

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA
Port Huron, Michigan**

**CONSOLIDATED FINANCIAL STATEMENTS
with Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2018**



**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

TABLE OF CONTENTS

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter to Board, Members, Employees, Volunteers, Donors, and Friends	I - 1
FINANCIAL SECTION:	
Independent Auditor's Report	1
Basic Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Information:	
Consolidating Statement of Financial Position	17
Consolidating Statement of Activities	18
Transportation Contract -	
Transportation Operating Expenses	19
Mileage Data (Unaudited)	20



FOR YOUTH DEVELOPMENT
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

May 2, 2018

To Our Board, Members, Employees, Volunteers, Donors and Friends:

We are pleased to present the enclosed financial statements for the year ended December 31, 2018. At the YMCA of the Blue Water Area, we believe everyone deserves opportunities, no matter who you are or where you are from. Our mission guides us, our cause inspires us, and the stories of impact that we share every day prove that we strengthen the foundations of community through our work in youth development, healthy living and social responsibility.

Looking back at 2018, more than 23,000 members and program participants were engaged at the YMCA. That is nearly 1 out of every 8 residents of St. Clair and Sanilac Counties. Of those, nearly 8,300 are youth who participated in after school programs, camps, swim lessons, sports, preschool and child care, fitness and special events. We are also a significant employer, providing over 160 full and part-time employment opportunities and engaging hundreds of volunteers.

As we look at the past year, we see that it is the story of "Us." Us is a promise – a chance for everyone to thrive. Every day the Y supports kids, adults seniors and families with programs that protect, teach, heal, connect, nourish and encourage. When communities get better, the world gets better.

Some highlights of the year:

- Continued expansion of YMCA Drowning Prevention activities. Drowning is the second leading cause of accidental death in children ages 1-14. The Y taught more than 3,315 sessions of water safety and swimming skills, including taking Safety Around Water to public pools in Port Huron, Marine City and Memphis. Our goal is to ensure that ALL children have the opportunity to learn these lifesaving skills and become confident in and around the water that is such a big part of the area where we live.
- **LIVESTRONG** at the Y was brought to the community with the first cohort of participants beginning in the fall of 2018 – with amazing stories of impact.
- More than 2,900 people received financial assistance totaling \$63,090, ensuring that everyone has the opportunity to participate in the YMCA.
- The Corporate Experience program continues to grow. Based on Robert Wood Johnson Foundation research into the culture of health, these significant partnerships are aimed at changing the culture in the workplace and the community.

The YMCA is one of the only organizations in our community where there are activities and facilities being used by young and old, children, adults, singles, couples, elderly, the gregarious, and the lonely. The Y brings all these unique individuals together in positive and encouraging ways. The Y is an investment in programs focused on overall health, well-being, growth and success of our children and families. It is the power of Us.

Respectfully submitted,

Denise M. Brooks
President/CEO

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Young Men's Christian Association
of the Blue Water Area
Port Huron, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of the Blue Water Area (a nonprofit corporation) and its supporting organization which comprise the consolidated statement of financial position as of December 31, 2018, the related consolidated statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 judgement, 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of the Blue Water Area and its supporting organization as of December 31, 2018 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the Association adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statements and schedule of transportation expenses, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Letter to the Board, Members, Employees, Volunteers, Donors, and Friends and the Mileage Data, as listed in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.


Certified Public Accountants

May 8, 2019

BASIC FINANCIAL STATEMENTS

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

Assets:	
Cash and cash equivalents	\$ 243,547
Receivables (net of allowance)	61,856
Inventory	2,804
Prepaid expenses	30,286
Unconditional promises to give	11,998
Cash surrender value of life insurance	129,755
Beneficial interest in assets held by others	292,331
Land, buildings and equipment, net	<u>2,729,257</u>
Total Assets	<u><u>\$ 3,501,834</u></u>
 Liabilities:	
Accounts payable	\$ 61,715
Accrued salaries and fringes	75,383
Unearned revenue	136,420
Notes payable	396,276
Accrued vacation and sick	<u>54,306</u>
Total Liabilities	<u>724,100</u>
 Net Assets:	
With Donor Restrictions	292,331
Without Donor Restrictions	<u>2,485,403</u>
Total Net Assets	<u>2,777,734</u>
Total Liabilities and Net Assets	<u><u>\$ 3,501,834</u></u>

The accompanying notes are an integral part of these financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net Assets Without Donor Restrictions:

Revenues and Other Support:

Contributions	\$ 212,508
Program Fees	2,745,167
Grants and fees from local agencies	64,501
Merchandise sales	7,480
Rental income	45,677
Other	13,489
Gain on sale of assets	3,000
Net investment income	(8,784)
Total Revenues and Other Support	3,083,038

Expenses:

Program services -	
Youth Development	1,148,021
Healthy Living	1,417,424
Social Responsibility	20,368

Supporting services -	
Management and general	475,267
Fundraising	87,701

Total Expenses	3,148,781
----------------	-----------

Change in Net Assets	(65,743)
----------------------	-----------

Net Assets Without Donor Restrictions at beginning of year	2,551,146
--	-----------

Net Assets Without Donor Restrictions at end of year	2,485,403
--	-----------

Net Assets With Donor Restrictions:

Change in value of beneficial interest in assets held by others	(13,873)
---	-----------

Net Assets With Donor Restrictions at beginning of year	306,204
---	---------

Net Assets With Donor Restrictions at end of year	292,331
---	---------

Total Net Assets at the End of the Year	\$ 2,777,734
--	---------------------

The accompanying notes are an integral part of these financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program			Total
	Youth Development	Healthy Living	Social Responsibility	
Salaries	\$ 745,781	\$ 776,169	\$ 5,648	\$ 1,527,598
Payroll taxes & benefits	120,539	130,789	1,529	252,857
	<u>866,320</u>	<u>906,958</u>	<u>7,177</u>	<u>1,780,455</u>
Supplies	60,343	87,335	9,219	156,897
Postage	-	-	-	-
Professional fees	-	-	-	-
Contracted services	42,878	83,834	3,788	130,500
IT Services	-	-	-	-
Laundry services	5,411	10,049	-	15,460
Utilities	85,203	175,236	-	260,439
Insurance	16,154	31,064	-	47,218
Rent	320	-	-	320
Equipment rent	-	1,158	-	1,158
Equipment maintenance	1,016	5,442	-	6,458
Building maintenance	-	1,125	-	1,125
Printing and publications	-	-	-	-
Advertising	-	1,296	-	1,296
Travel/mileage reimbursement	3,459	2,876	184	6,519
Transportation expenses	11,546	-	-	11,546
Conferences and training	520	-	-	520
Interest and fees	6,194	12,466	-	18,660
Non-Capitalized equipment	2,425	11,766	-	14,191
National Dues	16,405	29,429	-	45,834
Miscellaneous	483	959	-	1,442
Depreciation	29,344	56,431	-	85,775
Bad Debt (Allowance)	-	-	-	-
	<u>281,701</u>	<u>510,466</u>	<u>13,191</u>	<u>805,358</u>
Total Expenses	<u>\$ 1,148,021</u>	<u>\$ 1,417,424</u>	<u>\$ 20,368</u>	<u>\$ 2,585,813</u>

The accompanying notes are an integral part of these financial statements.

Management and General	Supporting Services		Total Program and Supporting Services
	Fundraising	Total	
\$ 111,204	\$ 57,071	\$ 168,275	\$ 1,695,873
24,237	14,841	39,078	291,935
<u>135,441</u>	<u>71,912</u>	<u>207,353</u>	<u>1,987,808</u>
40,245	5,029	45,274	202,171
3,401	2,755	6,156	6,156
17,220	-	17,220	17,220
114,410	2,741	117,151	247,651
10,742	-	10,742	10,742
-	-	-	15,460
4,075	-	4,075	264,514
3,573	-	3,573	50,791
1,250	-	1,250	1,570
6,086	-	6,086	7,244
6,320	-	6,320	12,778
-	-	-	1,125
3,380	-	3,380	3,380
58,908	271	59,179	60,475
746	104	850	7,369
-	-	-	11,546
160	-	160	680
51,485	-	51,485	70,145
4,276	-	4,276	18,467
252	4,392	4,644	50,478
11,293	497	11,790	13,232
1,404	-	1,404	87,179
600	-	600	600
<u>339,826</u>	<u>15,789</u>	<u>355,615</u>	<u>1,160,973</u>
<u>\$ 475,267</u>	<u>\$ 87,701</u>	<u>\$ 562,968</u>	<u>\$ 3,148,781</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018**

Cash Flows From Operating Activities:	
Change in net assets	\$(79,616)
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation	87,179
Decrease in cash surrender value of life insurance	10,261
Loss of value on beneficial interest in assets held by others	13,873
Increase in allowance for doubtful accounts	600
Changes in assets and liabilities -	
Accounts receivable	(25,832)
Inventory	372
Prepaid expenses	2,454
Operating pledges receivable	9,204
Accounts/YMCA payable	(11,125)
Accrued salaries and fringes	(2,900)
Unearned revenue	21,412
Net Cash Provided by Operating Activities	<u>25,882</u>
Cash Flows From Investing Activities:	
Acquisition of capital assets	<u>(25,809)</u>
Cash Flows From Financing Activities:	
Principal payments on short term notes payable	(1,088)
Principal payments on equipment loan	(19,995)
Principal payments on other debt	(16,590)
Net Cash Used for Financing Activities	<u>(37,673)</u>
Net Decrease in Cash and Cash Equivalents	(37,600)
Cash and Cash Equivalents at beginning of year	<u>281,147</u>
Cash and Cash Equivalents at end of year	<u><u>\$ 243,547</u></u>
Supplementary Information for Statement of Cash Flows:	
Interest paid	<u><u>\$ 18,956</u></u>

The accompanying notes are an integral part of these financial statements.

**THE YOUNG MEN’S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Description of Association -

The Young Men’s Christian Association of the Blue Water Area’s (the “Association”) mission is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all. The Association is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen (Youth Development), improving the Blue Water Area’s health and well-being (Healthy Living), and providing opportunities to give back and support neighbors (Social Responsibility), the Association enables youth, adults, families, and communities to be healthy, confident, connected, and secure.

The Blue Water YMCA Foundation was organized in 2014 as a nonprofit organization under 501(c)(3) to serve as a supporting organization to The Young Men’s Christian Association of the Blue Water Area. The Board of Directors of the Blue Water YMCA Foundation must consist of no less than three trustees, and at all times a majority of the trustees must be appointed by the governing Board of The Young Men’s Christian Association of the Blue Water Area.

The consolidated financial statements report all activities of The Young Men’s Christian Association of The Blue Water Area and the Blue Water YMCA Foundation, where any inter-company transactions are eliminated.

The Association operates the following major programs:

Youth Development - The Association is committed to nurturing the potential of every child and teen. The Association believes that all children deserve the opportunity to discover who they are and what they can achieve. That is why the Association helps young people cultivate the values, skills, and relationships that lead to positive behaviors, better health, and educational achievement. The Association’s programs, such as Warm World Child Care, Prime Time Afterschool CATCH Kids Clubs, camps, and youth sports and swim lessons, offer a range of experiences that enrich cognitive, social, physical, and emotional growth.

Healthy Living - The Association is a leading voice on health and well-being. The Association brings families closer together, encourages good health, and fosters connections through fitness, sports, fun, and shared interests. As a result, people in the community are receiving the support, guidance, and resources they need to achieve greater health in spirit, mind, and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with a work/life balance, and individuals search for personal fulfillment. Examples of healthy living programs include group exercise classes for all ages and abilities, diabetes prevention and other chronic disease prevention programs, sports and recreation, personal training, walking and running groups, and support for cancer patients.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (cont'd):**

Social Responsibility - The Association believes in giving back and supporting its neighbors. The Association has been listening and responding to its community's most critical social needs. The Association's programs, such as Healthy Kids Day, free activities that bring families together, free Safety Around Water classes for drowning prevention, Walk for Summer Reading, and Fun Fitness, are examples of how the Association delivers training, resources, and support that empower its neighbors to effect change, bridge gaps, and overcome obstacles. The Association engages its members, participants, and volunteers in activities that strengthen its community and pave the way for future generations to thrive.

As part of the Association's mission, their programs are accessible, affordable, and open to all faiths, backgrounds, abilities, and income levels. The Association provides financial assistance to people who otherwise may not have been able to afford to participate.

Summary of Significant Accounting Policies -

The Association's accounting policies are in accordance with accounting principles generally accepted in the United States of America. The following is a summary of policies which are considered significant to the Association.

BASIS OF ACCOUNTING - The financial statements of the Association are reported on the accrual basis of accounting.

BASIS OF PRESENTATION - The financial statements presentation follows the requirements of the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Association. These net assets may be used at the discretion of management.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donors. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

CASH AND CASH EQUIVALENTS - Cash equivalents represent highly liquid investments with a maturity of three months or less from the date of purchase.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (cont'd):**

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS -

Accounts receivable from program service fees are stated at the amount the Association expects to collect from outstanding balances. The Association 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 and historical experience. Balances that are still outstanding after the Association has used reasonable collection efforts are written off. The allowance for doubtful accounts was \$1,600 as of December 31, 2018.

CONTRIBUTIONS RECEIVABLE - Unconditional promises to give are recognized as contributions in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional contributions receivable that are expected to be collected within one year are recorded at the net realizable value; those that are expected to be collected in future years are recorded at the present value of the expected future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

INVENTORY - Inventory consists of supplies which are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PREPAID EXPENSES - Certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid items.

LAND, BUILDING, AND EQUIPMENT - Property and equipment are carried at cost at the date of purchase or fair value at date of donation. Property and equipment are defined by the Association as assets with an individual cost greater than \$5,000 and an estimated life greater than one year. Major additions are charged to the property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or disposed of, the recorded value is removed from the accounts. Gains and losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated life of the asset.

The estimated useful lives of the assets are as follows:

Building and building improvements	5 - 40 years
Furniture, equipment, and vehicles	3 - 10 years

LIFE INSURANCE CASH SURRENDER VALUE - The Association is the owner and beneficiary of two separate life insurance policies with an aggregate face value of \$500,000. The annual premiums are paid with contributions received from the individuals insured by the policies or by the policies' equity. The cash surrender value of these policies was recorded as revenue and an asset when donated. Annual increases or decreases in the cash surrender value of the policies are recorded as revenue (or reduction of revenue) in the year incurred.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (cont'd):**

CONTRIBUTIONS - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

INCOME TAXES - The Association is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Blue Water YMCA Foundation is tax-exempt under Section 501(c)(3) and is a Type 1 supporting organization under Section 509(a)(3). Accordingly, no provision for income taxes is required.

NATIONAL SUPPORT - The Association is a member of the National Council of Young Men's Christian Association and as a member is required to contribute 2% of adjusted total income to the National Council.

FUNCTIONAL EXPENSES - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs that are directly identifiable with a program or support service are charged directly to the program or support service benefiting, including most salaries and benefits. Other costs have been allocated to the various programs and support services based on the estimated benefit received. The following are the allocation methods utilized:

Salaries and benefits - most hourly employees are allocated based on time and effort reports prepared by the employee. Salaried individuals that only work in one department/program are charged directly; any other salaried individual that serves more than one program is allocated based on estimated time spent in each program.

Laundry services and towels - based on program income.

Housekeeping and building facilities - include utilities, insurance, etc., and are allocated based on square footage.

Interest costs - equipment is recorded in the department/program where the equipment is utilized. Interest on the building is allocated based on square feet.

ADVERTISING - The Association's policy is to expense advertising costs for the promotion of programs as the costs are incurred. Advertising expenses were \$60,475 for 2018, of which \$25,647 was barter transactions with advertising agencies.

UNEARNED REVENUE - Unearned revenue represents membership fees applicable to future periods, gift certificates, and unspent grants.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

**NOTE 1 - DESCRIPTION OF ASSOCIATION AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES - (cont'd):**

ACCRUED VACATION AND SICK - Employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under limits and conditions specified in the personnel policies.

ESTIMATES - In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAIR VALUE MEASUREMENTS - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Association accounts for certain financial assets and liabilities at fair value.

UPCOMING ACCOUNTING PRONOUNCEMENTS - In February 2016, FASB issued a new accounting standard, Topic 842, intended to improve financial reporting of leasing transactions. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flow arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet, the new standards will require both types of leases to be recognized on the balance sheet. The standard also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows from leases. The amendments in this standard are effective for the Association's financial statements for the year ending December 31, 2021. The Association has not yet implemented this ASU and is in the process of assessing the effect on the Association's financial statements.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, Topic 606. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in the ASU are effective for fiscal years beginning after December 15, 2018. The Association has not yet implemented this ASU and is in the process of assessing the effect on the Association's financial statements.

SUBSEQUENT EVENTS - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 8, 2019, the date the financial statements were available to be issued.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES:

Financial assets available for general expenditures (that is, without donor or other restrictions limiting their use) within one year of the financial position date is composed of the following:

Cash and cash equivalents	\$	243,547
Accounts receivable		61,856
Unconditional promise to give		<u>11,998</u>
		317,401
Less: Blue Water YMCA Foundation cash	(<u>87,256)</u>
	\$	<u>230,145</u>

NOTE 3 - CONCENTRATION OF CREDIT:

As of December 31, 2018, the Association had deposits with financial institutions with a bank balance of \$276,387, which is fully covered by depository insurance.

NOTE 4 - CONTRIBUTIONS RECEIVABLE AND INTENTIONS TO GIVE:

At December 31, 2018, the Association had promises to give receivable of \$11,998, all of which is expected to be collected in 2019.

In addition, the Association has \$275,000 of "intentions to give." These intentions to give are based on bequests included in wills, therefore, are not recorded on the financial statements because the donor has the right to modify or change the bequest.

NOTE 5 - ENDOWMENTS:

The Association has received donor-restricted (in perpetuity) donations for the purpose of supplementing general operations with the income generated. In connection, the Association transferred their endowment fund to The Community Foundation of St. Clair County (the "Foundation") in 2015 to establish an agency endowment fund plus accumulated investment earnings. Under the terms of the agreement with the Foundation, the Board of Directors of the Association may recommend or request distribution from the fund in amounts limited by the spending policies of the Foundation. The Foundation's current spending policy is to distribute 5% of the average fair value over the prior 16 quarters determined as of September of the year preceding distribution. At the time of the transfer of assets, the Association granted variance power to the Foundation. The Foundation expects to follow the recommendation but reserves the right to accept or reject the Association's recommendations. Variance power also gives the Foundation the right to distribute the spendable portion of the fund to another nonprofit of its choice if the Association ceases to exist and the Board of the Foundation determines that support of the Association is no longer necessary or is inconsistent with the mission or purpose of the funds or the needs of the community.

The changes in endowment net assets were as follows:

Balance at January 1, 2018	\$	306,204
Net depreciation of investments	(14,094)
Investment income		7,116
Investment fees	(<u>6,895)</u>
Balance at December 31, 2018	\$	<u>292,331</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 - ENDOWMENTS - (cont'd):

Fund Deficiencies - From time to time, the donor-restricted endowment fund may have fair values less than the amount required to be maintained by donors by law (e.g., underwater endowments). The Association and the Foundation have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies in this nature that are in excess of related accumulated gains are reported in net assets with donor restrictions. As of December 31, 2018, there was a fund deficiency of \$7,420.

NOTE 6 - LAND, BUILDING, AND EQUIPMENT:

The following is a summary of capital assets for the year ended December 31, 2018:

Land	\$	430,000
Building and building improvements		2,512,234
Furniture and equipment		490,817
Vehicles		<u>7,200</u>
		3,440,251
Less - Accumulated depreciation		<u>(710,994)</u>
Total Land, Building, and Equipment, net	\$	<u>2,729,257</u>

Depreciation expense for 2018 totaled \$87,179.

NOTE 7 - NOTES PAYABLE:

In November 2015, the Association received a \$500,000 non-interest-bearing loan from the James C. Acheson Foundation. The loan is to be repaid in monthly installments of \$2,762 including interest of 5.00% (effective interest rate), commencing May 1, 2017 through May 1, 2032. \$ 322,125

In November 2015, the Association received a non-interest-bearing, short-term loan in the amount of \$125,000 to be repaid when the Association sold the Sault Ste. Marie property. The Association sold the property in 2016; however, the proceeds were not sufficient to repay the entire amount of the loan. The remaining balance is to be repaid as cashflow becomes available. 33,130

On June 22, 2016, the Association entered into a capital lease for the purchase of equipment for \$34,588, payable in 36 monthly installments of \$1,023 including interest of 4.12% through July 1, 2019. 7,065

On July 25, 2017, the Association entered into an installment purchase agreement for the purchase of equipment for \$44,900, payable in 60 monthly installments of \$843 including interest of 4.79% through August 25, 2022. 33,956

\$ 396,276

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 - NOTES PAYABLE - (cont'd):

The principal maturities of the notes, excluding the note that will be repaid when cash is available, are as follows:

	<u>Installment Purchase</u>	<u>November 2015 Note</u>	<u>Capital Lease</u>
2019	\$ 8,679	\$ 17,439	\$ 7,065
2020	9,103	18,331	-
2021	9,549	19,269	-
2022	6,625	20,255	-
2023	-	21,291	-
2024-2028	-	123,954	-
2029-2032	-	101,586	-
	<u>\$ 33,956</u>	<u>\$ 322,125</u>	<u>\$ 7,065</u>

NOTE 8 - OPERATING LEASES:

In September 2014, the Association entered into a non-cancelable lease agreement for the rental of a copier. Monthly payments of \$364 are due through April 2019. Lease expense for the year ended December 31, 2018 was \$4,371. The minimum future lease payment under the operating lease is as follows:

2019	<u>\$ 1,458</u>
------	-----------------

NOTE 9 - RELATED PARTIES TRANSACTIONS:

During 2018, the Association received \$41,474 of contributions from board members and their families, as well as companies they own, the President/CEO, and other related parties. At December 31, 2018, the Association had \$3,350 due from related parties.

NOTE 10 - FAIR VALUE MEASUREMENTS:

In accordance with ASC 820, the Association uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as "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 codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

**THE YOUNG MEN’S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 10 - FAIR VALUE MEASUREMENTS - (cont’d):

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity’s own assumptions about assumptions that would be used by market participants.

The following table presents the Association’s fair value hierarchy for the assets measured at fair value as of December 31, 2018:

	Total	Level 1	Level 2	Level 3
Variable Life Insurance Policy	\$ 129,755	\$ -	\$ 129,755	\$ -

NOTE 11 - EMPLOYEE PENSION PLAN:

The Association provides retirement benefits for all eligible employees through pension plans administered by the National Association. In order to be eligible, an employee must have completed two years of service in which at least 1,000 hours have been worked and must be 21 or older. The employee contributes 3%, and the Association contributes 5.0% of the employee’s gross salary. Both Employer and Employees’ contributions become fully vested immediately.

For the year ended December 31, 2018, the employer contribution to the pension plan was \$36,276.

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE:

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (the “Standard”). The Standard presents net assets in two classifications, net assets with donor restrictions and net assets without donor restrictions, rather than the prior guidance which required three classes. The Standard also required new disclosures to the financial statements, including disclosure of liquidity and available resources, and allocation methods in the statements of functional expenditures.

SUPPLEMENTARY INFORMATION

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

	YMCA	YMCA Foundation	Consolidating Adjustments	Total
Assets:				
Cash and cash equivalents	\$ 156,291	\$ 87,256	\$ -	\$ 243,547
Receivables (net of allowance) -				
Memberships	30,266	-	-	30,266
Due from foundation	3,085	-	(3,085)	-
Other	31,590	-	-	31,590
Inventory	2,804	-	-	2,804
Prepaid expenses	30,286	-	-	30,286
Unconditional promises to give	11,998	-	-	11,998
Cash surrender value of life insurance	129,755	-	-	129,755
Beneficial interest in assets held by others	292,331	-	-	292,331
Land, buildings and equipment, net	2,729,257	-	-	2,729,257
Total Assets	\$ 3,417,663	\$ 87,256	\$(3,085)	\$ 3,501,834
Liabilities:				
Accounts payable	\$ 61,715	\$ -	\$ -	\$ 61,715
Accrued salaries and fringes	75,383	-	-	75,383
Unearned revenue	136,420	-	-	136,420
Due to YMCA	-	3,085	(3,085)	-
Notes payable	396,276	-	-	396,276
Accrued vacation and sick	54,306	-	-	54,306
Total Liabilities	724,100	3,085	(3,085)	724,100
Net Assets:				
With Donor Restrictions	292,331	-	-	292,331
Without Donor Restrictions	2,401,232	84,171	-	2,485,403
Total Net Assets	2,693,563	84,171	-	2,777,734
Total Liabilities and Net Assets	\$ 3,417,663	\$ 87,256	\$(3,085)	\$ 3,501,834

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>YMCA</u>	<u>YMCA Foundation</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Net Assets Without Donor Restrictions:				
Revenues and Gains and Other Support:				
Public Support -				
Contributions	\$ 212,508	\$ -	\$ -	\$ 212,508
Revenue and Gains -				
Memberships and guest fees	1,664,913	-	-	1,664,913
Childcare fees	862,064	-	-	862,064
Other program service fees	218,190	-	-	218,190
	<u>2,745,167</u>	<u>-</u>	<u>-</u>	<u>2,745,167</u>
Grants and fees from local agencies -				
Blue Water Area Transit	8,305	-	-	8,305
Port Huron Noon Optimists	1,175	-	-	1,175
YMCA of the USA	17,474	-	-	17,474
State Alliance of Michigan YMCAs	27,898	-	-	27,898
Other	9,649	-	-	9,649
Merchandise sales	7,480	-	-	7,480
Rental income	45,677	-	-	45,677
Other	13,489	-	-	13,489
Gain on sale of assets	3,000	-	-	3,000
Investment income net of expenses	(8,871)	87	-	(8,784)
	<u>2,870,443</u>	<u>87</u>	<u>-</u>	<u>2,870,530</u>
Total Revenues and Other Support	<u>3,082,951</u>	<u>87</u>	<u>-</u>	<u>3,083,038</u>
Expenses:				
Program services -				
Youth Development	1,148,021	-	-	1,148,021
Healthy Living	1,417,424	-	-	1,417,424
Social Responsibility	20,368	-	-	20,368
Supporting services -				
Management and general	475,247	20	-	475,267
Fundraising	87,701	-	-	87,701
	<u>3,148,761</u>	<u>20</u>	<u>-</u>	<u>3,148,781</u>
Change in Net Assets Without Donor Restrictions	(65,810)	67	-	(65,743)
Net Assets With Donor Restrictions:				
Change in value of beneficial interest in assets held by others	(13,873)	-	-	(13,873)
Change in Net Assets	(79,683)	67	-	(79,616)
Net Assets at beginning of year	<u>2,773,246</u>	<u>84,104</u>	<u>-</u>	<u>2,857,350</u>
Net Assets at end of year	<u>\$ 2,693,563</u>	<u>\$ 84,171</u>	<u>\$ -</u>	<u>\$ 2,777,734</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**TRANSPORTATION OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 3,515	\$ -	\$ 1,586	\$ 5,101
Other salaries and wages	3,259	-	-	3,259
Fringe benefits	752	-	238	990
Services	182	-	-	182
Materials and Supplies Consumed -				
Fuel and lubricants	1,595	-	-	1,595
Other materials and supplies	7,148	2,502	-	9,650
Casualty and Liability Costs -				
Premiums for Public Liability	5,248	-	-	5,248
Total Operating Expenses	<u>\$ 21,699</u>	<u>\$ 2,502</u>	<u>\$ 1,824</u>	<u>\$ 26,025</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**MILEAGE DATA (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Total Mileage</u>
Demand-Response	
1st Quarter	1,680
2nd Quarter	358
3rd Quarter	774
4th Quarter	<u>936</u>
Total Demand-Response Mileage	<u><u>3,748</u></u>