



ANNUAL REPORT
December 31, 2019



YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

ANNUAL REPORT
December 31, 2019

C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 26



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Young Men's Christian Association of Michiana, Inc.
d/b/a YMCA of Michiana, Inc.
South Bend, Indiana

We have audited the accompanying financial statements of Young Men's Christian Association of Michiana, Inc. d/b/a YMCA of Michiana, Inc., (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Michiana, Inc. d/b/a YMCA of Michiana, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kuegel, Jantzen & Company LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

Elkhart, Indiana
September 25, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.**d/b/a YMCA OF MICHIANA, INC.**South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	371,822	322,183
Certificate of deposit	226,594	226,255
Accounts receivable, net	21,868	23,954
Pledges receivable, net	43,834	208,156
Investments	502,009	418,774
Inventory	21,570	21,570
Prepaid expenses	31,119	66,798
Total Current Assets	1,218,816	1,287,690
PROPERTY AND EQUIPMENT		
Land	741,376	821,558
Buildings and building improvements	8,226,166	8,210,429
Furniture and equipment	1,729,398	1,698,671
Construction in progress	506,740	268,907
Total	11,203,680	10,999,565
Accumulated depreciation	(6,836,675)	(6,606,710)
Net Property and Equipment	4,367,005	4,392,855
OTHER ASSETS		
Pledges receivable, net	12,201	36,841
Beneficial interest in assets held by Community Foundation	622,177	541,585
Total Other Assets	634,378	578,426
TOTAL ASSETS	6,220,199	6,258,971

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.**d/b/a YMCA OF MICHIANA, INC.**South Bend, Indiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of capital lease obligation	10,295	20,238
Current portion of long-term debt	126,598	120,172
Lines of credit	475,000	275,000
Accounts payable	62,791	66,046
Accrued payroll, taxes and withholding	34,244	42,432
Deferred revenue	99,819	151,142
Other accrued expenses	23,830	26,307
Total Current Liabilities	832,577	701,337
OTHER LIABILITIES		
Capital lease obligation	4,454	14,748
Long-term debt	400,481	748,440
Total Other Liabilities	404,935	763,188
TOTAL LIABILITIES	1,237,512	1,464,525
NET ASSETS		
Without donor restrictions	4,363,311	4,137,759
With donor restrictions	619,376	656,687
TOTAL NET ASSETS	4,982,687	4,794,446
TOTAL LIABILITIES AND NET ASSETS	6,220,199	6,258,971

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.**d/b/a YMCA OF MICHIANA, INC.**South Bend, Indiana

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Memberships	1,207,200	0	1,207,200
Camp fees	1,809,359	0	1,809,359
Other program and service fees	336,182	0	336,182
<u>Less: scholarships and discounts</u>	<u>(268,571)</u>	<u>0</u>	<u>(268,571)</u>
Net program services and fees	3,084,170	0	3,084,170
Other grants	14,558	11,442	26,000
Use of facilities	14,440	0	14,440
Investment income	7,612	0	7,612
Realized gain on investments	9,813	0	9,813
Unrealized gain on investments	53,433	13,037	66,470
Change in beneficial interest	107,749	0	107,749
Contributions	112,959	363,015	475,974
Other income	44,611	0	44,611
Gain on sale of assets	88,489	0	88,489
Sale of merchandise	62,868	0	62,868
<u>Less: merchandise cost of sales</u>	<u>(24,409)</u>	<u>0</u>	<u>(24,409)</u>
Net sales of merchandise	38,459	0	38,459
Special event revenue	225,006	0	225,006
<u>Less: costs of direct benefits to donors</u>	<u>(24,906)</u>	<u>0</u>	<u>(24,906)</u>
Net revenues from special events	200,100	0	200,100
<hr/>			
Total Public Support and Revenue	3,776,393	387,494	4,163,887
<hr/>			
Net assets released from restrictions:			
Satisfaction of restrictions	424,805	(424,805)	0
FUNCTIONAL EXPENSES			
Program	3,039,190	0	3,039,190
Management and general	872,929	0	872,929
Fundraising	63,527	0	63,527
Total Functional Expenses	3,975,646	0	3,975,646
<hr/>			
CHANGE IN NET ASSETS	225,552	(37,311)	188,241
<hr/>			
NET ASSETS, BEGINNING OF YEAR	4,137,759	656,687	4,794,446
<hr/>			
NET ASSETS, END OF YEAR	4,363,311	619,376	4,982,687

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.**d/b/a YMCA OF MICHIANA, INC.**South Bend, Indiana

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Memberships	1,420,406	0	1,420,406
Camp fees	1,803,497	0	1,803,497
Other program and service fees	326,717	0	326,717
<u>Less: scholarships and discounts</u>	<u>(324,578)</u>	<u>0</u>	<u>(324,578)</u>
Net program and service fees	3,226,042	0	3,226,042
Other grants	80,760	0	80,760
Use of facilities	17,377	0	17,377
Investment income	6,051	0	6,051
Realized loss on investments	(1,748)	0	(1,748)
Unrealized loss on investment	(40,942)	8,956	(31,986)
Change in beneficial interest	(33,750)	0	(33,750)
Contributions	127,830	232,761	360,591
Other income	47,681	0	47,681
Sale of merchandise	73,264	0	73,264
<u>Less: merchandise cost of sales</u>	<u>(33,889)</u>	<u>0</u>	<u>(33,889)</u>
Net sales of merchandise	39,375	0	39,375
Special event revenue	190,466	0	190,466
<u>Less: costs of direct benefits to donors</u>	<u>(63,794)</u>	<u>0</u>	<u>(63,794)</u>
Net revenues from special events	126,672	0	126,672
<hr/>			
Total Public Support and Revenue	3,595,348	241,717	3,837,065
<hr/>			
Net assets released from restrictions:			
Satisfaction of restrictions	533,521	(533,521)	0
FUNCTIONAL EXPENSES			
Program	3,079,536	0	3,079,536
Management and general	828,143	0	828,143
Fundraising	65,510	0	65,510
Total Functional Expenses	3,973,189	0	3,973,189
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CHANGE IN NET ASSETS	155,680	(291,804)	(136,124)
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NET ASSETS, BEGINNING OF YEAR	3,982,079	948,491	4,930,570
<hr/>			
NET ASSETS, END OF YEAR	4,137,759	656,687	4,794,446

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC. d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	<u>Operational Excellence</u>	<u>Camp Eberhart</u>	<u>Social Responsibility</u>	<u>Youth Development</u>	<u>Healthy Living</u>	<u>Edison Lakes</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Personnel	943,622	687,747	0	1,807	69,174	60,714	1,763,064	271,142	61,494	332,636	2,095,700
Travel	3,061	3,552	0	2,030	1,083	0	9,726	16,927	1,218	18,145	27,871
Conference and training	6,277	5,369	0	0	922	0	12,568	6,907	0	6,907	19,475
Memberships	0	4,599	0	0	0	0	4,599	1,323	0	1,323	5,922
Insurance	49,387	19,878	0	0	0	10,193	79,458	3,785	0	3,785	83,243
Professional and accounting fees	0	0	0	0	0	0	0	35,251	0	35,251	35,251
Supplies	75,415	233,358	0	6,581	472	1,629	317,455	12,949	59	13,008	330,463
Equipment expenses	1,812	8,584	0	0	0	0	10,396	2,294	0	2,294	12,690
Utilities	113,323	79,194	0	0	0	28,421	220,938	0	0	0	220,938
Repairs and maintenance	41,042	24,165	0	0	0	0	65,207	0	0	0	65,207
Vehicle expenses	358	17,480	0	0	0	0	17,838	0	0	0	17,838
Advertising and promotion	798	219	0	0	0	0	1,017	46,645	0	46,645	47,662
Printing	1,213	1,841	0	0	0	0	3,054	11,324	0	11,324	14,378
Postage	281	1,039	0	0	3	0	1,323	1,142	756	1,898	3,221
Telephone	638	3,378	0	0	0	0	4,016	6,744	0	6,744	10,760
Program expenses	78,894	103,211	0	701	2,546	15,167	200,519	306,256	0	306,256	506,775
Service fees	0	1,176	0	0	0	0	1,176	61,737	0	61,737	62,913
Bad debt expense (recoveries)	44,830	(22,244)	0	0	0	0	22,586	24,582	0	24,582	47,168
National dues	0	0	0	0	0	0	0	61,207	0	61,207	61,207
Other	1,725	4,426	0	0	0	0	6,151	2,714	0	2,714	8,865
Interest expense	42,696	0	0	0	0	0	42,696	0	0	0	42,696
Direct donor benefit	0	0	0	0	0	0	0	0	24,906	24,906	24,906
Depreciation expense	120,581	107,148	0	0	0	27,674	255,403	0	0	0	255,403
Total Expenses	1,525,953	1,284,120	0	11,119	74,200	143,798	3,039,190	872,929	88,433	961,362	4,000,552
Less direct donor benefit netted in revenues	0	0	0	0	0	0	0	0	(24,906)	(24,906)	(24,906)
TOTAL FUNCTIONAL EXPENSES	1,525,953	1,284,120	0	11,119	74,200	143,798	3,039,190	872,929	63,527	936,456	3,975,646

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC. d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018

	Operational Excellence	Camp Eberhart	Social Responsibility	Youth Development	Healthy Living	Edison Lakes	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Personnel	806,869	657,242	2	14,043	52,415	234,854	1,765,425	306,714	63,702	370,416	2,135,841
Travel	6,627	15,746	0	847	1,390	143	24,753	9,774	435	10,209	34,962
Conference and training	4,733	4,242	0	0	1,463	125	10,563	2,731	0	2,731	13,294
Memberships	0	4,580	0	0	0	0	4,580	582	0	582	5,162
Insurance	49,451	18,635	1,658	0	0	12,726	82,470	1,838	0	1,838	84,308
Professional and accounting fees	0	0	0	0	0	0	0	18,008	0	18,008	18,008
Supplies	73,875	242,912	0	5,524	3,583	17,557	343,451	8,141	383	8,524	351,975
Equipment expenses	2,564	5,139	0	0	0	0	7,703	2,568	0	2,568	10,271
Utilities	139,887	76,337	998	0	0	45,156	262,378	0	0	0	262,378
Repairs and maintenance	9,445	18,204	0	0	0	400	28,049	0	0	0	28,049
Vehicle expenses	0	28,560	0	0	0	0	28,560	0	0	0	28,560
Advertising and promotion	128	1,879	0	256	0	0	2,263	12,936	0	12,936	15,199
Printing	796	0	0	0	0	0	796	18,505	309	18,814	19,610
Postage	91	1,432	0	72	14	0	1,609	978	681	1,659	3,268
Telephone	629	1,525	0	0	0	0	2,154	12,000	0	12,000	14,154
Program expenses	69,670	99,345	6,973	3,747	1,526	26,517	207,778	246,459	0	246,459	454,237
Service fees	(867)	0	0	0	0	0	(867)	63,397	0	63,397	62,530
Bad debt expense (recoveries)	12,795	15,234	58	0	0	0	28,087	8,278	0	8,278	36,365
National dues	0	0	0	0	0	0	0	65,174	0	65,174	65,174
Other	11,510	4,499	0	0	0	0	16,009	3,634	0	3,634	19,643
Interest expense	0	0	0	0	0	0	0	46,426	0	46,426	46,426
Direct donor benefit	0	0	0	0	0	0	0	0	63,794	63,794	63,794
Depreciation expense	92,603	111,615	260	0	0	59,297	263,775	0	0	0	263,775
Total Expenses	1,280,806	1,307,126	9,949	24,489	60,391	396,775	3,079,536	828,143	129,304	957,447	4,036,983
Less direct donor benefit netted in revenues	0	0	0	0	0	0	0	0	(63,794)	(63,794)	(63,794)
TOTAL FUNCTIONAL EXPENSES	1,280,806	1,307,126	9,949	24,489	60,391	396,775	3,079,536	828,143	65,510	893,653	3,973,189

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.**d/b/a YMCA OF MICHIANA, INC.**South Bend, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	188,241	(136,124)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	255,403	263,775
Change in beneficial interest	(80,592)	59,269
Realized (gain) loss on investments	(9,813)	1,748
Unrealized gain (loss) on investment	(66,470)	31,986
Gain on sale of assets	(88,489)	13,141
Provision for bad debts	47,168	36,365
Adjustments for changes in operating assets and liabilities:		
Accounts receivable, net	(45,082)	(44,870)
Pledges receivable, net	188,962	261,788
Inventory	0	5,540
Prepaid expenses	35,679	9,263
Accounts payable	(3,255)	11,264
Accrued payroll, taxes and withholding	(8,188)	(15,631)
Deferred revenue	(51,323)	16,580
Other accrued expenses	(2,477)	674
Net Cash Flows from Operating Activities	359,764	514,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	38,526	140,602
Purchase of investments	(45,816)	(146,402)
Purchase of property and equipment	(369,804)	(443,949)
Proceeds from sale of property and equipment	228,740	0
Net Cash Flows from Investing Activities	(148,354)	(449,749)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	200,000	50,000
Principal payments under capital lease obligation	(20,238)	(38,956)
Principal payments on long-term debt	(341,533)	(54,348)
Proceeds from issuance of long-term debt	0	35,000
Net Cash Flows from Financing Activities	(161,771)	(8,304)
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	49,639	56,715
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	322,183	265,468
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	371,822	322,183
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Interest paid	42,696	46,426
SUPPLEMENTAL DISCLOSURES OF NONCASH FINANCING ACTIVITIES:		
Capital lease obligation	0	38,020

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.

d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NATURE OF BUSINESS

Young Men's Christian Association of Michiana d/b/a YMCA of Michiana, Inc. (the "Association") is an Indiana nonprofit corporation organized to put Christian principles into practice through programs that build healthy spirit, mind, and body for all. Its operations are supported primarily by memberships and program fees and contributions from the public. The Association ceased operations at the Edison Lakes location on March 31, 2019. The Association merged with the YMCA of Southwest Michigan, Inc. on January 1, 2020 to form the YMCA of Greater Michiana, Inc. In March 2020, the South Bend location ceased operations in accordance with local government restrictions due to the pandemic. As a result of the pandemic shuttering the Association's profitable camp operations which effectively financed other ongoing operational losses, the South Bend location remains closed and operations have been relocated to another facility in collaboration with the City of South Bend Venues Parks and Arts Foundation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

The Association adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of nonprofit organizations. FASB ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions.

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

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

FAIR VALUE MEASUREMENTS

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

USE OF ESTIMATES

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, the Association considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the limits of the FDIC. It is common throughout the course of operations for the Association's cash balance to exceed the insured limit.

Restricted cash consists of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Camp - Capital	105,826	119,510
Summer Learning Loss Prevention	7,942	4,855
Diabetes Prevention	8,355	8,917
Riverview - Capital	125,769	34,516
South Bend Tribune fund distributions	13,037	8,956
Total	260,929	176,754

ACCOUNTS RECEIVABLE

Accounts receivable for memberships, program services, and other activities are stated at the amount management expects to collect from outstanding balances and are presented net of allowance for doubtful accounts, which is estimated to be \$29,377 and \$14,102 at December 31, 2019 and 2018, respectively. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. The Association does not charge interest on past due accounts.

CONTRIBUTIONS

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

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

DONATED SERVICES

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

PLEDGES RECEIVABLE

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

The Association uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific pledges made. The allowance for uncollectible pledges is estimated to be \$3,436 and \$22,335 at December 31, 2019 and 2018, respectively.

INVENTORY

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

INVESTMENTS

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

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

PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded at their estimated fair value. The donation is recorded in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service. Net assets with donor restrictions are reclassified to net assets without donor restrictions at that time. There were no donated assets for the years ended December 31, 2019 or 2018.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was \$255,403 and \$263,775 for the years ended December 31, 2019 and 2018, respectively. The Association had \$506,740 and \$268,907 of construction in progress which was not depreciated as of December 31, 2019 and 2018, respectively. Construction in progress is primarily related to further development at Camp Eberhart.

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

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

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among Operational Excellence (memberships and maintenance), Camp Eberhart, Social Responsibility, Youth Development, Healthy Living, Edison Lakes and Corporate expense (management and general). The Social Responsibility program was discontinued as of December 31, 2018. Management and general expense includes expenditures for recordkeeping, business management, budgeting, and the overall direction of the Association and its programs.

Significant expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages; payroll taxes	Time and effort
Insurance costs	Full Time Equivalent Personnel

The remainder of expenses are assigned to the respective functional category by method of direct assignment or estimated actual usage.

FEES AND DEFERRED REVENUE

The Association records deferred revenue in the Statements of Financial Position upon the receipt of cash paid by members in advance of the current membership month or in advance of the start date of certain programs and residential summer camp. These fees are recognized as revenue in the Statements of Activities at the start date of the program, membership month, or camper week to which they pertain.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended December 31, 2019 and 2018 were \$47,662 and \$15,199, respectively.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

INCOME TAXES

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

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

Based on its evaluation, the Association has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Association's evaluation was performed for all federal and state tax periods still subject to examination. The Association's 2016 through 2018 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

On November 17, 2016, the FASB issued Accounting Standards Update 2016-18, *Restricted Cash (Topic 230)* ("ASU 2016-18"), which addresses classification and presentation of changes in restricted cash on the Statements of Cash Flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for public business entities for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. It is effective for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019 for all other entities. The Association adopted ASU 2016-18 for the fiscal year ended December 31, 2019 using a retrospective transition method for each period presented.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard was intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. ASU 2018-08 is effective for resource recipients for annual periods beginning after December 15, 2018. The Organization adopted ASU 2018-08 for the fiscal year ended December 31, 2019. The adoption of this ASU did not result in any material changes in the accounting for contributions received.

RECENT ACCOUNTING PRONOUNCEMENT

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association adopted the ASU and adjusted the presentation of the financial statements to comply with this ASU in the year ended December 31, 2018.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Association has working capital of \$386,239 and \$586,353 and average days cash on hand of 34 and 30 at December 31, 2019 and 2018, respectively.

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

Financial assets at year end:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	110,893	145,429
Account receivables, net	21,868	23,954
Pledges receivable, net	56,035	244,997
Investments	502,009	418,774
Assets limited to use:		
Certificate of deposit	226,594	226,255
Board designated	622,177	541,585
Donor restricted	260,929	176,754
Total financial assets:	1,800,505	1,777,748
Less amounts not available to be used within one year:		
Pledges receivable, net	(12,201)	(36,841)
Board designated with liquidity horizons greater than one year	(622,177)	(541,585)
Donor restricted endowments invested in perpetuity	(150,000)	(150,000)
Financial assets available to meet general expenditures within one year:	1,016,127	1,049,322

The Association has certain donor restricted assets limited to use which are available for general expenditure within one year in the normal course of operations (Note 10). Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

Additionally, the Association maintains two lines of credit as described in Note 7. As of December 31, 2019, \$0 remained available on the lines of credit.

In addition to other assets, the certificate of deposit balance on the Statements of Financial Position serves as collateral for the \$275,000 line of credit. As of December 31, 2019, the balance outstanding on the line of credit was \$48,406 higher than the value of the certificate of deposit as of that date.

NOTE 3 - PLEDGES RECEIVABLE

The Association has had an ongoing capital campaign to raise funds for the purchase and improvement of a new facility. The new facility, known as Edison Lakes Family YMCA, was placed in service during 2016. The facility was closed in March 2019. The use of pledges remaining outstanding will be redirected upon collection in accordance with updated stipulations from donors.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Included in pledges receivable are the following unconditional pledges:

	<u>2019</u>	<u>2018</u>
United Way of St. Joseph County	0	57
YMCA branch locations	32,497	105,256
Camp Eberhart	29,955	165,000
Less allowance for uncollectibles	(3,436)	(22,335)
Total	59,016	247,978
Less unamortized discount	(2,981)	(2,981)
Net Unconditional Pledges	56,035	244,997

Net unconditional pledges are due during the following years ending December 31:

2020	43,834
2021	12,201
Total	56,035

A discount rate of 5% was applied in the calculation of the unamortized discount.

NOTE 4 - FAIR VALUE MEASUREMENTS

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

Basis of Fair Value Measurement

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

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

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

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As required by FASB ASC 820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association utilizes the market approach to measure fair value for its Level 1 financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The Association utilizes the market approach to approximate its value of Level 3 investments. Given a pool of assets whose total is known, the Association can approximate its share of the total pooled investment value using rates of return applied to known contribution amounts. The Association used fund statements provided by the Community Foundation of St. Joseph County that include detail of contributions and withdrawals to adjust the fair value of its assets. The Association is familiar with the Community Foundation and its investment base which includes a variety of investments including domestic (small and large cap) and global equities, fixed income securities, hedge funds, and other investments. The investments are classified as Level 3 since the fund agreements provide for the irrevocable transfer of assets to the Community Foundation. The Association's methodologies did not change for the years ended December 31, 2019 and 2018.

The following table presents the Association's fair value hierarchy for the investment assets at fair value, as of December 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	0	226,594	0	226,594
Investments				
Money market funds	20,312	0	0	20,312
Fixed income mutual funds	138,648	0	0	138,648
Equity mutual funds	343,049	0	0	343,049
Beneficial interest in assets held by				
Community Foundation	0	0	622,177	622,177
Total	502,009	226,594	622,177	1,350,780

The following table presents the Association's fair value hierarchy for the investment assets at fair value, as of December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	0	226,255	0	226,255
Investments				
Fixed income mutual funds	14,293	0	0	14,293
Equity mutual funds	133,963	0	0	133,963
Equity technologies	270,518	0	0	270,518
Beneficial interest in assets held by				
Community Foundation	0	0	541,585	541,585
Total	418,774	226,255	541,585	1,186,614

See Note 13 for reconciliation of level 3 investments.

NOTE 5 - PROPERTY AND EQUIPMENT

The Edison Lakes location was closed as of March 31, 2019. The property is listed for sale but expected to be leased during 2020.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The cost of property and equipment and related accumulated depreciation are as follows at December 31, 2019:

	<u>Mishawaka</u>	<u>South Bend</u>	<u>Camp Eberhart</u>	<u>Total</u>
Land	240,545	260,308	240,523	741,376
Buildings and building improvements	739,402	4,400,137	3,086,627	8,226,166
Furniture and equipment	0	992,579	736,819	1,729,398
Construction in progress	0	5,901	500,839	506,740
	<u>979,947</u>	<u>5,658,925</u>	<u>4,564,808</u>	<u>11,203,680</u>
Less: Accumulated depreciation	87,135	4,334,628	2,414,912	6,836,675
Net property and equipment	<u>892,812</u>	<u>1,324,297</u>	<u>2,149,896</u>	<u>4,367,005</u>

The cost of property and equipment and related accumulated depreciation are as follows at December 30, 2018:

	<u>Mishawaka</u>	<u>South Bend</u>	<u>Camp Eberhart</u>	<u>Total</u>
Land	320,727	260,308	240,523	821,558
Buildings and building improvements	765,007	4,358,795	3,086,627	8,210,429
Furniture and equipment	217,531	803,994	677,146	1,698,671
Construction in progress	0	0	268,907	268,907
	<u>1,303,265</u>	<u>5,423,097</u>	<u>4,273,203</u>	<u>10,999,565</u>
Less: Accumulated depreciation	147,015	4,151,932	2,307,763	6,606,710
Net property and equipment	<u>1,156,250</u>	<u>1,271,165</u>	<u>1,965,440</u>	<u>4,392,855</u>

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

The Association has entered into agreements with the Community Foundation of St. Joseph County, Inc. (Community Foundation), in which the Community Foundation has established five different funds for the purpose of providing support to the Association. The Association expects to receive the income earned on the assets held in perpetuity, but will never receive the assets held in the fund. Distributions from the fund are currently based upon the Community Foundation's spending policy. Annual distributions from the fund are reported as investment income that increase net assets without donor restrictions. Periodic changes in the market value of the funds are reported as Change in beneficial interest in the Statements of Activities.

The following is a list of the separate funds held with the Community Foundation of St. Joseph County, Inc. as of December 31, 2019 and 2018:

1. YMCA of Michiana Fund
2. YMCA of Camp Eberhart Fund
3. YMCA of Michiana, Inc. - South Bend Tribune Fund
4. YMCA - Charles Martin Fund
5. Peter Kreig Memorial Fund for Camp Eberhart

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.

d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The fund agreements provide the Community Foundation the power to modify any restrictions or conditions on the distribution of funds to any specified charitable organization if such restrictions become, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable need of the area served by the Community Foundation.

The amounts below represent contributions made to the fund by the Association and appreciation (depreciation) on those contributions. Additionally, donors will contribute directly to the fund. These contributions are not considered to be assets of the Association, but the Association receives its annual distribution, as described above, based on the total value of the fund.

The total market value of the "YMCA Camp Eberhart Fund" held and managed by the Community Foundation as of December 31, 2019 was 288,923, of which 260,093 was contributed to the fund directly by donors or through restricted donations, or is appreciation (depreciation) on those monies. At December 31, 2018, the total market value of the fund was \$248,765, of which \$223,942 was contributed directly by donors or through restricted donations, or is appreciation (depreciation) on those monies. The annual distribution received from the fund during the years ended December 31, 2019 and 2018 was \$29,930 and \$6,103, respectively.

The total market value of the "YMCA - Charles Martin Fund" held and managed by the Community Foundation as of December 31, 2019 was \$25,666, of which \$23,909 was contributed to the fund directly by donors or through restricted donations, or is appreciation (depreciation) on those monies. At December 31, 2018, the total market value of the fund was \$22,390, of which \$20,858 was contributed directly by donors or through restricted donations, or is appreciation (depreciation) on those monies. The annual distribution received from the fund during the years ended December 31, 2019 and 2018 was \$2,684 and \$1,154, respectively.

The total market value of the "Peter Kreig Memorial Fund for Camp Eberhart" held and managed by the Community Foundation as of December 31, 2019 was \$96,552. The total market value of the funds as of December 31, 2018 was \$84,212. The balance of the funds represents contributions by the Association, or appreciation (depreciation) on those monies. The annual distribution received from these funds during the years ended December 31, 2019 and 2018 was \$4,412 and \$4,341, respectively.

The total market value of the "YMCA of Michiana Fund" held and managed by the Community Foundation as of December 31, 2019 was \$255,280, of which \$79,012 was contributed to the fund directly by donors or through restricted donations, or is appreciation (depreciation) on those monies. At December 31, 2018, the total market value of the fund was \$221,476, of which \$68,550 was contributed directly by donors or through restricted donations, or is appreciation (depreciation) on those monies. The annual distribution received from the fund during the years ended December 31, 2019 and 2018 was \$10,332 and \$8,911, respectively.

The total market value of the "YMCA of Michiana, Inc. - South Bend Tribune Fund" held and managed by the Community Foundation as of December 31, 2019 and 2018 was \$318,770 and \$278,092, respectively. The fund balance includes \$150,000 of permanently restricted net assets. The annual distribution received from the fund during the years ended December 31, 2019 and 2018 was \$14,570 and \$14,337, respectively.

The Association also receives an annual distribution from a fund held at the Community Foundation, "YMCA Mary Morris Leighton Lodge at Camp Eberhart," created by a donor for the benefit of the Association. The Association does not own the fund and therefore does not recognize it as an asset. The total market value of the fund as of December 31, 2019 and 2018 was \$150,721 and \$131,456, respectively. The annual distribution received from the fund during the years ended December 31, 2019 and 2018 was \$6,887 and \$6,777, respectively.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

In addition, the Association is the beneficiary of a perpetual trust administered by a financial institution for the maintenance and improvement of a facility at Camp Eberhart. The trust was created by a donor who granted variance power to the trustee. The Association has no control over the investments of the trust and therefore does not recognize its interest as an asset. The value of the trust was \$197,572 and \$178,340 at December 31, 2019 and 2018, respectively. The distribution received from the fund during the years ended December 31, 2019 and 2018 was \$13,087 and \$12,803, respectively.

The following is a summary of the non-direct and direct donor funds held at December 31, 2019:

<u>Fund Name</u>	<u>Non-direct donor funds</u>	<u>Direct donor funds</u>	<u>Total funds</u>
YMCA of Camp Eberhart Fund	28,830	260,093	288,923
YMCA - Charles Martin Fund	1,757	23,909	23,909
Peter Kreig Memorial Fund for Camp Eberhart	96,552	0	96,552
YMCA of Michiana Fund	176,268	79,012	255,280
YMCA of Michiana, Inc. - South Bend Tribune Fund	318,770	0	318,770
YMCA Mary Morris Leighton Lodge at Camp Eberhart	0	150,721	150,721
Morris Irrevocable Trust	0	197,572	197,572
Total	622,177	711,307	1,333,484

The following is a summary of the non-direct and direct donor funds held at December 31, 2018:

<u>Fund Name</u>	<u>Non-direct donor funds</u>	<u>Direct donor funds</u>	<u>Total funds</u>
YMCA of Camp Eberhart Fund	24,823	223,942	248,765
YMCA - Charles Martin Fund	1,532	20,858	22,390
Peter Kreig Memorial Fund for Camp Eberhart	84,212	0	84,212
YMCA of Michiana Fund	152,926	68,550	221,476
YMCA of Michiana, Inc. - South Bend Tribune Fund	278,092	0	278,092
YMCA Mary Morris Leighton Lodge at Camp Eberhart	0	131,456	131,456
Morris Irrevocable Trust	0	178,340	178,340
Total	541,585	623,146	1,164,731

NOTE 7 - LINES OF CREDIT

The Association maintains a \$275,000 revolving line of credit with 1st Source Bank. Interest is charged at a fixed rate of 3.95%. The line of credit is secured by the Edison Lakes property and substantially all of the Association's assets including a certificate of deposit held with the bank. The balance outstanding on the line of credit was \$275,000 at December 31, 2019 and 2018. The line of credit expired in August 2020 at which time it was paid in full.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The Association also maintains a \$200,000 revolving line of credit with 1st Source Bank. Interest is charged at the prime rate plus 0.25% resulting in a rate of 5.00% at December 31, 2019. The rate is subject to a floor of 4%. The line of credit is secured by the Edison Lakes property and substantially all of the Association's assets. The balance outstanding on the line of credit was \$200,000 and \$0 at December 31, 2019 and 2018, respectively. The maturity date was January 2020. The line of credit was paid in full in August 2020.

NOTE 8 - LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Note payable to 1st Source Bank in the original amount of \$527,079 requiring monthly payments of \$5,268, including interest at 3.67% through March 2021. The note is collateralized by all assets of the Association that are located in Indiana.	352,903	401,989
Note payable to 1st Source Bank in the original amount of \$375,000 requiring monthly payments of \$3,032, including interest at 5.25% through July 2023. The note is collateralized by all assets of the Association that are located in Indiana. The Association made a principal payment of \$217,980 during 2019 with the proceeds on sale of the Edison Lakes property.	128,759	367,956
Mortgage payable to 1st Source Bank not to exceed \$550,000, including interest at the prime rate (5.50% at December 31, 2018) through July 2021. The Association repaid \$90,000 in 2018 using proceeds from the note described above. The terms call for annual payments of all collections from pledge commitments for the Edison Lakes building project. The note is collateralized by all assets of the Association that are located in Indiana.	45,417	98,667
Total	527,079	868,612
Current portion	126,598	120,172
Net long-term debt	400,481	748,440

Long-term debt, less current portion, was scheduled to mature as follows for the years ending December 31:

2021	333,883
2022	33,656
2023	32,942
Total	400,481

All of the debt was paid in full by YMCA of Greater Michiana, Inc. in August 2020. Interest expense was \$42,696 and \$46,426 for the years ended December 31, 2019 and 2018, respectively.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 9 - CAPITAL LEASES

In February 2015, the Association entered into a 36 month capital lease with a finance company for exercise equipment. The agreement requires monthly payments of \$761 including interest at 5.76%. In May 2016, the Association entered into a 36 month capital lease with a finance company for exercise equipment. The agreement requires monthly payments of \$2,117 including interest at 4.05%. In April 2018, the Association entered into a three year capital lease with a finance company for equipment. The agreement requires monthly payments of \$903 including interest at 5.35%. The capital leases are included in furniture and equipment. Amortization of the leases are included in depreciation expense.

The capitalized cost and accumulated depreciation are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Capitalized cost	31,633	103,523
Accumulated depreciation	10,017	19,691
Net book value	21,616	83,832

The future minimum lease payments under the capital leases and the net present value of future minimum lease payments are as follows for the years ending December 31:

2021	15,345
Total future minimum lease payments	15,345
Amount representing interest	596
Present value of future minimum lease payments	14,749
Less current portion	10,295
Amount due beyond one year	4,454

The capital lease obligation was paid in full in August 2020 by the YMCA of Greater Michiana, Inc.

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are available for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
South Bend Tribune Fund - Endowment Earnings	168,806	128,092
South Bend Tribune Fund - Unspent Distributions	13,037	8,956
New Branch - Edison Lakes	0	36,841
Summer Learning Loss Prevention	8,355	4,855
Diabetes Prevention	0	8,917
Camp Eberhart - Outdoor Education	7,942	0
Riverview Location - Capital	134,859	34,516
Camp Eberhart - Capital	136,377	284,510
Endowment funds invested in perpetuity	150,000	150,000
Total	619,376	656,687
Less: Endowment funds not available	(150,000)	(150,000)
Total	469,376	506,687

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Net assets were released from restrictions by incurring expenses satisfying restricted purposes as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Endowment Earnings	8,956	37,951
Camp Eberhart - Capital	291,605	303,098
Riverview Branch - Capital	78,486	115,484
Edison Lakes Branch	36,841	35,351
Diabetes Prevention Program	8,917	31,083
Summer Learning Loss Prevention	0	10,554
Total	424,805	533,521

NOTE 11 - RETIREMENT PLAN

The Association participates in a defined contribution money purchase pension plan administered by the Young Men's Christian Association Retirement Fund (a separate corporation) that covers all eligible employees who qualify under the participation requirements.

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

Employees must contribute 3% to the plan and the Association contributes 9%. Retirement expense was \$44,408 and \$46,707 for the years ended December 31, 2019 and 2018, respectively.

NOTE 12 - GIFTS IN KIND

Material gift in kind items used in the Association's programs and donated goods distributed are recorded as income and expense at the time the items are received, which is normally also the time they are placed into service or distributed. Gift in kind revenue is recognized in "Contributions and fundraising income" in the Statements of Activities.

Gifts in kind is comprised of the following at December 31:

	<u>2019</u>	<u>2018</u>
Camp equipment	1,120	46
Program equipment and services	0	2,000
Miscellaneous	800	0
Advertising	0	5,000
Event supplies	725	8,575
Total	2,645	15,621

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 13 - ENDOWMENTS

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

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

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

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

The Association has implemented an investment strategy for its endowment assets. Endowments are held at the Community Foundation which has primary responsibility over the investment philosophy utilized.

The Community Foundation's December 31, 2019 asset allocation philosophy includes the following asset classes: domestic (small and large cap) and global equities, fixed income securities, hedge funds and other investments as defined.

The following is a summary of endowment net asset composition by type of fund at December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Totals
Beneficial interests in Community Foundations	303,407	0	303,407
Donor restricted endowments funds	0	150,000	150,000
Endowment earnings	0	168,770	168,770
Endowment net assets, end of year	303,407	318,770	622,177

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

The following is a summary of the changes in endowment net assets for the year ended December 31, 2019:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	263,493	278,092	541,585
Investment return	52,501	55,248	107,749
Appropriations and expenditures	(12,587)	(14,570)	(27,157)
Endowment net assets, end of year	303,407	318,770	622,177

The following is a summary of endowment net asset composition by type of fund at December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Beneficial interests in Community Foundations	263,493	0	263,493
Donor restricted endowment funds	0	150,000	150,000
Endowment earnings	0	128,092	128,092
Endowment net assets, end of year	263,493	278,092	541,585

The following is a summary of the changes in endowment net assets for the year ended December 31, 2018:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>
Endowment net assets, beginning of year	290,970	309,884	600,854
Investment return	(16,295)	(17,455)	(33,750)
Appropriations and expenditures	(11,182)	(14,337)	(25,519)
Endowment net assets, end of year	263,493	278,092	541,585

Of the funds in the "With Donor Restrictions" category, \$150,000 at both December 31, 2019 and 2018 is to be retained in perpetuity in accordance with donor agreements. The remainder of endowments with donor restrictions results from investment return on those assets.

From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund perpetual duration. There were no such funds as of December 31, 2019 or 2018.

NOTE 14 - CONCENTRATIONS

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MICHIANA, INC.
d/b/a YMCA OF MICHIANA, INC.

South Bend, Indiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The Association is involved in disputes or legal actions arising in the ordinary course of business. Management does not believe the outcome of such legal actions will have a material adverse effect on the Association's financial position or results of operations.

NOTE 16 -MANAGEMENT AGREEMENT

In April 2018, the Association entered into a management agreement with The Young Men's Christian Association (YMCA) of Southwest Michigan, Inc. to provide leadership in the form of executive leadership. The management agreement called for a monthly fee of \$7,500, which was increased to \$10,000 upon renewal of the agreement in August 2018. The management agreement was subsequently renewed by the Association in April 2019 with an increased monthly fee of \$15,000, through December 2019. On January 1, 2020, the Association merged with the managing organization to form the YMCA of Greater Michiana, Inc.

NOTE 17 - SUBSEQUENT EVENTS

The Association has evaluated subsequent events through September 25, 2020, the date the financial statements were available to be issued. As discussed in the notes, the Association merged with YMCA of Southwest Michigan, Inc. on January 1, 2020 to form the YMCA of Greater Michiana, Inc. As also discussed in the notes, all of the Association's debt was paid in full by the YMCA of Greater Michiana, Inc. in August 2020. On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to COVID-19 and related restrictions placed on health clubs, the South Bend location was required to temporarily close in March 2020. Operations have been relocated to another facility in collaboration with another local entity. Except for these events, no events or transactions occurred during this period which require recognition or disclosure in the financial statements.