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

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**Consolidated Financial Statements**  
**December 31, 2023**

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

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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

### **Opinion**

We have audited the consolidated financial statements of Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate (the "Association"), which comprise the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Consolidated Financial Statements**

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

#### **Report on Summarized Comparative Information**

We have previously audited Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Plante & Moran, PLLC*

May 22, 2024

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

## Consolidated Balance Sheet

December 31, 2023  
(with summarized comparative totals for December 31, 2022)

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 2,208,540	\$ 3,745,140
Restricted cash (Note 2)	103,226	100,629
Cash equivalents designated for future use (Note 2)	69,819	2,046,647
Investments - Short term (Note 11)	7,065,405	5,255,072
Receivables - Net of allowances: (Note 2)		
Accounts	17,117	105,465
United Way - Operating	195,236	446,722
Employee Retention Credit receivable	-	1,204,567
Other	830,701	851,264
Contributions receivable - Net (Note 3)	815,425	1,653,874
Prepaid expenses and other assets	1,222,628	153,654
Cash equivalents held for long-term use	412,819	131,623
Investments - Long term (Note 11)	3,080,109	3,327,663
Other noncurrent assets	534,770	516,529
Cash restricted to investment in property, plant, and equipment	769,445	448,685
Contributions receivable restricted to investment in property, plant, and equipment - Net (Note 3)	83,296	227,469
Assets held for sale (Note 4)	5,585,244	7,085,244
Right-of-use assets - Operating (Note 6)	952,101	15,083
Right-of-use assets - Finance (Note 6)	114,227	213,811
Property, plant, and equipment - Net (Note 4)	24,111,413	26,368,108
Total assets	<b>\$ 48,171,521</b>	<b>\$ 53,897,249</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,242,539	\$ 1,226,542
Accrued liabilities and other	772,904	791,250
Deferred revenue (Note 2)	954,132	1,906,037
Obligations under life income contracts	49,739	68,712
Lease liabilities - Operating (Note 6)	955,703	15,083
Lease liabilities - Finance (Note 6)	110,804	209,648
Bonds payable - Net (Note 5)	11,037,067	13,549,190
Long-term notes payable (Note 5)	302,444	692,942
Total liabilities	15,425,332	18,459,404
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	18,220,136	19,734,250
Board designated (Note 12)	6,923,123	7,064,938
Total without donor restrictions	25,143,259	26,799,188
With donor restrictions (Note 7)	7,602,930	8,638,657
Total net assets	32,746,189	35,437,845
Total liabilities and net assets	<b>\$ 48,171,521</b>	<b>\$ 53,897,249</b>

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

### Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2023

(with summarized comparative totals for the year ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue, Gains, and Other Support</b>				
Camping and program fees	\$ 9,296,579	\$ -	\$ 9,296,579	\$ 8,149,873
Contributions and bequests	1,141,218	894,770	2,035,988	3,331,877
Grants and government contracts	4,601,763	356,500	4,958,263	7,728,720
Membership dues	7,530,293	-	7,530,293	6,089,424
United Way - Operating	-	-	-	513,972
Rentals	182,016	-	182,016	163,618
Net special events	472,454	-	472,454	317,589
Net realized and unrealized gains (losses) on investments	462,238	39,330	501,568	(1,515,339)
Interest income	435,682	-	435,682	332,523
Distributions on life income contracts	(13,363)	-	(13,363)	(25,227)
Change in value of life income contracts	18,973	-	18,973	76,420
Gain (loss) on disposal of fixed assets	2,634,707	-	2,634,707	(25,780)
Impairment loss on asset held for sale	(1,500,000)	-	(1,500,000)	(500,000)
Other revenue	143,226	-	143,226	107,756
Total revenue, gains, and other support	25,405,786	1,290,600	26,696,386	24,745,426
<b>Net Assets Released from Restrictions</b>	2,326,327	(2,326,327)	-	-
Total revenue, gains, other support, and net assets released from restrictions	27,732,113	(1,035,727)	26,696,386	24,745,426
<b>Expenses</b>				
Program services	21,947,227	-	21,947,227	20,494,990
Support services:				
Management and general	6,609,069	-	6,609,069	5,907,241
Fundraising	831,746	-	831,746	943,250
Total support services	7,440,815	-	7,440,815	6,850,491
Total expenses	29,388,042	-	29,388,042	27,345,481
<b>Decrease in Net Assets</b>	(1,655,929)	(1,035,727)	(2,691,656)	(2,600,055)
<b>Net Assets - Beginning of year</b>	26,799,188	8,638,657	35,437,845	38,037,900
<b>Net Assets - End of year</b>	<b>\$ 25,143,259</b>	<b>\$ 7,602,930</b>	<b>\$ 32,746,189</b>	<b>\$ 35,437,845</b>

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

### Consolidated Statement of Functional Expenses

Year Ended December 31, 2023

(with summarized comparative totals for the year ended December 31, 2022)

	Program Services	Support Services		Total Support Services	Total	
		Management and General	Fundraising		2023	2022
Salaries	\$ 9,892,947	\$ 2,151,786	\$ 317,772	\$ 2,469,558	\$ 12,362,505	\$ 11,780,120
Health and retirement costs	1,058,769	435,922	91,222	527,144	1,585,913	1,553,313
Payroll taxes	849,353	237,299	41,589	278,888	1,128,241	992,595
<b>Total salaries and related expenses</b>	<b>11,801,069</b>	<b>2,825,007</b>	<b>450,583</b>	<b>3,275,590</b>	<b>15,076,659</b>	<b>14,326,028</b>
Contracted program instruction and other fees	1,447,890	396,163	62,393	458,556	1,906,446	1,582,139
Legal, audit, and consulting	51,540	203,196	60,571	263,767	315,307	359,263
Supplies	1,803,381	66,427	30,636	97,063	1,900,444	1,921,037
Telephone	111,702	88,065	4,099	92,164	203,866	189,610
Postage and shipping	2,132	11,643	404	12,047	14,179	10,173
Occupancy	380,161	43,932	6,740	50,672	430,833	433,671
Utilities	1,441,893	345,169	55,054	400,223	1,842,116	1,773,551
Repairs and maintenance	1,095,232	351,787	39,780	391,567	1,486,799	1,215,713
Insurance and taxes	446,128	106,479	11,375	117,854	563,982	481,465
Promotion and advertising	144,692	697,778	569	698,347	843,039	780,530
Travel and entertainment	181,703	105,357	5,716	111,073	292,776	252,691
Conferences and trainings	134,289	105,881	23,184	129,065	263,354	234,341
Dues and fees	79,661	363,508	33,460	396,968	476,629	391,044
Federation membership dues to national office	-	310,713	-	310,713	310,713	239,604
Equipment rental	69,626	18,367	1,623	19,990	89,616	93,023
Miscellaneous	16,662	1,072	-	1,072	17,734	278
Credit loss expense	156,719	-	(45,119)	(45,119)	111,600	162,058
Operating lease expense	207,815	-	-	-	207,815	7,701
Interest expense	513,088	122,826	19,590	142,416	655,504	444,572
Depreciation	1,737,384	415,905	66,336	482,241	2,219,625	2,285,601
Amortization of right-of-use asset	124,460	29,794	4,752	34,546	159,006	161,388
Special events	-	-	361,954	361,954	361,954	509,912
<b>Total functional expenses</b>	<b>\$ 21,947,227</b>	<b>\$ 6,609,069</b>	<b>\$ 1,193,700</b>	<b>\$ 7,802,769</b>	<b>\$ 29,749,996</b>	<b>\$ 27,855,393</b>

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

## Consolidated Statement of Cash Flows

Year Ended December 31, 2023

(with summarized comparative totals for the year ended December 31, 2022)

	2023	2022
<b>Cash Flows from Operating Activities</b>		
Decrease in net assets	\$ (2,691,656)	\$ (2,600,055)
Adjustments to reconcile decrease in net assets to net cash and cash equivalents from operating activities:		
Depreciation	2,219,625	2,285,601
Credit loss expense	111,600	162,058
Noncash lease expense	333,317	168,866
Amortization of debt issuance costs	22,068	22,068
(Gain) loss on investments	(537,365)	1,515,339
(Gain) loss on disposition of assets	(2,634,707)	25,780
Change in value of life income contracts	(5,610)	(51,193)
Contributions restricted for endowment and long-term use	(355,306)	(453,685)
Impairment loss	1,500,000	500,000
Changes in operating assets and liabilities that provided (used) cash and cash equivalents:		
Receivables	2,935,986	(2,183,452)
Prepaid expenses and other assets	112,785	567
Accounts payable	15,997	(61,735)
Accrued and other liabilities	(18,346)	(68,734)
Deferred revenue	(951,905)	1,154,549
Financing leases	(57,040)	(8,546)
Operating leases	(173,091)	(7,479)
Net cash and cash equivalents (used in) provided by operating activities	(173,648)	399,949
<b>Cash Flows from Investing Activities</b>		
Purchases of property, plant and equipment	(528,223)	(1,417,016)
Proceeds from disposition of property, plant and equipment	1,500,000	-
Purchases of investments	(1,982,378)	(3,077,200)
Proceeds from sales of investments	675,768	3,000,301
Net cash and cash equivalents used in investing activities	(334,833)	(1,493,915)
<b>Cash Flows from Financing Activities</b>		
Principal payments on long-term notes payable	(373,733)	(326,514)
Principal payments on bonds payable	(2,534,191)	(853,256)
Payments on debt financing	(16,765)	(16,060)
Distributions on life income contracts	(13,363)	(25,227)
Proceeds from endowment and long-term use gifts	355,306	453,685
Payments on financing leases	(98,844)	(157,004)
Net cash and cash equivalents used in financing activities	(2,681,590)	(924,376)
<b>Net Decrease in Cash and Cash Equivalents</b>	(3,190,071)	(2,018,342)
<b>Cash and Cash Equivalents - Beginning of year</b>	6,341,101	8,359,443
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,151,030</b>	<b>\$ 6,341,101</b>
<b>Consolidated Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 2,208,540	\$ 3,745,140
Restricted cash	103,226	100,629
Cash restricted for investment in property, plant, and equipment	769,445	448,685
Cash designated for future use	69,819	2,046,647
Total cash and cash equivalents	<b>\$ 3,151,030</b>	<b>\$ 6,341,101</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	\$ 633,454	\$ 394,031
<b>Significant Noncash Transactions</b>		
Right-of-use asset obtained for new lease liabilities	\$ 1,121,069	\$ -
Prepaid below market rent obtained as a result of Birmingham sale-leaseback transaction (Note 4)	1,200,000	-



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

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## Notes to Consolidated Financial Statements

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December 31, 2023

### 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.

The Organization 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 with an original maturity of three months or less when purchase to be cash equivalents.

#### ***Cash Equivalents Designated for Future Use***

Cash equivalents designated for future 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, 2023, \$103,226 of cash is restricted for that purpose.

#### ***Classification of Net Assets***

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

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

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

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

Board-designated net assets include \$3,989,490 of quasi-endowment funds and \$2,933,634 of designations for future investment and potential cash flow operating needs. The board designations include cash equivalents designated for future use on the consolidated balance sheet.

**Notes to Consolidated Financial Statements**

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**December 31, 2023**

**Note 2 - Significant Accounting Policies (Continued)**

***Investments***

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

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

***Accounts Receivable***

Accounts receivable are stated at the applicable membership or program fee. The Association's policy is to record accounts receivable for certain types of memberships and programs when a commitment to participate has been made by the third party to the Association. An allowance for credit losses 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 credit losses in the period that such a determination is made. The Association has recorded an allowance for credit loss for accounts receivable of \$90,000 at December 31, 2023.

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

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

***Assets Held for Sale***

Assets held for sale represent property that was being actively marketed for sale at year end. These assets are recorded at the lower of the net book value or estimated fair value less costs to sell. See Note 4 for further details.

***Property, Plant, and Equipment***

Purchased property, plant, 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, 2023 was \$17,152,114. In some situations, the Association collects cash prior to the satisfaction of the performance obligation, which results in the Association recognizing contract liabilities. These contract liabilities are reflected within deferred revenue in the accompanying consolidated balance sheet.

**Notes to Consolidated Financial Statements**

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**December 31, 2023**

**Note 2 - Significant Accounting Policies (Continued)**

**Membership Dues**

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

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

Membership dues constitute approximately 44 percent of total revenue from contracts with members and participants for the year ended December 31, 2023.

**Camping and Program Fees**

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

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

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

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

Camping and program fee revenue constitutes approximately 54 percent of total revenue from contracts with customers for the year ended December 31, 2023.

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.

**Notes to Consolidated Financial Statements**

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**December 31, 2023**

**Note 2 - Significant Accounting Policies (Continued)**

***Contributions***

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

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

The Association's policy is to record pledges when such pledges are made to the Association, less an allowance for uncollectible amounts, if applicable. The Association has recorded an allowance for doubtful accounts for contributions receivable of \$105,000 at December 31, 2023, of which \$80,000 relates to the contributions receivable restricted to investment in property, plant, and equipment.

***Donated Services and Assets***

Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. There were no in-kind contributions for the year ended December 31, 2023.

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 2023.

***Grants and Government Contracts***

Grants and government contracts are generally recognized as services are provided. Grant money received in excess of that earned of \$20,340 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.

**Notes to Consolidated Financial Statements**

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**December 31, 2023**

**Note 2 - Significant Accounting Policies (Continued)**

***Financial Assistance***

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

***Income Taxes***

The Association is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS) or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that, as of December 31, 2023, 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, 2020.

***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, 2022 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 2022 consolidated financial statements, from which the summarized information was derived.

***Subsequent Events***

Management evaluated subsequent events up through May 22, 2024, and including which is the date the consolidated financial statements were available to be issued. In May 2024, the Association refinanced the Series 2014 Variable Rate Limited Obligation Revenue Refunding Bonds. See Note 5 for more details.

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

## Notes to Consolidated Financial Statements

December 31, 2023

### Note 3 - Contributions Receivable

Included in contributions receivable at December 31, 2023 are several unconditional promises to give. They are expected to be collected as follows:

Contributions receivable	\$ 1,003,721
Less allowance for uncollectible contributions	<u>(105,000)</u>
Net contributions receivable	<u>\$ 898,721</u>
Less than one year	\$ 958,868
One to five years	<u>44,853</u>
Total	<u>\$ 1,003,721</u>

The Association receives conditional contributions for the purpose of ongoing programs that are not recognized as revenue within the consolidated statement of activities and changes in net assets until the conditions are met.

During the year ended December 31, 2022, the Association received a contribution of \$1,000,000 with \$666,666 conditioned upon raising matching contributions for the Association's youth swim programs. Under the terms of the grant, if conditions are met, the Association will receive \$333,333 in 2023 and \$333,333 in 2024. The Association met the conditions for 2023 and recognized revenue of \$333,333.

Conditional contributions are also received from federal and nonfederal sources and revenue is conditioned upon the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract or grant provisions. The amount pledged through conditional contributions not yet recognized as revenue is approximately \$217,000 at December 31, 2023.

### Note 4 - Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2023 are summarized as follows:

	Amount	Depreciable Life - Years
Land	\$ 1,598,417	-
Land improvements	1,631,343	10-15
Buildings	49,785,357	15-50
Building improvements	14,667,963	10-15
Machinery and equipment	975,656	2-5
Transportation equipment	473,763	5
Furniture and fixtures	3,089,830	5-10
Computer equipment and software	793,328	3-5
Construction in progress	<u>9,247</u>	-
Total cost	73,024,904	
Accumulated depreciation	<u>48,913,491</u>	
Net property, plant, and equipment	<u>\$ 24,111,413</u>	

Depreciation expense for 2023 was \$2,219,625.

## Notes to Consolidated Financial Statements

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December 31, 2023

### **Note 4 - Property, Plant, and Equipment (Continued)**

During the year ended December 31, 2020, the Association elected to close three branch locations. Of these, one property remains held for sale on the consolidated balance sheet and is evaluated annually for impairment. During the year ended December 31, 2023, the Association determined the estimated fair value of the building was lower than the net book value and recorded an impairment loss of \$1,500,000. The estimated fair value was based on the expected eventual sale price of the facility. The Association will continue to monitor market conditions to determine if further impairment is indicated in future periods.

During the year ended December 31, 2023, the Association sold a property with a net book value of approximately \$528,000 at the time of the sale and subsequently entered into a sale-leaseback arrangement with the buyer of the property to lease the property for three years at \$1 of rent per year, beginning in July 2023. The property was sold for cash consideration of \$2,000,000, \$500,000 of which is included within other receivables on the consolidated balance sheet as of December 31, 2023. The fair market value of the lease acquired as part of the transaction was estimated to be \$1,200,000 based on the rents of comparable properties in the surrounding area. As of December 31, 2023, there is \$1,000,000 recorded as prepaid rent, which is included within prepaid expenses and other assets on the consolidated balance sheet. As a result of the sale, the Association recognized a gain of approximately \$2,650,000, which is included within gain on disposal of fixed assets on the consolidated statement of activities and changes in net assets.

### **Note 5 - Long-term Debt**

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

The maturity date of the bond agreement was July 1, 2034; however, under the purchase agreement, the bank had the right to redeem the Series 2014 Bonds on June 1, 2021. In February 2021, the bond agreement was amended. Additionally, the bank provided a certificate of extension, extending the Bank Purchase Rate Mandatory Tender Date to May 31, 2024. The bond agreement was further amended during 2023 to adjust the interest rate from LIBOR to SOFR and adjust the amortization schedule.

On May 16, 2024, the bond agreement was further amended to extend the Bank Purchase Rate Mandatory Tender Date to June 1, 2026. This tender date may be extended at the sole discretion of the purchaser. Under the amended agreement, the Association is subject to certain financial covenants that are measured monthly through April 2026.

Under the May 2024 amendment, monthly principal payments of \$98,819 are due through June 1, 2032. Monthly principal payments of \$47,570 are due from July 1, 2032 through July 1, 2034. Payments are due on the first day of each month. The debt bears interest at the rate of 0.11448 percent plus the term SOFR (an effective rate of 4.911 percent at December 31, 2023).

The amount reported at December 31, 2023 is \$11,037,067, which represents the outstanding principal due of \$11,268,749, net of unamortized debt issuance costs of \$231,682. Debt issuance costs are being amortized on a straight-line basis over the term of the bonds. Amortization expense was \$22,068 in 2023.

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

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

## Notes to Consolidated Financial Statements

December 31, 2023

### Note 5 - Long-term Debt (Continued)

In June 2021, the Association received a \$1,248,065 installment note loan from its bank to pay off outstanding equipment term loans of \$748,065 and the \$500,000 line of credit balance. The note is payable in monthly installments of approximately \$27,000 beginning on July 1, 2021 through November 2024. The note had an interest rate of 7.725 percent at December 31, 2023. The balance of the note was \$275,907 at December 31, 2023.

During 2020, the Association obtained financing of approximately \$82,000 to purchase equipment. Payments are due in monthly installments of approximately \$1,500 over the 63-month term. The balance of the loan was \$26,537 at December 31, 2023.

Minimum principal payments on the bonds and notes payable to maturity as of December 31, 2023 are as follows:

<u>Years Ending</u>	<u>Amount</u>
2024	\$ 1,479,231
2025	1,194,859
2026	1,185,823
2027	1,185,823
2028	1,185,823
Thereafter	5,339,634
Unamortized debt discount	<u>(231,682)</u>
Total	<u>\$ 11,339,511</u>

Interest expense for 2023 was \$651,353, which includes \$22,068 of bond amortization expense.

### Note 6 - Leases

The Association is obligated under operating leases primarily for use of space, expiring at various dates through 2026. The right-of-use asset and related lease liability have been calculated using the risk-free discount rates ranging from 4.47 percent to 5.49 percent. The leases require the Association to pay taxes, insurance, utilities, and maintenance costs.

The Association leases fitness and office equipment under long-term lease arrangements that are classified as finance leases. Under the terms of the lease agreements, payments of \$13,068 are due monthly through 2025. The right-of-use asset and related lease liability have been calculated using risk-free discount rates ranging from 0.65 percent to 1.29 percent.

The Association made a policy election not to separate lease and nonlease components for the operating leases and financing leases. Therefore, the full amount of the lease payments are included in the recorded right-of-use asset and lease liability for the leases of space and fitness and office equipment, expiring at various dates through 2026.



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

## Notes to Consolidated Financial Statements

December 31, 2023

### Note 6 - Leases (Continued)

Expenses recognized under these leases for the year ended December 31, 2023 are recognized on the straight-line basis and consist of the following:

Finance lease cost:	
Amortization of right-of-use assets	\$ 159,006
Interest on lease liabilities	1,700
Operating lease cost	<u>207,815</u>
Total lease cost	<u>\$ 368,521</u>

Other information:	
Weighted-average remaining lease term - Finance leases	9.14 months
Weighted-average remaining lease term - Operating leases	29.71 months
Weighted-average discount rate - Finance leases	0.9 %
Weighted-average discount rate - Operating leases	4.5 %

Future minimum rent on noncancelable leases as of December 31, 2023 for each of the next three years, and in the aggregate, is as follows:

Years Ending December 31	Operating Leases	Direct Finance Leases	Total Payments
2024	\$ 411,745	\$ 102,465	\$ 514,210
2025	400,000	8,847	408,847
2026	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total	1,011,745	111,312	1,123,057
Less amount representing interest	<u>56,042</u>	<u>508</u>	<u>56,550</u>
Present value of net minimum lease payments	955,703	110,804	1,066,507
Less current obligations	<u>411,745</u>	<u>102,465</u>	<u>514,210</u>
Long-term obligations under leases	<u>\$ 543,958</u>	<u>\$ 8,339</u>	<u>\$ 552,297</u>

### Note 7 - Donor-restricted Net Assets

Net assets with donor restrictions as of December 31, 2023 are available for the following purposes:

Subject to expenditures for a specified purpose and the passage of time	\$ 3,897,902
Subject to the passage of time - Life Income Fund	214,387
Subject to the Association's spending policy and appropriation (Note 12)	<u>3,490,641</u>
Total	<u>\$ 7,602,930</u>

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.

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

## Notes to Consolidated Financial Statements

December 31, 2023

### Note 7 - Donor-restricted Net Assets (Continued)

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 8 - 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 \$2,094,439 at December 31, 2023. 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, 2023, the Community Foundation distributed \$93,392 to the Association.

### Note 9 - 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 \$659,000.

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 10 - Related Party Transactions

During 2023, the Association conducted various transactions with entities that have owners or key employees who are Association board members. The following is a summary of the significant transactions:

Electricity and gas	\$	1,329,004
Marketing and promotion		242,105

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

## Notes to Consolidated Financial Statements

December 31, 2023

### Note 11 - 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.

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.

The following table presents information about the Association's assets measured at fair value on a recurring basis at December 31, 2023 and the valuation techniques used by the Association to determine those fair values:

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2023			
	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, 2023
<b>Assets</b>				
Investments:				
Index funds	\$ 4,427,705	\$ -	\$ -	\$ 4,427,705
Mutual funds	429,566	-	-	429,566
Fixed income and preferred stocks	-	4,727,830	-	4,727,830
Total	<u>\$ 4,857,271</u>	<u>\$ 4,727,830</u>	<u>\$ -</u>	9,585,101
Investments measured at net asset value - Alternative investments:				
Hatteras multistrategy				49,299
JLL Property Income Trust				<u>511,114</u>
Total assets				<u>\$ 10,145,514</u>

**Notes to Consolidated Financial Statements**

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**December 31, 2023**

**Note 11 - Fair Value Measurements (Continued)**

The fair value of fixed income and preferred stocks at December 31, 2023 was determined primarily based on Level 2 inputs. The Association estimates the fair value of these investments using quoted market prices and other market data for the same of comparable instruments and transactions, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve assumptions, as well as other relevant economic measures.

***Investments in Entities that Calculate Net Asset Value per Share***

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

The Hatteras is a closed-end investment management company registered under the Investment Company Act of 1940, as amended. The Foundation holds a limited partnership interest in the Hatteras. This fund of funds investment invests in hedged investments and private investments. The Hatteras' investment objective is to provide capital appreciation consistent with the return characteristics of larger endowments. The estimated fair value of the Association's interest in the investment company is provided by an external investment manager and is based on net asset value per share (or its equivalent) of the investment company. The Association reviews and evaluates the values provided by the investment manager and agrees with the valuation methods and significant assumptions used in determining fair value. At December 31, 2023, the Association had no unfunded commitments with the investment company. The investors are in the process of fully liquidating the fund over the next several quarters; however, there is no estimate available on when investors will receive their remaining investment.

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, 2023, 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 12 - 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.

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

## Notes to Consolidated Financial Statements

December 31, 2023

### Note 12 - Donor-restricted and Board-designated Endowments (Continued)

#### Interpretation of Relevant Law

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

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

	Endowment Net Asset Composition by Type of Fund as of December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 3,989,490	\$ -	\$ 3,989,490
Donor-restricted endowment funds - Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	-	3,490,641	3,490,641
<b>Total</b>	<b>\$ 3,989,490</b>	<b>\$ 3,490,641</b>	<b>\$ 7,480,131</b>
	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - Beginning of year	\$ 2,162,542	\$ 3,458,641	\$ 5,621,183
Investment return:			
Investment income	214,293	-	214,293
Net appreciation (realized and unrealized)	434,452	-	434,452
<b>Total investment return</b>	<b>648,745</b>	<b>-</b>	<b>648,745</b>
Contributions	1,214,000	32,000	1,246,000
Appropriation of endowment assets for expenditure	(35,797)	-	(35,797)
<b>Endowment net assets - End of year</b>	<b>\$ 3,989,490</b>	<b>\$ 3,490,641</b>	<b>\$ 7,480,131</b>

**Notes to Consolidated Financial Statements**

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**December 31, 2023**

**Note 12 - Donor-restricted and Board-designated Endowments (Continued)**

***Underwater Endowment Funds***

As of December 31, 2023, there were no funds with deficiencies.

***Return Objectives and Risk Parameters***

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

***Strategies Employed for Achieving Objectives***

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

***Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Association typically has a policy of appropriating for distribution each year 6 percent of its endowment fund's average fair value for the previous three years as of March 31 through the calendar year end preceding the fiscal year in which the distribution is planned.

In establishing the annual distribution policy, the Association expects to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of the assets. The Association has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The Association elected not to take an annual distribution from the donor-restricted endowment in 2023.

**Note 13 - Pandemic Relief Funding**

The CARES Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all measurable barriers to be entitled to the funding. Management has determined that the measurable barriers that must be overcome for entitlement to the ERC funding are qualifying for the credit based on meeting the threshold for gross receipts decline in 2021 compared to 2019 and incurring eligible payroll expenses. For the year ended December 31, 2021, the Association determined these conditions have been met and recognized approximately \$2.4 million of ERC revenue on the consolidated statement of activities and changes in net assets in that year. The Association received the remaining ERC receivable of \$1.2 million during 2023.

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

## Notes to Consolidated Financial Statements

December 31, 2023

### Note 13 - Pandemic Relief Funding (Continued)

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

### Note 14 - Liquidity and Availability of Financial Resources

The following reflects the Association's financial assets as of December 31, 2023, 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	\$ 15,751,138
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:	
Restricted by donor for capital use	852,741
Subject to appropriation and satisfaction of donor restrictions	3,490,641
Investments held in annuity trust	214,387
Board-designated endowment:	
Endowment fund, primarily for long-term investing	3,623,121
Contribution	433,634
	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,136,614</u>

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

The Association received a significant unrestricted gift in 2020. The gift has been board designated for future investment and for cash flow operating needs. It is estimated that approximately \$2,500,000 will be appropriated for general expenditures in 2024.

The Association's endowment consists of a board-designated endowment of \$3,989,490 at December 31, 2023, in addition to the donor-restricted endowment. Income from the endowment is not restricted and, therefore, available for general expenditure.

### Note 15 - Management's Plan

Over the past two years, the Association has been working to rebuild from the tremendous negative impact of the pandemic. After a more than six-month mandatory closure and ongoing disruptions to normal operations, the Association experienced historic declines in revenue in 2020 and 2021. Since then, significant progress has been made in this recovery, with 65 percent growth in membership and program revenue. However, even with this progress, revenue is still below pre-pandemic levels, and more work must be done to fully recover from the impact of the pandemic.

**Notes to Consolidated Financial Statements**

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**December 31, 2023**

**Note 15 - Management's Plan (Continued)**

The Association has implemented the following plans to continue rebuilding from the pandemic:

- The Association will continue to drive membership and program revenue growth through further implementation of the key components of the turnaround plan, which seeks to improve the member experience by making targeted investments in staff and facilities. Management believes that this strategy has been instrumental in the revenue growth achieved over the past two years and is committed to continuing with this plan.
- The Association continues to operate with a reduced staffing structure in alignment with current revenue levels. The current staffing model remains at approximately 58 percent of pre-pandemic levels.
- The North Oakland branch of the Association is for sale. Proceeds from an eventual sale will decrease the outstanding debt obligations of the Association. In addition to the sale of the North Oakland branch, Association leadership is assessing operating performance and property values at each of the remaining branches and is considering further decisions about potential branch closures in the future.
- In 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 to meet operating cash flow needs, leaving \$1,085,457 available for future needs.
- The Association received a \$10 million unrestricted gift in 2020. The gift has been instrumental in enabling the Association to deal with the negative financial impacts of the pandemic. The Association used \$7 million of as part of its pandemic recovery plan, leaving approximately \$3 million available for future use.
- On May 16, 2024, the Association successfully amended the payment terms on Series 2014 bonds. See Note 5 for more details.
- The Michigan Legislature continues to prioritize the health, safety, and education of children and has allocated funding to support child care and out-of-school-time programs that further these objectives. Based on these stated priorities, management anticipates continuing support of child care and out-of-school-time programs in 2024 and potentially beyond.

Though the COVID-19 pandemic 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 financial improvements made over the last two years further support the impact that the turnaround plan is having. The Association will continue to prioritize funding opportunities, including grants and gifts, to continue implementing the turnaround plan and achieving financial sustainability in the future.

This Association is a 170-year-old, mission-driven community benefit organization, committed to youth, family, and community, and leadership intends to take appropriate financial and other actions to allow the Association to continue to serve metropolitan Detroit as a relevant and impactful organization for another century. To be successful, these actions will require continuing and enhanced support from donors, members, volunteers, staff, and local government.