	55,657	22,231
Accounts payable	140,701	(333,388)
Accrued liabilities and other	(54,808)	(84,714)
Deferred revenue	(206,450)	(374,881)
Net cash and cash equivalents provided by (used in) operating activities	10,148,597	(1,708,305)
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,710,657)	(1,255,816)
Purchases of investments	(3,585,180)	(2,420,599)
Proceeds from sales of investments	1,973,816	2,960,579
Proceeds from sale of property and equipment	2,176,884	1,275,413
Net cash and cash equivalents (used in) provided by investing activities	(1,145,137)	559,577
Cash Flows from Financing Activities		
Principal payments on long-term notes payable	(294,532)	(214,122)
Principal payments on bonds payable	(1,555,665)	(426,628)
Proceeds from debt financing	-	82,196
Distributions on life income contracts	(36,454)	(27,605)
Proceeds from endowment and long-term use gifts	616,574	5,000
Net cash and cash equivalents used in financing activities	(1,270,077)	(581,159)
Net Increase (Decrease) in Cash and Cash Equivalents	7,733,383	(1,729,887)
Cash and Cash Equivalents - Beginning of year	626,060	2,355,947
Cash and Cash Equivalents - End of year	**$ 8,359,443**	**$ 626,060**
Consolidated Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 727,722	$ 526,023
Restricted cash	100,051	100,037
Cash restricted for investment in property, plant, and equipment	529,422	-
Cash designated for future use	7,002,248	-
Total cash and cash equivalents	**$ 8,359,443**	**$ 626,060**
Supplemental Cash Flow Information - Cash paid for interest	$ 381,474	$ 394,360
Significant Noncash Transactions		
Line of credit	$ (500,000)	$ -
Notes payable	(748,065)	-
Long-term note payable	1,248,065	-

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 seven branches, two resident camps, and six outreach programs, located primarily in the southeastern Michigan area. 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.

Restricted Cash

Under the terms of an agreement with a bank, the Association has agreed to maintain a cash balance of $100,000, which is secured collateral for the Association's corporate credit card line of credit. At December 31, 2021, $100,051 of cash is restricted for that purpose.

Classification of Net Assets

Net assets of the Association are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Association.

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

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Note 2 - Significant Accounting Policies (Continued)

Board-designated net assets include $3,156,128 of quasi-endowment funds and $10,012,279 of designations for future investment and potential cash flow operating needs including investment in capital and staffing strategies. The board designations include cash equivalents designated for future use on the balance sheet.

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 $75,000 at December 31, 2021.

Cash and Contributions Restricted for Investment in Property, Plant, and Equipment

Cash and contributions restricted for investment in property, plant, and equipment represents amounts collected and pledges received related to the Association's Revitalize and Thrive campaign that are restricted for future improvements to the Association's property, plant, and equipment. Contributions receivable restricted for investment in property, plant, and equipment are recorded as revenue when an irrevocable promise to give is received. The revenue is measured at the present value of expected cash flows. The Association has recorded the contributions receivable restricted for investment in property, plant, and equipment net of an allowance for doubtful accounts of $110,000 at December 31, 2021.

Assets Held for Sale

Assets held for sale represent property that was being actively marketed for sale at year end. These assets are recorded at the lower of the net book value or estimated fair value less costs to sell. Management has determined the estimated fair value less costs to sell is less than the net book value at December 31, 2021; therefore, an impairment loss of $2,500,000 was recognized in the year ended December 31, 2021.

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.

Note 2 - Significant Accounting Policies (Continued)

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, 2021 was $10,350,269. In some situations, the Association collects cash prior to the satisfaction of the performance obligation, which results in the Association recognizing contract liabilities. These contract liabilities are reflected within deferred revenue in the accompanying consolidated balance sheet.

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 constitute approximately 48 percent of total revenue from contracts with members and participants for the year ended December 31, 2021.

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 exist 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 Association 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 50 percent of total revenue from contracts with customers for the year ended December 31, 2021.

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.

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 $160,000 at December 31, 2021, of which $110,000 relates to the contributions receivable restricted to investment in property, plant, and equipment.

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. There were no in-kind contributions for the year ended December 31, 2021.

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 2021.

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 program and support services based on estimates 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, 2021, 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, 2018.

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, 2020 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 2020 consolidated financial statements, from which the summarized information was derived.

Upcoming Accounting Pronouncements

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 expects adoption of the standard to result in the Association recognizing a right-of-use asset and associated lease liability of approximately $385,000.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Association’s year ending December 31, 2022 and will be applied using the retrospective method.

Note 2 - Significant Accounting Policies (Continued)

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to simplify the accounting for changes in reference rate if certain criteria are met. The ASU applies only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The optional expedients included in this ASU allow for qualifying contract modifications to be considered a continuation of the existing contract rather than requiring application of modification accounting. ASU No. 2020-04 does not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, or arrangements where key underlying terms are modified in addition to the change in reference rate. The ASU is effective for all entities as of March 12, 2020 through December 31, 2022.

Subsequent Events

Management evaluated subsequent events through April 26, 2022, which is the date the consolidated financial statements were available to be issued.

Note 3 - Contributions Receivable

Included in contributions receivable at December 31, 2021 are several unconditional promises to give. They are expected to be collected as follows:

Contributions receivable	$ 726,247
Less allowance for uncollectible contributions	(160,000)
Net contributions receivable	$ 566,247
Less than one year	$ 482,037
One to five years	280,210
Total	$ 762,247

Note 4 - Property and Equipment

Property and equipment at December 31, 2021 are summarized as follows:

	Amount	Depreciable Life - Years
Land	$ 1,648,638	-
Land improvements	1,304,722	10-15
Buildings	52,164,976	15-50
Building improvements	14,867,172	10-15
Machinery and equipment	1,762,904	2-5
Transportation equipment	378,931	5
Furniture and fixtures	3,500,798	5-10
Computer equipment and software	1,274,706	3-5
Construction in progress	274,170	-
Total cost	77,177,017	
Accumulated depreciation	49,914,544	
Net property and equipment	$ 27,262,473	

Note 4 - Property and Equipment (Continued)

Depreciation expense for 2021 was $2,271,156. During the year ended December 31, 2020, the Association elected to close three branch locations. One of the properties was a leased facility, which expired on August 31, 2020. Two of the properties were placed on the real estate market for sale in 2020. The sale of one property was finalized on June 4, 2021 at a purchase price of $2,330,000. The other property remains for sale on the consolidated balance sheet. The Association determined the estimated fair value of the building lower than the net book value at December 31, 2021 and recorded an impairment loss of $2.5 million for the year ended December 31, 2021. The estimated fair value was based on the expected eventual sale price of the facility. The Association will continue to monitor market conditions to determine if further impairment is indicated in future periods.

Note 5 - Line of Credit

During 2021, the Organization had a revolving line of credit that 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). During the year ended December 31, 2021, the Association consolidated the line of credit into a long-term note payable. See Note 6 for more details.

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 maturity date of the bond agreement was July 1, 2034; however, under the purchase agreement, the bank had the right to redeem the Series 2014 Bonds on June 1, 2021. In February 2021, the bond agreement was amended. Additionally, the bank provided a certificate of extension, extending the Bank Purchase Rate Mandatory Tender Date to May 31, 2024.

Based on the amended agreement, the Organization had no payments on the bonds through May 2021. On June 1, 2021, $426,628 would have been due but was included in the future payment streams under the eighth amendment. Beginning in July 2021, principal monthly payments of approximately $71,000 are due through May 2024, $270,000 from June 2024 through March 2025, and $98,000 thereafter until the maturity of the Series 2014 Bonds. Payments 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 2.01 percent at December 31, 2021). The amount reported at December 31, 2021 is $14,380,378, which represents the outstanding principal due of $14,656,196, net of unamortized debt issuance costs of $275,818. Debt issuance costs are being amortized on a straight-line basis over the term of the bonds. Amortization expense was $22,068 in 2021. The Organization is in the process of negotiating a new amendment and has agreed to preliminary terms with its bank.

The debt is collateralized by accounts receivable; legally available investments; and land, buildings, and equipment of the Organization and the Foundation. In addition, the Association is subject to meeting certain financial covenants, including maintaining certain monthly financial results and maintaining assets without donor restrictions.

In June 2021, the Organization received a $1,248,065 installment note loan from its bank to pay off outstanding equipment term loans of $748,065 and the $500,000 line of credit balance. The note is payable in monthly installments of approximately $27,000 beginning on July 1, 2021 through December 1, 2024. The note had an interest rate of 3.25 percent at December 31, 2021. The balance of the note was $976,154 at December 31, 2021.

Note 6 - Long-term Debt (Continued)

During 2020, the Organization obtained new financing of approximately $82,000 to purchase equipment. Payments are due in monthly installments of approximately $1,500 over the 63-month term. The balance of the loan was $59,362 at December 31, 2021.

Minimum principal payments on the bonds and notes payable to maturity as of December 31, 2021 are as follows:

Years Ending	Amount
2022	$ 1,195,830
2023	1,196,535
2024	2,583,095
2025	1,698,156
2026	1,173,906
Thereafter	7,844,190
Total	$ 15,691,712

Interest expense for 2021 was $402,113, which includes $22,068 of bond amortization expense.

Note 7 - Interest Rate Swap Agreement

The Organization used an interest rate swap 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) where 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 interest rate swap expired in June 2021 and was not renewed, resulting in a $0 balance at December 31, 2021. Accordingly, the Organization recognized a gain of $43,321 for the year ended December 31, 2021 related to the change in fair value of the interest rate swap agreement.

Note 8 - Operating Leases

The Association leases program and other space and certain equipment under operating lease agreements that expire through 2025.

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

Years Ending December 31	Amount
2022	$ 173,769
2023	142,512
2024	59,994
2025	8,847
Total	$ 385,122

Total expense under these leases for 2021 was approximately $186,000.

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	$ 2,149,143
Subject to the passage of time - Life Income Fund	525,079
Subject to the Association's spending policy and appropriation (Note 14)	3,453,641
Total	$ 6,127,863

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 $2,332,793 at December 31, 2021. 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, 2021, the Community Foundation distributed $86,823 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 $507,000.

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 2021, 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:

Electricity and gas	$ 1,395,125
Marketing and promotion	215,694

Note 13 - 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, 2021 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 where 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 13 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2021			
	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, 2021
Assets				
Investments - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor:				
Index funds	$ 5,133,020	$ -	$ -	$ 5,133,020
Fixed income and preferred stocks	-	4,194,521	-	4,194,521
Total assets	$ 5,133,020	$ 4,194,521	$ -	9,327,541
Investments measured at net asset value - Alternative investments:				
Hatteras multistrategy				198,998
JLL Property Income Trust				505,437
Total assets				$ 10,031,976

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 investment management 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 Hatteras' 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, 2021, 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, 2021, 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 14 - 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, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 3,156,128	$ -	$ 3,156,128
Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor:	-	3,453,641	3,453,641
Total	$ 3,156,128	$ 3,453,641	$ 6,609,769

Note 14 - Donor-restricted and Board-designated Endowments (Continued)

	Changes in Endowment Net Assets for the Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 3,967,489	$ 3,366,489	$ 7,333,978
Investment return:			
Investment income	-	146,899	146,899
Net appreciation (realized and unrealized)	576,743	-	576,743
Total investment return	576,743	146,899	723,642
Contributions	-	87,152	87,152
Appropriation of endowment assets for expenditure	(1,388,104)	(146,899)	(1,535,003)
Endowment net assets - End of year	$ 3,156,128	$ 3,453,641	$ 6,609,769

Underwater Endowment Funds

As of December 31, 2021, 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 typically 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 the annual distribution 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 15 - Pandemic Relief Funding

In March 2021, the Organization received a Paycheck Protection Program (PPP) loan in the amount of $3.75 million. The PPP loan program was created under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). The Organization may use the funds on qualifying expenses over a covered period up to 18 weeks. Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements or other safe harbor eligibility requirements are met.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels and other financial impacts of the pandemic. In addition, because the Organization’s loan exceeds $2 million, the SBA will review the Organization’s eligibility for the program and the good-faith certification of the necessity of the loan. Under accounting principles generally accepted in the United States of America (U.S. GAAP), government grants, including certain forgivable government loans, are recognized as income in the period in which the Organization has substantially overcome all measurable performance-related barriers necessary to be entitled to keep the grant funds. The Organization applied for and received notification from the SBA of forgiveness of the entire loan on November 11, 2021.

In addition, the CARES Act of 2020 also introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credits based on meeting the threshold for gross receipts decline in 2021 compared to 2019 and incurring eligible payroll expenses. For the year ended December 31, 2021, the Organization determined these conditions have been met and recognized approximately $2.4 million of ERC revenue on the consolidated statement of activities and changes in net assets and recognized a corresponding receivable within contributions receivable of $1.3 million within other receivables on the consolidated balance sheet.

The Organization’s ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If a portion or all of the ERC is determined to be ineligible upon IRS review, the Organization would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

Note 16 - Liquidity and Availability of Financial Resources

The following reflects the Association's financial assets as of December 31, 2021, 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	$ 20,880,212
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:	
Restricted by donor for capital use	735,231
Subject to appropriation and satisfaction of donor restrictions	3,453,641
Investments held in annuity trust	532,999
Board-designated:	
Endowment fund, primarily for long-term investing	3,156,128
Contribution	5,512,279
Financial assets available to meet cash needs for general expenditures within one year	$ 7,489,934

Note 16 - Liquidity and Availability of Financial Resources (Continued)

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.

The Association received a significant unrestricted gift in 2020. The gift has been board-designated for future investment and for cash flow operating needs. It is estimated that approximately $4,500,000 will be appropriated for general expenditures in 2022.

The Association’s endowment consists of a board-designated endowment of $3,156,128 at December 31, 2021, in addition to the donor-restricted endowment. Income from the endowment is not restricted and, therefore, available for general expenditure. As described in Note 14, the Association elected not to take an annual distribution from the donor-restricted endowment in 2021 due to the releases approved by the State of Michigan Attorney General and the Wayne County Probate Court. The Association plans to forgo an annual distribution from the donor-restricted endowment in 2022.

Note 17 - 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 substantially impacted business practices throughout 2020 and 2021, as more fully discussed below.

- On March 16, 2020, in response to the initial pandemic declaration, 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 its branch locations. The branches remained closed for nearly six months and were able to open with limited capacity and services on September 9, 2020. While the branches were closed, essential work was able to continue throughout southeastern Michigan, including virtual programming with at-risk youth, tens of thousands of meals served to children, and child care services for essential workers.
- The initial extended closure and the statewide business disruption attributable to COVID-19 caused the Association to experience significant declines in program and membership revenue, as well as a significant decrease in membership units, resulting in historically low membership levels.
- In 2021, variants of the disease, and the corresponding rise in cases and member uncertainty, continued to cause disruption to the Association’s recovery plan. Members returned at very cautiously slow and reduced rates, and membership units are still significantly below pre-pandemic levels.
- Management continues to move forward with the post-COVID-19 recovery plan, investing in people and facilities to improve and enhance the member experience and drive membership growth.
- The Association’s liquidity, results of operations, cash flows, and financial condition have been, and continue to be, negatively impacted by these events.

Note 17 - Management's Plan (Continued)

The disruption in normal operations caused by the pandemic exacerbated existing financial challenges, including multiyear declines in membership units, aging facilities, and significant debt. Given these existing challenges, which were compounded by the pandemic impact discussed above, as well as the future expiration of the current debt agreements, there is substantial doubt about the Association’s ability to meet its obligations for the 12-month period after the report date.

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

- As branches reopened following the mandated closures in 2020, the Association implemented a significantly reduced staffing structure in order to provide limited services in accordance with reduced capacity and service restrictions that were in place. With restrictions easing in 2021, the Association added some staffing capacity in order to expand services. However, the staffing model remains significantly reduced with current employee totals at just 39 percent of pre-pandemic levels at December 31, 2021.

- The Association closed three branches in 2020. One of the properties was a leased facility, which expired on August 31, 2020. Two of the properties were placed on the real estate market for sale in 2020. The sale of one property was finalized on June 4, 2021 at a purchase price of $2,330,000. The other property remains for sale (see Note 4).

- In addition to the sale of these two properties, management and the board are also assessing operating performance and pandemic recovery trends at each of the remaining branches and may make further decisions about potential branch closures in the future.

- In February 2020, the Wayne County Probate Court 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 has accessed these funds as necessary to manage the financial challenges brought on by the pandemic. To date, the Association has utilized $2 million of these funds in order to meet operating cash flow needs, leaving $1,085,457 available for future cash flow needs.

- In November 2020, the Association was notified of a $10 million unrestricted gift that would be awarded to the Organization. The gift was received in 2021.

- The Association launched the Revitalize and Thrive fundraising campaign in January 2021, with a goal of raising $15 million to invest in capital improvements at the branches, as well as the expansion of important community initiatives work. To date, the campaign has raised over $3.8 million in pledges and grants. Targeted capital projects were completed in 2021 based on payments received and will continue as payments are received in the future. A core component of the Association’s turnaround plan is investments in facilities, and the Revitalize and Thrive campaign is an important step in generating the funds needed to make these investments, which are critical to retaining and attracting members to the Organization.

- In December 2020 and March 2021, Congress enacted COVID-19 relief legislation, which changed the eligibility requirements for the Employee Retention Credit and the Paycheck Protection Program. As a result, the Association was able to take advantage of both of these relief opportunities. In March 2021, the Association received $3,750,000 from the Paycheck Protection Program loan. The loan was fully forgiven in November 2021. Management also applied for approximately $2,400,000 through the Employee Retention Credit in 2021. To date, $1,100,000 has been received, and the remaining balance is expected to be received in 2022. The funds from these federal programs were used to meet the operating cash flow needs of the Association in 2021.

Note 17 - Management's Plan (Continued)

Though the COVID-19 pandemic 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. The pandemic delayed management’s ability to implement the turnaround plan but not the commitment to execute on this plan. Opportunities such as the Employee Retention Credit, the Paycheck Protection Program loan, and the significant unrestricted gift have provided management with the ability to once again focus on implementing the key components of the turnaround plan and achieving financial sustainability in the future. While the Association's 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 Organization is a 170-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.