Young Men's Christian Association of Greater Michiana, Inc.

ANNUAL REPORT
December 31, 2022 and 2021

KRUGGEL LAWTON CPA
St. Joseph, Michigan

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
FINANCIAL STATEMENTS
December 31, 2022 and 2021

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KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Young Men's Christian Association of Greater Michiana, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Greater Michiana, Inc. as of December 31, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young Men's Christian Association of Greater Michiana, Inc. and to meet our other 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted 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, including omissions, 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 financial statements.

INDEPENDENT AUDITOR'S REPORT, CONCLUDED

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Young Men's Christian Association of Greater Michiana, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Young Men's Christian Association of Greater Michiana, Inc.'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.

Respectfully submitted,

Kruggel, Lawton & Company, LLC

Certified Public Accountants

St. Joseph, Michigan
March 28, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 1,412,697	$ 567,057
Investments	1,504,771	5,531
Accounts receivable	165,877	996,363
Grants receivable	82,283	156,908
Pledges receivable	175,553	166,342
Prepaid expenses	28,993	20,438
Inventory	24,467	24,467
Total current assets	$ 3,394,641	$ 1,937,106
PROPERTY AND EQUIPMENT, NET	$ 17,629,909	$ 18,550,051
OTHER ASSETS		
Security deposits	$ -	$ 13,916
Deferred financing costs (net of accumulated amortization of $53,123 and $45,682 in 2022 and 2021, respectively)	7,158	14,599
Beneficial interest in assets held at Community Foundations	1,082,861	1,328,047
Total other assets	$ 1,090,019	$ 1,356,562
TOTAL ASSETS	$ 22,114,569	$ 21,843,719
CURRENT LIABILITIES		
Current portion of long-term debt	$ 148,939	$ 144,543
Accounts payable - trade	34,929	44,073
Accrued payroll and payroll taxes	324,796	269,778
Deferred revenue	1,253,837	281,446
Total current liabilities	$ 1,762,501	$ 739,840
LONG-TERM DEBT	4,682,458	4,831,410
TOTAL LIABILITIES	$ 6,444,959	$ 5,571,250
NET ASSETS		
Without donor restrictions	$ 12,287,314	$ 13,088,330
With donor restrictions	3,382,296	3,184,139
TOTAL NET ASSETS	$ 15,669,610	$ 16,272,469
TOTAL LIABILITIES AND NET ASSETS	$ 22,114,569	$ 21,843,719

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2022

		Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:				
Membership		$ 2,754,929	$ -	$ 2,754,929
Programs and service fees	$ 5,118,878			
Less: scholarships and discounts	(222,480)			
Net revenues from programs and service fees		4,896,398	-	4,896,398
Sales of merchandise	$ 257,027			
Less: cost of sales	(114,975)			
Net revenue from sales of merchandise		142,052	-	142,052
Rent		200,478	-	200,478
Contributions of financial assets		1,415,039	198,157	1,613,196
Miscellaneous		281,609	-	281,609
Loss on sale of assets		(256,716)	-	(256,716)
Investment income		10,638	-	10,638
Change in beneficial interest		(245,186)	-	(245,186)
Special event revenue	$ 350,496			
Less: costs of direct benefits to donors	(66,709)			
Net revenues from special events		283,787	-	283,787
Total Public Support and Revenue		$ 9,483,028	$ 198,157	$ 9,681,185
EXPENSES				
Program		$ 8,156,038	$ -	$ 8,156,038
Management and general		1,885,013	-	1,885,013
Fundraising		242,993	-	242,993
Total Expenses		$10,284,044	$ -	$10,284,044
CHANGE IN NET ASSETS		$ (801,016)	$ 198,157	$ (602,859)
NET ASSETS AT BEGINNING OF YEAR		13,088,330	3,184,139	16,272,469
NET ASSETS AT END OF YEAR		$12,287,314	$ 3,382,296	$15,669,610

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2021

		Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:				
Membership		$ 2,040,678	$ -	$ 2,040,678
Programs and service fees	$ 3,479,419			
Less: scholarships and discounts	(101,118)			
Net revenues from programs and service fees		3,378,301	-	3,378,301
Sales of merchandise	$ 122,253			
Less: cost of sales	(76,809)			
Net revenue from sales of merchandise		45,444	-	45,444
Rent		179,672	-	179,672
Contributions of financial assets		1,475,397	216,124	1,691,521
Other governmental grants		884,000	-	884,000
Miscellaneous		893,578	-	893,578
Investment income		124,659	-	124,659
Change in beneficial interest		37,207	-	37,207
Special event revenue	$ 347,930			
Less: costs of direct benefits to donors	(59,310)			
Net revenues from special events		288,620	-	288,620
Total Public Support and Revenue		$ 9,347,556	$ 216,124	$ 9,563,680
EXPENSES				
Program		$ 6,313,205	$ -	$ 6,313,205
Management and general		1,512,325	-	1,512,325
Fundraising		197,319	-	197,319
Total Expenses		$ 8,022,849	$ -	$ 8,022,849
CHANGE IN NET ASSETS		$ 1,324,707	$ 216,124	$ 1,540,831
NET ASSETS AT BEGINNING OF YEAR		11,763,623	2,968,015	14,731,638
NET ASSETS AT END OF YEAR		$13,088,330	$ 3,184,139	$16,272,469

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program	Management & General	Fundraising	Total
Wages	$ 4,563,553	$ 874,617	$ 88,892	$ 5,527,062
Employee benefits	391,231	97,319	489	489,039
Payroll taxes	329,083	63,070	6,410	398,563
Contractual services	22,060	175,563	198	197,821
Supplies	884,800	131,194	1,017	1,017,011
Telephone	122,981	16,963	1,414	141,358
Postage and shipping	3,256	486	-	3,742
Occupancy	372,377	53,503	2,140	428,020
Insurance	172,864	25,632	199	198,695
Repairs and maintenance	146,927	21,955	-	168,882
Travel and employee expense	66,959	6,157	3,848	76,964
Dues	142,324	-	-	142,324
Depreciation	911,201	136,157	-	1,047,358
Equipment rental	254	38	-	292
Advertising	-	-	138,386	138,386
Training	7,815	1,168	-	8,983
Miscellaneous	18,353	122,825	-	141,178
Interest expense, net amortization	-	158,366	-	158,366
Event expense	-	-	66,709	66,709
Total Expense	$ 8,156,038	$ 1,885,013	$ 309,702	$ 10,350,753
Less: Event expense netted with revenues	-	-	(66,709)	(66,709)
TOTAL FUNCTIONAL EXPENSES	$ 8,156,038	$ 1,885,013	$ 242,993	$ 10,284,044

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2021

	Program	Management & General	Fundraising	Total
Wages	$ 3,457,558	$ 626,658	$ 76,807	$ 4,161,023
Employee benefits	299,580	74,521	374	374,475
Payroll taxes	250,857	45,466	5,573	301,896
Contractual services	16,738	206,359	223	223,320
Supplies	688,510	102,089	791	791,390
Telephone	112,966	15,582	1,298	129,846
Postage and shipping	4,057	606	-	4,663
Occupancy	311,547	44,763	1,791	358,101
Insurance	151,884	22,521	174	174,579
Repairs and maintenance	84,538	12,632	-	97,170
Travel and employee expense	51,133	4,701	2,939	58,773
Dues	140,889	-	-	140,889
Depreciation	729,758	109,044	-	838,802
Advertising	-	-	107,349	107,349
Training	1,282	191	-	1,473
Miscellaneous	11,908	79,699	-	91,607
Interest expense, net amortization	-	167,493	-	167,493
Event expense	-	-	59,310	59,310
Total Expense	$ 6,313,205	$ 1,512,325	$ 256,629	$ 8,082,159
Less: Event expense netted with revenues	-	-	(59,310)	(59,310)
TOTAL FUNCTIONAL EXPENSES	$ 6,313,205	$ 1,512,325	$ 197,319	$ 8,022,849

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER MICHIANA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (602,859)	$ 1,540,831
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,047,358	838,802
Amortization	7,441	7,442
Unrealized (gain)/loss	760	(346)
Change in beneficial interest in assets held at community foundations	245,186	(37,207)
Loss on sale of fixed asset	256,716	-
Changes in operating assets and liabilities:		
Accounts receivable	830,486	(723,163)
Grants receivable	74,625	(49,313)
Pledges receivable	(9,211)	255,211
Prepaid expenses	(8,555)	22,788
Inventory	-	(7,170)
Security deposits	13,916	-
Accounts payable - trade	(9,144)	(459,051)
Accrued payroll and payroll taxes	55,018	94,400
Deferred revenue	972,391	166,049
Net Cash Flows from Operating Activities	$ 2,874,128	$ 1,649,273
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	$ (1,500,000)	$ -
Proceeds from sale of fixed asset	575,000	-
Purchase of fixed assets	(958,932)	(1,993,761)
Net Cash Flows used in Investing Activities	$ (1,883,932)	$ (1,993,761)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (144,556)	$ (140,715)
Net Cash Flows used in Financing Activities	$ (144,556)	$ (140,715)
CHANGE IN CASH	$ 845,640	$ (485,203)
CASH AT BEGINNING OF YEAR	567,057	1,052,260
CASH AT END OF YEAR	$ 1,412,697	$ 567,057
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Interest Paid	$ 158,366	$ 167,493

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

NATURE OF BUSINESS

The Young Men's Christian Association of Greater Michiana, Inc. (the "Association") is a Michigan nonprofit organization organized to put Christian principles into practice through programs that build a healthy spirit, mind, and body for all. Its operations are supported primarily by memberships, programs fees, and contributions from the public. The Association was created January 1, 2020 when the YMCA of Southwest Michigan, Inc. and YMCA of Michiana. Inc. merged operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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

FAIR VALUE MEASUREMENTS

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

USE OF ESTIMATES

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CASH AND CASH EQUIVALENTS

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

REVENUE RECOGNITION

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

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

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

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

Deferred revenue for membership and programs revenues are recorded when cash payments are being received in advance of the Association's performance.

Receivables for point-in-time revenues are stated at the amount management expects to collect from outstanding balances and are presented net of allowance for doubtful accounts. Management has determined that no allowance is necessary at December 31, 2022 and 2021. Factors considered in determining collectability include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. The Association does not charge interest on past due accounts.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The following schedule shows the Association's major revenue sources disaggregated according to the timing of transfer of goods or services for the years then ended:

	2022	2021
Contracts revenue recognized at a point in time		
Net revenues from sales of merchandise	$ 142,052	$ 45,444
Rent	200,478	179,672
Contributions of financial assets	1,613,196	1,691,521
Other governmental grants	-	884,000
Loss on sale of assets	(256,716)	-
Miscellaneous	281,609	893,578
Investment Income	10,638	124,659
Change in beneficial interest	(245,186)	37,207
Net revenues from special events	283,787	288,620
Total	$ 2,029,858	$ 4,144,701
Contract revenue recognized over time		
Membership income	$ 2,754,929	$ 2,040,678
Net revenues from program and service fees	4,896,398	3,378,301
Total	$ 7,651,327	$ 5,418,979
Total revenue	$ 9,681,185	$ 9,563,680

DONATED SERVICES / CONTRIBUTIONS OF NONFINANCIAL ASSETS

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

PLEDGES RECEIVABLE

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

The Association uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific pledges made. There is no allowance for uncollectible pledges estimated at December 31, 2022 and 2021 as management believes all pledges will be collected.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVENTORY

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

INVESTMENTS

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

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

PROPERTY AND EQUIPMENT

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

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. The Association's fixed asset capitalization policy is to capitalize long-lived assets with a value greater than $500. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was $1,047,358 and $838,802 for the years ended December 31, 2022 and 2021, respectively.

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

DEFERRED FINANCING COSTS

Deferred financing costs consist of fees and expenses paid in connection with the issuance of the debt. These costs are being amortized on a straight-line basis over the term of the debt. Amortization expense was $ 7,441, and $7,442 for the years ended December 31, 2022 and 2021.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the year ended December 31, 2022 and 2021 were $138,386 and $107,349, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

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

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

INCOME TAXES

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

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

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

NEW ACCOUNTING PRONOUNCEMENTS

On August 18, 2016, FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) – Presentation and Disclosure of Financial Statements of Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update improves GAAP by increasing the transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments address certain stockholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFP. The ASU has been applied retroactively to all periods presented.

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Association adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements.* The Association did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to equity as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. No cumulative effect adjustment to equity as of January 1, 2022, was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended December 31, 2022.

NOTE 2 – LIQUIDITY AND AVAILABILITY

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

	2022	**2021**
Working capital	$ 1,632,140	$ 1,197,266
Average days' cash on hand	56	29

NOTE 2 – LIQUIDITY AND AVAILABILITY, CONCLUDED

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

	2022	2021
Cash and cash equivalents	$ 1,412,697	$ 567,057
Accounts receivable	165,877	996,363
Grants receivable	82,283	156,908
Investments	1,504,771	5,531
Assets limited to use:		
Donor restricted pledges	175,553	166,342
Financial assets available to meet general expenditures within one year	$ 3,341,181	$ 1,892,201

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

NOTE 3 – PLEDGES RECEIVABLE

The entity assumed a capital campaign, previously started in 2016 by one of the merged entities, for expansions to its Niles-Buchanan facility. The pledges receivable consist of $175,553 and $166,342 that is due in less than one year as of December 31, 2022 and 2021, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

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

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

NOTE 4 – FAIR VALUE MEASUREMENTS, CONCLUDED

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

The following table summarizes the valuation of the Association's financial assets by the above categories as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Investments				
Certificates of deposit	$ 1,500,000	$ -	$ -	$1,500,000
Equity securities	1,054	-	-	1,054
Mutual funds	3,717	-	-	3,717
Beneficial interest in assets held by Community Foundation	-	-	1,082,861	1,082,861
	$ 1,504,771	$ -	$ 1,082,861	$2,587,632

The following table summarizes the valuation of the Association's financial assets by the above categories as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	$ 5,531	$ -	$ -	$ 5,531
Beneficial interest in assets held by Community Foundation	-	-	1,328,047	1,328,047
	$ 5,531	$ -	$ 1,328,047	$ 1,333,578

See Note 6 for reconciliation of level 3 investments.

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2022	**2021**
Land	$ 1,382,473	$ 1,617,018
Land improvements	197,747	207,992
Building	27,281,645	27,848,970
Building improvements	3,786,744	3,222,990
Equipment	3,922,188	3,840,994
Construction-in-progress	169,422	96,233
Subtotal	$ 36,740,219	$ 36,834,197
Less: accumulated depreciation	(19,110,310)	(18,284,146)
Total Property and Equipment	$ 17,629,909	$ 18,550,051

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

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

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

The community foundation also holds donor advised endowment funds contributed by others in the Association's name. However, these funds are assets of the foundation and, as such, are not included in the financial statements of the Association. The fair value of those funds are summaries below as direct donor funds. In addition to those funds held at Community Foundations, the Association also holds a donor advised endowment fund through 1st Source Bank, the fair value of that fund was $175,975 and $219,540 at December 31, 2022 and 2021, respectively.

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

The following is a summary of the non-direct and direct donor funds held at December 31, 2022:

Fund Name	Direct association funds	Direct donor funds	Total funds
Michigan Gateway			
NB Agency Endowment	$ 189,936	$ -	$ 189,936
Tim Tyler Memorial Agency	33,002	-	33,002
YMCA 3rd Party Endowment	-	195,255	195,255
Cole Scholarship	-	70,918	70,918
Capital Endowment	-	150,300	150,300
Tim Tyler Memorial	-	21,030	21,030
DLYC Scholarship	-	50,912	50,912
Marcellus YMCA	-	10,993	10,993
Berrien Community Foundation			
Benton Harbor-St. Joseph YMCA Endowment	-	15,160	15,160
Benton Harbor-St. Joseph YMCA - Agency	203,008	-	203,008
YMCA SWMI Camp School Endowment	26,391	-	26,391
Community Foundation of St. Joseph County			
YMCA Camp Eberhart Fund	29,877	268,890	298,767
YMCA Camp Eberhart Facilities Fund	-	245,258	245,258
YMCA Charles Martin Fund	1,850	24,584	26,434
Peter Kreig Memorial Fund for Camp Eberhart	99,491	-	99,491
YMCA fund	170,992	92,073	263,065
YMCA of Michiana, Inc. - South Bend Tribune Fund	328,314	-	328,314
YMCA Mary Morris Leighton Lodge at Camp Eberhart	-	155,306	155,306
Total	$ 1,082,861	$ 1,300,679	$ 2,383,540

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

The following is a summary of the non-direct and direct donor funds held at December 31, 2021:

Fund Name	Direct association funds	Direct donor funds	Total funds
Michigan Gateway			
NB Agency Endowment	$ 234,233	$ -	$ 234,233
Tim Tyler Memorial Agency	40,699	-	40,699
YMCA 3rd Party Endowment	-	240,788	240,788
Cole Scholarship	-	87,193	87,193
Capital Endowment	-	185,189	185,189
Tim Tyler Memorial	-	25,898	25,898
DLYC Scholarship	-	42,783	42,783
Marcellus YMCA	-	8,662	8,662
Berrien Community Foundation			
Benton Harbor-St. Joseph YMCA Endowment	-	18,604	18,604
Benton Harbor-St. Joseph YMCA - Agency	249,114	-	249,114
YMCA SWMI Camp School Endowment	32,385	-	32,385
Community Foundation of St. Joseph County			
YMCA Camp Eberhart Fund	36,461	328,145	364,606
YMCA Camp Eberhart Facilities Fund	-	275,931	275,931
YMCA Charles Martin Fund	2,265	30,089	32,354
Peter Kreig Memorial Fund for Camp Eberhart	121,778	-	121,778
YMCA fund	209,277	112,688	321,965
YMCA of Michiana, Inc. - South Bend Tribune Fund	401,835	-	401,835
YMCA Mary Morris Leighton Lodge at Camp Eberhart	-	190,098	190,098
Total	$ 1,328,047	$ 1,546,068	$ 2,874,115

NOTE 7 – ENDOWMENTS

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

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

NOTE 7 – ENDOWMENTS, CONCLUDED

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

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

The Association has implemented an investment strategy for its endowment assets. Endowments are held at the Community Foundation which has primary responsibility over the investment philosophy utilized. The Community Foundation's December 31, 2022 and 2021 asset allocation philosophy includes the following asset classes: domestic (small and large cap) and global equities, fixed income securities, hedge funds and other investments as defined.

The following table summarizes the activity in the funds during the year ended December 31, 2022:

	Michigan Gateway	Berrien Community Foundation	Community Foundation of St. Joseph County	Total
Beginning balance	$ 274,932	$ 281,499	$ 771,616	$ 1,328,047
Change in beneficial interest	(51,994)	(52,100)	(141,092)	(245,186)
Ending balance	$ 222,938	$ 229,399	$ 630,524	$ 1,082,861

The following table summarizes the activity in the funds during the year ended December 31, 2021:

	Michigan Gateway	Berrien Community Foundation	Community Foundation of St. Joseph County	Total
Beginning balance	$ 248,209	$ 344,168	$ 698,463	$ 1,290,840
Change in beneficial interest	26,723	(62,669)	73,153	37,207
Ending balance	$ 274,932	$ 281,499	$ 771,616	$ 1,328,047

NOTE 8 – LINE OF CREDIT

The Association maintains a $1,000,000 revolving line of credit with Honor Credit Union. Interest is charged at a fixed rate of 3.25%. The line of credit is secured by the Association's properties. The Association did not have an outstanding balance on the line of credit at December 31, 2022 and 2021.

NOTE 9 – LONG-TERM DEBT

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

	2022	2021
Promissory note payable to Honor Credit Union, requiring monthly payments at a rate of 3.00% through Nov. 25, 2030. The note is collateralized by all assets. Any remaining balance on the note is due and payable in full on the loan due date of Nov. 25, 2030. The Association has met all required covenants.	$ 4,831,397	$ 4,975,953
Total long-term debt	$ 4,831,397	$ 4,975,953
Less current portion	(148,939)	(144,543)
Long-term debt	$ 4,682,458	$ 4,831,410

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

2023	$153,469
2024	158,137
2025	162,947
2026	167,903
Thereafter	4,040,002
	$ 4,682,458

NOTE 10 – RETIREMENT PLAN

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

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

In accordance with the agreement with the YMCA Retirement Fund, the Association and employee contributions are a percentage of the participating employees' salaries, paid for by the Association, and are remitted to the YMCA Retirement Fund monthly. The Association contributions charged to retirement expense was $233,852 and $206,987 for the years ended December 31, 2022 and 2021, respectively.

NOTE 11 – CONCENTRATIONS

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

NOTE 12 – PAYCHECK PROTECTION PROGRAM LOAN

In January 2021, the Association entered into a loan (the "PPP Loan") with 1st Source Bank (the "Lender") evidencing an unsecured promissory note in the amount of $884,000 (the "PPP Note") pursuant to the Paycheck Protection Program (the "PPP") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. Subject to the terms of the PPP Note, the PPP Loan bears interest at a fixed rate of 1% per year, with the first ten months of interest deferred, and payable over a term of two to five years. The PPP Loan is unsecured and guaranteed by the Small Business Administration ("SBA").

The PPP Loan may be used for payroll costs, costs related to certain group health care benefits and insurance premiums, rent payments, utility payments, and also interest payments on any debt obligations that were entered into before February 15, 2021. PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, and utilities.

Pursuant to the guidance under the *Debt Topic* of FASB ASC 470, the Association has recorded the loan as a government grant by analogy to International Accounting Standard ("IAS") 20, *Accounting for Government Grants and Disclosure of Government Assistance.* This treatment allowed for the PPP loan proceeds to be recorded as a deferred income liability. In October 2021, the Association submitted the PPP loan forgiveness application which was subsequently approved by the Lender. As a result, the Association reduced the deferred income liability and recognized an equivalent amount as "other grant income" in the Statement of Activities.

NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Endowment earnings	$ 198,157	$ 216,124
Campaign contributions	3,184,139	2,968,015
Total	$ 3,382,296	$ 3,184,139

NOTE 14 – LEASES

The Association currently leases approximately 7,800 square feet of the Association' Niles Buchanan building to Corewell Health Lakeland Hospitals at Niles and St. Joseph, Inc. ("Lakeland"). The agreement requires monthly payments of approximately $12,112 for leased space, $744 of occupancy cost, and 4% of an janitorial and interior maintenance. Under FASB issued ASU No. 2016-02, *Leases (Topic 842)*, this lease is classified as an operating lease and not required to be reported on the balance sheet. All income will be recorded as received.

NOTE 15 – CARES EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. The Association qualified for the tax credit under the CARES Act through December 31, 2021. During the fiscal year ended December 31, 2021, the Association recorded $862,983 related to the CARES Employee Retention credit in "Miscellaneous Revenue" on the Association's Statement of Activities. As of December 31, 2021, the Association has a $862,983 receivable balance from the United States government related to the CARES Act, which is recorded in "Receivables" on the Association's Statement of Net Position. The 2021 credit receivable was collected in 2022. No future credits are expected.

NOTE 16 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 28, 2023, the date the financial statements were available to be issued. No events or transactions occurred during this period which requires recognition or disclosure in the financial statements.