



**SHERMAN LAKE YMCA OUTDOOR CENTER**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2021 and 2020**

## TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-18

# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sherman Lake YMCA Outdoor Center  
Augusta, Michigan

### Opinion

We have audited the accompanying financial statements of Sherman Lake YMCA Outdoor Center (a nonprofit organization) (the "Association"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan  
May 23, 2022

**Sherman Lake YMCA Outdoor Center**  
**Statements of Financial Position**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 2,767,202	\$ 2,929,791
Investments	1,170,537	521,292
Accounts receivable	234,336	60,485
Unconditional promises to give	166,361	507,790
Prepaid expenses	45,181	42,624
Total Current Assets	<u>4,383,617</u>	<u>4,061,982</u>
Property and Equipment		
Land	1,220,216	1,220,216
Buildings and building improvements	20,997,360	20,707,566
Furniture and office equipment	2,067,382	1,785,492
Transportation equipment	123,608	123,608
Right-of-use of leased equipment	245,148	245,148
	<u>24,653,714</u>	<u>24,082,030</u>
Less: Accumulated depreciation	<u>(13,181,998)</u>	<u>(12,525,833)</u>
Net Property and Equipment	<u>11,471,716</u>	<u>11,556,197</u>
Other Assets		
Beneficial interest in community foundations	418,148	365,805
Long-term unconditional promises to give	-	124,087
Total Other Assets	<u>418,148</u>	<u>489,892</u>
<b>Total Assets</b>	<b><u>\$ 16,273,481</u></b>	<b><u>\$ 16,108,071</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 59,278	\$ 45,210
Accrued expenses	50,828	45,232
Deferred revenues	38,650	90,999
Current portion of payroll protection program loan	-	53,683
Current portion of long-term lease liability	6,826	6,238
Total Current Liabilities	<u>155,582</u>	<u>241,362</u>
Other Liabilities		
Payroll protection program loan, net of current portion	-	268,417
Lease liability, net of current portion	218,631	225,457
Total Other Liabilities	<u>218,631</u>	<u>493,874</u>
Net Assets		
Without Donor Restrictions:		
Undesignated	11,680,353	11,291,943
Board-designated for:		
Contingency	1,208,231	909,699
Endowment	1,170,537	525,380
Future equipment and repairs	100,822	42,552
Special projects	40,844	42,719
Total Board-designated	<u>2,520,434</u>	<u>1,520,350</u>
Total Net Assets Without Donor Restrictions	<u>14,200,787</u>	<u>12,812,293</u>
Net Assets With Donor Restrictions	<u>1,698,481</u>	<u>2,560,542</u>
Total Net Assets	<u>15,899,268</u>	<u>15,372,835</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 16,273,481</u></b>	<b><u>\$ 16,108,071</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Sherman Lake YMCA Outdoor Center**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Net Assets Without Donor Restrictions</b>		
Support and Revenue		
Membership dues	\$ 566,967	\$ 359,963
Program fees	1,037,621	12,387
School programs	259,238	231,750
Retreats and conferences	217,509	103,929
Contributions	314,379	538,187
Fundraising events	10,323	3,871
Grants	161,178	186,668
Dividends and interest	14,599	3,505
Realized and unrealized investment gains	144,001	64,990
Gain (loss) on disposal of property and equipment	2,200	(3,258)
Miscellaneous income	862,825	446,810
Released from restrictions	981,449	967,618
Total Support and Revenue	<u>4,572,289</u>	<u>2,916,420</u>
Expenses		
Program services	2,665,928	2,463,098
Management and general	391,840	436,444
Fundraising	126,027	137,565
Total Expenses	<u>3,183,795</u>	<u>3,037,107</u>
Change in Net Assets Without Donor Restrictions	<u>1,388,494</u>	<u>(120,687)</u>
<b>Net Assets With Donor Restrictions</b>		
Contributions	20,962	10,975
Fundraising events	1,000	3,371
Grants	45,083	1,183,698
Change in beneficial interests	52,343	8,045
Release of restrictions	(981,449)	(967,618)
Change in Net Assets With Donor Restrictions	<u>(862,061)</u>	<u>238,471</u>
<b>Change in Net Assets</b>	<b>526,433</b>	<b>117,784</b>
Net Assets at Beginning of Year	<u>15,372,835</u>	<u>15,255,051</u>
<b>Net Assets at End of Year</b>	<b><u>\$ 15,899,268</u></b>	<b><u>\$ 15,372,835</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Sherman Lake YMCA Outdoor Center**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 21,107	\$ 24,543	\$ -	\$ 45,650
Bad debts	-	5,587	-	5,587
Contracted services	57,979	-	-	57,979
Credit card fees	42,572	997	-	43,569
Depreciation expense	602,481	65,482	-	667,963
Dues and fees	6,367	1,943	-	8,310
Employee benefits	110,892	20,509	13,878	145,279
Employee relations and training	13,945	13,624	-	27,569
Equipment and rental	31,734	1,039	-	32,773
Event expense	4,872	-	-	4,872
Food service	203,439	-	-	203,439
Insurance	-	59,050	-	59,050
Lease financing costs	-	6,857	-	6,857
Maintenance and repairs	224,091	-	-	224,091
Miscellaneous	160	1,750	-	1,910
National support	17,280	5,510	-	22,790
Payroll taxes	69,613	10,118	7,368	87,099
Postage and shipping	4,597	4,468	-	9,065
Professional fees	-	42,238	270	42,508
Program development	52,773	-	-	52,773
Salaries and wages	789,634	85,454	102,552	977,640
Supplies	141,777	4,395	1,959	148,131
Telephone	-	36,100	-	36,100
Utilities	213,260	-	-	213,260
Vehicle operations	57,355	2,176	-	59,531
<b>Total Expenses</b>	<b>\$ 2,665,928</b>	<b>\$ 391,840</b>	<b>\$ 126,027</b>	<b>\$ 3,183,795</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Sherman Lake YMCA Outdoor Center**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2020**

	Program Services	Management and General	Fundraising	Total
Advertising	\$ 28,922	\$ 5,970	\$ -	\$ 34,892
Contracted services	40,953	-	-	40,953
Credit card fees	20,556	660	-	21,216
Depreciation expense	596,510	77,389	-	673,899
Dues and fees	5,349	1,623	-	6,972
Employee benefits	109,296	21,632	18,990	149,918
Employee relations and training	9,550	3,022	-	12,572
Equipment and rental	10,819	-	-	10,819
Event expense	116	-	-	116
Food service	192,926	440	-	193,366
Insurance	-	66,550	-	66,550
Lease financing costs	-	7,035	-	7,035
Maintenance and repairs	142,335	-	-	142,335
Miscellaneous	473	-	-	473
National support	23,430	-	-	23,430
Payroll taxes	66,722	21,092	7,939	95,753
Postage and shipping	4,553	2,243	-	6,796
Professional fees	-	47,425	2,050	49,475
Program development	112,584	-	2,682	115,266
Salaries and wages	836,423	138,170	103,770	1,078,363
Supplies	68,036	7,190	2,134	77,360
Telephone	-	36,003	-	36,003
Utilities	177,191	-	-	177,191
Vehicle operations	16,354	-	-	16,354
<b>Total Expenses</b>	<b>\$ 2,463,098</b>	<b>\$ 436,444</b>	<b>\$ 137,565</b>	<b>\$ 3,037,107</b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Sherman Lake YMCA Outdoor Center**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 526,433	\$ 117,784
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	667,963	673,899
Bad debt expense	5,587	-
Net unrealized gain on investments	(130,634)	(58,557)
(Gain) loss on disposal of property and equipment	(2,200)	3,258
Investment gains in beneficial interests	(52,343)	(8,045)
Forgiveness of payroll protection program ("PPP") loan	(322,100)	-
Change in assets and liabilities which impacted cash:		
Accounts receivable	(179,438)	92,164
Unconditional promises to give	465,516	155,478
Prepaid expenses	(2,557)	(2,756)
Accounts payable	14,068	266
Accrued expenses	5,596	(31,664)
Deferred revenue	(52,349)	(6,439)
Net Cash Provided by Operating Activities	<u>943,542</u>	<u>935,388</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(583,482)	(445,575)
Proceeds from sale of property and equipment	2,200	-
Purchase of investments	(529,167)	(18,689)
Withdrawals from investments	10,556	11,916
Net Cash Used in Investing Activities	<u>(1,099,893)</u>	<u>(452,348)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal proceeds from PPP loan	-	322,100
Principal payments on lease liabilities	(6,238)	(5,676)
Net Cash (Used in) Provided by Financing Activities	<u>(6,238)</u>	<u>316,424</u>
<b>Change in Cash</b>	<b>\$ (162,589)</b>	<b>\$ 799,464</b>
Cash at Beginning of Year	<u>2,929,791</u>	<u>2,130,327</u>
<b>Cash at End of Year</b>	<b><u>\$ 2,767,202</u></b>	<b><u>\$ 2,929,791</u></b>

The Accompanying Notes are an Integral Part of These Financial Statements.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE A – Summary of Significant Accounting Policies**

Organization and Purpose

Sherman Lake YMCA Outdoor Center (the "Association") is a not-for-profit organization located in Augusta, Michigan whose mission is to put honesty, caring, respect and responsibility into practice through programs that build healthy spirit, mind, and body for all.

The Association is an affiliate member of YMCA of the USA ("Y-USA"). As such, the Association receives certain benefits, such as the use of the YMCA name and participation in Y-USA's retirement plan.

Basis of Presentation

The accounts of the Association are maintained in accordance with the principles of not-for-profit accounting. The financial statements of the Association have been prepared on the accrual basis of accounting.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

*Net Assets without Donor Restrictions* – Net assets available for use in general and not subject to donor (or certain grantor) restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulate time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash

The Association maintains accounts at a single financial institution which may at times be in excess of federally insured limits. As of December 31, 2021, cash balances held at this financial institution exceeded depository insurance limits by approximately \$2,513,000. The Association has not experienced any losses in relation to uninsured cash deposits.

Accounts Receivable and Promises to Give

Accounts receivable are stated at the applicable membership or program fee. The Association's policy is to record accounts receivable for certain types of memberships and programs when a commitment to participate has been made by the third party to the Association. Promises receivable are recorded upon notification of an unconditional promise to give such benefits on a future date. An allowance for uncollectible amounts is calculated by considering historical losses and applying that information to total accounts receivable. Amounts deemed to be uncollectible are charged to the provision for doubtful accounts in the period that such a determination is made. At December 31, 2021 and 2020, management has deemed all amounts receivable to be fully collectible.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE A – Summary of Significant Accounting Policies (Continued)**

Property and Equipment

The Association capitalizes purchases over \$1,000 with a useful life of at least three years. Land, buildings, and equipment are recorded at cost. Assets acquired through capital lease agreements are recorded at their fair market value as of the date of lease inception. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose. Depreciation expense includes the depreciation of assets held under a capital lease. Depreciation is computed using the straight-line method over estimated useful lives ranging from three to 50 years. Maintenance and repairs are expensed as incurred.

Lease Accounting

The Association adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update 2016-02, “Leases (Topic 842)” (“ASU 2016-02”) on January 1, 2021. The new standard establishes a right-of-use model (“ROU”) that requires a lessee to recognize an ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. The Association has recognized the impact of adoption of ASU 2016-02 as of the earliest period presented in these financial statements, or January 1, 2020. See Note G for additional information.

Contributed Support

Contributions are recognized when the Association receives a tangible benefit such as cash, securities, or other assets, or upon notification of an unconditional promise to give such benefits on a future date. Promises to give that contain a measurable performance or other barrier, or a right of return, are considered conditional and therefore are not recognized until the conditions on which they depend have been substantially met. Contribution restrictions that are imposed by the donor are typically reported as net assets with donor restrictions. However, restrictions that are fulfilled in the same period that the contribution was received are recorded as unrestricted contributions in accordance with generally accepted accounting principles. When the restriction is fulfilled in a subsequent period, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed Services

For the year ended December 31, 2021 and 2020, the value of contributed services meeting the requirements for recognition in the financial statements were not material and, therefore, have not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association in various capacities but do not qualify for recognition in the financial statements.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE A – Summary of Significant Accounting Policies (Continued)**

Revenue Recognition

The Association has revenue resulting from contracts with members and participants related to membership dues and program fees. Total revenue from contracts with customers for the year ended December 31, 2021 and 2020 was \$2,081,335 and \$708,029, respectively.

During the period between March 2020 and September 2020, the branch location was closed under government restrictions due to the COVID-19 pandemic (see Note K). Membership payments received during this time were voluntary and did not result in a direct exchange of services. Additionally, the Association had to shut down their summer camp activities which decreased related programs revenue.

*Membership Dues*

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

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

Membership dues constitutes approximately 27 percent and 51 percent of total revenue from contracts with members and participants for the years ended December 31, 2021 and 2020, respectively.

*Program Fees*

The Association has performance obligations related to day camps, school programs, retreats and conferences, and various other programs and events.

The performance obligation related to program fees is to provide single-day and multi-day services. The transaction price is based on a standard rate for the type of program offered. Since services are provided on a daily basis, the transaction price is allocated on a straight-line basis for each day that service is provided under the contract. Each retreat and program has an individual contract. Deposits are typically required at 25 percent of the total anticipated bill. The fee for camp programs is due at least a month prior to the camper's attendance. These payments are recognized as deferred revenues until the related services are provided. Accounts receivable exists for unpaid amounts, which are deemed fully collectible at December 31, 2021 and 2020.

Program fees constitute approximately 73 percent and 49 percent of total revenue from contracts with members and participants for the years ended December 31, 2021 and 2020, respectively.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE A – Summary of Significant Accounting Policies (Continued)**

Functional Allocation of Expenses

The costs of providing the Association's programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. While most costs are directly charged throughout the year according to their nature, others, such as payroll expenses, related taxes and employee benefits, are allocated based on estimated time and effort. Occupancy costs, maintenance expenses, telephone and depreciation expense are allocated with consideration towards the primary purpose of the facilities and assets in use. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Advertising Costs

All advertising costs are expensed in the period in which they are incurred. Advertising expense totaled \$45,650 and \$34,892 during the years ended December 31, 2021 and 2020, respectively.

Income Taxes

The Association is a Michigan nonprofit organization, tax exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code.

Estimates

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

Upcoming Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts-in-kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Association's year ending December 31, 2022 and will be applied using the retrospective method.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE B – Liquidity and Availability**

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. The Association's goal is to maintain thirty days of operating expenses as liquid assets. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position, comprised the following as of December 31:

	2021	2020
Cash	\$ 2,767,202	\$ 2,929,791
Investments	1,170,537	521,292
Accounts receivable	234,336	60,485
Pledges receivable	166,361	507,790
Total financial assets	<u>4,338,436</u>	<u>4,019,358</u>
Less:		
Net assets with donor purpose restrictions	(1,257,516)	(2,190,650)
Board designated net assets	<u>(2,520,434)</u>	<u>(1,520,350)</u>
Available for general expenditure	<u>\$ 560,486</u>	<u>\$ 308,358</u>

While management realizes there could be unanticipated liquidity needs, they believe that the financial assets in the table above are sufficient to meet operating needs within a minimum of one year of the statement of financial position date. The Association is primarily supported by contribution and membership revenues that often renew annually and are received on a frequent basis throughout the year. As such, future cash needs of the Association are supplemented by these receipts. Additionally, while the Board of Directors has designated amounts for certain purposes, the amount set aside for these purposes could be redirected to meet liquidity needs at the Board's discretion.

**NOTE C – Unconditional Promises to Give**

Unconditional promises to give, by expected timing of collectability, are as follows as of December 31:

	2021	2020
Less than one year	\$ 166,361	\$ 507,790
One to five years	-	124,087
Total	<u>\$ 166,361</u>	<u>\$ 631,877</u>

The Association annually considers the discount rate to be applied to receivable balances expected to be collected beyond one year from the statement of financial position date. At December 31, 2021 and 2020, management has deemed the discount to be immaterial and no amount has been recorded.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE D – Beneficial Interest in Community Foundations**

The Association has transferred funds to Kalamazoo Community Foundation and Battle Creek Community Foundation (the “Foundations”) as agency endowment funds. In accordance with generally accepted accounting principles, the Association reports the total fair value of the funds as a beneficial interest on the statements of financial position and reports changes in value of the funds, including investment income, administrative fees, and unrealized valuation changes, in the statements of activities.

The changes in the Association’s beneficial interest in community foundations were as follows for the years ended December 31:

	2021	2020
Balance at January 1	\$ 365,805	\$ 357,760
Net investment income	63,747	34,885
Grants paid	(9,233)	(24,327)
Administrative expenses	(2,171)	(2,513)
Balance at December 31	<u>\$ 418,148</u>	<u>\$ 365,805</u>

The Association has granted the Foundations conditional variance power which gives the Foundations the power to use the funds for other purposes in certain select circumstances, such as in the event that the Association were to cease operations. Additionally, the funds are subject to the Foundations’ investing and income distribution policies which currently result in an annual distribution to the Association of up to four percent of the average quarterly value over the previous 16 quarters. The Association generally does not have the ability to draw on the corpus of the funds. Subject to the approval of Foundations’ boards of directors, the Association may request a payout of the net earnings of the funds. The net earnings of the funds totaled \$186,148 and \$133,805 at December 31, 2021 and 2020, respectively.

**NOTE E – Other Funds Held by Community Foundations**

The Foundations maintain additional endowment funds for which the Association has been named as a beneficiary organization. These endowments do not meet the requirements for the Association to recognize its rights in a beneficial interest; accordingly, the assets are not recorded in the statements of financial position. Rather, these endowments were established to act as a depository for gifts, conveyances, and other transfers received directly from donors intended to benefit the Association. The fair value of these funds totaled \$242,588 and \$232,336 at December 31, 2021 and 2020, respectively. No revenue is recorded until the Association receives grant distributions awarded by the Foundations. Grant awards disbursed to the Association in 2021 and 2020 totaled \$8,140 and \$7,520, respectively, and are recorded as contributions without donor restrictions on the statements of activities.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE F – Financial Instruments and Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. 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). In instances whereby inputs used to measure fair value fall into different levels of the hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Fair values determined by Level 3 inputs use other inputs that are not observable due to little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques which take into account the characteristic of the asset or liability.

The Association’s policy is to recognize transfers amongst the different levels of the fair value hierarchy as of the end of the reporting period. There were no transfers amongst the fair value classifications during the years ended December 31, 2021 and 2020.

The following table summarizes the valuation of the Association’s financial instruments by the aforementioned valuation categories at December 31, 2021:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Beneficial interest in				
Community Foundations	\$ 418,148	\$ -	\$ -	\$ 418,148
Investments				
Fixed income	255,706	255,706	-	-
Money markets	62,256	62,256	-	-
Mutual funds	852,575	852,575	-	-
Total Assets at Fair Value	<u>\$ 1,588,685</u>	<u>\$ 1,170,537</u>	<u>\$ -</u>	<u>\$ 418,148</u>

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE F – Financial Instruments and Fair Value Measurements (Continued)**

The following table summarizes the valuation of the Association’s financial instruments by the aforementioned valuation categories at December 31, 2020:

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Observable Inputs (Level 2)	Prices with Unobservable Inputs (Level 3)
Beneficial interest in				
Community Foundations	\$ 365,805	\$ -	\$ -	\$ 365,805
Investments				
Fixed income	119,185	119,185	-	-
Money markets	30,061	30,061	-	-
Mutual funds	372,046	372,046	-	-
Total Assets at Fair Value	<u>\$ 887,097</u>	<u>\$ 521,292</u>	<u>\$ -</u>	<u>\$ 365,805</u>

The Association’s beneficial interest in community foundations is classified as a Level 3 asset as the Association does not have a direct interest in the underlying assets. Therefore, the inputs considered in determining fair value are related to the value of the Association’s right to receive future distributions, as described in Note D. A reconciliation of the activities for these Level 3 financial instruments, including the components of the net change reported on the statements of activities, is also included in Note D.

The beneficial interest in community foundations has been valued, as a practical expedient, at the fair value of the Association’s share of the Foundations’ investment pools as of the measurement date. The Foundations value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Foundations, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Foundations and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The Foundations’ investments are composed approximately of 40 percent domestic securities, 32 percent foreign equities, 26 percent bonds and two percent cash equivalents.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE G – Leases**

The Association has recorded a right-of-use (“ROU”) asset for a contract with a third party to use alternative energy equipment under a finance lease which commenced in July 2018 and lasts up to 25 years. Under the terms of the lease, the Association may purchase the equipment for a preestablished price any time in or after December 2023. The Association fully intends to exercise this option and has calculated the net present value of its right-of-use asset and corresponding lease liability accordingly.

Amounts related to the finance lease which are recognized in the accompanying financial statements as of and for the years ended December 31 are as follows:

	2021	2020
Right-of-use asset, gross	\$ 245,148	\$ 245,148
Accumulated depreciation	34,321	24,515
Remaining lease liability	225,457	231,695
Depreciation expense	9,806	9,806
Lease financing costs (implied interest expense)	6,857	7,035

Future undiscounted minimum lease payments under this finance lease are as follows:

	Amount
Payments during the year ended December 31, 2022	\$ 13,488
Payments during the year ended December 31, 2023	225,362
Total payments remaining	238,850
Less amount representing interest	(13,393)
Less current obligations	(6,826)
Long-term obligations under finance leases	\$ 218,631

The lease contract for the equipment contains an implicit interest rate which is not readily determinable. As such, the Association has elected to apply the practical expedient available under ASU 2016-02 of using a risk-free rate in the determination of the present value of the lease payments. Accordingly, the Association has applied an interest rate of three percent (the risk-free rate available at the lease’s commencement date) to its calculation of net present value.

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE G – Leases (Continued)**

As a result of applying the new lease guidance to prior periods presented, the Association has restated the following amounts as of and for the year ended December 31, 2020:

	As Previously Stated	Adjustments	As Restated
Statement of Financial Position			
Net property and equipment	\$ 11,335,564	\$ 220,633	\$ 11,556,197
Lease liability	-	231,695	231,695
Net assets at beginning of year	15,261,982	(6,931)	15,255,051
Net assets at end of year	15,383,896	(11,061)	15,372,835
Statement of Functional Expenses			
Depreciation expense	\$ 664,093	\$ 9,806	\$ 673,899
Lease financing costs	-	7,035	7,035
Utilities	189,902	(12,711)	177,191

**NOTE H – Net Assets with Donor Restrictions and Released From Restriction**

Net assets with donor restrictions result from donor stipulations that contributed assets be used for specific purposes or are limited by time or purpose restriction. At December 31, net assets with donor restrictions consisted of the following:

	2021	2020
Specified purpose	\$ 1,105,599	\$ 1,562,860
Passage of time	14,444	4,087
Specified purpose and passage of time	151,917	627,790
Cash and beneficial interests held for investment	426,522	365,805
Total Net Assets with Donor Restrictions	<u>\$ 1,698,482</u>	<u>\$ 2,560,542</u>

Donor restrictions were met by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. At December 31, releases from restrictions consisted of the following:

	2021	2020
Specified purpose	\$ 501,488	\$ 543,973
Passage of time	4,087	3,232
Specified purpose and passage of time	475,873	420,413
Total Net Assets Released from Restrictions	<u>\$ 981,448</u>	<u>\$ 967,618</u>

**Sherman Lake YMCA Outdoor Center**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

---

**NOTE I – Employee Benefit Plan**

The Association participates in a defined-contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund ("YMCA Retirement Fund") (a separate corporation). The YMCA Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation (1922). Participation is available to all duly organized and reorganized Young Men's Christian Associations in the United States. This plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements.

In accordance with the agreement with the YMCA Retirement Fund, contributions by the Association and employees of the Association are based on a percentage of the participating employees' salaries and are to be remitted to the YMCA Retirement Fund on a monthly basis. Contributions made by the Association to the YMCA Retirement Fund for the years ended December 31, 2021 and 2020 totaled \$79,746 and \$87,545, respectively.

**NOTE J – Related Party Transactions**

As an affiliate member of Y-USA, the Association pays a monthly affiliate fee based on gross revenues, less grants and contributions. Total fees paid to Y-USA was \$22,790 and \$23,430 in 2021 and 2020, respectively.

**NOTE K – COVID-19 and Paycheck Protection Program**

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. During the years ended December 31, 2021 and 2020, there have been various government orders and restrictions that require indoor capacity limitations and social distancing. As a result of government orders, the Association was forced to shut down their summer camp activities during 2020 which decreased revenue. Additionally, due to the limited services provided, the Association had to reduce the number of employees on staff.

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus AID, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. On April 24, 2020, the Association borrowed \$322,100 from a financial institution under the PPP, which was recorded as a long-term loan on the statement of financial position as of December 31, 2020. On February 1, 2021, the Association borrowed an additional \$309,687 under the PPP. The Association applied for and received full forgiveness of each amount during the year ended December 31, 2021 and has recorded the amounts as miscellaneous income on the statement of activities.

Additionally, the acts include an Employee Retention Credit ("ERC") which allows eligible employers to claim a tax credit for incurred payroll expenses. The credit cannot be claimed for the same expenses covered by the PPP forgiveness. During the year ended December 31, 2021, the Association claimed a tax credit of \$180,773 under the ERC. As of and for the year ended December 31, 2021, the credit is reported as a receivable on the statement of financial position and reduction of salaries and wages on the statements of activities and functional expenses.

**Sherman Lake YMCA Outdoor Center  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020**

---

***NOTE L – Subsequent Events***

Management has evaluated subsequent events for events requiring recognition or disclosure through May 23, 2022, the date the Association's financial statements were available to be issued.