FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
December 31, 2019

St. Joseph, Michigan

Young Men's Christian Association of Southwest Michigan, Inc.
Financial Statements
December 31, 2019

Contents

KRUGGEL LAWTON CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Young Men's Christian Association of Southwest Michigan, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statement 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 audit. We conducted our audit 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 Southwest Michigan, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,
Kruggel, Lawton & Company, LLC
Certified Public Accountants

St. Joseph, Michigan
March 25, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTHWEST MICHIGAN, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 2,564,193	$ 1,594,805
Accounts receivable, net	68,163	115,542
Pledges receivable, current	470,986	500,739
Prepaid expenses and other assets	27,286	26,775
Total current assets	$ 3,130,628	$ 2,237,861
PROPERTY AND EQUIPMENT, NET	$ 11,604,553	$ 12,021,533
OTHER ASSETS		
Certificates of deposit	$ 101,810	$ 379,758
Pledges receivable, less current portion	109,349	207,822
Investments	4,709	3,682
Security deposits	17,016	1,656
Deferred financing costs (net of accumulated amortization of $30,799 and $23,358 for 2019 and 2018, respectively)	11,586	19,027
Beneficial interest in assets held at Community Foundation	538,720	460,864
Total other assets	$ 783,190	$ 1,072,809
TOTAL ASSETS	$ 15,518,371	$ 15,332,203
CURRENT LIABILITIES		
Accounts payable - trade	$ 52,913	$ 58,285
Accrued payroll and payroll taxes	132,969	117,237
Deferred revenue	184,522	140,805
Current portion of long-term debt	65,443	246,395
Total current liabilities	$ 435,847	$ 562,722
LONG-TERM DEBT	5,222,468	5,284,751
TOTAL LIABILITIES	$ 5,658,315	$ 5,847,473
NET ASSETS		
Without donor restrictions	$ 7,748,169	$ 7,467,596
With donor restrictions	2,111,887	2,017,134
TOTAL NET ASSETS	$ 9,860,056	$ 9,484,730
TOTAL LIABILITIES AND NET ASSETS	$ 15,518,371	$ 15,332,203

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTHWEST MICHIGAN, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

		Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:				
Membership		$ 2,951,023	$ -	$ 2,951,023
Programs		1,280,759	-	1,280,759
Rent		224,050	-	224,050
Contributions and grants		939,899	94,753	1,034,652
Miscellaneous		309,474	-	309,474
Change in beneficial interest		77,856	-	77,856
Special event revenue	187,859		-	187,859
Less: costs of direct benefits to donors	(68,701)		-	(68,701)
Net revenues from special events		119,158	-	119,158
Total Public Support and Revenue		$ 5,902,219	$ 94,753	$ 5,996,972
EXPENSES				
Program		$ 4,111,929	$ -	$ 4,111,929
Management and general		1,395,922	-	1,395,922
Fundraising		113,795	-	113,795
Total Expenses		$ 5,621,646	$ -	$ 5,621,646
CHANGE IN NET ASSETS		$ 280,573	$ 94,753	$ 375,326
NET ASSETS AT BEGINNING OF YEAR		7,467,596	2,017,134	9,484,730
NET ASSETS AT END OF YEAR		$ 7,748,169	$ 2,111,887	$ 9,860,056

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTHWEST MICHIGAN, INC.
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018

		Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:				
Membership		$ 2,893,943	$ -	$ 2,893,943
Programs		1,225,460	-	1,225,460
Rent		240,000	-	240,000
Contributions and grants		427,258	138,991	566,249
Miscellaneous		161,625	-	161,625
Change in beneficial interest		(24,041)	-	(24,041)
Special event revenue	69,852		-	69,852
Less: costs of direct benefits to donors	(47,816)		-	(47,816)
Net revenues from special events		22,036	-	22,036
Total Public Support and Revenue		$ 4,946,281	$ 138,991	$ 5,085,272
EXPENSES				
Program		$ 4,123,649	$ -	$ 4,123,649
Management and general		1,275,906	-	1,275,906
Fundraising		156,603	-	156,603
Total Expenses		$ 5,556,158	$ -	$ 5,556,158
CHANGE IN NET ASSETS		$ (609,877)	$ 138,991	$ (470,886)
NET ASSETS AT BEGINNING OF YEAR		8,077,473	1,878,143	9,955,616
NET ASSETS AT END OF YEAR		$ 7,467,596	$ 2,017,134	$ 9,484,730

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTHWEST MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2019

	Program	Management & General	Fundraising	Total
Wages	$ 2,326,250	$ 563,255	$ 74,504	$ 2,964,009
Employee benefits	229,011	56,967	286	286,264
Payroll taxes	172,642	41,802	5,529	219,973
Contractual services	23,785	192,073	216	216,074
Supplies	282,909	41,949	325	325,183
Telephone	19,143	2,640	221	22,004
Postage and shipping	6,862	1,025	-	7,887
Occupancy	268,903	38,636	1,545	309,084
Insurance	44,053	6,532	51	50,636
Repairs and maintenance	59,026	8,820	-	67,846
Travel and employee expense	41,524	3,818	2,387	47,729
Dues	88,273	-	-	88,273
Depreciation	498,891	74,547	-	573,438
Equipment rental	12,272	1,834	-	14,106
Advertising	-	-	28,731	28,731
Training	12,568	1,878	-	14,446
Miscellaneous	25,817	172,774	-	198,591
Interest expense	-	187,372	-	187,372
Event expense	-	-	68,701	68,701
Total Expense	$ 4,111,929	$ 1,395,922	$ 182,496	$ 5,690,347
Less: event expense netted with revenues	-	-	(68,701)	(68,701)
TOTAL FUNCTIONAL EXPENSES	$ 4,111,929	$ 1,395,922	$ 113,795	$ 5,621,646

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTHWEST MICHIGAN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program	Management & General	Fundraising	Total
Wages	$ 2,363,956	$ 494,192	$ 110,599	$ 2,968,747
Employee benefits	268,048	66,637	375	335,060
Payroll taxes	179,922	37,613	8,418	225,953
Contractual services	24,721	232,375	175	257,271
Supplies	280,257	41,777	100	322,134
Telephone	20,303	2,934	100	23,337
Postage and shipping	5,421	810	-	6,231
Occupancy	273,066	40,003	800	313,869
Insurance	43,314	6,422	50	49,786
Repairs and maintenance	105,160	15,713	-	120,873
Travel and employee expense	51,748	6,633	1,100	59,481
Dues	51,901	-	-	51,901
Depreciation	409,642	61,211	-	470,853
Equipment rental	28,446	4,250	-	32,696
Advertising	-	-	34,886	34,886
Training	7,837	1,171	-	9,008
Miscellaneous	9,907	66,205	-	76,112
Interest expense	-	197,960	-	197,960
Event expense	-	-	47,816	47,816
Total Expense	$ 4,123,649	$ 1,275,906	$ 204,419	$ 5,603,974
Less: event expense netted with revenues	-	-	(47,816)	(47,816)
TOTAL FUNCTIONAL EXPENSES	$ 4,123,649	$ 1,275,906	$ 156,603	$ 5,556,158

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTHWEST MICHIGAN, INC.
STATEMENTS OF CASH FLOWS
For the year ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 375,326	$ (470,886)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	573,438	470,853
Unrealized (gain) loss	(1,027)	405
Change in beneficial interest in assets held at community foundation	(77,856)	24,041
Changes in operating assets and liabilities:		
Accounts receivable	47,379	(27,819)
Pledges receivable	128,226	557,903
Prepaid expenses and other assets	(511)	25,012
Security deposit	(15,360)	-
Accounts payable - trade	(5,372)	(9,023)
Accrued payroll and payroll taxes	15,732	(38,477)
Deferred revenue	43,717	58,321
Net Cash Flows from Operating Activities	$ 1,083,692	$ 590,330
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in certificate of deposit	$ 277,948	$ (827)
Purchase of fixed assets	(156,458)	(97,397)
Net Cash Flows from Investing Activities	$ 121,490	$ (98,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	$ (235,794)	$ (703,904)
Net Cash Flows from Financing Activities	$ (235,794)	$ (703,904)
CHANGE IN CASH	$ 969,388	$ (211,798)
CASH AT BEGINNING OF YEAR	1,594,805	1,806,603
CASH AT END OF YEAR	$ 2,564,193	$ 1,594,805
SUPPLEMENTARY DISCLOSURE OF NONCASH INVESTING ACTIVITIES:		
Interest Paid	$ 187,372	$ 197,960

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

NATURE OF BUSINESS

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

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

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

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 requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 $0 at December 31, 2019 and 2018. Factors considered in determining collectability include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends.

REVENUE RECOGNITION

Contributions and nonexchange transactions including grants, capital campaign and annual fund gifts
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 annual period in which the contributions are received.

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

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

Receivables for point-in-time revenues are stated at the amount management expects to collect from outstanding balances and are presented net of allowance for doubtful accounts. Management has determined that no allowance is necessary at December 31, 2019 or 2018. 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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTIONS

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

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

DONATED SERVICES

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

PLEDGES RECEIVABLE

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

The Association uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on management's analysis of specific pledges made. There is no allowance for uncollectible pledges estimated at December 31, 2019 and 2018 as management believes all pledges will be collected.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVESTMENTS

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

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

PROPERTY AND EQUIPMENT

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

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. The Association's fixed asset capitalization policy is to capitalize long-lived assets with a value greater than $500. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation expense was $573,438 and $470,853 for the years ended December 31, 2019 and 2018, respectively. The Association had $103,300 and $14,500 of construction in progress which was not depreciated as of December 31, 2019 and 2018, respectively. Construction in progress is related to development of the Niles-Buchanan location's expansion project.

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

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

DEFERRED FINANCING COSTS

Deferred financing costs consist of fees and expenses paid in connection with the issuance of the bonds discussed in Note 7. These costs are being amortized on a straight-line basis over the term of the bonds. Amortization expense was $7,441 and $7,483 for the years ended December 31, 2019 and 2018, respectively.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 was $28,731 and $34,886, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

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

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

INCOME TAXES

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

The Income Taxes Topic, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an association's financial statements. ASC 740 requires an association 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 YMCA of Niles-Buchanan and YMCA of Benton Harbor-St. Joseph 2016 through 2018 federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

ADOPTION OF NEW ACCOUNTING PROCEDURES

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and later, various subsequent amendments (collectively "ASC 606"). This standard outlines a single comprehensive model for companies to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition, including industry-specific guidance. ASC 606 requires that revenue is recognized when a customer obtains control of a good or service, which is when a customer has the ability to direct the use of and obtain benefits of the good or service. ASC 606 is effective for annual periods beginning after December 15, 2018. The Association adopted ASC 606 for the annual period ended December 31, 2019 using the modified retrospective method applied to all contracts not completed as of January 1, 2019. Prior period amounts continue to be reported in accordance with legacy GAAP. The adoption of ASC 606 did not result in a material change in the accounting for any revenue streams. As such, no cumulative effect adjustment was recorded.

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 Association adopted ASU 2018-08 for the annual period ended December 31, 2019. The adoption of this ASU did not result in any material changes in the accounting for contributions received.

NOTE 2 – LIQUIDITY AND AVAILABILITY

As of December 31, 2019, the Association has working capital of $2,223,795 and average days cash on hand of 166. At December 31, 2018, the Association had working capital of $1,174,400 and average days of cash on hand of 104.

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

	2019	2018
Cash and cash equivalents	$ 2,564,193	$ 1,594,805
Accounts receivable	68,163	115,542
Certificates of deposit	101,810	379,758
Investments	4,709	3,682
Assets limited to use:		
Board designated	538,720	460,864
Donor restricted	580,335	708,561
Total financial assets	$ 3,857,930	$ 3,263,212
Less: Amounts possibly not available to be used within one year:		
Pledges receivable	(109,349)	(207,822)
Financial assets available to meet general expenditures within one year	$ 3,748,581	$ 3,055,390

NOTE 2 – LIQUIDITY AND AVAILABILITY, CONCLUDED

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

NOTE 3 – PLEDGES RECEIVABLE

In 2016, the Association started a capital campaign for expansions to its Niles-Buchanan facility. The unconditional promises to give consisted of the following as of December 31st:

	2019	2018
Receivable in less than one year	$ 470,986	$ 500,739
Receivable in one to five years	111,120	214,349
Total unconditional promises to give	$ 582,106	$ 715,088
Less: discounts to present value	(1,771)	(6,527)
Net unconditional promises to give	$ 580,335	$ 708,561
Less current portion of pledges receivable	(470,986)	(500,739)
Long-term portion of pledges receivable	$ 109,349	$ 207,822

The fair value of long-term unconditional promises to give is estimated by discounting the future cash flows using a risk-free rate of return as of the contribution date. The discount rate used above for the long-term unconditional promises to give is 1.62%.

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

Level 2: Quote 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 quoted market prices to measure fair value when available. The beneficial interest is recorded at net asset value.

NOTE 4 – FAIR VALUE MEASUREMENTS, CONCLUDED

The following table summarizes the valuation of the Association's financial instruments by the above categories as of December, 31, 2019:

	Total	Level 1	Level 2	Level 3
Investments				
Equity securities	$ 4,709	$ 4,709	$ -	$ -
Certificates of deposit	101,810	-	101,810	-
Beneficial interest in assets held by Community Foundation	538,720	-	-	538,720
	$ 645,239	$ 4,709	$ 101,810	$ 538,720

The following table summarizes the valuation of the Association's financial instruments by the above categories as of December, 31, 2018:

	Total	Level 1	Level 2	Level 3
Investments				
Equity securities	$ 3,682	$ 3,682	$ -	$ -
Certificates of deposit	379,758	-	379,758	-
Beneficial interest in assets held by Community Foundation	460,864	-	-	460,864
	$ 844,304	$ 3,682	$ 379,758	$ 460,864

See Note 6 for reconciliation of level 3 investments.

NOTE 5 – PROPERTY AND EQUIPMENT

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

	2019	**2018**
Land	$ 869,961	$ 869,961
Land improvements	207,992	207,992
Building	16,912,416	16,912,416
Building improvements	1,243,293	1,234,115
Equipment	2,007,137	1,948,657
Construction-in-progress	103,300	14,500
Subtotal	$ 21,344,099	$ 21,187,641
Less: accumulated depreciation	(9,739,546)	(9,166,108)
Total Property and Equipment	$ 11,604,553	$ 12,021,533

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

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

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

The foundation also holds donor advised endowment funds contributed by others in the Association's name. However, these funds are assets of the foundation and, as such, are not included in the financial statements of the Association. The fair value of those funds is $498,390 and $395,904 as of December 31, 2019 and 2018, respectively.

The following table summarizes the activity in the funds during the year ended December 31, 2019:

	Michigan Gateway			
	Agency Endowment Fund	**M. Tyler Endowment**	**Berrien Community Foundation Fund**	**Total**
Beginning balance	$ 163,609	$ 28,391	$ 268,864	$ 460,864
Investment income	4,422	768	8,131	13,321
Unrealized and realized investment gains	32,369	5,619	40,718	78,706
Grant and expenses	(9,567)	(1,619)	(2,985)	(14,171)
Ending balance	$ 190,833	$ 33,159	$ 314,728	$ 538,720

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

The following table summarizes the activity in the funds during the year ended December 31, 2018:

	Michigan Gateway			
	Agency Endowment Fund	M. Tyler Endowment	Berrien Community Foundation Fund	Total
Balance, beginning of year	$ 182,074	$ 31,640	$ 271,191	$ 484,905
Investment income	4,165	722	37,357	42,244
Unrealized and realized	(13,285)	(2,350)	(36,597)	(52,232)
Grant and expenses	(9,345)	(1,621)	(3,087)	(14,053)
Balance, end of year	$ 163,609	$ 28,391	$ 268,864	$ 460,864

NOTE 7 – ENDOWMENTS

The Association's endowment funds were established to provide financial support for the Organization in perpetuity. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Association's endowments consist of funds designated by the Board of Directors to function as endowments.

The Association's board designated endowment consists of pooled funds invested and managed by two area community foundations. Because the investments were initiated by action of the Board of Directors, the net assets associated with the endowment valuations, both principal and subsequent accumulations, are classified as net assets without donor restrictions. Because the Association's endowments are maintained by the Community Foundations, the spending policies of those foundations are followed.

NOTE 8 – LONG-TERM DEBT

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

	2019	**2018**
Promissory note payable to Honor Credit Union, requiring monthly payments at a rate of 3.75% through May 29, 2023. The note is collateralized by all Benton Harbor-St. Joseph location assets. Any remaining balance on the note is due and payable in full on the loan due date of May 29, 2023.	$ 1,459,325	$ 1,521,113
Series 2015 Bonds issued through Michigan Strategic Fund, requiring monthly payments of $24,710, through November 4, 2020, at which time payments will continue and the remaining outstanding balance is due upon demand, includes interest at a rate of 2.89%; secured by the general assets of the Association.	3,828,586	4,010,033
Total long-term debt	$ 5,287,911	$ 5,531,146
Less current portion	(65,443)	(246,395)
Long-term debt	$ 5,222,468	$ 5,284,751

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

2021	$ 3,896,680
2022	70,692
2023	1,255,096
	$ 5,222,468

NOTE 9 – RETIREMENT PLAN

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

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

In accordance with the agreement with the YMCA Retirement Fund, the Association and employee contributions are a percentage of the participating employees' salaries, paid for by the Association, and are remitted to the YMCA Retirement Fund monthly. The Association contributions charged to retirement expense were $138,397 and $159,388 for the year ending December 31, 2019 and 2018, respectively.

NOTE 10 – CONCENTRATIONS

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

NOTE 11 – MANAGEMENT AGREEMENT

In April 2018, the Association entered into a management agreement with The Young Men's Christian Association (YMCA) of Michiana, Inc., to provide leadership in the form of an Executive Director. The management agreement called for a monthly fee of $10,000. The management agreement was subsequently renewed by the Association in April 2019 to extend through the end of the year.

At January 1, 2020 the YMCA of Michiana, Inc., successfully merged with the YMCA of Southwest Michigan, Inc. to create YMCA of Greater Michiana.

NOTE 12 – SUBSEQUENT EVENTS

The Association has evaluated subsequent events through March 25, 2020, the date the financial statements were available to be issued.

As described in Note 11, as of January 1, 2020 the YMCA of Michiana, Inc. and YMCA of Southwest Michigan, Inc. merged to create the YMCA of Greater Michiana, Inc.

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.

NOTE 12 – SUBSEQUENT EVENTS, CONCLUDED

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Association's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation and the impact on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Association is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Although the Association cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Association's results of future operations, financial position, and liquidity in fiscal year 2020.

No other events occurred in the mandatory evaluation period requiring recognition or disclosure in the financial statements.