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

Consolidated Financial Report

December 31, 2020

Contents

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Independent Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate (the "Association"), which comprise the consolidated balance sheet as of December 31, 2020 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate as of December 31, 2020 and the changes in their net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Association will continue as a going concern. The Association's operations were significantly impacted by the COVID-19 pandemic beginning 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 started implementing plans to mitigate the risk of default. These plans are described in Note 16. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2021 on our consideration of Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 27, 2021

Consolidated Balance Sheet

December 31, 2020
(with summarized comparative totals for December 31, 2019)

	2020	2019
Assets		
Cash and cash equivalents	$ 526,023	$ 2,355,947
Restricted cash (Note 2)	100,037	-
Investments - Short term (Note 13)	4,463,400	1,328,012
Receivables - Net of allowances:		
Accounts	16,548	80,737
United Way - Operating	87,300	94,949
Other	1,005,018	2,096,448
Contributions receivable - Net (Note 3)	10,209,644	255,085
Prepaid expenses and other current assets	181,319	187,991
Cash equivalents held for long-term use	102,284	382,614
Investments - Long term (Note 13)	3,262,304	6,065,653
Other noncurrent assets	545,088	535,647
Assets held for sale (Note 4)	11,048,579	-
Property, plant, and equipment - Net (Note 4)	27,844,792	41,994,475
Total assets	**$ 59,392,336**	**$ 55,377,558**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,147,576	$ 1,480,964
Accrued liabilities and other	914,792	999,506
Bank line of credit (Note 5)	500,000	500,000
Deferred revenue	857,938	1,232,819
Obligations under life income contracts	137,212	120,919
Fair value of interest rate swap agreement (Notes 7 and 13)	43,321	36,751
Bonds payable - Net (Note 6)	15,913,975	16,318,534
Long-term notes payable (Note 6)	830,048	961,975
Total liabilities	20,344,862	21,651,468
Net Assets		
Without donor restrictions:		
Undesignated	29,497,944	23,230,158
Board designated (Note 14)	3,967,489	883,529
Total without donor restrictions	33,465,433	24,113,687
With donor restrictions (Notes 9 and 14)	5,582,041	9,612,403
Total net assets	39,047,474	33,726,090
Total liabilities and net assets	**$ 59,392,336**	**$ 55,377,558**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue, Gains, and Other Support				
Camping and program fees	$ 3,699,640	$ -	$ 3,699,640	$ 13,876,621
Contributions and bequests	11,077,090	233,116	11,310,206	1,927,260
Grants and government contracts	2,702,989	-	2,702,989	4,989,114
Membership fees	7,102,484	-	7,102,484	13,712,799
United Way - Operating	357,300	50,000	407,300	115,397
Rentals	364,954	-	364,954	638,169
Change in fair value of interest swap agreement	(6,570)	-	(6,570)	(57,157)
Net special events	560	-	560	534,326
Net realized and unrealized gains on investments	515,881	75,808	591,689	1,111,927
Interest income	188,164	-	188,164	188,163
Distributions on life income contracts	(27,605)	-	(27,605)	(28,174)
Change in value of life income contracts	-	(16,293)	(16,293)	23,720
(Loss) gain on disposal of fixed assets	(270,447)	-	(270,447)	190,141
Other revenue	73,008	-	73,008	134,708
Total revenue, gains, and other support	25,777,448	342,631	26,120,079	37,357,014
Net Assets Released from Restrictions	4,372,993	(4,372,993)	-	-
Total revenue, gains, other support, and net assets released from restrictions	30,150,441	(4,030,362)	26,120,079	37,357,014
Expenses				
Program services	15,022,003	-	15,022,003	29,697,898
Support services:				
Management and general	5,089,850	-	5,089,850	5,126,378
Fundraising	686,842	-	686,842	1,225,947
Total support services	5,776,692	-	5,776,692	6,352,325
Total expenses	20,798,695	-	20,798,695	36,050,223
Increase (Decrease) in Net Assets	9,351,746	(4,030,362)	5,321,384	1,306,791
Net Assets - Beginning of year	24,113,687	9,612,403	33,726,090	32,419,299
Net Assets - End of year	**$ 33,465,433**	**$ 5,582,041**	**$ 39,047,474**	**$ 33,726,090**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

(with summarized comparative totals for the year ended December 31, 2019)

		Support Services			Total	
	Program Services	Management and General	Fundraising	Total Support Services	2020	2019
Salaries	$ 5,854,410	$ 1,626,562	$ 212,896	$ 1,839,458	$ 7,693,868	$ 17,040,205
Health and retirement costs	1,001,533	351,416	72,638	424,054	1,425,587	1,639,880
Payroll taxes	592,915	170,895	23,379	194,274	787,189	1,583,448
Total salaries and related expenses	7,448,858	2,148,873	308,913	2,457,786	9,906,644	20,263,533
Contracted program instruction and other fees	555,134	263,796	15,988	279,784	834,918	1,624,777
Legal, audit, and consulting	-	175,581	95,740	271,321	271,321	440,945
Supplies	1,237,310	50,659	18,419	69,078	1,306,388	2,519,107
Telephone	114,570	83,835	5,139	88,974	203,544	227,419
Postage and shipping	7,183	14,250	291	14,541	21,724	42,389
Occupancy	181,500	80,619	-	80,619	262,119	565,769
Utilities	1,151,184	332,086	47,739	379,825	1,531,009	2,004,570
Repairs and maintenance	529,117	136,409	19,080	155,489	684,606	1,519,067
Insurance and taxes	395,417	118,811	12,365	131,176	526,593	496,629
Promotion and advertising	98,936	345,708	118	345,826	444,762	579,209
Travel and entertainment	43,778	72,917	865	73,782	117,560	215,281
Conferences and trainings	51,407	20,321	4,985	25,306	76,713	298,228
Dues and fees	53,240	268,474	14,348	282,822	336,062	558,224
Federation membership dues to national office	-	222,764	-	222,764	222,764	390,666
Equipment rental	182,328	18,994	1,446	20,440	202,768	415,968
Miscellaneous	12,131	34,334	-	34,334	46,465	27,230
Bad debt expense	449,007	-	40,574	40,574	489,581	265,022
In-kind expense	79,500	-	-	-	79,500	7,590
Interest expense	317,751	91,666	13,177	104,843	422,594	574,274
Depreciation	2,113,652	609,753	87,655	697,408	2,811,060	3,014,326
Special events	-	-	45,280	45,280	45,280	419,848
Total functional expenses	**$ 15,022,003**	**$ 5,089,850**	**$ 732,122**	**$ 5,821,972**	**$ 20,843,975**	**$ 36,470,071**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2020
(with summarized comparative totals for the year ended December 31, 2019)

	2020	2019
Cash Flows from Operating Activities		
Increase in net assets	$ 5,321,384	$ 1,306,791
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	2,811,060	3,014,326
Bad debt expense	489,581	265,022
Amortization of debt issuance costs	22,068	22,068
Gain on investments	(591,689)	(1,111,927)
Loss (gain) on disposition of assets	270,447	(190,141)
Change in value of life income contracts	43,898	4,454
Change in fair value of interest rate swap agreement	6,570	57,157
Contributions restricted for endowment	(5,000)	(5,000)
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(9,305,872)	(1,749,069)
Prepaid expenses and other current assets	22,231	(65,853)
Accounts payable	(333,388)	363,794
Accrued liabilities and other	(84,714)	(11,560)
Deferred revenue	(374,881)	(85,942)
Net cash (used in) provided by operating activities	(1,708,305)	1,814,120
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,255,816)	(1,350,057)
Purchases of investments	(2,420,599)	(1,872,571)
Proceeds from sales of investments	2,960,579	2,598,532
Proceeds from sale of property and equipment	1,275,413	253,825
Net cash provided by (used in) investing activities	559,577	(370,271)
Cash Flows from Financing Activities		
Proceeds from draw-to-term line of credit	-	700,000
Payments on line of credit	-	(625,904)
Principal payments on long-term notes payable	(214,122)	(378,006)
Principal payments on bonds payable	(426,628)	(853,256)
Proceeds from debt financing	82,196	337,579
Distributions on life income contracts	(27,605)	(28,174)
Proceeds from endowment gifts	5,000	5,000
Net cash used in financing activities	(581,159)	(842,761)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,729,887)	601,088
Cash and Cash Equivalents - Beginning of year	2,355,947	1,754,859
Cash and Cash Equivalents - End of year	**$ 626,060**	**$ 2,355,947**
Consolidated Balance Sheet Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 526,023	$ 2,355,947
Restricted cash	100,037	-
Total cash	**$ 626,060**	**$ 2,355,947**
Supplemental Cash Flow Information - Cash paid for interest	$ 394,360	$ 555,916

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, 2020, $100,037, of cash is restricted for that purpose.

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.

Note 2 - Significant Accounting Policies (Continued)

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, 2020.

Assets Held for Sale

Assets held for sale represents 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 net book value at December 31, 2020 was lower than the estimated fair value less costs to sell; therefore, no impairment expense was recognized in the year ended December 31, 2020.

Property and Equipment

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

Revenue Recognition

The Association has revenue resulting from contracts with members and participants related to membership dues and service fees. Total revenue from contracts with customers for the year ended December 31, 2020 was $8,600,390.

Membership Dues

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

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

Membership dues constitutes approximately 52 percent of total revenue from contracts with members and participants for the year ended December 31, 2020.

During the period between March 2020 and September 2020, the branch locations were closed under government restrictions due to the COVID-19 pandemic. Membership payments received during this time were voluntary and did not result in a direct exchange of services. These payments, in the amount of $2,639,696, are considered unconditional contribution revenue and are included with the membership fees on the consolidated statement of activities and changes in net assets.

Note 2 - Significant Accounting Policies (Continued)

Camping and Program Fees

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

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

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

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

Camping and program fee revenue constitutes approximately 43 percent of total revenue from contracts with customers for the year ended December 31, 2020.

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

Contributions

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

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

At December 31, 2020, approximately 98 percent of the contributions receivable balance consisted of a pledge from a single donor, which was collected in January 2021.

Note 2 - Significant Accounting Policies (Continued)

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 $50,000 at December 31, 2020.

Donated Services and Assets

Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. During 2020, the Association received donations of personal protective equipment (PPE). The value of the donated assets is $79,500 and has been recorded as an in-kind expense and contribution in the consolidated financial statements.

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

Long-lived Assets

The Association reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. There were no gifts of long-lived assets in 2020.

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.

Note 2 - Significant Accounting Policies (Continued)

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, 2020, 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, 2017.

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.

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, 2019 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 2019 consolidated financial statements, from which the summarized information was derived.

Note 2 - Significant Accounting Policies (Continued)

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 $500,000.

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.

Reclassification

Certain 2019 amounts have been reclassified to conform to the 2020 presentation.

Subsequent Events

Management evaluated subsequent events through April 27, 2021, which is the date the consolidated financial statements were available to be issued.

In March 2021, the Organization was approved for a $3.75 million loan from a bank in conjunction with the Small Business Administration's (SBA) Paycheck Protection Program. If not forgiven, the loan is payable in quarterly installments over a five-year period and carries interest at 1 percent per annum. The loan is forgivable to the extent the Organization uses the proceeds on eligible costs over a 24-week period commencing upon approval of the loan and if the Organization meets certain criteria related to maintaining full-time employees and salary levels. Forgiveness of the loan is subject to review and approval of the SBA and cannot be guaranteed until such approval is granted.

Note 3 - Contributions Receivable

Included in contributions receivable at December 31, 2020 are several unconditional promises to give. They are expected to be collected as follows:

Within one year	$ 10,259,644
Less allowance for uncollectible contributions	(50,000)
Net contributions receivable	$ 10,209,644

Note 4 - Property and Equipment

Property and equipment at December 31, 2020 are summarized as follows:

	Amount	Depreciable Life - Years
Land	$ 1,648,641	-
Land improvements	1,304,719	10-15
Buildings	52,164,978	15-50
Building improvements	13,630,568	10-15
Machinery and equipment	2,343,877	2-5
Transportation equipment	386,171	5
Furniture and fixtures	3,588,270	5-10
Computer equipment and software	1,219,940	3-5
Construction in progress	59,450	-
Total cost	76,346,614	
Accumulated depreciation	48,501,822	
Net property and equipment	$ 27,844,792	

Depreciation expense for 2020 was $2,811,060. During the year ended December 31, 2020, the Association elected to close three branch locations. At year end, the buildings and equipment associated with two of the closed branches are classified as held for sale on the consolidated balance sheet. See Note 16 for more information.

Note 5 - Line of Credit

During 2020, 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) (2.40 percent as of December 31, 2020). The revolving line of credit expired on November 30, 2020, and the Association entered into a forbearance with the bank until February 16, 2021, when the bank amended the agreement to expire on June 1, 2021.

The line of credit is collateralized by accounts receivable; legally available investments; and land, buildings, and equipment. In addition, the Organization is subject to meeting certain financial covenants, including maintaining certain financial ratios. During the year ended December 31, 2020, the bank agreed not to measure the covenants at June 30, 2020 and December 31, 2020.

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 is July 1, 2034; however, under the purchase agreement, the bank has the right to redeem the Series 2014 Bonds on June 1, 2021. If the bank does exercise this option on June 1, 2021, the bonds become due and payable on June 1, 2021. As described in Note 16, the Association is pursuing strategies to renegotiate or refinance the bonds.

Note 6 - Long-term Debt (Continued)

Principal payments remaining are approximately $426,000 due in June 2021 and monthly payments of $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 1.47 percent at December 31, 2020). The amount reported at December 31, 2020 is $15,913,975, which represents the outstanding principal due of $16,211,861, net of unamortized debt issuance costs of $297,886. Debt issuance costs are being amortized on a straight-line basis over the term of the bonds. Amortization expense was $22,068 in 2020.

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 financial ratios. The Association was not in compliance with the covenants at June 30, 2020. The bank agreed to waive the June 30, 2020 covenant calculation. For the measurement period ended December 31, 2020, the bank agreed not to measure the covenants.

The remaining long-term notes payable of $830,048 relate to outstanding equipment term loans for equipment purchases financed through the bank. The remaining loans will mature through 2025. Monthly principal payments range from $1,525 to $10,287.

During 2020, the Organization obtained new financing of approximately $82,000 to purchase equipment. Payments are due in monthly installments of $1,525 over the 63-month term, with no payments due in the first three months.

As described in Note 16, the bank deferred certain principal and interest payments due on the bonds and term notes during 2020.

Minimum principal payments on the bonds and notes payable to maturity as of December 31, 2020 are as follows:

Years Ending	Amount
2021	$ 1,376,521
2022	1,453,687
2023	1,334,695
2024	1,404,721
2025	1,396,256
Thereafter	10,076,028
Total	$ 17,041,908

Interest expense for 2020 was $421,296, which includes $22,068 of bond amortization expense. The repayment terms on the bonds were modified subsequent to year end. See Note 16 for details.

Note 7 - Interest Rate Swap Agreement

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

Note 7 - Interest Rate Swap Agreement (Continued)

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 fair value of the interest rate swap agreement at December 31, 2020 was recorded in the Organization's consolidated financial statements as a liability of $43,321. Accordingly, the Organization recognized an unrealized loss of $6,570 for the year ended December 31, 2020 related to the fair value of the interest rate swap agreement (see Note 13).

Note 8 - Operating Leases

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

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

Years Ending December 31	Amount
2021	$ 170,076
2022	159,276
2023	142,116
2024	59,598
2025	8,550
Total	$ 539,616

Total expense under these leases for 2020 was approximately $213,000.

Note 9 - Donor-restricted Net Assets

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

Subject to expenditures for a specified purpose and the passage of time:	
United Way	$ 50,000
Contributions for various program activities	1,625,063
Subject to the passage of time - Life Income Fund	540,489
Not subject to appropriation or expenditure (Note 14)	3,366,489
Total	$ 5,582,041

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 $2,169,565 at December 31, 2020. 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, 2020, the Community Foundation distributed $86,829 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 $411,000.

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 2020, the Association conducted various transactions with entities that have owners or key employees who are Association board members. The following is a summary of the significant transactions:

Facility leases and rentals	$ 54,776
Electricity and gas	1,091,728
Marketing and promotion	110,296

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

Note 13 - 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.

Note 13 - Fair Value Measurements (Continued)

The following table presents information about the Association's assets measured at fair value on a recurring basis at December 31, 2020 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.

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2020			
	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, 2020
Assets				
Investments:				
Index funds	$ 5,343,675	$ -	$ -	$ 5,343,675
Fixed income and preferred stocks	-	1,790,330	-	1,790,330
Total assets	$ 5,343,675	$ 1,790,330	$ -	7,134,005
Investments measured at net asset value - Alternative investments:				
Hatteras multistrategy				178,111
JLL Property Income Trust				413,588
Total assets				$ 7,725,704

The fair value of the interest rate swap at December 31, 2020 was primarily determined based on Level 2 inputs. The Association estimates the fair value of these investments based on contract terms and variable interest rates.

Investments in Entities that Calculate Net Asset Value per Share

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

Note 13 - Fair Value Measurements (Continued)

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 Hattaras' investment objective is to provide capital appreciation consistent with the return characteristics of larger endowments. The estimated fair value of the Association's interest in the investment company is provided by an external investment manager and is based on net asset value per share (or its equivalent) of the investment company. The Association reviews and evaluates the values provided by the investment manager and agrees with the valuation methods and significant assumptions used in determining fair value. At December 31, 2020, 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, 2020, 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.

During 2020, the Wayne County Probate Court and the Attorney General for the State of Michigan approved the Association's petition to remove certain use or purpose restrictions on certain endowment funds previously classified as donor-restricted because the restrictions had become impracticable. As a result, the Association transferred approximately $3.1 million from the donor-restricted endowment to the board-designated endowment during the fiscal year ended December 31, 2020.

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

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

- 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, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 3,967,489	$ -	$ 3,967,489
Donor-restricted endowment funds	-	3,366,489	3,366,489
Total	$ 3,967,489	$ 3,366,489	$ 7,333,978

	Changes in Endowment Net Assets for the Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	$ 883,529	$ 6,446,946	$ 7,330,475
Investment return:			
Investment income	-	182,224	182,224
Net appreciation (realized and unrealized)	537,446	-	537,446
Total investment return	537,446	182,224	719,670
Contributions	10,595	5,000	15,595
Appropriation of endowment assets for expenditure	(549,538)	(182,224)	(731,762)
Released from restrictions	3,085,457	(3,085,457)	-
Endowment net assets - End of year	$ 3,967,489	$ 3,366,489	$ 7,333,978

Underwater Endowment Funds

As of December 31, 2020, there were no funds with deficiencies.

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

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; however in 2020, the Association elected not to take this annual distribution given the approximately $3.1 million released by approval of the State of Michigan Attorney General and Wayne County Probate Court, as described above.

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 - Liquidity and Availability of Financial Resources

The following reflects the Association's financial assets as of December 31, 2020, 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	$ 19,772,558
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	119,162
Subject to appropriation and satisfaction of donor restrictions	3,366,489
Investments held in annuity trust	494,009
Board-designated endowment	3,967,489
Financial assets available to meet cash needs for general expenditures within one year	$ 11,825,409

Note 15 - 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 has a committed line of credit of up to $500,000, which it could draw upon if needed, as further described in Note 5. The line was fully extended at December 31, 2020. There is a requirement that the line of credit has a $0 outstanding balance for 30 consecutive days at some point during the year. During the year ended December 31, 2020, the bank agreed not to measure compliance with covenants

The Association's endowment consists of a board-designated endowment of $3,967,489 at December 31, 2020, in addition to the donor-restricted endowment. Income from the endowment is not restricted and, therefore, is available for general expenditure. As described in Note 14, the Association elected not to take an annual distribution from the donor-restricted endowment in 2020 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 2021.

Note 16 - 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 is ongoing and has substantially impacted business practices throughout 2020 and 2021. The Organization’s operations continue to be impacted by government orders requiring businesses to limit capacity and to adhere to social distancing guidelines in order to slow the spread of the disease.

On March 16, 2020, the governor of Michigan issued an executive order temporarily closing certain nonessential businesses, including fitness and recreation centers. As a result of this order, the Association was required to close all of its branch locations. 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. The Association continued working with at-risk youth through virtual programming and served tens of thousands of meals to children throughout the pandemic. The Association also provided essential child care services through its early learning centers and summer day camps. However, the extended closure and the statewide business disruption attributable to COVID-19 caused the Association to experience significant declines in program and membership revenue in 2020 and 2021, as well as a significant decrease in membership units. The Association’s liquidity, results of operations, cash flows, and financial condition have been and continue to be negatively impacted by these events.

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 mandatory six-month closure of the branches and ongoing restrictions on capacity and services, as well as the upcoming 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.

Note 16 - Management's Plan (Continued)

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

- Significant reductions in operating expenses were implemented in response to the business shutdown, including the furloughing of substantially all staff during the closure. As branches were allowed to reopen in September 2020, the Association implemented a significantly reduced staffing structure in order to provide limited services in accordance with reduced capacity and service restrictions still in place. This significantly reduced staffing model remains in effect today, with current employee totals at just 33 percent of pre-pandemic levels.
- The bank agreed to defer principal payments on the Series 2014 Bonds for a five-month period beginning on January 1, 2021 through May 31, 2021. The deferred principal payments are now due on June 1, 2021, coinciding with the maturity date of the Series 2014 bonds. In addition, the bank deferred all principal payments on the equipment term loans for the same five-month period beginning on January 1, 2021 through May 31, 2021. The deferred principal on the equipment term loans is due as a lump-sum payment on the original maturity date of each term loan. The bank also agreed not to test the financial covenants for the rolling 12-month periods ending on June 30, 2020 and December 31, 2020. As described in Note 6, the maturity date for the bond agreement is July 1, 2034, but the bank holds the Series 2014 bonds through June 1, 2021. Management is working with the bank to determine the renewal strategy to extend beyond this maturity date.
- On May 15, 2020, the Association announced the permanent closures of the Lakeshore and Livonia Family YMCA locations and, on October 6, 2020, announced the additional permanent closure of the North Oakland Family YMCA location. All three branches have experienced several years of operating declines, which were further exacerbated by the pandemic. The closures will mitigate future anticipated losses and required capital expenditures. The Lakeshore branch was a leased facility, the lease of which expired on August 31, 2020. The Livonia and North Oakland properties were placed on the real estate market for sale in 2020. A purchase agreement was executed on December 21, 2020 for the Livonia property at a purchase price of $2,330,000. The sale is expected to be closed no later than June 4, 2021. The properties are collateral for the bond debt, but the bank has agreed that the Association can retain approximately 50 percent of the sale prices to meet operating cash flow needs.
- In addition to the sale of the Livonia and North Oakland branches, management and the board are also assessing operating performance and pandemic recovery trends at each of the remaining branches and may make further decisions regarding potential branch closures in 2021.
- In February 2020, the Probate Court for the County of Wayne approved a petition to release from charitable restrictions $3,085,457 of the Association’s donor-restricted endowment funds to support operating cash flow needs. Management has accessed these funds as necessary to manage through 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.

Note 16 - Management's Plan (Continued)

- In November 2020, the Association was notified of a $10 million unrestricted gift that would be awarded to the Organization. A six-week planning process was undertaken by management and the Board to determine an appropriate strategy for the use of this extraordinary gift. It was concluded that the gift should be used in phases, with the first phase of spending to include $3.5 million of investments into core operations and key components of the turnaround plan in 2021. The remaining $6.5 million will be held in reserve for future investment and for potential cash flow operating needs as the Association recovers from the impact of the pandemic.
- 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 certain branches and the expansion of important community initiatives work. To date the campaign has raised nearly $2.9 million in pledges. Targeted capital projects will commence once payment for the pledges is received. 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 YMCA.
- In December 2020 and March 2021, Congress enacted COVID-19 relief legislation that changed the eligibility requirements for the Employee Retention Credit and the Paycheck Protection Program. As a result, the Association is now able to take advantage of both of these relief opportunities. As of March 23, 2021, the Association was approved for the first draw of a Paycheck Protection Program loan in the amount of $3,750,000. Funds were disbursed to the Association on March 25, 2021. Management is still quantifying the amount of funding that will be available through the Employee Retention Credit in 2021 but estimates the funding to be significant. The funds from these federal programs will be used to meet the operating cash flow needs of the Association over the next 12 months.

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 challenges faced in 2020 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 YMCA is a 169-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.