McGaw YMCA

Consolidated Financial Statements

Years Ended August 31, 2021 and 2020

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McGaw YMCA
Evanston, Illinois

We have audited the accompanying consolidated financial statements of McGaw YMCA, which comprise the consolidated statement of financial position as of August 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to on the previous page present fairly, in all material respects, the financial position of McGaw YMCA as of August 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.

Emphasis of Matter

McGaw YMCA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, as discussed in Note 1. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2021, on our consideration of McGaw YMCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McGaw YMCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McGaw YMCA's internal control over financial reporting and compliance.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
December 7, 2021

MCGAW YMCA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2021 AND 2020

	2021	2020
ASSETS		
Assets		
Cash and cash equivalents	$ 4,344,299	$ 4,143,459
Investments, at fair value - Notes 3 and 6	8,479,101	4,095,714
Accounts receivable, net	440,813	85,879
Inventory	7,647	13,124
Pledges and grants receivable, net, as restated in 2020 - Notes 4, 12, 18 and 19	914,799	564,854
Prepaid expenses	68,300	30,527
Interest rate cap derivative - Notes 6 and 8		335
Property and equipment, net - Notes 7 and 8	13,170,329	13,995,133
Total Assets	$ 27,425,288	$ 22,929,025
LIABILITIES AND NET ASSETS		
Liabilities		
Mortgages payable - Note 8	$ -	$ 3,497,109
Notes payable - Note 8	5,461,341	1,751,343
Capital lease obligation for computer and fitness equipment and capital projects - Note 9	137,205	274,811
Accounts payable and other accrued expenses	580,286	388,799
Accrued wages and payroll taxes	448,134	285,337
Accrued vacation	423,359	409,378
Deferred program and camp fee revenue	370,545	396,092
Deferred membership dues	44,922	48,795
Funds held - YMCA sponsored groups	13,581	11,210
Total Liabilities	7,479,373	7,062,874
Net Assets		
Net assets without donor restrictions, as restated in 2020 - Note 18	15,427,503	11,531,165
Net assets with donor restrictions - Notes 10 and 11	4,518,412	4,334,986
Total Net Assets	19,945,915	15,866,151
Total Liabilities and Net Assets	$ 27,425,288	$ 22,929,025

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF ACTIVITIES
YEARS ENDED AUGUST 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Support						
Contributions and grants, as restated in 2020 - Notes 12, 18 and 19	$ 5,604,010	$ 74,983	$ 5,678,993	$ 1,759,901	$ 394,246	$ 2,154,147
Special event revenue	107,500		107,500	293,790		293,790
Less: cost of direct benefit to donors				(99,734)		(99,734)
Net assets released from restrictions						
Expiration of purpose restrictions	193,654	(193,654)		185,118	(185,118)	
Expiration of time restrictions	62,283	(62,283)		339,411	(339,411)	
Total Support	5,967,447	(180,954)	5,786,493	2,478,486	(130,283)	2,348,203
Program Revenues						
Membership and programs	3,070,154		3,070,154	4,681,081		4,681,081
Residence, net of community contribution	1,132,634		1,132,634	1,255,195		1,255,195
Children's Center	4,244,504		4,244,504	3,855,214		3,855,214
Camp Echo	2,119,574		2,119,574	340,175		340,175
Fee assistance - Note 13	(1,085,849)		(1,085,849)	(1,087,648)		(1,087,648)
Total Program Revenues	9,481,017		9,481,017	9,044,017		9,044,017
Other Revenues						
Paycheck Protection Program loan forgiveness - Note 8	1,769,246		1,769,246			
Interest and dividends, net of investment expenses of $15,590 and $14,775, respectively	47,497	48,444	95,941	42,051	50,838	92,889
Realized/unrealized net gains on investments	309,754	315,936	625,690	116,830	183,141	299,971
Miscellaneous	61,498		61,498	400,748		400,748
Total Other Revenues, net	2,187,995	364,380	2,552,375	559,629	233,979	793,608
Total Revenues, Gains and Other Support	17,636,459	183,426	17,819,885	12,082,132	103,696	12,185,828
Expenses						
Program services						
Membership and programs	3,801,784		3,801,784	3,899,949		3,899,949
Residence	986,548		986,548	772,842		772,842
Children's Center	4,550,881		4,550,881	4,100,042		4,100,042
Camp Echo	1,948,050		1,948,050	1,072,941		1,072,941
Total Program Services	11,287,263		11,287,263	9,845,774		9,845,774
Supporting services						
Management and general	1,677,811		1,677,811	1,621,972		1,621,972
Fundraising	471,220		471,220	395,221		395,221
Marketing	303,827		303,827	370,007		370,007
Total Supporting Services	2,452,858		2,452,858	2,387,200		2,387,200
Total Expenses	13,740,121		13,740,121	12,232,974		12,232,974
Change in Net Assets, as restated in 2020 - Note 18	3,896,338	183,426	4,079,764	(150,842)	103,696	(47,146)
Net Assets						
Beginning of year	11,531,165	4,334,986	15,866,151	11,682,007	4,231,290	15,913,297
End of year, as restated in 2020 - Note 18	$ 15,427,503	$ 4,518,412	$ 19,945,915	$ 11,531,165	$ 4,334,986	$ 15,866,151

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021

	Program Services					Supporting Services				
	Membership and Programs	Residence	Children's Center	Camp Echo	Total Program Services	Management and General	Fundraising	Marketing	Total Supporting Services	Total Expenses
Wages and salaries	$ 1,827,262	$ 473,131	$ 2,614,653	$ 835,890	$ 5,750,936	$ 907,904	$ 258,522	$ 175,889	$ 1,342,315	$ 7,093,251
Employee benefits	400,334	113,965	765,915	155,453	1,435,667	243,125	67,799	39,400	350,324	1,785,991
Independent contractors	22,647	416	5,653	10	28,726	1,020	83,612	6	84,638	113,364
Outside consultants and professional services - Note 7	768	209		5	982	297,885	5	41,377	339,267	340,249
Program supplies	83,959	17,963	336,454	390,911	829,287					829,287
Administrative and office support	8,050	2,253	8,281	7,748	26,332	21,373	869	2,487	24,729	51,061
System support and maintenance	32,560	14,512	51,706	15,724	114,502	86,455	24,730	15,387	126,572	241,074
Building maintenance and supplies	352,280	123,614	154,672	65,869	696,435	4,565	2,139	1,379	8,083	704,518
Facility rental - Note 14	21,717	4,517	339,375	13,748	379,357	4,174	1,802	1,083	7,059	386,416
Promotion and advertising	605			2,287	2,892		427	18,582	19,009	21,901
Fundraising expenses	71		133	764	968	250	8,857	250	9,357	10,325
Development and learning	565	35	5,059	3,779	9,438	6,928	240		7,168	16,606
Staff and volunteer leadership meetings	967	343	9,365	2,168	12,843	9,283	8,773		18,056	30,899
Staff travel and meal	507	49	21	6,051	6,628	4	291	1	296	6,924
Dues and subscriptions - Note 16	52,718	17,950	69,161	34,679	174,508	12,979	4,040		17,019	191,527
Postage and mailing services			224	4,185	4,409	1,499	105	3,094	4,698	9,107
Telephone and internet access fees	32,585	9,304	26,208	13,681	81,778	8,244	969	1,782	10,995	92,773
Utilities	190,400	51,804	46,603	64,710	353,517	2,467	1,156	745	4,368	357,885
Vehicle rental and expenses	412		2,677	131,846	134,935					134,935
Property and liability insurance	84,912	2,496		21,928	109,336	119	56	36	211	109,547
Bank fees and other interest - Note 8	62,318	12	43,350	39,856	145,536	45,026	3,388	3	48,417	193,953
Mortgage and promissory note interest - Note 8	45,636				45,636	9,732			9,732	55,368
License and taxes	4,791	4,979	741	13,839	24,350	12			12	24,362
Bad debt for program						3,505			3,505	3,505
Total Expenses Before Depreciation and Amortization Expense	3,226,064	837,552	4,480,251	1,825,131	10,368,998	1,666,549	467,780	301,501	2,435,830	12,804,828
Depreciation and Amortization Expenses - Note 7	575,720	148,996	70,630	122,919	918,265	11,262	3,440	2,326	17,028	935,293
Total Functional Expenses	$ 3,801,784	$ 986,548	$ 4,550,881	$ 1,948,050	$ 11,287,263	$ 1,677,811	$ 471,220	$ 303,827	$ 2,452,858	$ 13,740,121
Percentage of Total Expenses	27.67%	7.18%	33.12%	14.18%	82.15%	12.21%	3.43%	2.21%	17.85%	100.00%

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020

	Program Services					Supporting Services					
	Membership and Programs	Residence	Children's Center	Camp Echo	Total Program Services	Management and General	Fundraising	Marketing	Total Supporting Services	Cost of Direct Benefit to Donors	Total Expenses
Wages and salaries	$ 1,901,137	$ 308,203	$ 2,354,700	$ 501,198	$ 5,065,238	$ 844,887	$ 229,044	$ 173,998	$ 1,247,929	$ -	$ 6,313,167
Employee benefits	404,476	91,932	715,476	131,245	1,343,129	229,201	53,999	33,433	316,633		1,659,762
Independent contractors	37,344	205	27,205	3,690	68,444	10	45,803	3	45,816		114,260
Outside consultants and professional services	2,886	901		742	4,529	40,239	4,520	33,427	78,186	6,975	89,690
Program supplies	76,968	24,224	260,917	94,092	456,201						456,201
Administrative and office support	3,338	1,278	3,512	2,383	10,511	12,037	545	3,425	16,007		26,518
System support and maintenance	49,509	14,257	48,146	13,707	125,619	79,443	25,879	17,654	122,976		248,595
Building maintenance and supplies	273,345	106,607	127,738	54,390	562,080	4,322	1,919	1,412	7,653		569,733
Facility rental - Note 14	26,266	5,406	340,424	7,477	379,573	4,507	1,891	1,493	7,891		387,464
Promotion and advertising	(25)			162	137	2,200	11,642	81,671	95,513	1,660	97,310
Fundraising expenses							6,114	1,717	7,831	91,099	98,930
Development and learning	714	527	5,602	4,386	11,229	4,549	1,424	50	6,023		17,252
Staff and volunteer leadership meetings	3,564	778	8,210	1,732	14,284	9,834	2,990	116	12,940		27,224
Staff travel and meal	262	101	2,819	4,464	7,646	142	833	1	976		8,622
Dues and subscriptions - Note 16	46,788	8,219	29,585	14,660	99,252	6,375	2,580	16	8,971		108,223
Postage and mailing services				1,268	1,268	3,227	126	16,968	20,321		21,589
Telephone and internet access fees	31,833	8,324	28,554	16,464	85,175	7,848	943	744	9,535		94,710
Utilities	234,035	73,082	41,869	41,663	390,649	3,701	1,643	1,209	6,553		397,202
Vehicle rental and expenses	794	23	(7)	28,995	29,805	1	1		2		29,807
Property and liability insurance	78,603	2,573		20,407	101,583	130	58	43	231		101,814
Bank fees and other interest - Note 8						203,028			203,028		203,028
Mortgage interest - Note 8	93,055				93,055	17			17		93,072
License and taxes	2,572	5,282	39	12,222	20,115	975	7	5	987		21,102
Bad debt for program						151,157			151,157		151,157
Total Expenses Before Depreciation and Amortization Expense	3,267,464	651,922	3,994,789	955,347	8,869,522	1,607,830	391,961	367,385	2,367,176	99,734	11,336,432
Depreciation and Amortization Expenses - Note 7	632,485	120,920	105,253	117,594	976,252	14,142	3,260	2,622	20,024		996,276
Total	3,899,949	772,842	4,100,042	1,072,941	9,845,774	1,621,972	395,221	370,007	2,387,200	99,734	12,332,708
Less: Expenses included in revenues on consolidated statement of activities											
Cost of direct benefit to donors										(99,734)	(99,734)
Total Functional Expenses	$ 3,899,949	$ 772,842	$ 4,100,042	$ 1,072,941	$ 9,845,774	$ 1,621,972	$ 395,221	$ 370,007	$ 2,387,200	$ -	$ 12,232,974
Percentage of Total Expenses	31.88%	6.32%	33.52%	8.77%	80.49%	13.26%	3.23%	3.02%	19.51%		100.00%

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEARS ENDED AUGUST 31, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 4,079,764	$ (47,146)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Loss on abandonment of construction in progress	240,319	
Loss on disposition of property and equipment		9,492
Depreciation and amortization	935,293	996,276
Payroll Protection Program loan forgiveness	(1,769,246)	
Realized/unrealized net gains on investments	(625,690)	(299,971)
Change in fair value of derivative	335	17
Increase (decrease) in allowance for uncollectible receivables and pledges	(59,486)	72,402
Contributed property and equipment	(9,500)	
Net (increase) decrease in assets		
Accounts receivable	(296,750)	74,338
Inventory	5,477	61
Pledges and grants receivable	(348,643)	116,535
Prepaid expenses	(37,773)	54,025
Beneficial interest in lead trust		58,925
Net increase (decrease) in liabilities		
Accounts payable and other accrued expenses	209,390	(205,460)
Accrued wages and payroll taxes	162,797	128,026
Accrued vacation	13,981	65,428
Deferred program and camp fee revenue	(25,547)	209,042
Deferred membership dues	(3,873)	(26,966)
Funds held - YMCA sponsored groups	2,371	(1,214)
Net Cash Provided by Operating Activities	2,473,219	1,203,810
Cash Flows from Investing Activities		
Purchases of property and equipment	(341,308)	(362,580)
Proceeds from sale of property and equipment		6,831
Proceeds from sales of investments	15,864	647,168
Purchases of investments	(3,773,561)	(208,563)
Net Cash Provided by (Used for) Investing Activities	(4,099,005)	82,856
Cash Flows from Financing Activities		
Principal payments on mortgage payable	(3,497,109)	
Principal payments on notes payable	(19,435)	
Principal payments on truck loan		(1,503)
Principal payments on capital lease obligations	(137,606)	(157,581)
Proceeds from notes payable	5,480,776	1,751,343
Net Cash Provided by Financing Activities	1,826,626	1,592,259
Net Increase in Cash and Cash Equivalents	200,840	2,878,925
Cash and Cash Equivalents		
Beginning of year	4,143,459	1,264,534
End of year	$ 4,344,299	$ 4,143,459
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 93,323	$ 89,399

Supplemental Disclosure of Noncash Financing and Investing Activities - see Note 9

The accompanying notes are an integral part of this statement.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Organization

Founded in 1885, the McGaw YMCA (the Association), located in Evanston, Illinois, is a leading cause-driven charitable organization serving the needs of the Evanston community. Originally created to "promote mental, moral, physical and social welfare", we have remained true to the spirit of that mission as "an open, charitable, membership association that promotes growth in spirit, mind and body" through programs and services that have continued to expand to better serve everyone in our diverse community as well as surrounding communities.

Our programs are designed to focus on youth development, healthy living and social responsibility. In order to make the benefits of our programs and services affordable to the entire community, we have created "Membership for All," which provides sliding scale membership and program fees based on household income adjusted for the number of individuals in the household. In addition, we provide scholarships, camperships and program subsidies for early childhood education, day and resident camp, tutoring and mentoring programs, and for low and very low-income resident members. An average of 6,500 members and another 787 community participants enjoy health and wellness through a fully equipped health and wellness center, enhanced training options and targeted programs for all age groups, an aquatic program that includes swim teams and swim lessons in our two pools and throughout the community as a partner with Evanston Swims. We provide year-round educational programs in a standalone Children's Center with 13 classrooms for infants through school age in addition to 4 classrooms at the Foster Reading Center for Head Start and Afterschool programs in the underserved fifth ward of Evanston. In addition, in 2015 we created the MetaMedia program, a state of the art, connected learning, free digital media lab and makers space open exclusively to middle school youth. Finally, as part of our commitment to social responsibility, we continue to successfully run our resident member program that provides safe, affordable SRO (single room occupancy) housing to over 170 men annually.

Basis of Consolidation

The financial statements of the Association and the YMCA Camp Echo Corporation have been consolidated in accordance with the FASB provisions for consolidation. All inter-organizational transactions have been eliminated in consolidation. Substantially all of the revenues and assets are associated with the Association.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting. Using this method, revenues and expenses are recognized in accordance with accounting principles generally accepted in the United States of America.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation

Information regarding the financial position and activities of the Association are reported in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, 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:

- Without donor restrictions - Net assets without donor restrictions are not subject to donor-imposed stipulations, but may be subject to board designations. They include all activities of the Association, except for those amounts that are restricted by external donors.

- With donor restrictions - Net assets with donor restrictions are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Association (purpose restrictions). Net assets with donor restrictions may also be imposed by donors who require that the principal of these classes of net assets be invested in perpetuity and only the investment income be expended.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those estimates.

Cash Equivalents

Cash and cash equivalents are comprised of petty cash, cash in banks and money market funds. Money market funds are recorded at cost, which approximates fair value based on quoted market prices.

Accounts Receivable

Accounts receivable consisting of program fees are reported at net realizable value, which is the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of individuals having outstanding balances and taking into consideration the age of past due accounts, an assessment of the ability to pay, as well as current relationships, management has identified receivables that may not be collectible and accordingly has provided for these receivables in an allowance for doubtful accounts in the amount of approximately $39,000 and $97,000 at August 31, 2021 and 2020, respectively.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments consist of marketable securities that are stated at fair value based on quoted market prices. Unrealized gains or losses on such securities are based on the change in fair value of the assets from the beginning to the end of the fiscal year. Realized gains or losses are based on the change in fair value of the assets from the beginning of the fiscal year to the date of sale.

Investments are exposed to risks in the market. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect the Association and the amounts reported in the consolidated statements of activities.

Derivative Financial Instruments

The FASB Codification related to derivatives and hedging establishes accounting and reporting standards for derivative instruments. The standard requires an entity to recognize all derivatives as either assets or liabilities, and measure those instruments at fair value. Derivatives that do not qualify as a hedge must be adjusted to fair value in earnings. If a derivative does qualify as a hedge under the standards, changes in the fair value will either be offset against the change in fair value of the hedged assets or liabilities, or recognized in the consolidated statements of activities.

Property and Equipment

The Association capitalizes property and equipment purchases of $2,000 or more with an estimated useful life of two years or more. Depreciation and amortization, including assets under capital lease, are calculated using the straight-line method over the estimated useful lives of the assets or life of the lease. Major renewals and betterments, which extend the useful life of an asset, are capitalized while routine maintenance and repairs are expensed as incurred.

Gains or losses on dispositions of property and equipment are included in the consolidated statements of activities.

Description	Years
Building and building improvements	40
Vehicles, furniture and equipment	5 - 8
Computer hardware	3
Fitness equipment under capital lease	3 - 4
Computer software	3

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Public Support and Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Promises to give, which are receivable over more than one year, are recorded at present value. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Contribution and grant revenue is recognized in the period in which the grant becomes unconditional. Contributions and grants are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions with no specific donor restrictions are recorded as increases in net assets without donor restriction. When a restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Restrictions which are fulfilled in the same time period in which a contribution and grant is received are reported as increases to net assets without donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Management assesses the collectability of pledges receivable based on historical experience and has established an allowance for uncollectible pledges accordingly. When amounts are determined to be uncollectible they are written off and charged to bad debt loss, whereas a reduction of the allowance for uncollectible pledges is reflected as bad debt recapture.

Revenue Recognition from Exchange Transactions

The Association has multiple revenue streams that are accounted for as exchange transactions including membership dues and program fees.

Because the Association's performance obligations relate to contracts with a duration of less than one year, the Association has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a*), Revenue from Contracts and Customers,* and, therefore, is not required to provide disclosures of the aggregate amount of the transaction price allocated to its performance obligations that are unsatisfied or partially satisfied at the end of fiscal year 2021, the reporting period.

Membership Dues, Program Fees, and Rental Fees

Membership fees and program fees consist of amounts that families and individuals pay to participate in fitness, education, recreation activities and programs. Memberships provide access to the recreational facilities, access to free group exercise classes, and discounts for fee-based programs. Memberships are drafted on the first day of the month for the service month and the membership dues are non-refundable. Members may cancel memberships anytime with written notice by the 25th of the month which is effective on the first of the subsequent month. Membership dues are recognized ratably over the period of membership. Unearned membership revenue is reflected as deferred revenue on the statement of financial position. Membership dues are reported net of financial assistance and discounts.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Membership Dues, Program Fees, and Rental Fees - Continued

Program fees for short duration programs are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program and refunds may be available for services not provided. Financial assistance is available to members and program participants. Performance obligations are determined based on the nature of the services provided by the Association. Revenue is recognized ratably over the period in which the service is provided based on the number of service days which have transpired. Program fees paid in advance are recorded as deferred revenue on the consolidated statement of financial position.

The Men's Residence program provides housing units which include access to common facilities and wrap around support services. Residence rental fees are billed on a weekly basis in advance of the week of occupancy. Rental income is recognized weekly as the housing unit is provided to tenants. Rental fees paid in advance are recorded as deferred revenue on the consolidated statement of financial position.

In-Kind Support

The Association recognizes in-kind contributions as revenue in the period in which they are received if the fair market value is estimable. In addition, a significant amount of donated services are contributed to the Association by various individuals who volunteer their time and perform a variety of tasks that assist the Association with specific programs and various committee assignments. The Association estimates to have received more than 2,070 volunteer hours during 2021 and 5,300 during 2020 from approximately 93 volunteers in 2021 and 400 volunteers in 2020. The value of these services is not reflected in these consolidated financial statements because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Expenses are charged to programs and supporting services based on both the direct assignment of costs and allocation of costs based on reasonable methods such as square footage and full-time equivalent. Certain costs have been allocated among program services and supporting services, as determined by management on an equitable basis.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses - Continued

The expenses that are allocated include the following:

Expense	Method of Allocation
Employee parking	Full time equivalent and usage
Building services	Square footage
Information technology	Full time equivalent and usage

Income Taxes

The Association is a nonprofit organization that has been granted an exemption from federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code for all business income related to its tax-exempt purpose. The Association had no unrelated business income during 2021 or 2020. The Association is similarly classified by the State of Illinois.

The Association files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Illinois.

Evaluation of Tax Positions

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of August 31, 2021 and 2020, the Association had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

Concentration of Credit Risk

The Association maintains cash and cash equivalents in bank deposit accounts, which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk on cash and cash equivalents.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Effects of Recently Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaces most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. The Association adopted ASU 2014-19 on September 1, 2020 using the modified retrospective method. Results for reporting periods beginning after September 1, 2020 are presented under ASU 2014-09 while prior period amounts continue to be reported in accordance with legacy revenue recognition guidance. Adoption of this standard did not result in a change in the timing or amount of revenue recognized; and therefore, the adoption of this standard did not have a material impact on the Association's financial position, results of operation or business practices. The adoption did result in expanded disclosures related to the nature of contracts with customers and other matters related to revenues and the accounting for revenues.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. In May 2020, the FASB approved a one year deferral of this standard for non-public entities, with a revised effective date for fiscal years beginning after December 15, 2021. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on the consolidated financial statements and related disclosures.

Subsequent Events

The Association has evaluated subsequent events for potential recognition and/or disclosures through December 7, 2021, the date the consolidated financial statements were available to be issued.

2. LIQUIDITY

The Association had $9,771,044 and $5,241,309 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position at August 31, 2021 and 2020, respectively. Financial assets subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position have been excluded.

The table below presents financial assets available for general expenditure, within one year at August 31:

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	$ 4,344,299	$ 4,143,459
Short-term investments	4,245,097	737,628
Accounts receivable	440,813	85,879
Pledges and grants receivable - without donor restrictions due within one year	740,835	274,343
Financial Assets Available to Meet General Expenditures Within One Year	$ 9,771,044	$ 5,241,309

The Association's goal is to maintain financial assets consisting of cash and short-term investments on hand to meet sixty days of operating expenditures. On average, sixty days of operating expenditures is approximately $2,134,000. Also, the Association strives to achieve YMCA of the USA benchmark standards for liquidity as measured by the months of cash and cash equivalents available metric, and the current ratio. The months of cash available ratio indicates how long the Association can operate with the existing cash at current expense levels. The Association had on average 9.2 months of cash available to meet current expenditures at August 31, 2021 which is above the YMCA of the USA benchmark of 2.0 months of cash. The current ratio indicates the short-term solvency of the Association, or how easily the Association can pay its bills. A current ratio of 1.0 indicates that current asset balances are adequate to cover all of the Association's short-term obligations. The Association had a current ratio of 5.7 at August 31, 2021, indicating that current assets were 5.7 times larger than current liabilities at August 31, 2021, which is higher than the YMCA of the USA benchmark of 1.5.

The Association structures its financial assets to be available for general expenditures, liabilities and other obligations due. In addition, as part of its liquidity management, the Association invests cash in excess of requirements in investment accounts. In July 2021, the Association obtained a revolving line of credit with a bank in the amount of $500,000. The Association has not utilized the revolving line of credit as of the financial statement date.

3. INVESTMENTS

Investments consist of the following at August 31:

	2021	2020
Equity index mutual funds		
Total international stock index-Admiral	$ 843,351	$ 667,868
Total stock market index-Admiral	2,118,123	1,586,828
Fixed income funds		
Inter-term invest - Gr Admiral	516,201	442,479
Short-term invest - Gr Admiral	338,532	295,149
Total international bond index-Admiral	414,191	367,266
Total bond market index-Admiral	858,339	736,124
UltraShortTerm Bond Admin	3,390,364	
Total Investments	$ 8,479,101	$ 4,095,714

4. PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable represent unconditional promises to give.

Pledges and grants receivable are expected to be collected as follows at August 31:

	2021	2020
Less than one year	$ 930,554	$ 508,343
One to five years	3,500	83,250
	934,054	591,593
Less: Discount to net present value	614	6,796
Less: Allowance for uncollectible pledges	18,641	19,943
Net pledges and grants receivable	$ 914,799	$ 564,854

The discount rate used in determining the net present value of pledges and grants receivable is 4%.

5. CHARITABLE LEAD TRUST

During 2011, a donor established a charitable lead trust naming the Association as a lead beneficiary. Under the terms of the agreement, the Association was to receive $7,142 per year for 19 years commencing in the year ended June 30, 2012. The Association estimated the present value of future payments using a 4% discount rate. The trust was liquidated during the year ended August 31, 2020 and the Association received $258,509, of which $179,951 was recorded as a contribution on the consolidated statement of activities during the year ended August 31, 2020.

6. FAIR VALUE MEASUREMENTS

The FASB Codification provides a framework for measuring fair value using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 -Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

6. FAIR VALUE MEASUREMENTS – Continued

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2021 and 2020.

Level 1 Fair Value Measurements
The fair values of equity and fixed income mutual funds are based on quoted market prices, when available.

Level 2 Fair Value Measurements
The beneficial interest in a charitable lead trust was not actively traded. The fair value of the beneficial interest in the charitable lead trust was determined by discounting the related cash flows based on current yields of similar instruments with comparable durations. The fair value of the interest rate cap derivative is provided to the Association by the bank and is based on the bank's internal proprietary pricing models and estimates, certain assumptions, and available market data.

Fair values of assets measured on a recurring basis at August 31, 2021 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 8,479,101	$ 8,479,101	$ -	$ -

Fair values of assets measured on a recurring basis at August 31, 2020 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments	$ 4,095,714	$ 4,095,714	$ -	$ -
Interest rate cap derivative	335		335	
Total Assets	$ 4,096,049	$ 4,095,714	$ 335	$ -

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	2021	2020
Land	$ 1,142,512	$ 1,142,512
Land improvement	49,215	
Building	2,610,099	2,610,099
Building improvements	21,849,833	21,794,754
Furniture and equipment	4,625,727	4,449,252
Computer hardware	292,503	292,855
Computer software	140,991	367,439
Vehicles	275,273	238,243
Construction in progress	339,985	562,182
	31,326,138	31,457,336
Accumulated depreciation and amortization	18,155,809	17,462,203
Net Property and Equipment	$ 13,170,329	$ 13,995,133
Depreciation and Amortization Expense	$ 935,293	$ 996,276
Loss on abandonment of construction in progress	$ 240,319	$ -
Loss on disposition of property and equipment	$ -	$ 9,492

During the year ended August 31, 2021, the Association had a loss on the abandonment of pre-construction capital expenditures for the Camp Echo Major Gift Initiative project. The consolidated statement of functional expense includes $240,319 in outside consultants and professional services expense within the management and general category associated with the asset disposal.

8. MORTGAGES AND NOTES PAYABLE

Mortgages Payable

On May 29, 2014 the Association entered into two 7 year mortgages with a bank totaling $5,600,000, at 1.3% over the variable rate index (LIBOR Rate), secured by the Association owned real property in Evanston, Illinois. The amounts borrowed under these mortgages were $4,592,000 and $1,008,000. The first required principal payments on these mortgages totaling $100,000 was paid in June, 2014. Per an agreement dated July 22, 2014, the terms of the original mortgage were slightly modified and annual principal payments of $400,000 were due on June 15 commencing June 15, 2015 and ending with a balloon payment of $3,097,109 on June 15, 2021.

8. MORTGAGES AND NOTES PAYABLE

Mortgages Payable - Continued

The balloon payment was financed by an unsecured promissory note as disclosed later in this Note 8. Interest expense for the years ended August 31, 2021 and 2020 was $45,636 and $93,055, respectively.

In November 2010, the Association entered into an interest rate cap agreement (Cap) with a notional principal amount of $5,000,000. The Association had a variable mortgage rate of LIBOR plus 1.3 percentage points over the index. The interest rate swap agreement capped the borrower's LIBOR rate at 4.28% (3% CAP rate with 70% floating rate option). This interest rate cap agreement was terminated during the year ended August 31, 2021.

Unsecured Promissory Note

On July 14, 2021, an unsecured promissory note with a bank was executed in the amount of $3,464,258. The proceeds were loaned to the Association to provide funds to pay off the mortgages as disclosed previously in this Note 8. The promissory note requires monthly payments of $16,784, including interest at a fixed rate of 3.15% per annum, and matures July 14, 2031. At August 31, 2021, the balance of the note was $3,456,870 and interest expense amounted to $9,397 for the year ended August 31, 2021. The note agreement requires certain financial covenants and negative covenants be maintained. The Association was in compliance with financial covenants at August 31, 2021.

Revolving Line of Credit

On July 14, 2021, the Association obtained a two year $500,000 line of credit with a bank in conjunction with the debt refinancing. Interest is payable monthly at the federal funds rate plus 1.35%. No amounts were drawn on this line of credit during the year ended August 31, 2021.

Business Loan

On January 7, 2021, the Association obtained a five year unsecured business loan in the amount of $112,178 to finance capital improvements. The loan requires monthly payments of $2,066, including interest at a fixed rate of 3.95% per annum, and matures January 7, 2026. At August 31, 2021, the loan balance was $100,130 and interest expense amounted to $2,414 for the year ended August 31, 2021.

Economic Injury Disaster Loan

On October 26, 2020, the Association obtained an Economic Injury Disaster Loan (EIDL) from the United States Small Business Administration (SBA) under its assistance program in light of the impact of the COVID-19 pandemic on the Association's operations. The principal amount of the EIDL is $150,000, with proceeds to be used for working capital purposes. Interest on the EIDL is deferred through October 2022 and accrues at the rate of 2.75% per year. Installment payments, including principal and interest, are due monthly beginning 24 months from the date of the EIDL in the amount of $671. The balance of principal and interest is payable thirty years from the date of the promissory note. The EIDL loan is subject to a Uniform Commercial Code (UCC) lien per the terms of the loan. Interest expense for the year ended August 31, 2021 amounted of $2,998 and was accrued to the EIDL balance at August 31, 2021.

8. MORTGAGES AND NOTES PAYABLE – Continued

Loan Payable, Paycheck Protection Program

On April 29, 2020, the Association entered into an agreement with a lender and the SBA to obtain a Paycheck Protection Program (PPP) loan offered as a result of the Coronavirus Aid, Relief and Economic Security Act (CARES). The PPP loan is intended to help certain small businesses and nonprofits stay afloat during the COVID-19 pandemic. The loan in the amount of $1,751,343 provides for interest at a rate of 1% and matures on April 29, 2025. The PPP loan was eligible for forgiveness if the Association met certain criteria including utilization of the loan for eligible expenses and maintaining or restoring employee counts and salary levels to pre-pandemic amounts. The Association adopted the policy to record the PPP loan under the guidance of FASB ASC 470 *Debt*. The PPP loan and interest in the amount of $17,903 was forgiven during the year ended August 31, 2021, and included in other revenues on the statement of activities.

On February 8, 2021, the Association was approved for a second round of PPP funding offered as a result of the Economic Aid to Hard-Hit Small Business, Nonprofits and Venues Act. This loan, in the amount of $1,751,343 has a maturity date of February 8, 2026 and includes substantially similar terms as the first PPP loan, including interest at a rate of 1%, a deferral of payments and an opportunity for the loan to be forgiven if the Association meets certain criteria. The Association expects the loan to be forgiven during the year ended August 31, 2022.

Future Maturities

Future maturities of notes payable, excluding the PPP loan which is expected to be forgiven during the year ended August 31, 2022, are as follows as of August 31:

Year Ending August 31,	Amount
2022	$ 113,510
2023	120,511
2024	124,932
2025	129,446
2026	119,140
Thereafter	3,102,459
Total	$ 3,709,998

9. CAPITAL LEASES

The Association has financed equipment under various capital lease agreements. The asset and liability accounts for the capital leases are recorded at the fair value of the assets. The debt obligation represents the present value of the balance due in the future years for the leases.

The Association acquired $4,715 of property and equipment through the assumption of a capital lease during the year ended August 31, 2020. These transactions have been treated as noncash financing and investing activities in the consolidated statement of cash flows.

9. CAPITAL LEASES – Continued

The following is the schedule of the future minimum lease payments under the capital leases, by years, and the present value of those payments:

Year Ending August 31,	Amount
2022	$ 130,330
2023	11,143
Total minimum lease payments	141,473
Less: Amount representing interest	4,269
Present value of minimum lease payments	137,204
Less: Portion due within one year	126,108
Amounts Due Subsequent to One Year	$ 11,096

The composition of the net book value of assets financed under capital leases was as follows at August 31:

	2021	2020
Computer hardware	$ 75,458	$ 124,370
Furniture and equipment	358,767	358,767
Building improvements	189,470	189,470
Vehicles	3,855	3,855
	627,550	676,462
Less: Accumulated depreciation	355,946	341,245
Net Book Value	$ 271,604	$ 335,217

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the following at August 31:

	2021	2020
Time restricted:		
Pledges and grants receivable	$ 41,465	$ 94,611
Purpose restricted:		
Accumulated endowment earnings	553,237	265,942
Camp Echo	1,221,968	1,293,271
Carlyle E. and Elizabeth W. Anderson Fund, general purpose	18,956	18,956
Food Research and Action Center meal assistance	40,000	
Residence renovation project	92,238	111,658
Robert Ingram Leitch Memorial Fund for Camp Echo scholarships, membership and youth programs	50,000	50,000
Restricted in Perpetuity:		
Brenner Runs Through It Scholarship Endowment Fund for Camp Echo	55,840	55,840
Davee Foundation Endowment Fund for Camp Echo scholarships	1,000,000	1,000,000
Davee Foundation Endowment Fund for Camp Echo equipment	100,000	100,000
Davee Foundation Endowment Fund for residence scholarship	1,000,000	1,000,000
Dennis Newton Endowment Fund for Camp Echo scholarships	61,067	61,067
James D. Vail Endowment Fund for youth programs	147,000	147,000
Kristin Kent Nature Trail Fund for Camp Echo trail maintenance	25,200	25,200
Richard C. Romano Endowment Fund for youth and family programs	102,016	102,016
Roth Holtz Fund for youth programs	9,425	9,425
Total Net Assets With Donor Restrictions	$ 4,518,412	$ 4,334,986

10. NET ASSETS WITH DONOR RESTRICTIONS - Continued

The principal of $50,000 for the Robert Ingram Leitch Memorial Fund was donated on October 13, 1972. The principal is restricted for 50 years under the terms of Mr. Leitch's will. Investment earnings will be distributed to support youth programs annually.

Certain pledges receivable are restricted for specific purposes by the donors and the remaining are time restricted. Camp Echo amounts are restricted for capital expenditures and for scholarship purposes.

11. DONOR DESIGNATED ENDOWMENT FUNDS

The Association adopted the Codification standards for "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds". The Codification provides guidance as well as additional disclosures that are required for an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

As the State of Illinois enacted UPMIFA effective June 30, 2009, the provisions of which apply to endowment funds existing on or established after that date, the Board of Directors determined that the majority of the Association's net assets restricted in perpetuity meet the definition of endowment funds under UPMIFA. Based on the Association's interpretation of UPMIFA, Association management reviewed all of its endowment funds, and created a document stating the "purpose" for each fund and the board reviewed and approved all fund designations.

In accordance with Illinois UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate earning on donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of the Association and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Association; and
7. The investment policies of the Association.

11. DONOR DESIGNATED ENDOWMENT FUNDS - Continued

Endowment Investment and Spending Policies

The Association has adopted investment and spending polices, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Association's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 4%, net of investment fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places an emphasis on U.S. Government bonds, corporate bonds, money market, and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Association's various endowed funds to support the mission of the Association. As part of the annual budgeting process of the Association, the Investment Committee shall authorize an amount to be transferred to the operating account of the Association. Such amounts will generally fall in the range of 0-4% of Fund assets. If the amount so authorized exceeds 5% of the Fund assets in any year, the authorization must be ratified by the Board of Directors prior to inclusion in the proposed budget. The portion of this income related to donor designated endowment assets are allocated directly to fund specified program activities each year. Over the long-term, the Association expects its current spending policy to allow its investment assets to grow. This is consistent with the Association's objective to maintain the purchasing power of investment assets as well as to provide additional real growth through investment return.

Endowment net asset composition by type of fund are as follows as of August 31:

	2021	2020
Donor-Restricted Endowment Funds	$ 3,053,785	$ 2,766,490

11. DONOR DESIGNATED ENDOWMENT FUNDS - Continued

Changes in endowment net assets are as follows for the years ended August 31:

	2021	2020
Endowment Net Assets, Beginning of Year	$ 2,766,490	$ 2,632,533
Investment income	48,444	50,838
Net apppreciation	315,936	183,141
Amounts appropriated for expenditure	(77,085)	(100,022)
Endowment Net Assets, End of Year	$ 3,053,785	$ 2,766,490

12. CONCENTRATION OF CONTRIBUTIONS

Approximately 50% of the total contributions and grants revenue was concentrated among two major stimulus funding sources during the year ended August 31, 2021. The Association received the Employee Retention Tax Credit (ERC) and Child Care Restoration Grant (CCRG) during the fiscal year. The consolidated statement of activities for the year ended August 31, 2021 includes contributions and grants revenue for the ERC and CCRG of $1,994,660 and $898,531, respectively. The consolidated statement of financial position for the year ended August 31, 2021 includes pledges and grants receivable for ERC and CCRG of $460,999 and $140,238, respectively.

The Association also received donations from a single foundation of $1,300,000 which comprises 22% of the total contributions and grants revenue for the year ended August 31, 2021.

13. FEE ASSISTANCE

Fee assistance by program consists of the following for the years ended August 31:

	2021	2020
Membership and program fees	$ 261,822	$ 572,486
Children's center fees	506,570	411,814
Camp Echo fees	221,309	42,696
Residence fees	96,148	60,652
Total Fee Assistance	$ 1,085,849	$ 1,087,648

14. LEASED FACILITIES

The Association leased space for day care/child care center, recreational programs and office and meeting space at St. Mary's Parish in Evanston under the terms of an operating lease agreement through June 30, 2020 at a monthly rate of $23,324. Effective July 1, 2020, the Association agreed upon terms for a five year lease extension with the Catholic Bishop of Chicago through June 30, 2025 with monthly rent of $22,324.

The Association leases office space with Family Focus under the terms of an operating lease agreement that provided for monthly rent payments of $4,035 during the years ended August 31, 2021 and 2020. In July 2021, this lease was extended through June 30, 2022.

The Association has a month-to-month lease contract with CH Ventures, LLC to utilize a parking lot for $3,920/month.

Future minimum rental payments under the leases are as follows:

Year Ending August 31,	Amount
2022	$ 308,239
2023	267,893
2024	267,893
2025	267,893
Aggregate Future Minimum Rentals	$ 1,111,918

Facility rental expense, inclusive of other occupancy costs, was $386,416 and $387,464 for the years ended August 31, 2021 and 2020, respectively.

15. RETIREMENT PLAN

The Association participates in the YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs through-out the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

15. RETIREMENT PLAN - Continued

In accordance with the current agreement, contributions for the YMCA Retirement Fund Retirement Plan is ten percent of the participating employees' salary. These amounts are paid by the Association. Total contributions charged to retirement costs aggregated $454,641 and $407,774 for the years ended August 31, 2021 and 2020, respectively, of which $17,474 was unpaid at August 31, 2021.

16. RELATED PARTY

The Association pays dues to YMCA of the USA. Dues paid to YMCA of the USA for the years ended August 31, 2021 and 2020 were $156,846 and $83,746, respectively.

The Association received contributions from management and board members for the years ended August 31, 2021 and 2020 in the amounts of $20,768 and $121,812, respectively.

17. IMPACT OF COVID-19

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on clients, donors, employees and vendors all of which are uncertain and cannot be predicted. The Association closed its facility to all with the exception of residents and essential staff from mid-March until July 2020. Beginning in July 2020, the Association resumed operations following capacity restrictions mandated by state authorities. The extent of the financial impact of the pandemic on the Association cannot be reasonably estimated at this time.

18. PRIOR PERIOD ADJUSTMENT

During the year ended August 31, 2021, the Association determined that a portion of the Child Care Restoration Grant should have been recognized as revenue on the consolidated statement of activities to the extent that conditions of the grant had been satisfied during the year ended August 31, 2020.

18. PRIOR PERIOD NET ASSET RESTATEMENT - Continued

The effects of the restatement are as follows as of and during the year ended August 31, 2020:

	As Previously Reported	As Restated	Increase
Pledges and grants receivable, net	$ 372,123	$ 564,854	$ 192,731
Net assets without donor restrictions	$ 11,338,434	$ 11,531,165	$ 192,731
Contributions and grants revenue without donor restrictions	$ 1,567,170	$ 1,759,901	$ 192,731
Change in net assets without donor restrictions	$ (343,573)	$ (150,842)	$ 192,731

19. CONDITIONAL CONTRIBUTIONS

The Association receives grant awards with conditional promises to give. Conditional promises to give are not included as pledges and grants receivable until such time as the conditions are substantially met.

The Association was awarded Child Care Restoration Grants during the years ended August 31, 2021 and 2020 and determined these grants to be conditional. The Association recognized revenue in the amount of $898,531 and $192,731 for the years ended August 31, 2021 and 2020, respectively, as funds were utilized for child care programs in satisfaction of grant spending requirements. The amounts receivable for expenses incurred but not yet reimbursed are $140,238 and $192,731 at August 31, 2021 and 2020, respectively, and are included on the consolidated statement of financial position as contributions and grants receivable. The Association may recognize the remaining conditional pledge in the amount of $51,039 if conditions are substantially met, during the year ending August 31, 2022.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
McGaw YMCA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of McGaw YMCA, which comprise the consolidated statement of financial position as of August 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered McGaw YMCA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of McGaw YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the McGaw YMCA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described on the next page, that we consider to be a significant deficiency.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* - Continued

Internal Control over Financial Reporting - Continued

We consider the following deficiency in McGaw YMCA's internal control to be a significant deficiency:

Net Asset Restatement

During our current year audit, we became aware that a conditional grant which was awarded during the year ended August 31, 2020 had not been recognized as revenue during the year ended August 31, 2020 to the extent the conditions had been satisfied. Furthermore, it was noted that this conditional promise to give would have required disclosure on the August 31, 2020 consolidated financial statements. A prior period restatement of net assets in the amount of $192,731 was recorded to capture grant revenues on the consolidated statement of activities and pledges and grants receivable on the consolidated statement of financial position as of August 31, 2020. We recommend implementing procedures to evaluate the recognition and disclosure requirements for all promises to give and contact us for guidance if there is uncertainty on recording contributions.

McGaw YMCA's Response to Findings

McGaw YMCA's response to the findings identified in our audit is described below. McGaw YMCA's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

McGaw YMCA was a beneficiary of the Child Care Restoration Grant (CCRG) from the State of Illinois Business Interruption Grant (BIG) funded by the Coronavirus Relief Fund. McGaw YMCA utilized the communication titled "Child Care Restoration Grants Approval of Award" which was dated 9/17/2020 for the Children's Center and 9/23/2020 for the Children's Center North as the grant award date. The covered period for the grant was July through September 2020 thereby allowing retroactive spending on the grant for allowable expenses. With an award date after 8/31/2020 and retroactive eligibility of July and August 2020 expenses, McGaw YMCA recognized revenue for the award in Fiscal Year 2021.

During audit field work, Mann Weitz contacted the administration agency for the CCRG grant, INCCRRA, to confirm the award date. INCCRRA verbally confirmed that the grant eligibility email received on 8/27/20 for the Children's Center and 8/31/2020 for the Children's Center North evidences the award date. Based on the Fiscal Year 2020 award date confirmed by INCCRRA, McGaw provided journal entries to capture $192,731 in revenue for the CCRG grant for July and August 2020 expenses in the prior fiscal year. The net asset restatement of $192,731 was due solely to the Child Care Restoration Grant.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* - Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McGaw YMCA's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McGaw YMCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McGaw YMCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
December 7, 2021

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