

**Sherman Lake YMCA Outdoor Center**

**Financial Statements**

**December 31, 2023 and 2022**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## Independent Auditors' 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, which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Sherman Lake YMCA Outdoor Center, as of December 31, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audit 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 Sherman Lake YMCA Outdoor Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the 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 Sherman Lake YMCA Outdoor Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 auditors' 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 Sherman Lake YMCA Outdoor Center'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 aggregated, that raise substantial doubt about Sherman Lake YMCA Outdoor Center'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.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan  
June 14, 2024

**Sherman Lake YMCA Outdoor Center**  
**Statement of Financial Position**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets		
Cash	\$ 848,966	\$ 2,477,059
Investments	2,084,739	1,157,162
Accounts receivable, net of allowance for credit losses of \$0	41,330	131,385
Unconditional promises to give	25,604	-
Prepaid expenses	32,173	40,522
	<u>3,032,812</u>	<u>3,806,128</u>
Property and equipment		
Land	1,220,216	1,220,216
Buildings and building improvements	21,794,297	21,138,546
Furniture and office equipment	2,567,864	2,306,119
Transportation equipment	149,543	149,543
Right-of-use leased equipment	-	245,148
	<u>25,731,920</u>	<u>25,059,572</u>
Less: accumulated depreciation and amortization	<u>(14,613,954)</u>	<u>(13,883,522)</u>
Net property and equipment	<u>11,117,966</u>	<u>11,176,050</u>
Other assets		
Beneficial interest in community foundations	<u>389,540</u>	<u>352,027</u>
<b>Total assets</b>	<u><u>\$ 14,540,318</u></u>	<u><u>\$ 15,334,205</u></u>

See Accompanying Notes to the Financial Statements

**Sherman Lake YMCA Outdoor Center**  
**Statement of Financial Position**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 90,096	\$ 25,845
Accrued expenses	84,224	65,816
Deferred revenues	115,583	200,694
Current portion of long-term lease liability	-	7,424
	<u>289,903</u>	<u>299,779</u>
Noncurrent liabilities		
Lease liability, net of current portion	-	211,225
Net assets (deficit)		
Without donor restrictions		
Undesignated (deficit)	25,278	(19,571)
Invested in property and equipment	11,117,966	11,176,050
Designated by the Board for contingency	843,056	1,077,338
Designated by the Board for endowment	1,350,922	1,157,162
Designated by the Board for future equipment and repairs	-	66,567
Designated by the Board for special projects	46,815	42,042
	<u>13,384,037</u>	<u>13,499,588</u>
With donor restrictions	<u>866,378</u>	<u>1,323,613</u>
	<u>14,250,415</u>	<u>14,823,201</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 14,540,318</u></u>	<u><u>\$ 15,334,205</u></u>

**Sherman Lake YMCA Outdoor Center**  
**Statement of Activities**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Net assets without donor restrictions</b>		
Support and revenue		
Membership dues	\$ 696,705	\$ 674,970
Program fees	1,235,578	1,018,576
School programs	520,901	518,333
Retreats and conferences	284,487	379,029
Contributions	55,000	81,000
Fundraising events	12,143	18,041
Grants	-	9,240
Dividends and interest	60,091	13,849
Realized and unrealized investment gain (loss)	179,414	(227,373)
Gain on disposal of property and equipment	-	1,000
Miscellaneous income	252,927	97,929
Released from restrictions	1,192,909	811,202
	<u>4,490,155</u>	<u>3,395,796</u>
<b>Expenses</b>		
Program services	3,948,185	3,545,888
Management and general	525,042	389,189
Fundraising	132,479	161,918
	<u>4,605,706</u>	<u>4,096,995</u>
Change in net assets without donor restrictions	<u>(115,551)</u>	<u>(701,199)</u>
<b>Net assets with donor restrictions</b>		
Contributions	426,379	295,874
Fundraising events	85,124	80,852
Grants	186,658	125,728
Change in beneficial interests	37,513	(66,120)
Release of restrictions	(1,192,909)	(811,202)
	<u>(457,235)</u>	<u>(374,868)</u>
Change in net assets with donor restrictions	<u>(457,235)</u>	<u>(374,868)</u>
<b>Change in net assets</b>	<b>(572,786)</b>	<b>(1,076,067)</b>
Net assets at beginning of year	<u>14,823,201</u>	<u>15,899,268</u>
Net assets at end of year	<u><b>\$ 14,250,415</b></u>	<u><b>\$ 14,823,201</b></u>

See Accompanying Notes to the Financial Statements

**Sherman Lake YMCA Outdoor Center**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2023**

	Support Services			Total
	Program Services	Management and General	Fundraising	
<b>Expenses</b>				
Advertising	\$ 30,745	\$ 10,097	\$ -	\$ 40,842
Contracted services	72,074	32,506	-	104,580
Credit card fees	68,229	-	-	68,229
Depreciation expense	730,432	-	-	730,432
Dues and fees	6,578	3,640	-	10,218
Employee benefits	168,923	51,408	-	220,331
Employee relations and training	76,955	18,213	-	95,168
Equipment and rental	19,186	873	-	20,059
Event expense	16,441	-	-	16,441
Food service	267,643	2,967	-	270,610
Insurance	-	61,999	-	61,999
Maintenance and repairs	224,523	-	-	224,523
Miscellaneous	1,023	225	-	1,248
National support	42,301	19,052	-	61,353
Payroll taxes	106,890	18,609	-	125,499
Postage and shipping	1,137	6,561	-	7,698
Professional fees	-	26,900	-	26,900
Program development	68,334	-	-	68,334
Salaries and wages	1,510,259	178,781	125,840	1,814,880
Supplies	235,984	25,946	6,639	268,569
Telephone	-	38,677	-	38,677
Utilities	232,710	27,190	-	259,900
Vehicle operations	67,818	1,398	-	69,216
<b>Total expenses</b>	<b>\$ 3,948,185</b>	<b>\$ 525,042</b>	<b>\$ 132,479</b>	<b>\$ 4,605,706</b>

See Accompanying Notes to the Financial Statements

**Sherman Lake YMCA Outdoor Center**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2022**

	Program Services	Support Services		Total
		Management and General	Fundraising	
<b>Expenses</b>				
Advertising	\$ 23,821	\$ 15,998	\$ -	\$ 39,819
Contracted services	65,869	-	-	65,869
Credit card fees	66,032	756	-	66,788
Depreciation expense	706,024	-	-	706,024
Dues and fees	8,020	2,071	-	10,091
Employee benefits	146,989	37,594	15,464	200,047
Employee relations and training	32,134	26,800	-	58,934
Equipment and rental	5,685	1,707	-	7,392
Event expense	12,696	-	-	12,696
Food service	255,869	3,263	-	259,132
Insurance	52,743	5,860	-	58,603
Maintenance and repairs	304,872	-	-	304,872
Miscellaneous	693	963	-	1,656
National support	16,842	15,393	-	32,235
Payroll taxes	91,113	11,077	8,320	110,510
Postage and shipping	1,344	7,951	-	9,295
Professional fees	-	45,220	-	45,220
Program development	37,636	-	14,810	52,446
Salaries and wages	1,224,295	164,177	115,768	1,504,240
Supplies	193,796	10,945	7,556	212,297
Telephone	34,206	3,801	-	38,007
Utilities	211,334	23,482	-	234,816
Vehicle operations	53,875	12,131	-	66,006
<b>Total expenses</b>	<b>\$ 3,545,888</b>	<b>\$ 389,189</b>	<b>\$ 161,918</b>	<b>\$ 4,096,995</b>

See Accompanying Notes to the Financial Statements

**Sherman Lake YMCA Outdoor Center**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (572,786)	\$ (1,076,067)
Items not requiring cash		
Depreciation	730,432	706,024
Net realized and unrealized (gains) losses on investments	(239,505)	227,373
Gain on disposal of property and equipment	-	(1,000)
Investment (gains) losses in beneficial interests	(37,513)	66,121
Changes in operating assets and liabilities		
Accounts receivable	90,055	102,951
Unconditional promises to give	(25,604)	-
Leases	(7,179)	-
Prepaid expenses	8,349	4,659
Accounts payable	64,251	(33,433)
Accrued expenses	18,408	14,988
Deferred revenue	(85,111)	162,044
	<u>(56,203)</u>	<u>173,660</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(672,348)	(410,358)
Proceeds from sale of property and equipment	-	1,000
Lease buyout	(211,470)	-
Purchase of investments	(1,000,000)	(213,998)
Sales of investments	311,928	-
	<u>(1,571,890)</u>	<u>(623,356)</u>
<b>Cash flows from Financing Activities</b>		
Principal payments of lease liabilities	-	(6,808)
Collection of long term promises to give	-	166,361
	<u>-</u>	<u>159,553</u>
Net change in cash	(1,628,093)	(290,143)
Cash - beginning of year	<u>2,477,059</u>	<u>2,767,202</u>
<b>Cash - end of year</b>	<u>\$ 848,966</u>	<u>\$ 2,477,059</u>

See Accompanying Notes to the Financial Statements

**Sherman Lake YMCA Outdoor Center**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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**Note 1 – Summary of Significant Accounting Policies**

**Organization and Purpose**

Sherman Lake YMCA Outdoor Center (the “Organization”) 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 Organization is an affiliate member of YMCA of the USA (“Y-USA”). As such, the Organization 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 Organization are maintained in accordance with the principles of not-for-profit accounting. The financial statements of the Organization 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 Organization 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 Organization maintains accounts at a single financial institution which may at times be in excess of federally insured limits. As of December 31, 2023, cash balances held at this financial institution exceeded depository insurance limits by \$735,185. The Organization 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 Organization’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 Organization. Promises to give are recorded upon notification of an unconditional promise to give such benefits on a future date.

Trade accounts receivable are stated net of an allowance for credit losses. The Organization estimates the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts, an assessment of ability to pay, current conditions, and reasonable and supportable forecasts. Individual receivables are written off as a charge to the allowance for credit losses when, in management’s estimation, it is probable that the receivable is worthless. At December 31, 2023 and 2022 management has deemed all amounts receivable to be fully collectible, and there were no write offs of receivables for either year.

**Property and Equipment**

The Organization 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

**Sherman Lake YMCA Outdoor Center**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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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 Organization 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. See Note 7 for additional information.

The Organization leases alternative energy equipment. The determination of whether an arrangement is a lease is made at the lease’s inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Finance leases are contracts that have characteristics that make them similar to the purchase of the underlying asset. Operating leases are contracts that allow for the use of the underlying asset but there is no ownership transfer at the end of the lease.

Right of use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization’s lease terms may include options to extend or terminate the lease when it is reasonably certain that option will be exercised. The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to the building and office equipment classes of assets. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Finance lease expense is allocated between the amortization of the right of use asset and interest expense.

**Compensated Absences**

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on length of service. Employees are allowed to accumulate sick leave up to a maximum of 200 hours and, upon separation, are paid out any unused sick pay at the employees’ current pay rate. Employees can also carry over earned vacation.

**Contributed Support**

Contributions are recognized when the Organization 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.

**Donated Services and Goods**

The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization’s policy is to utilize, rather than monetize, donated services and goods.

**Sherman Lake YMCA Outdoor Center**  
**Notes to the Financial Statements**  
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Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

For the years ended December 31, 2023 and 2022, 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 Organization in various capacities but do not qualify for recognition in the financial statements.

**Revenue Recognition**

The Organization 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, 2023 and 2022 was \$2,776,357 and \$2,660,618, respectively.

Membership Dues

Membership dues are reported at the amount that reflects the consideration to which the Organization 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 Organization 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 25 percent of total revenue from contracts with members and participants for the years ended December 31, 2023 and 2022, respectively.

Program Fees

The Organization 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 have 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, 2023 and 2022.

All program fees, school programs, retreats and conferences are revenue from contracts with customers earned at a point in time. Membership dues are also revenue from contracts with customers but are earned over time.

**Sherman Lake YMCA Outdoor Center**  
**Notes to the Financial Statements**  
**December 31, 2023 and 2022**

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Contract assets and liabilities consist of:

	December 31, 2023	December 31, 2022	January 1, 2022
<b>Contract assets</b>			
Accounts receivable	\$ 41,330	\$ 131,385	\$ 60,485
<b>Contract liabilities</b>			
Deferred revenue	\$ 115,583	\$ 200,694	\$ 90,999

Program fees constitute approximately 75 percent of total revenue from contracts with members and participants for the years ended December 31, 2023 and 2022, respectively.

**Functional Allocation of Expenses**

The costs of providing the Organization'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 \$40,842 and \$39,819 during the years ended December 31, 2023 and 2022, respectively.

**Income Taxes**

The Organization 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 Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**Date of Management's Review**

Management has evaluated subsequent events through June 14, 2024, which is the date the financial statements were available to be issued.

**Adoption of New Accounting Standard**

The Company adopted FASB Topic 326, *Financial Instruments – Credit Losses*, as of the beginning of the year ended December 31, 2023. FASB Topic 326 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. This has been adopted prospectively using the modified retrospective approach, which restates the balances as of the date of adoption. Beginning net assets for the year ended December 31, 2023 did not change as a result of this standard.

**Sherman Lake YMCA Outdoor Center**  
**Notes to the Financial Statements**  
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**Note 2 – Liquidity and Availability**

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations are due. The Organization’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:

	2023	2022
Cash	\$ 848,966	\$ 2,477,059
Investments	2,084,739	1,157,162
Accounts receivable	41,330	131,385
Beneficial interest in community foundations	389,540	352,027
Unconditional promises to give	25,604	-
Financial assets - at year end	3,390,179	4,117,633
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions		
Beneficial interest in community foundations	(389,540)	(352,027)
Other	(476,838)	(971,586)
Board designated net assets	(2,240,793)	(2,343,109)
Financial assets available to meet cash needs for general expenditures within one year	\$ 283,008	\$ 450,911

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 Organization 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 Organization 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 3 – Unconditional Promises to Give**

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

	2023	2022
Less than one year	\$ 25,604	\$ -

The Organization 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, 2023 and 2022, management has deemed the discount to be immaterial and no amount has been recorded.

**Note 4 – Beneficial Interest in Community Foundation**

The Organization 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 Organization reports the total fair value of the funds as a beneficial interest on the statements of

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

	2023	2022
Balance at January 1	\$ 352,027	\$ 418,148
Net investment income (loss)	50,640	(54,020)
Grants paid	(10,695)	(9,316)
Administrative expenses	(2,432)	(2,785)
Balance at December 31	\$ 389,540	\$ 352,027

The Organization 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 Organization 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 Organization of up to four percent of the average quarterly value over the previous 16 quarters. The Organization generally does not have the ability to draw on the corpus of the funds. Subject to the approval of Foundations’ boards of directors, the Organization may request a payout of the net earnings of the funds. The net earnings of the funds totaled \$157,541 and \$120,027 at December 31, 2023 and 2022, respectively.

**Note 5 – Other Funds Held by Community Foundations**

The Foundations maintain additional endowment funds for which the Organization has been named as a beneficiary organization. These endowments do not meet the requirements for the Organization 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 Organization. The fair value of these funds totaled \$258,944 and \$208,704 at December 31, 2023 and 2022, respectively. No revenue is recorded until the Organization receives grant distributions awarded by the Foundations. Grant awards disbursed to the Organization in December 31, 2023 and 2022 totaled \$9,874 and \$8,915, respectively, and are recorded as contributions without donor restrictions on the statements of activities.

**Note 6 – 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 Organization’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 Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These

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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 Organization'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, 2023 and 2022.

The following table summarizes the valuation of the Organization's financial instruments by the aforementioned valuation categories at December 31, 2023:

	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	\$ 389,540	\$ -	\$ -	\$ 389,540
Investments				
Fixed income	308,574	308,574	-	-
Money markets	800,161	800,161	-	-
Mutual funds	976,004	976,004	-	-
Balance at December 31	<u>\$ 2,474,279</u>	<u>\$ 2,084,739</u>	<u>\$ -</u>	<u>\$ 389,540</u>

The following table summarizes the valuation of the Organization's financial instruments by the aforementioned valuation categories at December 31, 2022:

	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	\$ 352,027	\$ -	\$ -	\$ 352,027
Investments				
Fixed income	255,706	255,706	-	-
Money markets	62,256	62,256	-	-
Mutual funds	839,200	839,200	-	-
Balance at December 31	<u>\$ 1,509,189</u>	<u>\$ 1,157,162</u>	<u>\$ -</u>	<u>\$ 352,027</u>

The Organization's beneficial interest in community foundations is classified as a Level 3 asset as the Organization 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 Organization's right to receive future distributions, as described in Note 4. A reconciliation of the activities for these Level 3 financial instruments, including the

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components of the net change reported on the statements of activities, is also included in Note 4.

The beneficial interest in community foundations has been valued, as a practical expedient, at the fair value of the Organization’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.

**Note 7 – Leases**

The Organization 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 Organization may purchase the equipment for a preestablished price any time in or after December 2023. The Organization exercised 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:

	2023	2022
Right-of-use asset, gross	\$ -	\$ 245,148
Accumulated amortization	-	44,605
Remaining lease liability	-	218,649
Amortization expense	-	10,284
Lease financing costs (implied interest expense)	-	6,680

The lease contract for the equipment contains an implicit interest rate which is not readily determinable. As such, the Organization 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 Organization 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.

**Note 8 – 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:

	2023	2022
Specified purpose	\$ 438,244	\$ 951,982
Passage of time	-	1,440
Cash and beneficial interests held for investment	428,134	370,191
Total Net Assets with Donor Restrictions	\$ 866,378	\$ 1,323,613

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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:

	2023	2022
Specified purpose	\$ 1,191,469	\$ 644,841
Passage of time	1,440	14,444
Specified purpose and passage of time	-	151,917
Total Net Assets Released From Donor Restrictions	\$ 1,192,909	\$ 811,202

**Note 9 – Employee Benefit Plan**

The Organization participates in a defined-contribution, individual account, money purchase retirement plan, which is administered by the Young Men’s Christian Organization 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 Organizations in the United States. This plan is for the benefit of all eligible employees of the Organization who qualify under the participation requirements.

In accordance with the agreement with the YMCA Retirement Fund, contributions by the Organization and employees of the Organization 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 Organization to the YMCA Retirement Fund for the years ended December 31, 2023 and 2022 totaled \$103,010 and \$92,553, respectively.

**Note 10 – Related Party Transactions**

As an affiliate member of Y-USA, the Organization pays a monthly affiliate fee based on gross revenues, less grants and contributions. Total fees paid to Y-USA were \$61,353 and \$32,235 for the years ended December 31, 2023 and 2022, respectively.

June 14, 2024

Management and the Board of Directors (Trustees)  
Sherman Lake YMCA Outdoor Center  
Augusta, Michigan

We have audited the financial statements of Sherman Lake YMCA Outdoor Center for the year ended December 31, 2023, and we have issued our report thereon dated June 14, 2024. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit. The appendices to this letter set forth those communications as follows:

I Auditors' Communication of Significant Matters with Those Charged with Governance

In addition, we have identified additional matters that are not required to be communicated but we believe are valuable for management:

II Matters for Management's Consideration

We discussed these matters with various personnel in the Organization during the audit including management. We would also be pleased to meet with you to discuss these matters at your convenience.

These communications are intended solely for the information and use of management, the Board of Directors, and others within the Organization, and are not intended to be and should not be used by anyone other than those specified parties.

*Yeo & Yeo, P.C.*

Kalamazoo, Michigan

## **Appendix I**

### **Auditors' Communication of Significant Matters with Those Charged with Governance**

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 2, 2024. Professional standards also require that we communicate to you the following information related to our audit.

#### **Significant Audit Matters**

##### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 of the financial statements. As described in Note 1, the Organization changed accounting policies related to credit losses by adopting FASB Topic 326, *Financial Instruments – Credit Losses*. Accordingly, the accounting change has been prospectively applied. We noted no transactions entered into by the Organization during the year where there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting Sherman Lake YMCA Outdoor Center's financial statements were:

- Management's estimate of the functional allocation of expenses is based on the Organization's cost allocation methodology using allocation bases including FTE ratios and square footage.
- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Disclosures in the financial statements are neutral, consistent and clear.

We have identified the following significant risks of material misstatement as part of our audit planning:

- Management override of controls
- Improper revenue recognition

##### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjustments identified during the audit have been communicated to management. Management has corrected all such misstatements except the following adjustments:

Beginning net assets and utilities expense is overstated by \$25,021.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

The section above summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

### **Disagreements with Management**

For purposes of this letter, a disagreement with management is a disagreement on financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

### **Management's Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

## **Appendix II**

### **Matters for Management's Consideration**

In planning and performing our audit of the financial statements of Sherman Lake YMCA Outdoor Center as of and for the year ended December 31, 2023, we considered Sherman Lake YMCA Outdoor Center's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of several matters for management's consideration that are opportunities for strengthening internal controls. This letter does not affect our report dated June 14, 2024, on the financial statements of Sherman Lake YMCA Outdoor Center. Our comments and recommendations regarding those matters are:

#### **Net Asset Categories**

The Organization had initially placed internal designations on net assets at a level that cause an end of year undesignated deficit, as well as negative liquidity. Within the designation detail was several negative set asides. We recommended only designating positive amounts and to consider only designating net assets that resulted in positive undesignated net assets at year end. Additionally, we noted that it appeared one purpose restriction remaining from the prior year had been satisfied, but not recorded as such. Adjustments were made for both of these items. We recommend that the accounting staff more closely reviews year end restrictions and designations of net assets in the future.

#### **Review Process**

The Organization appeared to have adequate segregation of duties over certain transaction cycles, however, certain areas appeared to be done completely by one person without a review by someone other than the person who completed it. We recommend any schedules that are created or transactions that are completed are reviewed by someone other than the person that created them to help prevent misstatements due to human error.