McGaw YMCA

Consolidated Financial Statements

Sixteen Months Ended December 31, 2023
and Year Ended August 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
McGaw YMCA
Evanston, Illinois

Opinion

We have audited the accompanying consolidated financial statements of McGaw YMCA (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023 and August 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the sixteen months and year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of McGaw YMCA as of December 31, 2023 and August 31, 2022, and the changes in their net assets and their cash flows for the sixteen months and 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of McGaw YMCA 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, McGaw YMCA has adopted Accounting Standards Updates 2016-02, *Leases (Topic 842)* and 2016-13, *Financial Instruments – Credit Losses* (*Topic 326*): *Measurement of Credit Losses on Financial Instruments.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 McGaw YMCA'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about McGaw YMCA'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.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
September 10, 2024

MCGAW YMCA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023 AND AUGUST 31, 2022

	2023	2022
ASSETS		
Assets		
Cash and cash equivalents	$ 1,202,195	$ 2,590,019
Investments, at fair value - Note 3	6,532,532	7,698,101
Accounts receivable, net of allowance of $255,707 and $100,354 at December 31, 2023 and August 31, 2022 - Notes 4 and 5	505,388	521,872
Inventory	28,330	26,386
Pledges and grants receivable, net - Notes 6 and 12	147,860	473,768
Prepaid expenses	183,898	70,053
Operating lease right-of-use assets - Note 9	555,691	
Property and equipment, net - Note 7	13,647,627	12,799,895
Total Assets	$ 22,803,521	$ 24,180,094
LIABILITIES AND NET ASSETS		
Liabilities		
Notes payable - Note 8	$ 3,443,536	3,600,097
Operating lease liabilities - Note 9	555,691	
Capital lease obligation for computer and fitness equipment and capital projects - Note 9		11,097
Accounts payable and other accrued expenses	894,557	633,325
Accrued wages and payroll taxes	173,479	391,467
Accrued vacation	421,687	384,725
Deferred contributions - Note 16	252,433	50,000
Deferred program and camp fee revenue - Note 4	280,560	276,375
Deferred membership dues - Note 4	81,059	60,206
Funds held - YMCA sponsored groups	16,973	12,873
Total Liabilities	6,119,975	5,420,165
Net Assets		
Net assets without donor restrictions	12,324,822	14,418,354
Net assets with donor restrictions - Notes 10 and 11	4,358,724	4,341,575
Total Net Assets	16,683,546	18,759,929
Total Liabilities and Net Assets	$ 22,803,521	$ 24,180,094

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF ACTIVITIES
SIXTEEN MONTHS ENDED DECEMBER 31, 2023 AND YEAR ENDED AUGUST 31, 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Support						
Contributions and grants - Notes 12, 15 and 16	$ 1,974,878	$ 1,318,199	$ 3,293,077	$ 1,632,465	$ 423,130	$ 2,055,595
Special event revenue	40,952		40,952	94,439		94,439
Net assets released from restrictions						
Expiration of purpose restrictions	1,562,936	(1,562,936)		122,242	(122,242)	
Expiration of time restrictions	92,299	(92,299)		41,466	(41,466)	
Total Support	3,671,065	(337,036)	3,334,029	1,890,612	259,422	2,150,034
Program Revenues						
Membership and programs	6,334,143		6,334,143	3,484,287		3,484,287
Residence, net of community contribution	1,534,552		1,534,552	1,142,785		1,142,785
Children's Center	7,459,316		7,459,316	4,819,246		4,819,246
Camp Echo	2,894,228		2,894,228	2,426,636		2,426,636
Fee assistance - Note 13	(1,172,861)		(1,172,861)	(1,020,051)		(1,020,051)
Total Program Revenues	17,049,378		17,049,378	10,852,903		10,852,903
Other Revenues						
Paycheck Protection Program loan forgiveness - Note 8				1,773,332		1,773,332
Interest and dividends, net of investment expenses of $0 and $15,297, respectively	158,611	114,233	272,844	51,167	68,481	119,648
Realized/unrealized net gains (losses) on investments	171,358	239,952	411,310	(434,976)	(504,740)	(939,716)
Miscellaneous	164,400		164,400	54,658		54,658
Total Other Revenues, net	494,369	354,185	848,554	1,444,181	(436,259)	1,007,922
Total Revenues, Gains and Other Support	21,214,812	17,149	21,231,961	14,187,696	(176,837)	14,010,859
Expenses						
Program services						
Membership and programs	6,742,481		6,742,481	4,396,113		4,396,113
Residence	1,559,890		1,559,890	1,066,255		1,066,255
Children's Center	7,459,443		7,459,443	5,009,384		5,009,384
Camp Echo	2,820,478		2,820,478	1,917,768		1,917,768
Total Program Services	18,582,292		18,582,292	12,389,520		12,389,520
Supporting services						
Management and general	3,293,751		3,293,751	1,894,908		1,894,908
Fundraising	870,617		870,617	578,691		578,691
Marketing	561,684		561,684	333,726		333,726
Total Supporting Services	4,726,052		4,726,052	2,807,325		2,807,325
Total Expenses	23,308,344		23,308,344	15,196,845		15,196,845
Change in Net Assets	(2,093,532)	17,149	(2,076,383)	(1,009,149)	(176,837)	(1,185,986)
Net Assets						
Beginning of year	14,418,354	4,341,575	18,759,929	15,427,503	4,518,412	19,945,915
End of year	$ 12,324,822	$ 4,358,724	$ 16,683,546	$ 14,418,354	$ 4,341,575	$ 18,759,929

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
SIXTEEN MONTHS ENDED DECEMBER 31, 2023

	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	$ 3,554,617	$ 729,916	$ 4,425,350	$ 1,213,852	$ 9,923,735	$ 1,194,074	$ 459,218	$ 307,752	$ 1,961,044	$ 11,884,779
Employee benefits - Note 14	746,466	172,900	1,189,256	178,959	2,287,581	323,991	95,453	84,223	503,667	2,791,248
Independent contractors	47,229		26,365	42,747	116,341	529,024	170,112		699,136	815,477
Outside consultants and professional services	50,940	219		7,105	58,264	243,730	15,605	58,906	318,241	376,505
Program supplies	250,443	64,222	659,015	510,429	1,484,109	9,961	2,084	1,341	13,386	1,497,495
Administrative and office support	8,762	2,418	12,852	10,120	34,152	38,511	4,816	2,163	45,490	79,642
System support and maintenance	53,357	35,923	87,001	39,006	215,287	180,103	42,175	34,408	256,686	471,973
Building maintenance and supplies	560,657	180,049	248,835	130,342	1,119,883	7,295	3,283	2,262	12,840	1,132,723
Facility rental - Note 9	15,473	7,495	475,461	9,257	507,686	3,763	1,016	652	5,431	513,117
Promotion and advertising	5,713			324	6,037		4,218	56,025	60,243	66,280
Fundraising expenses	91		2,916		3,007	75	41,336		41,411	44,418
Development and learning	13,225	740	16,758	12,264	42,987	10,276	3,159	175	13,610	56,597
Staff and volunteer leadership meetings	6,102	181	20,899	8,016	35,198	56,399	3,711	1	60,111	95,309
Staff travel and meal	5,849	207	376	7,524	13,956	3,389	6,147	727	10,263	24,219
Dues and subscriptions - Note 15	84,567	21,456	99,913	42,272	248,208	9,643	5,520	250	15,413	263,621
Postage and mailing services	30		27	5,158	5,215	309	1,200	6,111	7,620	12,835
Telephone and internet access fees	48,527	21,458	43,215	24,933	138,133	11,295	1,146	2,336	14,777	152,910
Utilities	332,921	90,584	69,141	96,327	588,973	4,332	1,949	1,343	7,624	596,597
Vehicle rental and expenses	4,276	28	34,660	203,390	242,354	1	1		2	242,356
Property and liability insurance	143,112	38,939		53,067	235,118	1,862	838	577	3,277	238,395
Bank fees and other interest - Note 8						302,409	4,379		306,788	306,788
Promissory note interest - Note 8	140,841				140,841					140,841
License and taxes	11,706	5,263	330	21,231	38,530	51	6	4	61	38,591
Bad debts - Note 5						353,406			353,406	353,406
Total Expenses Before Depreciation and Amortization Expense	6,084,904	1,371,998	7,412,370	2,616,323	17,485,595	3,283,899	867,372	559,256	4,710,527	22,196,122
Depreciation and Amortization Expenses - Note 7	657,577	187,892	47,073	204,155	1,096,697	9,852	3,245	2,428	15,525	1,112,222
Total Functional Expenses	$ 6,742,481	$ 1,559,890	$ 7,459,443	$ 2,820,478	$ 18,582,292	$ 3,293,751	$ 870,617	$ 561,684	$ 4,726,052	$ 23,308,344
Percentage of Total Expenses	28.93%	6.69%	32.00%	12.10%	79.72%	14.13%	3.74%	2.41%	20.28%	100.00%

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022

	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	$ 2,210,927	$ 508,356	$ 2,954,479	$ 754,624	$ 6,428,386	$ 930,674	$ 240,028	$ 105,070	$ 1,275,772	$ 7,704,158
Employee benefits - Note 14	502,762	119,618	782,156	122,971	1,527,507	268,451	65,607	23,362	357,420	1,884,927
Independent contractors	52,565	2,417	6,714	19,170	80,866	30,511	165,623	33	196,167	277,033
Outside consultants and professional services - Note 6		159			159	138,269	17,079	132,365	287,713	287,872
Program supplies	95,938	26,389	420,247	424,723	967,297					967,297
Administrative and office support	18,126	5,950	22,045	13,233	59,354	22,813	6,346	1,130	30,289	89,643
System support and maintenance	51,691	20,809	75,129	24,003	171,632	108,895	26,293	26,197	161,385	333,017
Building maintenance and supplies	383,964	145,231	182,095	90,522	801,812	4,975	2,423	1,411	8,809	810,621
Facility rental - Note 9	24,981	4,564	336,300	11,746	377,591	3,733	1,534	483	5,750	383,341
Promotion and advertising	317			1,037	1,354		4,518	36,902	41,420	42,774
Fundraising expenses						390	21,679	150	22,219	22,219
Development and learning	2,161	75	7,731	14,212	24,179	27,305	969	40	28,314	52,493
Staff and volunteer leadership meetings	215	73	14,769	2,423	17,480	28,404	10,024		38,428	55,908
Staff travel and meal	2,116			2,358	4,474	(47)	1,438		1,391	5,865
Dues and subscriptions - Note 15	41,478	14,519	55,853	21,296	133,146	13,217	5,033	250	18,500	151,646
Postage and mailing services				2,827	2,827	242	1,685	2,313	4,240	7,067
Telephone and internet access fees	35,870	11,555	29,628	16,948	94,001	7,686	960	1,502	10,148	104,149
Utilities	195,057	53,070	50,356	66,111	364,594	2,527	1,231	717	4,475	369,069
Vehicle rental and expenses	2,590	26	27,994	149,541	180,151	1	1		2	180,153
Property and liability insurance	121,674	3,513		30,859	156,046	167	81	47	295	156,341
Bank fees and other interest - Note 8						221,543	3,264		224,807	224,807
Promissory note interest - Note 8	109,077				109,077					109,077
License and taxes	6,701	5,013		16,506	28,220	108	1	1	110	28,330
Bad debts						76,667			76,667	76,667
Total Expenses Before Depreciation and Amortization Expense	3,858,210	921,337	4,965,496	1,785,110	11,530,153	1,886,531	575,817	331,973	2,794,321	14,324,474
Depreciation and Amortization Expenses - Note 7	537,903	144,918	43,888	132,658	859,367	8,377	2,874	1,753	13,004	872,371
Total Functional Expenses	$ 4,396,113	$ 1,066,255	$ 5,009,384	$ 1,917,768	$ 12,389,520	$ 1,894,908	$ 578,691	$ 333,726	$ 2,807,325	$ 15,196,845
Percentage of Total Expenses	28.93%	7.02%	32.96%	12.62%	81.53%	12.47%	3.81%	2.20%	18.47%	100.00%

The accompanying notes are an integral part of this statement.

MCGAW YMCA
CONSOLIDATED STATEMENT OF CASH FLOWS
SIXTEEN MONTHS ENDED DECEMBER 31, 2023 AND YEAR ENDED AUGUST 31, 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ (2,076,383)	$ (1,185,986)
Adjustments to reconcile change in net assets to net cash used for operating activities		
Depreciation and amortization	1,112,222	872,371
Gain on disposition of property and equipment	(5,386)	
Payroll Protection Program loan forgiveness		(1,773,332)
Realized/unrealized net (gains) losses on investments	(411,310)	939,716
Operating lease cost	509,449	
Increase in allowance for uncollectible receivables and pledges	139,481	70,373
Net (increase) decrease in assets		
Accounts receivable	(138,869)	(142,293)
Inventory	(1,944)	(18,739)
Pledges and grants receivable	341,780	431,892
Prepaid expenses	(113,845)	(1,753)
Net increase (decrease) in liabilities		
Operating lease liabilities	(509,449)	
Accounts payable and other accrued expenses	261,232	78,625
Accrued wages and payroll taxes	(217,988)	(56,667)
Accrued vacation	36,962	(38,634)
Deferred contributions	202,433	50,000
Deferred program and camp fee revenue	4,185	(94,170)
Deferred membership dues	20,853	15,284
Funds held - YMCA sponsored groups	4,100	(708)
Net Cash Used for Operating Activities	(842,477)	(854,021)
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,969,195)	(501,937)
Proceeds from sale of property and equipment	14,627	
Proceeds from sales of investments	6,529,325	8,125,207
Purchases of investments	(4,952,446)	(8,283,923)
Net Cash Used for Investing Activities	(377,689)	(660,653)
Cash Flows from Financing Activities		
Principal payments on notes payable	(156,561)	(113,498)
Principal payments on capital lease obligations	(11,097)	(126,108)
Net Cash Used for Financing Activities	(167,658)	(239,606)
Net Decrease in Cash and Cash Equivalents	(1,387,824)	(1,754,280)
Cash and Cash Equivalents		
Beginning of year	2,590,019	4,344,299
End of year	$ 1,202,195	$ 2,590,019
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	$ 148,327	$ 137,417

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 10,000 members and another 807 community participants enjoy health and wellness through a fully equipped fitness center, personal training options and targeted programs for all age groups, an aquatic program that includes swim lessons for all ages, youth and adult swim teams, aqua fitness classes, and free lessons for community youth in our two pools. We provide year-round educational and youth programs at 2 sites. The Children’s Center and Family Focus. The Children’s center serves youth ages 6 weeks through 5 years old in 11 classrooms as well as 4 classrooms for afterschool, school non-attendance days and break week programs. In our main building we provide youth in grades 6-8 afterschool and summer STEAM programming at Meta Media. We provide youth programming in the Family Focus building located in the underserved fifth ward of Evanston. Head Start and Afterschool programs for K-5th graders, as well as a Meta Media STEAM afterschool and summer site for 6^{th} to 8^{th} graders. Camp Echo is our residential camp in Michigan. We serve 1,400 youth in Main Camp, Teen Camp and Adventure Trips. Finally, as part of our commitment to social responsibility, we provide free summer learning programming to over 300 children in partnership with the local school district. We also 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 and Allowance for Credit Losses

Accounts receivable consisting of program fees are reported at unpaid balance less an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Association provides for losses on accounts receivable using the current expected credit loss methodology. Under this method, accounts receivable are stated at the amount management expects to collect from outstanding balances based upon the estimated credit loss for the remaining life of the accounts receivable using historical experience, current conditions, and reasonable and supportable forecasts.

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.

Right-of-Use Asset and Lease Liability

The Association leases space and equipment under the terms of operating lease agreements. Operating lease right-of-use (ROU) assets and operating lease obligations are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Association uses the risk-free rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Variable lease payments are excluded for purposes of calculating the operating ROU asset and operating lease obligation. Lease payments related to periods subject to renewal options are also excluded for purposes of calculating the operating ROU asset and lease obligation unless the Association is reasonably certain to exercise the option to extend the lease. The portion of payments on operating lease liabilities related to interest, along with the amortization of the related right-of-use assets, is recognized as lease cost. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

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. 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.

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

Property and Equipment - Continued

Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives:

Description	Years
Building and building improvements	40
Vehicles, furniture and equipment	5 - 8
Computer hardware	3
Computer software	3

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 the reporting periods.

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

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.

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.

Contributed Nonfinancial Assets and Volunteer Support

If significant, the Association recognizes the fair value of contributed nonfinancial assets as revenue in the period in which they are received.

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 2,955 volunteer hours from approximately 247 volunteers during the sixteen months ended December 31, 2023 and 2,265 volunteer hours from approximately 167 volunteers during the year ended August 31, 2022. The value of these services is not reflected in these consolidated financial statements because the criteria for recognition have not been satisfied.

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

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.

The expenses that are allocated include the following:

Expense	Method of Allocation
Certain salaries and benefits	Time and effort
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 the sixteen months ended December 31, 2023 or the year ended August 31, 2022. 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 December 31, 2023, and August 31, 2022, 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 that are insured by the Federal Deposit Insurance Corporation (FDIC). The Association holds accounts with several financial institutions including a financial institution that spreads deposits across 15 community bank charters to combine individual FDIC protection to $3,750,000 per titled account. The Association has not experienced any losses in such accounts, and does not believe it is exposed to significant risk. At August 31, 2022 balances exceeded federally insured limits by $31,074.

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

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. The Association has adopted the requirements of this guidance effective September 1, 2022, using the modified retrospective approach. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (*Topic 326*): *Measurement of Credit Losses on Financial Instruments.* This standard replaced the incurred loss methodology of recognizing credit losses on financial instruments with a methodology that estimates the expected credit loss on financial instruments and reflects the net amount expected to be collected on the financial instrument. ASU 2016-13 was adopted on January 1, 2023 using the modified retrospective method. Accordingly, financial information for periods prior to the date of initial application have not been adjusted. The adoption of this standard did not have a material impact on the Association's consolidated financial position, results of operations or business practices.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated statement of functional expenses to conform to the presentation of the current year consolidated statement of functional expenses.

Subsequent Events

The Association has evaluated subsequent events for potential recognition and/or disclosures through September 10, 2024, the date the consolidated financial statements were available to be issued. See Note 8.

2. LIQUIDITY

The Association had $5,548,053 and $7,642,716 of financial assets available to meet cash needs for general expenditures within one year of the statement of financial position at December 31, 2023 and August 31, 2022, 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 December 31, 2023 and August 31, 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 1,202,195	$ 2,590,019
Short-term investments	3,790,470	4,353,270
Accounts receivable	505,388	521,872
Pledges and grants receivable - without purpose restrictions due within one year	50,000	177,555
Financial Assets Available to Meet General Expenditures Within One Year	$ 5,548,053	$ 7,642,716

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 $2,775,000. 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 3.6 and 5.8 months of cash and short-term investments available to meet current expenditures at December 31, 2023 and August 31, 2022, respectively.

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.

3. INVESTMENTS AND 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.

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS- Continued

Investments consist of the following at December 31, 2023 and August 31, 2022:

		2023		
		Fair Value Measurements Using:		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. treasuries	$ 2,742,062	$ 2,742,062	$ -	$ -
Exchange traded funds	3,390,404	3,390,404		
Total Investments at Fair Value	6,132,466	$ 6,132,466	$ -	$ -
Cash and cash equivalents	400,066			
Total Investments	$ 6,532,532			

		2022		
		Fair Value Measurements Using:		
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. treasuries	$ 3,344,831	$ 3,344,831	$ -	$ -
Exchange traded funds	3,877,744	3,877,744		
Total Investments at Fair Value	7,222,575	$ 7,222,575	$ -	$ -
Cash and cash equivalents	475,526			
Total Investments	$ 7,698,101			

4. OPENING AND CLOSING BALANCES OF CONTRACT ASSETS AND LIABILITIES

The following table provides information about accounts receivable and deferred revenue balances at:

	December 31, 2023	August 31, 2022	September 1, 2021
Accounts receivable, net	$ 505,388	$ 521,872	$ 440,813
Deferred program and camp fee revenue	280,560	276,375	370,545
Deferred membership dues	81,059	60,206	44,922

Revenue recognized for the sixteen months ended December 31, 2023 and year ended August 31, 2022 that was included in the deferred revenue balance at the beginning of each year was $336,581 and $415,467, respectively.

5. ALLOWANCE FOR CREDIT LOSSES

The balance of and change in the allowance for credit losses for the sixteen months ended December 31, 2023 were as follows:

Balance as of September 1, 2022	$ 100,354
Provision for bad debt expense	353,406
Write-offs directly against accounts receivable	(198,053)
Balance as of December 31, 2023	$ 255,707

6. 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 December 31, 2023 and August 31, 2022:

	2023	2022
Less than one year	$ 138,000	$ 468,595
One to five years	24,000	37,000
	162,000	505,595
Less: Discount to net present value	2,232	4,047
Less: Allowance for uncollectible pledges	11,908	27,780
Net pledges and grants receivable	$ 147,860	$ 473,768

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

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2023 and August 31, 2022:

	2023	2022
Land	$ 1,142,512	$ 1,142,512
Land improvement	49,215	49,215
Building	2,610,099	2,610,099
Building improvements	23,545,530	22,133,888
Furniture and equipment	4,658,348	4,621,666
Computer hardware	230,164	230,164
Computer software	140,240	140,240
Vehicles	283,198	281,498
Construction in progress	872,305	476,630
	33,531,611	31,685,912
Accumulated depreciation and amortization	19,883,984	18,886,017
Net Property and Equipment	$13,647,627	$ 12,799,895
Depreciation and Amortization Expense	$ 1,112,222	$ 872,371

8. MORTGAGES AND NOTES PAYABLE

Unsecured Promissory Note

On July 14, 2021, an unsecured promissory note with a bank was executed in the amount of $3,464,259. The proceeds were loaned to the Association to provide funds to pay off prior mortgages. 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, ending with a balloon payment of $2,407,792. At December 31, 2023 and August 31, 2022, the balance of the note was $3,236,839 and $3,364,541, respectively, and interest expense amounted to $140,841 and $109,077 for the sixteen months ended December 31, 2023 and year ended August 31, 2022, respectively. The note agreement requires certain financial covenants and negative covenants be maintained.

During the sixteen months ended December 31, 2023 and at August 31, 2022, the Association was out of compliance with certain financial covenants. The lender has not waived the covenant requirements. As such, the entire balance due on the unsecured promissory note at December 31, 2023 and August 31, 2022 have been presented as current in the future maturities table on page 22. See Note 18 for management's plans.

During May 2024, the Association entered into a forbearance agreement and first amendment which is retroactively effective to December 31, 2023. As noted in the agreement, the lender has not waived the existing defaults for the quarterly testing periods through February 28, 2024 but the lender is willing to temporarily forbear from exercising certain rights and remedies available as a result of the defaults through June 30, 2024. The Association is currently negotiating the terms for an extension.

Revolving Line of Credit

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

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 December 31, 2023 and August 31, 2022, the loan balance was $49,391 and $78,962, respectively, and interest expense amounted to $3,487 and $3,625 for the sixteen months ended December 31, 2023 and year ended August 31, 2022, respectively.

8. MORTGAGES AND NOTES PAYABLE – Continued

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 used for working capital purposes. Interest on the EIDL was deferred through April 2023 and accrues at the rate of 2.75% per year. Installment payments, including principal and interest, are due monthly in the amount of $687. 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. The principal balance and unpaid interest totaled $157,307 and $156,595 at December 31, 2023 and August 31, 2022, respectively. Interest expense for the sixteen months ended December 31, 2023 and year ended August 31, 2022 amounted to $5,504 and $3,596, respectively.

Loan Payable, Paycheck Protection Program

On February 8, 2021, 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 Economic Aid to Hard-Hit Small Business, Nonprofits and Venues Act. The loan, in the amount of $1,751,343 was scheduled to mature on February 8, 2026 and provided for interest at a rate of 1%, a deferral of payments and an opportunity for the loan to be forgiven if the Association met certain criteria. The PPP loan and interest in the amount of $21,989 was forgiven during the year ended August 31, 2022, and included in other revenues on the consolidated statement of activities.

Future Maturities

Future maturities of notes payable are as follows as of December 31:

Year Ending December 31,	Amount
2024	$ 3,263,626
2025	27,750
2026	5,585
2027	3,708
2028	3,800
Thereafter	139,067
Total	$ 3,443,536

9. LEASES

The Association leases 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, 2025 at a monthly rate of $22,324.

The Association leased office space with Family Focus under the terms of an operating lease agreement through June 30, 2023 at a monthly rate of $4,035. Upon expiration of the lease term, the Association has been negotiating the terms of a new lease agreement and has been paying rent in the amount of $4,035 on a month-to-month basis.

The Association has a month-to-month lease contract to utilize a parking lot at a monthly rate of $3,920.

The Association leases vehicles under the terms of an operating lease through January 2027 at a monthly rate of $3,900.

The Association leases equipment at various terms under operating lease agreements. The leases expire at various dates through March 2028 with payments approximating $2,700 per month.

As disclosed in Note 1, the Association adopted FASB ASC 842 as of September 1, 2022. As of December 31, 2023, the operating lease right-of-use asset has a balance of $555,691, as shown in other assets on the consolidated statement of financial position and includes the leases for St. Mary's Parish, vehicles and equipment. Operating lease liability has a balance of $555,691 on the consolidated statement of financial position.

The Association utilized available practical expedients, including the practical expedient for short-term leases which allows entities to exclude from the consolidated statement of financial position the impact of leases with a duration of twelve months or less. Therefore, the leases with Family Focus and the parking lot are excluded from the operating lease right of use asset and operating lease liability. The Association also utilized the practical expedient which allows for the use of the risk-free rate based on the information available at lease commencement.

Operating lease cost was $509,449 for the sixteen months ended December 31, 2023.

The weighted average of the lease terms and discount rates for the Association's operating leases is 1.65 years and 3.50%, respectively, as of December 31, 2023.

9. LEASES - Continued

Future minimum operating lease payments and reconciliation to the consolidated statement of financial position as of December 31, 2023 are as follows:

Year Ending December 31,	Amount
2024	$ 329,233
2025	185,068
2026	50,762
2027	7,862
2028	990
Total future undiscounted lease payments	573,915
Less: Present value discount	18,224
Lease Liabilities	$ 555,691

The following summarizes cash flow information related to the leases for the sixteen months ended December 31, 2023:

Cash paid for amounts included	
in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 509,449
Lease assets obtained in exchange	
for lease obligations	
Operating leases	$ 18,192

In addition, the Association financed the acquisition of property and equipment totaling $319,465 through capital leases which substantially concluded prior to the implementation of ASC 842. As of December 31, 2023, the Association does not have any finance leases.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the following at December 31, 2023 and August 31, 2022:

	2023	2022
Time restricted:		
Pledges and grants receivable	$ 50,000	$ 49,164
Purpose restricted:		
Brenner Runs Through It Scholarship Endowment Fund for Camp Echo	8,143	2,613
Camp Echo	216,504	1,199,849
Davee Foundation Endowment Fund for Camp Echo scholarships	145,811	46,779
Davee Foundation Endowment Fund for Camp Echo equipment	14,581	4,678
Davee Foundation Endowment Fund for residence scholarship	145,811	46,779
Dennis Newton Endowment Fund for Camp Echo scholarships	8,906	2,857
Food Research and Action Center meal assistance	42,098	
Franklin Square Foundation for residence	25,000	
James D. Vail Endowment Fund for youth programs	21,437	6,878
Kristin Kent Nature Trail Endowment Fund for Camp Echo trail maintenance	3,677	1,180
Residence renovation project	1,159,958	375,036
Robert Ingram Leitch Memorial Fund for Camp Echo scholarships, membership and youth programs		50,000
Richard C. Romano Endowment Fund for youth and family programs	14,876	4,773
Roth Holtz Endowment Fund for youth programs	1,374	441
Serving older adults		50,000
Subtotal	$ 1,858,176	$ 1,841,027

10. NET ASSETS WITH DONOR RESTRICTIONS - Continued

	2023	2022
Balance Brought Forward	$1,858,176	$1,841,027
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 Endowment 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 Endowment Fund for youth programs	9,425	9,425
Total Net Assets With Donor Restrictions	$4,358,724	$4,341,575

The principal of $50,000 for the Robert Ingram Leitch Memorial Fund was donated on October 13, 1972. The principal was restricted for 50 years under the terms of Mr. Leitch’s will. Investment earnings will be distributed to support youth programs annually. The original amount was released to operations during the sixteen months ended December 31, 2023.

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 RESTRICTED 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.

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.

11. DONOR RESTRICTED ENDOWMENT FUNDS - Continued

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 December 31, 2023 and August 31, 2022:

	2023	2022
Maintained in perpetuity	$ 2,500,548	$ 2,500,548
Accumulated earnings	364,616	116,978
Total Donor-Restricted Endowment Funds	$ 2,865,164	$ 2,617,526

Changes in endowment net assets are as follows for the sixteen months ended December 31, 2023 and year ended August 31, 2022:

	2023	2022
Endowment Net Assets, Beginning of Year	$ 2,617,526	$ 3,053,785
Interest and dividends	114,233	68,481
Net apppreciation (depreciation)	239,952	(504,740)
Amounts appropriated for expenditure	(106,547)	
Endowment Net Assets, End of Year	$ 2,865,164	$ 2,617,526

12. CONCENTRATION OF CONTRIBUTIONS

Approximately 27% of the total contributions and grants revenue was concentrated among one major stimulus funding source during the year ended August 31, 2022. The consolidated statement of financial position for the year ended August 31, 2022 includes pledges and grants receivable from this funding source in the amount of $57,399 at August 31, 2022.

13. FEE ASSISTANCE

Fee assistance by program consists of the following for the sixteen months ended December 31, 2023 and year ended August 31, 2022:

	2023	2022
Membership and program fees	$ 301,984	$ 199,329
Children's center fees	527,181	486,158
Camp Echo fees	290,477	236,714
Residence fees	53,219	97,850
Total Fee Assistance	$ 1,172,861	$ 1,020,051

14. 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.

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 $609,965 and $461,695 for the sixteen months ended December 31, 2023 and year ended August 31, 2022, respectively.

15. RELATED PARTY

The Association pays dues to YMCA of the USA. Dues paid to YMCA of the USA for the sixteen months ended December 31, 2023 and year ended August 31, 2022 were $240,833 and $126,817, respectively.

The Association received contributions from management and board members for the sixteen months ended December 31, 2023 and year ended August 31, 2022 in the amounts of $28,055 and $16,370, respectively.

16. 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.

During the year ended August 31, 2022, the Association was awarded a $100,000 grant conditioned upon participation in an Advancing Equity through Leadership Development cohort program. The Association received $50,000 upon execution of the grant agreement which is reflected as deferred contributions on the consolidated statement of financial position at August 31, 2022. The Association recognized grant revenue of $100,000 as conditions were met during the sixteen months ended December 31, 2023.

During the sixteen months ended December 31, 2023, the Association received a $66,000 Smart Start Transition grant for child care programs and determined the grant to be conditioned upon incurring eligible expenses. As of December 31, 2023, the funds received are reflected as deferred contributions on the consolidated statement of financial position and will be recognized as revenue as conditions are satisfied in 2024.

The Association hosted a gala fundraising event in January 2024 and received $186,433 in 2023 which is reflected as deferred contributions on the consolidated statement of financial position at December 31, 2023. The Association will recognize revenue when the event takes place, satisfying the sole condition during January 2024.

The Association has been awarded a grant of up to $3,000,000 from the City of Evanston to support the renovation of the Men's Residence. The grant is conditioned upon incurring qualifying expenditures through the term of the grant ending December 31, 2026. The Association will be reimbursed for related costs. The Association will recognize revenue as conditions of the grant are satisfied.

17. COMMITTMENTS

The Association entered into an arrangement with a contractor for Camp Echo dining deck expansion at an estimated contract amount of $1,119,000, of which approximately $954,000 has been paid through December 31, 2023. The estimated total cost of the project is $1,366,000 and will be covered by previously raised funds for Camp Echo major gift initiative. The project is substantially complete as of December 31, 2023.

The Association has been researching and planning to renovate the Men's Residence. While the Association has not yet committed to officially start the project, the Association has entered into an agreement with a consultant to assist with the design of the project, construction documents, bidding and negotiation, and construction administration. This contract will total approximately $600,000, of which approximately $408,000 has been paid through December 31, 2023, and will be funded by contributions to the overall project.

During the sixteen months ended December 31, 2023, the Association entered into an arrangement with a contractor for signage and wayfinding to create consistent and thoughtful resources to improve the experience of members. The estimated total cost of this project is $114,000, of which approximately $36,000 has been paid through December 31, 2023, and will be funded by operations.

18. MANAGEMENT'S PLANS

The continuation of the Association as a going concern is dependent upon the ability to further its mission and maintain adequate working capital. The Association has reported net cash used for operating activities and net decreases in cash and cash equivalents on the consolidated statement of cash flows and negative change in net assets on the consolidated statement of activities at December 31, 2023 and August 31, 2022. Additionally, as disclosed in Note 8, the Association was out of compliance with covenants required under the terms of the unsecured promissory note. In conjunction with the lender's recommendations, management began working with an outside consultant to accelerate the post-pandemic recovery and restore the Association to a break-even cash flow. Managements' fundraising strategy, and all programs and offerings have been evaluated as to their relative contribution to the Association's mission and profitability. Management and the consultant worked in tandem to present the lender with a revised budget including management's plan of action and key strategies and tactics. These strategies and tactics include:

- Reviewing critical documentation including banking and financing agreements
- Reviewing working capital management
- Reviewing recent revenues, costs, and operating margins by program to evaluate profitability
- Identifying profit improvement and expense reduction opportunities
- Reviewing the capital expenditure plans for calendar year 2024
- Reviewing the status of current fundraising campaigns

18. MANAGEMENT'S PLANS - Continued

The Association is optimistic for the future and the budget for 2024 is expected to yield a positive cash flow. In addition, numerous aspects of the Association's operations have been showing very well. Many 2024 membership and program metrics are strong and showing promising growth. Membership retention is over 70% which is slightly better than pre-pandemic rates and overall membership rates are at 95% of pre-pandemic levels. Early childhood programs and aquatics are doing similarly well. All of this leads management to believe that a strong future is ahead.

19. CHANGE IN FISCAL YEAR END

In April 2023, the Association changed its fiscal year from August 31 to December 31.

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