THE YOUNG MEN'S CHRISTIAN ASSOCIATION (YMCA) OF GREATER GRAND RAPIDS

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

BeeneGarter LLP

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Board of Directors
The Young Men's Christian Association (YMCA)
of Greater Grand Rapids
Grand Rapids, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of The YMCA of Greater Grand Rapids (YMCA), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

56 Grandville Ave SW, Suite 100
Grand Rapids, MI 49503
616.235.5200 | 800.824.7882
FAX 616.235.5285 | BeeneGarter.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of December 31, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the 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 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 the YMCA's internal control over financial reporting and compliance.

Beene Garter LLP

March 22, 2019
Grand Rapids, Michigan

FINANCIAL STATEMENTS

THE YMCA OF GREATER GRAND RAPIDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 5,951,251	$ 6,901,089
Cash restricted for bond payments	-	15,002
Investments	5,346,240	3,814,044
Accounts and grants receivable, net of allowance for doubtful accounts of $106,329 and $41,098, respectively	400,970	575,528
Pledges receivable, net of allowance	1,042,572	1,910,335
Other assets	431,230	597,844
Property and equipment	74,952,185	77,032,525
Beneficial interest in perpetual trusts	669,692	776,472
TOTAL ASSETS	$ 88,794,140	$ 91,622,839
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,349,681	$ 1,649,663
Deferred program and membership income	1,327,928	1,359,743
Obligation under interest rate swap	146,265	90,475
Bonds payable, net of unamortized financing fees of $726,071 and $651,837, respectively	40,208,929	42,713,039
Capital leases	327,288	272,307
Deferred rent	-	113,827
TOTAL LIABILITIES	43,360,091	46,199,054
Net Assets		
Without donor restricitons	42,588,578	42,429,968
With donor restrictions	2,845,471	2,993,817
TOTAL NET ASSETS	45,434,049	45,423,785
TOTAL LIABILITIES AND NET ASSETS	$ 88,794,140	$ 91,622,839

See accompanying notes

THE YMCA OF GREATER GRAND RAPIDS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Contributions and grants	$ 4,737,743	$ 861,813	**$ 5,599,556**	$ 4,780,565	$ 831,180	**$ 5,611,745**
Membership fees	19,382,311	-	**19,382,311**	18,279,928	-	**18,279,928**
Program fees	9,646,090	-	**9,646,090**	9,318,925	-	**9,318,925**
Miscellaneous income	97,509	-	**97,509**	73,635	-	**73,635**
Loss on sale of property and equipment	(112,054)	-	**(112,054)**	(185,138)	-	**(185,138)**
Investment (loss) income	122,253	(62,916)	**59,337**	378,109	120,477	**498,586**
Interest rate swap adjustment	(55,791)	-	**(55,791)**	63,977	-	**63,977**
Change in beneficial interest in perpetual trust	-	(106,780)	**(106,780)**		70,332	**70,332**
Net assets released from restrictions						
Capitalized as property and equipment	96,399	(96,399)	-	412,952	(412,952)	-
Other	744,064	(744,064)	-	613,915	(613,915)	-
Total Revenues, Gains, and Other Support	**34,658,524**	**(148,346)**	34,510,178	**33,736,868**	**(4,878)**	33,731,990
Expenses						
Program services						
Aquatic program	2,631,410	-	**2,631,410**	2,549,795	-	**2,549,795**
Camping program	1,484,271	-	**1,484,271**	1,689,026	-	**1,689,026**
Child care	10,514,337	-	**10,514,337**	9,606,981	-	**9,606,981**
Physical fitness and wellness	11,791,673	-	**11,791,673**	11,433,967	-	**11,433,967**
Healthy living	3,473,170	-	**3,473,170**	3,085,137	-	**3,085,137**
Total Program Services	**29,894,861**	-	**29,894,861**	28,364,906	-	**28,364,906**
Supporting services						
Management and general	4,151,943	-	**4,151,943**	4,147,711	-	**4,147,711**
Fundraising	453,110	-	**453,110**	492,336	-	**492,336**
Total Supporting Services	**4,605,053**	-	4,605,053	**4,640,047**	-	**4,640,047**
Total Expenses	**34,499,914**	-	**34,499,914**	**33,004,953**	-	**33,004,953**
INCREASE / (DECREASE) IN NET ASSETS	**158,610**	**(148,346)**	10,264	**731,915**	**(4,878)**	727,037
NET ASSETS AT BEGINNING OF YEAR	42,429,968	2,993,817	**45,423,785**	41,698,053	2,998,695	**44,696,748**
NET ASSETS AT END OF YEAR	**$ 42,588,578**	**$ 2,845,471**	**$ 45,434,049**	**$ 42,429,968**	**$ 2,993,817**	**$ 45,423,785**

See accompanying notes

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	PROGRAM SERVICES						SUPPORTING SERVICES		
	AQUATIC PROGRAMS	CAMPING PROGRAMS	CHILD CARE	PHYSICAL FITNESS & WELLNESS	HEALTHY LIVING	TOTAL	MANAGEMENT & GENERAL	FUND RAISING	TOTAL EXPENSES
SALARIES & WAGES	$ 1,433,128	$ 598,225	$ 4,738,113	$ 5,697,759	$ 1,784,675	$ 14,251,900	$ 1,957,060	$ 347,638	$ 16,556,598
EMPLOYEE BENEFITS	103,519	79,709	588,436	467,968	179,511	1,419,143	342,531	24,425	1,786,099
PAYROLL TAXES	120,059	50,748	385,865	469,579	142,356	1,168,607	119,400	13,507	1,301,514
CONTRACTED SERVICES	101,288	79,010	536,599	459,124	65,368	1,241,389	437,611	4,383	1,683,383
SUPPLIES	58,872	193,282	866,089	512,190	447,985	2,078,418	35,005	2,268	2,115,691
TELEPHONE	18,492	17,526	72,419	82,142	18,874	209,453	25,018	933	235,404
POSTAGE & SHIPPING	554	2,918	2,129	2,530	664	8,795	35,233	1,064	45,092
OCCUPANCY	275,639	127,769	1,213,088	1,308,230	65,996	2,990,722	211,614	3,058	3,205,394
EQUIPMENT	13,465	19,874	48,360	53,547	22,927	158,173	12,738	106	171,017
ADVERTISING & PRINTING	507	6,285	1,081	3,227	15,300	26,400	451,827	13,441	491,668
TRAVEL & EMPLOYEE EXPENSES	6,318	54,230	101,101	30,317	83,531	275,497	51,384	4,263	331,144
CONFERENCES & MEETINGS	14,262	13,694	72,452	17,922	38,097	156,427	95,203	17,534	269,164
BAD DEBT EXPENSE	-	-	-	-	-	-	43,012	-	43,012
ORGANIZATIONAL DUES & SUPPORT	35,681	27,803	143,344	159,730	46,650	413,208	20,355	2,429	435,992
AWARDS & GRANTS	(32,327)	650	(66,016)	(138,421)	501,198	265,084	7,596	203	272,883
FINANCING COSTS	142,959	15,502	584,319	1,129,491	10,505	1,882,776	86,625	-	1,969,401
INSURANCE	12,293	6,934	49,121	55,088	16,226	139,662	42,461	15,863	197,986
MISCELLANEOUS EXPENSES	102	(38)	460	501	9	1,034	2,134	-	3,168
DEPRECIATION & AMORTIZATION	319,751	197,492	1,145,649	1,443,035	32,402	3,138,329	174,773	-	3,313,102
INKIND EXPENSE	6,848	(7,342)	31,728	37,714	896	69,844	363	1,995	72,202
TOTAL EXPENSE	$ 2,631,410	$ 1,484,271	$ 10,514,337	$ 11,791,673	$ 3,473,170	$ 29,894,861	$ 4,151,943	$ 453,110	$ 34,499,914

See accompanying notes

BeeneGarter LLP

THE YMCA OF GREATER GRAND RAPIDS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	PROGRAM SERVICES						SUPPORTING SERVICES		
	AQUATIC PROGRAMS	CAMPING PROGRAMS	CHILD CARE	PHYSICAL FITNESS & WELLNESS	HEALTHY LIVING	TOTAL	MANAGEMENT & GENERAL	FUND RAISING	TOTAL EXPENSES
SALARIES & WAGES	$ 1,389,948	$ 626,079	$ 4,380,042	$ 5,508,872	$ 1,630,794	**$ 13,535,735**	$ 1,845,079	$ 351,668	**$ 15,732,482**
EMPLOYEE BENEFITS	97,078	75,379	527,203	451,242	161,618	**1,312,520**	312,899	28,271	**1,653,690**
PAYROLL TAXES	132,162	71,244	383,217	500,854	141,174	**1,228,651**	80,818	11,149	**1,320,618**
CONTRACTED SERVICES	94,562	102,882	444,766	432,520	70,483	**1,145,213**	307,329	17,926	**1,470,468**
SUPPLIES	62,211	269,936	789,787	584,091	371,703	**2,077,728**	44,402	13,645	**2,135,775**
TELEPHONE	18,475	20,331	65,963	78,446	21,135	**204,350**	20,798	1,007	**226,155**
POSTAGE & SHIPPING	1,207	4,062	4,639	6,474	638	**17,020**	40,275	3,087	**60,382**
OCCUPANCY	228,980	120,643	954,659	1,120,895	121,741	**2,546,918**	226,903	4,022	**2,777,843**
EQUIPMENT	10,992	21,899	65,322	54,835	21,243	**174,291**	16,159	68	**190,518**
ADVERTISING & PRINTING	1,024	11,474	3,475	10,729	12,011	**38,713**	458,960	21,058	**518,731**
TRAVEL & EMPLOYEE EXPENSES	4,132	59,973	60,256	21,905	80,224	**226,490**	29,750	3,743	**259,983**
CONFERENCES & MEETINGS	14,248	14,980	63,850	29,099	23,735	**145,912**	100,168	23,047	**269,127**
BAD DEBT EXPENSE	-	-	-	-	-	**-**	369,373	-	**369,373**
ORGANIZATIONAL DUES & SUPPORT	32,377	28,015	122,654	145,584	38,705	**367,335**	36,831	2,150	**406,316**
AWARDS & GRANTS	(2,410)	67	(139)	(16,093)	308,808	**290,233**	1,998	20	**292,251**
FINANCING COSTS	132,113	13,465	581,495	994,974	11,365	**1,733,412**	66,043	-	**1,799,455**
INSURANCE	14,959	11,709	56,361	67,080	18,100	**168,209**	42,733	11,146	**222,088**
MISCELLANEOUS EXPENSES	(1,282)	55,204	7,116	(5,450)	(63)	**55,525**	10,275	207	**66,007**
DEPRECIATION & AMORTIZATION	319,019	181,684	1,096,315	1,447,910	51,723	**3,096,651**	136,918	122	**3,233,691**
TOTAL EXPENSE	**$ 2,549,795**	**$ 1,689,026**	**$ 9,606,981**	**$ 11,433,967**	**$ 3,085,137**	**$ 28,364,906**	**$ 4,147,711**	**$ 492,336**	**$ 33,004,953**

See accompanying notes

THE YMCA OF GREATER GRAND RAPIDS

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

		2018		2017
Cash Flows from Operating Activities				
Increase in net assets	$	10,264	$	727,037
Adjustments to reconcile increase in net assets to net cash provided by operating activities				
Depreciation and amortization		3,313,102		3,233,691
Amortization of financing fees included in interest expense		65,010		57,311
Interest rate swap adjustment		55,791		(63,977)
Donated property and equipment		-		(51,474)
Deferred rent amortization		(113,827)		(136,593)
Contributions restricted for capital purposes		(38,500)		(222,254)
Provision for doubtful accounts and pledges receivable		43,012		369,373
Loss on sale of property and equipment		112,054		185,138
Net realized and unrealized loss (gain) on investments		108,821		(417,469)
Unrealized loss (gain) from beneficial interest in perpetual trust		106,780		(70,332)
Change in operating assets and liabilities				
Accounts receivable		88,103		(12,604)
Pledges receivable		13,568		(143,580)
Other assets		166,614		(29,706)
Accounts payable and accrued expenses		(30,800)		35,610
Deferred program and membership income		(31,815)		(194,928)
NET CASH PROVIDED BY OPERATING ACTIVITIES		3,868,177		3,265,243
Cash Flows from Investing Activities				
Proceeds from sale of investments		6,527,823		1,220,350
Purchase of investments		(8,168,840)		(1,073,469)
Additions to property and equipment		(1,488,168)		(1,586,763)
Proceeds from sale of property and equipment		23,650		5,819
NET CASH USED IN INVESTING ACTIVITIES		(3,105,535)		(1,434,063)

See accompanying notes

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Financing Activities		
Principal payments on bonds payable	**$ (2,429,876)**	$ (3,285,124)
Financing fees paid	**(139,244)**	(11,831)
Payments on capital lease obligation	**(94,499)**	(12,293)
Proceeds from contributions restricted for capital purposes	**936,137**	1,401,055
NET CASH USED BY FINANCING ACTIVITIES	**(1,727,482)**	(1,908,193)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(964,840)**	(77,013)
Cash and Cash Equivalents at Beginning of Year	**6,916,091**	6,993,104
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 5,951,251**	$ 6,916,091
Cash and cash equivalents	**$ 5,951,251**	$ 6,901,089
Cash restricted for bond payments	**-**	15,002
	$ 5,951,251	$ 6,916,091
Supplemental Information		
Cash paid for interest expense	**$ 1,324,087**	$ 1,192,834
Non-Cash Transactions		
Property and equipment included in accounts payable	**$ 101,080**	$ 370,262
Property and equipment financed with capital lease obligations	**$ 149,480**	$ 284,600

See accompanying notes

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The YMCA of Greater Grand Rapids (Y) strives to be West Michigan's leading nonprofit strengthening communities through youth development, healthy living, and social responsibility. Through our seven branch locations, YMCA Camp Manitou-Lin, Child Development Centers and child care programs, and over 100 community program sites, the Y is committed to improving the health and well-being of children, individuals, and families throughout our community.

With a mission to put Christian principles into practice through programs that build a healthy spirit, mind, and body for all, our impact is felt when an individual makes a healthy choice, when a mentor inspires a child and when a community comes together for the common good.

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and on deposit as well as highly liquid investments purchased with a maturity of three months or less.

The Y places its cash with federally insured financial institutions. The Y had cash balances that exceeded the federally insured limits at December 31, 2018 and 2017 and throughout the year.

Cash restricted for long-term purposes was $739,218 and $1,110,296 at December 31, 2018 and 2017, respectively.

Investments

Investments are reported at fair value, as disclosed in Note 4. Investments received as donations are recorded initially at fair value on the date of receipt. Net investment income/(loss) is reported in the statements of activities and consist of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses.

Fair Value Measurements and Disclosures

U.S. generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value 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 measurements involving significant unobservable inputs (Level 3 measurements).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Y utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Accounts and Grants Receivable

Trade accounts receivable and fee for service grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Fee for service grant revenue is recognized under the terms of each grant, typically when expenditures are made or service is provided.

Pledges Receivable

Unconditional pledges receivable are recognized as revenue in the period the pledge is made and as assets, decreases of liabilities or expenses depending on the form of the benefits to be received. Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to promises to give. Bad debt expense of $172,805 and $420,632 is included on the statement of activities for the years ended December 31, 2018 and 2017, respectively.

Unconditional pledges expected to be collected in periods in excess of one year are recognized at the discounted net present value of the estimated future cash flows at the time the pledge is received using discount rates that approximate U.S. Treasury rates in effect at the time the pledge revenues are recognized. The change in the present value due to the passage of time is recognized as contribution revenue. Management annually reviews these assets to determine the net realizable value of the pledge. The discount to present value for long-term pledges receivable is not material to record for the years ended December 31, 2018 and 2017.

Property and Equipment and Depreciation

Property and equipment additions are recorded at cost or, if donated, at the fair market value on the date of the gift. Donations of property and equipment are recorded as support at estimated fair value at the time received. The Y reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management annually reviews assets to determine whether carrying values have been impaired. If the expected future cash flow from the use of the asset and its eventual disposition is less than the carrying amount of the asset, an impairment loss is recognized and measured using the asset's fair value. No such losses were recognized during 2018 and 2017.

Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. The Y capitalizes, at cost, all expenditures for fixed assets in excess of $1,500, including bulk purchases. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range generally from 3 to 40 years, except for equipment acquired by federal grant funds, which are depreciated over the term of the grant.

Capitalized Interest

Interest costs related to borrowings necessary for the completion of new facilities are capitalized during the construction period, and are subsequently depreciated over the estimated useful life of the facility.

Financing Fees

Bond financing fees are capitalized and amortized over the life of the related bonds. Financing fees are shown as a reduction of the carrying amount of the debt. Amortization of the fees is reported as interest expense on the statement of activities.

Deferred Income

The Y records unearned revenues from membership and programs as deferred income. These revenues are recognized on a straight-line basis over the life of the membership or program. The Y also records unearned revenues for funds received from reimbursable grant agreements prior to the expenditure of grant funds. Revenue is recognized as funds are expended.

Derivative Instruments

The Y uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. Material gain or loss on the effective portion of the hedge is included in the statement of activities. The Y documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The Y's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate. The Y does not use derivative instruments for speculative purposes.

Net Assets

The financial statements of the Y have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Y to report information regarding its financial position and activities according to the following net asset classifications:

- Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for purposes as described in Note 12.

- Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Y reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor-restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions

Contributions are reported as revenue when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until conditions on which they depend have been substantially met. Special events revenue of $470,904 and $550,090 net of direct expenses of $138,539 and $273,416 has been included in contributions and grants on the statement of activities for the years ended December 31, 2018 and 2017, respectively.

Donated Services

Each year numerous volunteers donate a significant amount of time supporting the Y's programs and activities. Management estimates that volunteers contributed approximately 52,000 and 46,000 hours of service for the years ended December 31, 2018 and 2017. These contributions, although clearly substantial, are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been reported on a functional basis. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Internal Revenue Service has determined the Y is exempt from income taxes under provisions of Code Section 501(c)(3). In addition, the Y qualifies for charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Tax positions taken are assessed for uncertainty and a provision may be recorded if a tax position is not likely to be sustained upon examination.

Advertising

The Y expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2018 and 2017 were $491,668 and $518,731, respectively.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to December 31, 2018 for potential recognition or disclosure in these financial statements. The evaluation was performed through March 22, 2019, the date the financial statements were available for issuance. A subsequent event is disclosed in Note 18.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. It is at least reasonably possible that the estimates used in calculating the accounts receivable and pledge receivable allowances could change over the course of the next year.

Recently Issued Accounting Pronouncements

In May 2014 and in subsequent amendments, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09 which amended Revenue from Contracts with Customers (Topic 606) of the Accounting Standards Codification. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The guidance will be effective for the Organization for annual periods beginning after December 15, 2018.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The main provisions of this pronouncement include guidance on distinguishing between contributions and exchange transactions and guidance to determine whether a contribution is conditional. The ASU is effective for annual periods beginning after December 15, 2018.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires organizations to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual periods beginning after December 15, 2019.

The Y is currently evaluating the impact this guidance will have on the financial statements.

NOTE 2 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The Y has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Y's financial statements:

The temporarily restricted and permanently restricted net asset have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources (Note 3).

The components of investment income are no longer disclosed.

The changes have the following effect on net assets at December 31. 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 42,429,968	-
Temporarily restricted net assets	1,777,949	-
Permanently restricted net assets	1,215,868	-
Net assets without donor restrictions	-	42,429,968
Net assets with donor restrictions	-	2,993,817
Total net assets	$ 45,423,785	$ 45,423,785

In addition, certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 3 - LIQUIDITY

The Y's financial assets which are available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	$ 3,967,314
Accounts receivable	400,970
Pledges receivable	531,844
Investment spending-rate distributions	116,760
	$ 5,016,888

As part of the Y's liquidity management plan, certain funds are invested according to a board approved investment policy which provides for a 3% distribution to supplement operations. These anticipated distributions are included above.

The Y also maintains a board designated working capital fund. These amounts with board approval, could be withdrawn for liquidity needs. The balance of this board designated fund is $1,193,744 as of December 31, 2018. This fund is further described in Note 12.

In addition, the Y has access to the line of credit in the amount of $750,000 that can be utilized as need for daily operations. The line of credit is further described in Note 7.

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows at December 31:

	2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 28,042	$ 28,042	$ -	$ -
Equities				
Financial	31,750	31,750	-	-
Fixed Income Securities	4,496,265	4,496,265		
Mutual Funds				
Large Blend	110,396	110,396	-	-
Small Blend	26,377	26,377	-	-
Small Growth	25,165	25,165	-	-
Foreign Large Blend	79,885	79,885	-	-
Foreign Small/Mid Growth	52,805	52,805	-	-
Intermediate-Term Bond	256,445	256,445	-	-
Mid-Cap Growth	69,019	69,019	-	-
Foreign Large Growth	28,474	28,474		
Diversified Emerging Mkts	27,791	27,791	-	-
Large Growth	113,826	113,826		
Total investments	5,346,240	5,346,240	-	-
Beneficial Interest in Perpetual Trust	669,692	-	-	669,692
	$ 6,015,932	$ 5,346,240	$ -	$ 669,692

	2017			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 106,020	$ 106,020	$ -	$ -
Equities				
Financial	35,700	35,700	-	-
Mutual Funds				
Large Blend	1,812,049	1,812,049	-	-
Small Blend	135,032	135,032	-	-
Small Growth	135,439	135,439	-	-
Foreign Large Blend	96,898	96,898	-	-
Foreign Small/Mid Growth	85,974	85,974	-	-
Short-Term Bond	545,994	545,994	-	-
Intermediate-Term Bond	361,810	361,810	-	-
Mid-Cap Growth	265,784	265,784	-	-
Diversified Emerging Mkts	80,252	80,252	-	-
Bonds			-	-
Corporate Bonds	153,092	153,092	-	-
Total investments	3,814,044	3,814,044	-	-
Beneficial Interest in Perpetual Trust	776,472	-	-	776,472
	$ 4,590,516	$ 3,814,044	$ -	$ 776,472

Fair values for investments and beneficial interest in perpetual trusts are determined by reference to quoted market prices and other relevant information generated by market transactions.

Following is a reconciliation of activity for assets measured at fair value based on significant unobservable (Level 3) information:

	2018	2017
Balance, beginning of year	**$ 776,472**	$ 706,140
Net unrealized (loss) gain from perpetual trusts	**(106,780)**	70,332
Balance, end of year	**$ 669,692**	$ 776,472

NOTE 5 - PLEDGES RECEIVABLE

Unconditional pledges receivable are summarized as follows at December 31:

	2018	2017
Receivable in less than one year	**$ 983,520**	$ 1,894,200
Receivable in one to five years	**245,614**	316,950
Less allowance for doubtful pledges	**(186,562)**	(300,815)
Net Unconditional Pledges Receivable	**$ 1,042,572**	$ 1,910,335

Pledges from the two largest donors comprise approximately 33% of gross pledges receivable at December 31, 2018, and four different donors comprise approximately 47% of gross pledges receivable at December 31, 2017.

NOTE 6 - PROPERTY AND EQUIPMENT

Major classes of property and equipment at December 31 consist of the following:

	2018	2017
Land and land improvements	**$ 10,987,487**	$ 10,985,187
Buildings and leasehold improvements	**80,581,615**	80,495,103
Equipment	**13,623,478**	12,712,119
Artwork	**154,600**	154,600
Construction in progress	**68,551**	163,369
Total Property and Equipment	**105,415,731**	104,510,378
Less accumulated depreciation	**(30,463,546)**	(27,477,853)
NET PROPERTY AND EQUIPMENT	**$ 74,952,185**	$ 77,032,525

NOTE 7 - LINE OF CREDIT

The Y has an unsecured $750,000 revolving credit note available to be drawn upon as needed for working capital, machinery and equipment and construction, with interest at LIBOR plus 275 basis points (applicable interest rate of 5.21% at December 31, 2018). There were no borrowings outstanding on the revolving credit note at December 31, 2018 or 2017.

NOTE 8 - BONDS PAYABLE

During June 2018, the Y refinanced the 2016 revenue bonds. The new 2018 Bond Series were issued through the Michigan Strategic Fund administered through a Master Trustee and sold as multi-modal limited obligation revenue and revenue refunding bonds purchased by two sophisticated investors. The bonds bear interest at variable rates and are secured by their respective pro-rata interests in a Master Indenture, which is secured by a mortgage on a majority of real property, personal property, and capital campaign pledge receivables. Principal and interest is payable in monthly installments throughout the life of the bonds.

Bonds payable at December 31 consist of the following:

	2018	2017
$25,000,000 - 2016 multi-modal limited obligation revenue and revenue refunding bond issued with a variable interest rate of 79% of Libor + 1.45% (effective rate of 2.70% at December 31, 2018), due in monthly installments ranging from $43,500 to $110,500 through November 2026	$ 23,547,000	$ 24,314,000
$9,225,000 - 2016 multi-modal limited obligation revenue and revenue refunding bond issued with a variable interest rate of 79% of Libor + 1.75% (effective rate of 3.16% at December 31, 2018), due in monthly installments ranging from $19,500 to $37,500 through November 2026	8,694,000	8,974,000
$8,974,000 - 2018 multi-modal limited obligation revenue and revenue refunding bond issued with a variable interest rate of 79% of Libor + 1.75% (effective rate of 3.16% at December 31, 2018), due in monthly installments ranging from $19,500 to $37,500 through November 2026	8,694,000	-
$9,225,000 - 2016 multi-modal limited obligation revenue and revenue refunding bond issued that was refinanced in May 2018	-	8,974,000
$3,200,000 - 2016 multi-modal limited obligation revenue bond issued that was refinanced in May 2018	-	1,102,876
	40,935,000	43,364,876
Less: Unamortized financing fees	(726,071)	(651,837)
	$ 40,208,929	$ 42,713,039

Future maturities of bonds payable are as follows:

Years ending December 31:

2019	$	1,398,500
2020		1,475,000
2021		1,535,500
2022		1,597,500
2023		1,655,000
Thereafter		33,273,500
	$	**40,935,000**

To hedge against interest rate risk of changes in variable interest rates, the Y entered into three interest rate swap contracts (the Swaps) with the bank. The Swaps have declining notional values matching the outstanding bond principal over time. The Y pays interest on the notional values at a synthetic fixed rate on the outstanding bond balance and receive interest on the notional values at the interest rates discussed above. The effect of the Swaps is to covert the variable interest rate bonds to fixed-rate debt.

The carrying amount of the interest rate swap contracts are measured at fair value on a recurring basis and are considered Level 2 in the fair value hierarchy. The settlement amounts are estimated as the present value of expected future cash flows discounted at the rate in the swap contract. The Y believes the settlement amounts are the best representation of the fair value of the swap and has adjusted the carrying amount to the settlement amounts at December 31, 2018. During the years ended December 31, 2018 and 2017, the fair value of the liability under the Swaps increased (decreased) $55,791 and ($63,977), respectively, which has been reflected in the accompanying statements of activities. At December 31, 2018 and 2017, the fair value of the Swap liabilities was $146,265 and $90,475, respectively.

The bond provisions contain covenants pertaining to the maintenance of liquidity, debt to fund balance (net asset) ratios, and cash flow coverage ratios. The Y was in compliance with the applicable covenants at December 31, 2018.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The Y financed equipment under capital lease obligations with financing institutions. The equipment has been capitalized at $434,080 and accumulated depreciation was $106,792 and $10,308 at December 31, 2018 and 2017, respectively. The leases requires total monthly payments of $12,554, interest rates ranging from 3.48% to 12.10% expiring at various dates through September 2022.

Minimum future payments are as follows:

Years ending December 31:	
2019	$ 150,649
2020	136,742
2021	53,703
2022	9,895
	350,989
Less amount representing interest	(23,701)
Present Value of Minimum Lease Payments	**$ 327,288**

NOTE 10 - DEFERRED RENT

The Y partnered with a local hospital system to provide onsite health and wellness services at the Spartan Stores YMCA. Under this arrangement, the hospital received 7.1 years of free rent. In exchange for the use of space, the hospital permanently deeded to the Y the land on which the new building was constructed. The value of the rent provided to the hospital over 7.1 years was $979,005 and was being amortized over the life of the lease. The remaining liability was fully amortized when the lease terminated in 2018.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	2018	2017
Capital expenditures for property and equipment	$ 808,233	$ 1,027,953
Support of specific program operations	930,824	749,996
Endowment funds required to be maintained permanently	436,722	439,396
Beneficial interest in perpetual trusts	669,692	776,472
	$ 2,845,471	$ 2,993,817

NOTE 12 - BOARD DESIGNATED NET ASSETS

The Y has approximately $4,052,000 board designated for capital improvements at December 31, 2018. Annually, the Board may designate a portion of operating surplus to add to the capital improvement fund. Board approves withdraws from this fund for capital acquisitions and improvements. In addition, this fund is subject to a Board approved investment policy to be invested on a long-term basis. The investment policy objective sets an annual 3% spending rate of the trailing twelve quarter average of the market values of its assets. This 3% spending rate is designated to support the operations of the Y.

The Y has board designated net assets of approximately $1,194,000 for working capital at December 31, 2018. These funds are not subject to the investment policy noted above. The board determines the annual contribution to this fund, if any, based on the cash flow needs of the Y. The board approves disbursements from this fund for mission related items and programs.

The Y has board designated net assets of approximately $739,000 which represent the collection of capital campaign pledge payments. Subsequent to year end, these funds were transferred to the board designated capital improvement fund.

NOTE 13 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Y is the income beneficiary of several third party perpetual trusts administered by a bank. The aggregate market values of the trusts were $1,769,229 and $2,052,494 at December 31, 2018 and 2017, respectively. The Y's participation in the income of each trust ranges from 20% to 50%. The trusts are being maintained in perpetuity, so the assets will not be distributed to the Y. The Y will receive a perpetual cash flow of income from these trusts. The value of the beneficial interest in perpetual trusts is measured as the Y's share of the fair value of underlying assets. Distributions received from trusts are recorded as unrestricted investment income. Adjustments in the value of the beneficial interest are recorded as changes in permanently restricted net assets in the statement of activities.

NOTE 14 - FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include Community Engagement, Corporate Membership and Program and Business Service Center. The Corporate Membership and Program category includes expenses such as salaries and benefits, national council support and general insurance. These expenses are allocated based on taking total program expense by category (Aquatic, Camping, Child Care, Physical Fitness & Wellness, Sports and Recreation) and dividing it by total program expense for the location. This percentage by category is then applied against the allocated expenses to spread the branch overhead expense to the programs. Management and general expenses include the following departments: Corporate, Marketing, Human Resources, Information Technology and Finance/Accounting. Fund Raising includes Financial Development. Selected Executive salaries and benefits are allocated to the fundraising category based on historical patterns which was 15% in 2018 and 2017.

NOTE 15 - RETIREMENT PLAN

The Y participates in The YMCA Retirement Fund Retirement Plan (Plan), a defined contribution, money purchase retirement plan administered by the Y Retirement Fund (Fund). The Fund is a multi-employer plan that provides retirement benefits under Section 401(a) of the Internal Revenue Code (Code) to employees of Ys throughout the United States. The Plan covers substantially all full-time employees who attain age 21 and have two years of service with the Y. Contributions to the Plan by the Y were equal to 8% of employee compensation for January 1, 2017 through December 12, 2017. Contributions to the Plan by the Y are equal to 9% of employee compensation after December 12, 2017. Participants are fully vested in all Y contributions.

Retirement contributions totaled approximately $668,000 and $587,000 for the years ended December 31, 2018 and 2017, respectively. Additionally, the Y participates in The YMCA Retirement Fund Tax-Deferred Savings Plan which allows plan participants to make voluntary contributions on an after-tax or tax deferred basis under Section 403(b)(9) of the Code, subject to applicable Internal Revenue Service regulations.

NOTE 16 - RISKS AND UNCERTAINTIES

The Y holds investment securities and beneficial interests in certain trusts. Such investments are exposed to various risks such as fluctuation in interest rate, the securities market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

NOTE 17 - CONTINGENCIES AND COMMITMENTS

The Y participates in federally funded programs. The programs are subject to the single audit requirements of the Uniform Guidance. The single audit of the federal programs for December 31, 2018 has been conducted and the required reports have been issued. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although the Y expects such amounts, if any, to be immaterial. Accordingly, no provision has been made for any liabilities that may arise from these circumstances.

In the normal course of its activities, the Y may become party to various legal actions. The Y purchases commercial insurance to cover substantially all conceivable losses. Management of the Y is of the opinion that the outcomes of such actions will not have a material effect on the financial position of the Y and, therefore, has not included a reserve for such losses in the accompanying financial statements.

In 2017, the Y entered into an operational software service agreement for five years with a third party vendor at approximately $232,000 per year.

In 2017, the Y entered into an accounting software service agreement for three years with a third party vendor at approximately $23,000 per year.

NOTE 18 - SUBSEQUENT EVENT

It was decided in 2019 that the Y will temporarily close its SpartanNash YMCA Child Development Center around late March 2019.

NOTE 19 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.