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

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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, 2019 and 2018, 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.

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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, 2019 and 2018, 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 5, 2020, 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 5, 2020
Grand Rapids, Michigan

FINANCIAL STATEMENTS

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	**$ 5,878,453**	$ 5,951,251
Investments	**6,160,255**	5,346,240
Accounts and grants receivable, net of allowance for doubtful accounts of $115,534 and $106,329 respectively	**556,542**	400,970
Pledges receivable, net of allowance	**735,003**	1,042,572
Other assets	**431,973**	431,230
Property and equipment	**73,468,573**	74,952,185
Beneficial interest in perpetual trusts	**775,045**	669,692
TOTAL ASSETS	**$ 88,005,844**	$ 88,794,140
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	**$ 1,347,842**	$ 1,349,681
Deferred program and membership income	**1,522,802**	1,327,928
Obligations under interest rate swaps	**1,970,537**	146,265
Bonds payable, net of unamortized financing fees of $654,616 and $726,071, respectively	**38,819,384**	40,208,929
Capital leases	**390,140**	327,288
TOTAL LIABILITIES	**44,050,705**	43,360,091
Net Assets		
Without donor restrictions	**40,606,993**	42,588,578
With donor restrictions	**3,348,146**	2,845,471
TOTAL NET ASSETS	**43,955,139**	45,434,049
TOTAL LIABILITIES AND NET ASSETS	**$ 88,005,844**	$ 88,794,140

Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Contributions and grants	$ 3,656,141	$ 1,456,521	**$ 5,112,662**	$ 4,737,743	$ 861,813	**$ 5,599,556**
Membership fees	20,225,143	-	**20,225,143**	19,382,311	-	**19,382,311**
Program fees	8,821,271	-	**8,821,271**	9,646,090	-	**9,646,090**
Miscellaneous income	101,308	-	**101,308**	97,509	-	**97,509**
Loss on disposal of property and equipment	(83,842)	-	**(83,842)**	(112,054)	-	**(112,054)**
Investment income (loss)	472,665	93,983	**566,648**	122,253	(62,916)	**59,337**
Interest rate swap adjustment	(1,824,272)	-	**(1,824,272)**	(55,791)	-	**(55,791)**
Change in beneficial interest in perpetual trust	-	105,353	**105,353**	-	(106,780)	**(106,780)**
Net assets released from restrictions						
Capitalized as property and equipment	-	-	**-**	96,399	(96,399)	**-**
Other	1,153,182	(1,153,182)	**-**	744,064	(744,064)	**-**
Total Revenues, Gains, and Other Support	**32,521,596**	**502,675**	**33,024,271**	**34,658,524**	**(148,346)**	**34,510,178**
Expenses						
Program services						
Aquatic program	2,964,924	-	**2,964,924**	2,631,410	-	**2,631,410**
Camping program	1,553,684	-	**1,553,684**	1,484,271	-	**1,484,271**
Child care	10,296,535	-	**10,296,535**	10,514,337	-	**10,514,337**
Physical fitness and wellness	12,091,077	-	**12,091,077**	11,791,673	-	**11,791,673**
Healthy living	3,150,263	-	**3,150,263**	3,473,170	-	**3,473,170**
Total Program Services	**30,056,483**	**-**	**30,056,483**	**29,894,861**	**-**	**29,894,861**
Supporting services						
Management and general	3,979,124	-	**3,979,124**	4,151,943	-	**4,151,943**
Fundraising	467,574	-	**467,574**	453,110	-	**453,110**
Total Supporting Services	**4,446,698**	**-**	**4,446,698**	**4,605,053**	**-**	**4,605,053**
Total Expenses	**34,503,181**	**-**	**34,503,181**	**34,499,914**	**-**	**34,499,914**
(DECREASE) INCREASE IN NET ASSETS	**(1,981,585)**	**502,675**	**(1,478,910)**	**158,610**	**(148,346)**	**10,264**
NET ASSETS AT BEGINNING OF YEAR	42,588,578	2,845,471	**45,434,049**	42,429,968	2,993,817	**45,423,785**
NET ASSETS AT END OF YEAR	**$ 40,606,993**	**$ 3,348,146**	**$ 43,955,139**	**$ 42,588,578**	**$ 2,845,471**	**$ 45,434,049**

THE YMCA OF GREATER GRAND RAPIDS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	PROGRAM SERVICES						SUPPORTING SERVICES		
	AQUATIC PROGRAMS	CAMPING PROGRAMS	CHILD CARE	PHYSICAL FITNESS & WELLNESS	HEALTHY LIVING	TOTAL	MANAGEMENT & GENERAL	FUND RAISING	TOTAL EXPENSES
SALARIES & WAGES	$ 1,655,801	$ 594,348	$ 4,794,037	$ 6,031,940	$ 1,758,692	**$ 14,834,818**	$ 2,017,843	$ 367,680	**$ 17,220,341**
EMPLOYEE BENEFITS	102,123	87,813	609,079	470,355	205,079	**1,474,449**	298,712	17,044	**1,790,205**
PAYROLL TAXES	137,798	48,308	390,594	497,473	139,862	**1,214,035**	108,570	14,983	**1,337,588**
CONTRACTED SERVICES	124,820	84,492	547,320	518,914	53,144	**1,328,690**	231,016	6,505	**1,566,211**
SUPPLIES	69,401	226,367	682,883	505,081	235,915	**1,719,647**	39,437	1,282	**1,760,366**
TELEPHONE	9,315	15,032	50,510	41,551	20,946	**137,354**	24,128	991	**162,473**
POSTAGE & SHIPPING	1,155	3,954	3,967	4,684	1,075	**14,835**	29,152	1,316	**45,303**
OCCUPANCY	290,593	131,701	1,159,216	1,250,665	76,747	**2,908,922**	276,413	-	**3,185,335**
EQUIPMENT	13,203	13,683	53,012	58,639	5,488	**144,025**	24,068	-	**168,093**
ADVERTISING & PRINTING	4,330	5,022	23,463	19,551	19,513	**71,879**	403,220	13,804	**488,903**
TRAVEL & EMPLOYEE EXPENSES	8,660	70,055	73,258	35,311	97,105	**284,389**	70,973	4,689	**360,051**
CONFERENCES & MEETINGS	15,831	5,900	82,673	18,863	35,993	**159,260**	87,676	25,400	**272,336**
BAD DEBT EXPENSE	-	-	-	-	-	**-**	(26,735)	-	**(26,735)**
ORGANIZATIONAL DUES & SUPPORT	40,839	31,828	140,796	166,245	35,771	**415,479**	30,033	2,845	**448,357**
AWARDS & GRANTS	(31,418)	-	(79,832)	(130,447)	391,089	**149,392**	4,314	-	**153,706**
FINANCING COSTS	165,005	16,151	582,211	1,130,495	16,604	**1,910,466**	67,771	-	**1,978,237**
INSURANCE	14,964	7,235	51,419	60,970	12,940	**147,528**	22,704	8,502	**178,734**
MISCELLANEOUS EXPENSES	4	143	62	121	36	**366**	2,354	-	**2,720**
DEPRECIATION & AMORTIZATION	345,664	204,395	1,113,137	1,416,820	41,628	**3,121,644**	205,538	-	**3,327,182**
INKIND EXPENSE	(3,164)	7,257	18,730	(6,154)	2,636	**19,305**	61,937	2,533	**83,775**
SPECIAL EVENT EXPENSE	-	-	-	-	-	**-**	-	103,128	**103,128**
TOTAL EXPENSE	**2,964,924**	**1,553,684**	**10,296,535**	**12,091,077**	**3,150,263**	**30,056,483**	**3,979,124**	**570,702**	**34,606,309**
LESS EXPENSES INCLUDED WITH REVENUES ON THE STATEMENT OF ACTIVITIES									
SPECIAL EVENT EXPENSES	-	-	-	-	-	**-**	-	(103,128)	**(103,128)**
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	**$ 2,964,924**	**$ 1,553,684**	**$ 10,296,535**	**$ 12,091,077**	**$ 3,150,263**	**$ 30,056,483**	**$ 3,979,124**	**$ 467,574**	**$ 34,503,181**

See accompanying notes

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THE YMCA OF GREATER GRAND RAPIDS

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**
SPECIAL EVENT EXPENSE	-	-	-	-	-	**-**	-	138,539	**138,539**
TOTAL EXPENSE	**2,631,410**	**1,484,271**	**10,514,337**	**11,791,673**	**3,473,170**	**29,894,861**	**4,151,943**	**591,649**	**34,638,453**
LESS EXPENSES INCLUDED WITH REVENUES ON THE STATEMENT OF ACTIVITIES									
SPECIAL EVENT EXPENSES	-	-	-	-	-	**-**	-	(138,539)	**(138,539)**
TOTAL EXPENSES INCLUDED IN THE EXPENSE SECTION ON THE STATEMENT OF ACTIVITIES	**$ 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

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Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
(Decrease) increase in net assets	**$ (1,478,910)**	$ 10,264
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities		
Depreciation and amortization	**3,327,183**	3,313,102
Amortization of financing fees included in interest expense	**71,455**	65,010
Interest rate swap adjustment	**1,824,272**	55,791
Deferred rent amortization	**-**	(113,827)
Contributions restricted for capital purposes	**-**	(38,500)
Provision for doubtful accounts and pledges receivable	**(26,732)**	43,012
Loss on disposal of property and equipment	**83,842**	112,054
Net realized and unrealized (gain) loss on investments	**(186,992)**	108,821
Unrealized (gain) loss from beneficial interest in perpetual trust	**(105,353)**	106,780
Change in operating assets and liabilities		
Accounts receivable	**(188,825)**	88,103
Pledges receivable	**36,486**	13,568
Other assets	**(743)**	166,614
Accounts payable and accrued expenses	**22,133**	(30,800)
Deferred program and membership income	**194,874**	(31,815)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**3,572,690**	3,868,177
Cash Flows from Investing Activities		
Proceeds from sale of investments	**7,578,693**	6,527,823
Purchase of investments	**(8,205,716)**	(8,168,840)
Additions to property and equipment	**(1,760,463)**	(1,488,168)
Proceeds from sale of property and equipment	**12,493**	23,650
NET CASH USED IN INVESTING ACTIVITIES	**(2,374,993)**	(3,105,535)

See accompanying notes

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Financing Activities		
Principal payments on bonds payable	**$ (1,461,000)**	$ (2,429,876)
Financing fees paid	**-**	(139,244)
Payments on capital lease obligation	**(140,562)**	(94,499)
Proceeds from contributions restricted for capital purposes	**331,067**	936,137
NET CASH USED BY FINANCING ACTIVITIES	**(1,270,495)**	(1,727,482)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(72,798)**	(964,840)
Cash and Cash Equivalents at Beginning of Year	**5,951,251**	6,916,091
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 5,878,453**	$ 5,951,251
Supplemental Information		
Cash paid for interest expense	**$ 1,385,862**	$ 1,324,087
Non-Cash Transactions		
Property and equipment included in accounts payable	**$ 77,108**	$ 101,080
Property and equipment financed with capital lease obligations	**$ 203,414**	$ 149,480

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The YMCA of Greater Grand Rapids (YMCA) 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 YMCA 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 YMCA places its cash with federally insured financial institutions. The YMCA had cash balances that exceeded the federally insured limits at December 31, 2019 and 2018 and throughout the year.

Cash restricted for long-term purposes was $739,218 at December 31, 2018.

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 YMCA 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.

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, 2019 and 2018.

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 YMCA 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 2019 and 2018.

Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. The YMCA 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 is 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.

Derivative Instruments

The YMCA uses derivatives to manage risks related to interest rate movements. Beginning in 2019, the YMCA adopted the accounting alternative offered to nonpublic entities in FASB ASC 815-20 for certain variable rate borrowing involving receive-variable, pay-fixed interest rate swaps. The adoption of this alternative did not result in an adjustment to the financial statements. In accordance with this alternative, the YMCA assumes there is no hedge ineffectiveness and applies the simplified hedge accounting approach for all interest rate swaps meeting those criteria. In addition, the YMCA measures the swap using settlement value rather than fair value. Material gain or loss on the effective portion of the hedge is included in the statement of activities. The YMCA documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. The YMCA'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 YMCA does not use derivative instruments for speculative purposes.

Net Assets

The financial statements of the YMCA have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the YMCA 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 11.

- 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 YMCA 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.

Revenue Recognition

The YMCA recognizes revenue from contracts with customers through four primary revenue streams including membership fees, program fees, childcare fees and sales of goods. Fees are payable prior to the start of the applicable service period. Revenue is recognized evenly over the service period. Deferred program and membership income (contract liabilities) on the statement of financial position represent payments received from members for which the service period has not yet occurred. These revenues are recognized as earned over the life of the membership or program. The YMCA also records unearned revenues in the event of funds received from reimbursable grant agreements prior to the expenditure of grant funds. Revenue is recognized as funds are expended.

The following table summarizes the YMCA's disaggregated revenue based on timing of revenue recognition:

Revenue recognized over time (fees for service)	$ 28,597,958
Revenue recognized at a point in time (sale of goods)	448,456
Revenue from contracts with customers	**$ 29,046,414**

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 $303,579 and $470,904 net of direct expenses of $103,128 and $138,539 has been included in contributions and grants on the statement of activities for the years ended December 31, 2019 and 2018, respectively.

Donated Services

Each year numerous volunteers donate a significant amount of time supporting the YMCA's programs and activities. Management estimates that volunteers contributed approximately 49,000 and 52,000 hours of service for the years ended December 31, 2019 and 2018. 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 YMCA is exempt from income taxes under provisions of Code Section 501(c)(3). In addition, the YMCA 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 YMCA expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2019 and 2018 were approximately $490,000 each year.

Subsequent Events

Management has evaluated significant events or transactions occurring subsequent to December 31, 2019 for potential recognition or disclosure in these financial statements. The evaluation was performed through March 5, 2020, the date the financial statements were available for issuance. Subsequent event disclosures are provided in Note 15.

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 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, 2020.

The YMCA has evaluated this guidance and determined that it will not materially impact the financial statements.

NOTE 2 - IMPLEMENTATION OF NEW ACCOUNTING GUIDANCE

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, Revenue from Contracts with Customers, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition. It requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, the new Topic 606 and Subtopic 340-40 are referred to as the “new guidance.” Contribution revenue is not subject to the new guidance.

The YMCA adopted FASB ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made as of January 1, 2019. ASU 2018-08 provides guidance on distinguishing between contributions and exchange transactions and guidance to determine whether a contribution is restricted.

The YMCA adopted the requirements of these standards as of January 1, 2019, utilizing the modified retrospective method of transition. The effect of applying the new guidance was not significant to the financial statements. The YMCA applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to the contracts that were not complete as of January 1, 2019.

NOTE 3 - LIQUIDITY

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

	2019	2018
Cash and cash equivalents	**$ 5,808,388**	$ 3,967,314
Accounts receivable	**556,542**	400,970
Pledges receivable	**516,595**	531,844
Investment spending-rate distributions	**244,448**	116,760
	$ 7,125,973	$ 5,016,888

As part of the YMCA'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.

In addition, the YMCA has access to the line of credit in the amount of $750,000 that can be utilized as needed 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:

	2019			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 45,464	$ 45,464	$ -	$ -
Equities				
Financial	51,806	51,806	-	-
Asset backed securities	813,454	813,454	-	-
Bonds				
Corporate Bonds	5,249,531	5,249,531	-	-
Total investments	6,160,255	6,160,255	-	-
Beneficial Interest in				
Perpetual Trust	775,045	-	-	775,045
	$ 6,935,300	$ 6,160,255	$ -	$ 775,045

	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

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:

	2019	2018
Balance, beginning of year	**$ 669,692**	$ 776,472
Net unrealized gain (loss) from perpetual trusts	**105,353**	(106,780)
Balance, end of year	**$ 775,045**	$ 669,692

NOTE 5 - PLEDGES RECEIVABLE

Unconditional pledges receivable are summarized as follows at December 31:

	2019	2018
Receivable in less than one year	**$ 748,742**	$ 983,520
Receivable in one to five years	**100,000**	245,614
Less allowance for doubtful pledges	**(113,739)**	(186,562)
Net Unconditional Pledges Receivable	**$ 735,003**	$ 1,042,572

Pledges from the three largest donors comprise approximately 51% of gross pledges receivable at December 31, 2019, and pledges from the two largest donors comprise approximately 33% of gross pledges receivable at December 31, 2018.

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2019	2018
Land and land improvements	**$ 10,995,587**	$ 10,987,487
Buildings and leasehold improvements	**80,613,368**	80,581,615
Equipment	**13,583,380**	13,623,478
Artwork	**154,600**	154,600
Construction in progress	**1,115,164**	68,551
Total Property and Equipment	**106,462,099**	105,415,731
Less accumulated depreciation	**(32,993,526)**	(30,463,546)
NET PROPERTY AND EQUIPMENT	**$ 73,468,573**	$ 74,952,185

Construction in progress relates to the expansion of a YMCA branch that is ongoing as of December 31, 2019.

NOTE 7 - LINE OF CREDIT

The YMCA 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 4.42% at December 31, 2019). There were no borrowings outstanding on the revolving credit note at December 31, 2019 or 2018.

NOTE 8 - BONDS PAYABLE

During June 2018, the YMCA 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:

	2019	2018
$25,000,000- 2016 multi-modal limited obligation revenue and revenue refunding bond issued with a variable interest rate margined upon a product of LIBOR (effective rate of 2.50% as December 31, 2019), due in monthly installments ranging from $43,500 to $110,500 through November 2026	**$ 22,738,500**	$ 23,547,000
$9,225,000- 2016 multi-modal limited obligation revenue and revenue refunding bond issued with a variable interest rate margined upon a product of LIBOR (effective rate of 2.65% at December 31, 2019), due in monthly installments ranging from $19,500 to $37,500 through November 2026	**8,399,000**	8,694,000

	2019	2018
$8,828,500 - 2018 multi-modal limited obligation revenue and revenue refunding bond issued with a variable interest rate margined upon a product of LIBOR (effective rate of 2.65% at December 31, 2019), due in monthly installments ranging from $19,500 to $37,500 through November 2026	**$ 8,336,500**	$ 8,694,000
	39,474,000	40,935,000
Less: Unamortized financing fees	**(654,616)**	(726,071)
	$ 38,819,384	$ 40,208,929

Future maturities of bonds payable are as follows:

Years ending December 31:

2020	$ 1,475,000
2021	1,535,500
2022	1,597,500
2023	1,655,000
2024	1,714,500
Thereafter	31,496,500
	$ 39,474,000

To hedge against interest rate risk of changes in variable interest rates, the YMCA 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 YMCA 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 convert 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 YMCA 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, 2019. During 2019 and 2018, the fair value of the liability under the Swaps increased by $1,824,272 and $55,791, respectively, which has been reflected in the accompanying statements of activities. At December 31, 2019 and 2018, the fair value of the obligations under the interest rate swaps was $1,970,537 and $146,265, 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 YMCA was in compliance with the applicable covenants at December 31, 2019.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The YMCA financed equipment under capital lease obligations with financing institutions. The equipment has been capitalized at $637,496 and $434,080 and accumulated depreciation was $158,696 and $69,719 at December 31, 2019 or 2018, respectively. The leases require total monthly payments of $18,645, with interest rates ranging from 3.48% to 12.10% expiring at various dates through January 2023.

Minimum future payments are as follows:

Years ending December 31:	
2020	$ 207,213
2021	126,492
2022	78,936
2023	2,317
	414,958
Less amount representing interest	(24,818)
Present Value of Minimum Lease Payments	**$ 390,140**

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Capital expenditures for property and equipment	**$ 922,813**	$ 808,233
Support of specific program operations	**1,197,617**	930,824
Funds to be maintained permanently	**452,671**	436,722
Beneficial interest in perpetual trusts	**775,045**	669,692
	$ 3,348,146	$ 2,845,471

NOTE 11 - BOARD DESIGNATED NET ASSETS

The YMCA has approximately $5,633,000 and $4,052,000 board designated for capital improvements at December 31, 2019 and 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 and is 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 YMCA.

NOTE 12 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The YMCA is the income beneficiary of several third party perpetual trusts administered by a bank. The aggregate market values of the trusts were $2,049,907 and $1,769,229 at December 31, 2019 and 2018, respectively. The YMCA'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 YMCA. The YMCA will receive a perpetual cash flow of income from these trusts. The value of the beneficial interest in perpetual trusts is measured as the YMCA'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 13 - 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 14% in 2019 and 15% in 2018.

NOTE 14 - RETIREMENT PLAN

The YMCA participates in The YMCA Retirement Fund Retirement Plan (Plan), a defined contribution, money purchase retirement plan administered by the YMCA 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 YMCA. Contributions to the Plan by the YMCA are equal to 9% of employee compensation for 2019 and 2018. Participants are fully vested in all Y contributions.

Retirement contributions totaled approximately $675,000 and $668,000 for the years ended December 31, 2019 and 2018, respectively. Additionally, the YMCA 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 15 - RISKS AND UNCERTAINTIES

Investments, Including Beneficial Interests in Trusts

The YMCA 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.

Subsequent to year-end, turbulence in the economy has resulted in a decline in the market value of many investments. At the current time, a reasonable estimate of the impact on investments held by the YMCA, and by third parties related to the trusts, cannot be determined.

Risks Related to Impact of Health Epidemic

Operating results of the YMCA are likely to suffer material adverse impact as a result of the widespread outbreak of Covid-19, the novel coronavirus. Disruptions and restrictions on the YMCA's ability to deliver services, and temporary closures of facilities are likely, beginning March 2020. At this time, given the uncertainty of the lasting effect of this outbreak, the financial impact to the YMCA cannot be determined.

NOTE 16 - CONTINGENCIES AND COMMITMENTS

The YMCA 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, 2019 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 YMCA 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 YMCA may become party to various legal actions. The YMCA purchases commercial insurance to cover substantially all conceivable losses. Management of the YMCA is of the opinion that the outcomes of such actions will not have a material effect on the financial position of the YMCA and, therefore, has not included a reserve for such losses in the accompanying financial statements.

The YMCA has entered into an operational software service agreement for five years with a third party vendor at approximately $232,000 per year. This agreement ends in 2022.

The YMCA has entered into an accounting software service agreement for three years with a third party vendor at approximately $23,000 per year. This agreement ends in 2020.

The YMCA has entered into a Human Resource Information System software service agreement for three years with a third party vendor at approximately $159,000 per year. This agreement ends in 2022.