YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC.

Chairperson:	Phil Barnhill
Chair-elect:	Todd Rangel
Past Chair:	James Smith
Secretary:	Luanne Arrington
Treasurer:	Rick Lusk
Vice Chair:	Lynn Harvey-Akan
Vice Chair:	Adrienne McKinney
President and Chief Executive Officer:	Greg Jones

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.

Chairperson:	Dennis Stearns
Member at Large:	Adrienne McKinney
Member at Large:	Candace Cummings
Member at Large:	Dupont Kirven
Member at Large:	Ford Bowers
Member at Large:	Jared Lashley
Member at Large:	Jim Lurz
Member at Large:	Rick Lusk
Member at Large:	Todd Rangel

Table of Contents

Bernard Robinson & Company, L.L.P.

Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of Greensboro, Inc.
Greensboro, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc. (collectively the "Association"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc. 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.

Report on Summarized Comparative Information

We have previously audited the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc.'s December 31, 2017 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects with the audited consolidated financial statements from which it has been derived.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
March 25, 2019

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Financial Position
December 31, 2018
(With Comparative Totals as of December 31, 2017)

Assets

	2018	2017
Current Assets:		
Cash and cash equivalents	**$ 5,927,520**	$ 5,918,015
Funds held for others	**3,983**	5,124
Investments	**7,877,343**	9,354,240
Current portion of unconditional promises to give, net	**304,455**	387,171
Other receivables	**105,946**	158,007
Prepaid expenses and other assets	**279,565**	198,018
Total Current Assets	**14,498,812**	16,020,575
Other Assets:		
Unconditional promises to give, less current portion	**527,668**	388,213
Property and equipment, net of accumulated depreciation	**40,522,747**	41,890,925
Rental real estate property, net of accumulated depreciation	**317,600**	332,000
Fair value of interest rate swap receivable	**32,423**	-
Deposit on fixed assets	**18,500**	-
Total Other Assets	**41,418,938**	42,611,138
Total Assets	**$ 55,917,750**	$ 58,631,713

Liabilities and Net Assets

	2018	2017
Current Liabilities:		
Current maturities of long-term debt	**$ 1,587,590**	$ 1,940,619
Current maturities of obligations under capitalized leases	**296,404**	358,033
Accounts payable and accrued expenses	**367,944**	448,681
Deferred revenue	**276,095**	352,645
Funds held for others	**3,983**	5,124
Total Current Liabilities	**2,532,016**	3,105,102
Other Liabilities:		
Fair value of interest rate swap payable	**-**	60,785
Long-term debt, less current maturities	**12,409,732**	13,997,322
Obligations under capitalized leases, less current maturities	**164,581**	415,518
Total Other Liabilities	**12,574,313**	14,473,625
Total Liabilities	**15,106,329**	17,578,727
Net Assets:		
Assets without donor restrictions:		
Undesignated	**34,276,917**	33,973,503
Designated for reserves	**2,902,268**	2,888,880
Assets with donor restrictions	**3,632,236**	4,190,603
Total Net Assets	**40,811,421**	41,052,986
Total Liabilities and Net Assets	**$ 55,917,750**	$ 58,631,713

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Public Support:				
The United Way	$ 113,696	$ 109,512	$ 223,208	$ 222,774
Government grants	106,555	-	106,555	93,603
Annual support	763,261	-	763,261	732,708
Contributions and private grants:				
Cash	112,528	676,541	789,069	1,000,653
Noncash	-	-	-	3,937,990
Total Public Support	1,096,040	786,053	1,882,093	5,987,728
Revenue:				
Membership dues	9,581,364	-	9,581,364	9,144,077
Program and service fees	5,743,614	-	5,743,614	5,714,478
Vending and other food related	31,892	-	31,892	21,308
Rental of real estate and facilities, net	278,732	-	278,732	278,592
Merchandise sales	35,834	-	35,834	46,761
Investment income, net	674,808	429,518	1,104,326	806,091
Gain on sale of property and equipment	6,450	-	6,450	61,028
Other events	45,305	-	45,305	40,259
Miscellaneous	37,727	1,486	39,213	42,271
Unrealized gain (loss) on investments, net	(954,250)	(584,603)	(1,538,853)	710,583
Total Revenue	15,481,476	(153,599)	15,327,877	16,865,448
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	358,725	(358,725)	-	-
Satisfaction of time restrictions	109,919	(109,919)	-	-
Satisfaction of property acquisition restrictions	722,177	(722,177)	-	-
Total Net Assets Released from Restrictions	1,190,821	(1,190,821)	-	-
Total Public Support, Revenue, and Net Assets Released from Restrictions	17,768,337	(558,367)	17,209,970	22,853,176
Functional Expenses:				
Program Services:				
Adult	6,796,027	-	6,796,027	6,678,962
Child care	4,234,482	-	4,234,482	4,159,871
Youth	4,367,946	-	4,367,946	4,257,021
Total Program Services	15,398,455	-	15,398,455	15,095,854
Supporting Services:				
Management and general	1,560,343	-	1,560,343	1,540,147
Fund-raising	359,134	-	359,134	282,027
Total Supporting Services	1,919,477	-	1,919,477	1,822,174
Total Functional Expenses	17,317,932	-	17,317,932	16,918,028
Other Expenses:				
Payments to affiliated organizations	226,811	-	226,811	227,980
Total Expenses	17,544,743	-	17,544,743	17,146,008
Change in net assets from operating activities	223,594	(558,367)	(334,773)	5,707,168
Change in fair value of interest rate swap agreement	93,208	-	93,208	958
Changes in net assets	316,802	(558,367)	(241,565)	5,708,126
Net assets, beginning	36,862,383	4,190,603	41,052,986	35,344,860
Net assets, ending	$ 37,179,185	$ 3,632,236	$ 40,811,421	$ 41,052,986

See Notes to Consolidated Financial Statements

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018								
	Program Services				Supporting Services				
	Adult Programs	Child Care	Youth Programs	Total	Management and General	Fund-Raising	Total	TOTAL	2017 TOTAL
Salaries and wages	**$ 2,749,336**	**$ 1,657,788**	**$ 1,787,409**	**$ 6,194,533**	**$ 627,640**	**$ 138,766**	**$ 766,406**	**$ 6,960,939**	$ 6,762,829
Employee benefits	**378,425**	**228,182**	**246,024**	**852,631**	**86,390**	**18,896**	**105,286**	**957,917**	900,797
Payroll taxes	**213,130**	**128,513**	**138,561**	**480,204**	**48,655**	**13,391**	**62,046**	**542,250**	493,425
Total Salaries and Related Expenses	**3,340,891**	**2,014,483**	**2,171,994**	**7,527,368**	**762,685**	**171,053**	**933,738**	**8,461,106**	8,157,051
Professional fees	**71,295**	**43,697**	**45,997**	**160,989**	**68,995**	**59,557**	**128,552**	**289,541**	298,304
Supplies	**362,077**	**218,325**	**235,395**	**815,797**	**82,658**	**103,142**	**185,800**	**1,001,597**	966,095
Telephone	**25,272**	**15,239**	**16,430**	**56,941**	**5,769**	**-**	**5,769**	**62,710**	66,398
Postage and shipping	**5,643**	**3,402**	**3,669**	**12,714**	**1,288**	**-**	**1,288**	**14,002**	19,002
Occupancy	**72,722**	**43,850**	**47,279**	**163,851**	**16,602**	**-**	**16,602**	**180,453**	185,166
Printing and publication	**86,997**	**52,458**	**56,560**	**196,015**	**19,861**	**-**	**19,861**	**215,876**	215,873
Travel	**34,098**	**20,560**	**22,168**	**76,826**	**7,784**	**-**	**7,784**	**84,610**	68,699
Conferences, conventions and meetings	**29,900**	**18,029**	**19,439**	**67,368**	**6,826**	**23,932**	**30,758**	**98,126**	89,601
Interest and amortization	**224,368**	**135,290**	**145,868**	**505,526**	**51,221**	**-**	**51,221**	**556,747**	506,460
Bank service charges	**74,537**	**44,945**	**48,459**	**167,941**	**17,016**	**-**	**17,016**	**184,957**	179,573
Rental	**88,915**	**53,614**	**57,806**	**200,335**	**20,298**	**-**	**20,298**	**220,633**	189,905
Repairs and maintenance	**134,103**	**80,861**	**87,183**	**302,147**	**30,614**	**-**	**30,614**	**332,761**	357,166
Other events	**55,643**	**33,552**	**36,175**	**125,370**	**12,703**	**-**	**12,703**	**138,073**	121,843
Insurance	**93,348**	**56,288**	**60,689**	**210,325**	**21,311**	**-**	**21,311**	**231,636**	212,246
Depreciation	**797,913**	**481,124**	**518,742**	**1,797,779**	**182,154**	**-**	**182,154**	**1,979,933**	2,038,450
Utilities	**439,968**	**265,292**	**286,035**	**991,295**	**100,440**	**-**	**100,440**	**1,091,735**	1,064,352
Contracted services	**486,116**	**293,117**	**316,035**	**1,095,268**	**110,974**	**-**	**110,974**	**1,206,242**	1,217,375
Bad debt expense (recovery)	**-**	**-**	**-**	**-**	**4,969**	**-**	**4,969**	**4,969**	(45,946)
Food and beverage	**120,689**	**73,621**	**75,612**	**269,922**	**31,802**	**-**	**31,802**	**301,724**	295,727
Scholarships	**232,378**	**275,185**	**103,959**	**611,522**	**-**	**-**	**-**	**611,522**	662,316
Dues	**12,314**	**7,425**	**8,005**	**27,744**	**2,811**	**1,450**	**4,261**	**32,005**	28,699
Training	**6,840**	**4,125**	**4,447**	**15,412**	**1,562**	**-**	**1,562**	**16,974**	23,673
Total Functional Expenses	**$ 6,796,027**	**$ 4,234,482**	**$ 4,367,946**	**$ 15,398,455**	**$ 1,560,343**	**$ 359,134**	**$ 1,919,477**	**$ 17,317,932**	$ 16,918,028

See Notes to Consolidated Financial Statements

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Changes in net assets	**$ (241,565)**	$ 5,708,126
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Allowance for uncollectible accounts	**4,969**	(45,945)
Discount on unconditional promises to give	**(89,366)**	(11,531)
Depreciation	**1,994,333**	2,052,850
Amortization	**16,576**	16,576
Gain on sale of property and equipment	**(6,450)**	(61,028)
Investment income reinvested	**(253,709)**	(178,340)
Gain on sale of investments, net	**(530,499)**	(369,725)
Unrealized (gain) loss on investments, net	**1,538,853**	(710,583)
Change in fair value of interest rate swap	**(93,208)**	(958)
Noncash contribution	**-**	(3,937,990)
(Increase) decrease in:		
Unconditional promises to give	**27,658**	725,096
Other receivables	**52,061**	58,757
Prepaid expenses and other assets	**(81,547)**	10,968
Increase (decrease) in:		
Accounts payable and accrued expenses	**(101,318)**	75,978
Deferred revenue	**(76,550)**	(28,531)
Net cash provided by operating activities	**2,160,238**	3,303,720
Cash flows from investing activities:		
Purchase and construction of property and equipment	**(524,501)**	(780,923)
Proceeds from sale of property and equipment	**6,450**	60,095
Proceeds from sale of investments	**3,681,503**	2,130,395
Net investment cash transactions in endowment fund	**(45,849)**	-
Purchase of investments	**(2,913,402)**	(1,021,357)
Net cash provided by investing activities	**204,201**	388,210
Cash flows from financing activities:		
Payments on capitalized leases	**(397,739)**	(408,241)
Payments on long-term debt	**(1,957,195)**	(2,285,734)
Net cash used in financing activities	**(2,354,934)**	(2,693,975)
Net increase in cash and cash equivalents	**9,505**	997,955
Cash and cash equivalents, beginning	**5,918,015**	4,920,060
Cash and cash equivalents, ending	**$ 5,927,520**	$ 5,918,015

See Notes to Consolidated Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Young Men's Christian Association of Greensboro, Inc. ("YMCA") is a voluntary health and welfare organization incorporated in 1910 to establish, equip, maintain, conduct and operate various YMCA branches and to perform any acts reasonably incidental thereto in the greater Greensboro, Eden and Reidsville, North Carolina area.

The Young Men's Christian Association of Greensboro Endowment Fund, Inc. ("Endowment Fund") was incorporated in 1994 as a support organization for the benefit of the YMCA to hold and invest permanently restricted net assets. This corporation states in its articles of incorporation that it is organized for and at all times shall operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the YMCA. The articles also state that the Endowment Fund shall be operated, supervised, or controlled by the YMCA, and that the Directors of the Endowment Fund shall be elected or appointed by the Board of Directors of the YMCA. Because of the oversight authority of the YMCA Board over the actions of the Endowment Fund, the two entities have been consolidated for financial statement presentation purposes.

The consolidated financial statements include the accounts of the YMCA and the Endowment Fund. All material intercompany transactions have been eliminated. The consolidated entities will be referred to as the "Association" for purposes of these consolidated financial statements.

A summary of the Association's significant accounting policies follow:

Financial Statement Presentation

The Association reports information regarding its financial position and activities using two classes of net assets, as follows:

Without donor restrictions: All revenue not restricted by donors, unrestricted contributions designated by the board and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

With donor restrictions: All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in donor restricted net assets. The investment income arising from endowment funds, if any, are accounted for in accordance with donor stipulations. When a donor 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.

Comparative Financial Information

The financial statements include certain prior period summarized comparative information in totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association’s consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of reporting the consolidated statements of cash flows, the Association considers all highly liquid investments, except those held by the Endowment Fund, purchased with maturities of three months or less to be cash equivalents.

Funds Held for Others

The Association administers various organizational funds. The funds are established by assets received as transfers from other organizations/clubs which specifies itself as the beneficiary of the fund.

Investments

Investments in marketable securities with readily determinable values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Receivables

The Association records unconditional promises to give and other receivables at total unpaid balance, which approximates estimated fair value, less any allowance for doubtful accounts. The Association determines past due status of individual receivables based on the contractual terms of the original grant agreement or pledge commitment. The Association estimates its allowance for doubtful accounts based on a combination of factors, including historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of receivables. Receivables that management believes to be ultimately not collectible are written off upon such determination.

Property and Equipment

The Association generally capitalizes expenditures of $2,500 or more for property and equipment whose life exceeds one year. Property and equipment are stated at cost or, in the case of donated assets, at estimated fair value at date of donation.

Depreciation, including amortization of capital lease assets, is provided for using the straight-line method over the shorter of its estimated useful lives of the assets or its related lease term.

Bond Issuance Costs

Bond issuance costs are being amortized on a straight-line basis over 20 years which approximates the effective interest rate method. Accumulated amortization amounted to $140,895. Estimated amortization for each of the next five years is $16,576. Bond issuance costs have been netted against long term debt in accordance with ASU 2015-03, "Interest Imputation of Interest".

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising, printing and publication costs are expensed as incurred. During the year, costs related to these activities totaled $215,876.

Deferred Revenue

Deferred revenue represents advance payments on annual memberships to the Association. Under the current payment options, the members can either pay monthly through bank drafts or pay the entire membership amount upon joining. The unearned portion of any advance payment is deferred until such time that the revenue is earned.

Revenue Recognition

Contributions are generally recognized as revenue when they are received or unconditionally pledged. Revenue related to unconditional promises to give are recorded at their net realizable value. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. In that case, the contributions and expenditures are included in unrestricted net assets. Conditional promises to give are recognized as revenue when the condition stipulated by the pledge has been met.

The Association reports gifts of long-lived assets as unrestricted support at the estimated fair market value of the asset unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support.

Endowment Fund

The Endowment Fund consists of various fixed income funds, equity funds, and cash equivalents established for a variety of purposes. The endowment consists of donor-restricted endowment funds as well as board designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Endowment Fund has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet funding requirements while assuming a moderate level of investment risk.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

To satisfy its long-term rate-of-return objectives, the Endowment Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The endowment portfolio is invested across multiple asset classes with emphasis on equities and fixed income as well as alternative investments, real estate and a low level of exposure to money market cash instruments.

The Endowment Fund has a policy for appropriating for distribution each year approximately 5% of its endowment funds average market value plus or minus 1.5% over the 3 year trailing average market value of the Endowment Fund. In establishing this policy, the Endowment Fund considered the long-term expected return of the endowment. Accordingly, over the long-term the Endowment Fund expects the current spending policy to preserve the purchasing power of the endowment funds over time, and to provide a reasonably stable and predictive revenue stream for use in connection with the charitable purposes of the Association. The Board of Directors annually adopts a spending rate.

Donated Services and Materials

The Association occasionally benefits from the services of volunteers in various programs. The services donated are not identical to services the donor would usually charge a fee to provide; therefore, a monetary amount cannot be assigned to the value of these services. Significant donated materials are recorded at their fair value as a contribution and related purchase.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

Tax Status

The Association is classified as a public charity and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements. Contributions to the Association are tax deductible by the donor.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status (Continued)

It is the Association's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the consolidated financial statements. No material uncertain tax positions were identified for 2018. Currently, the statute of limitations remains open subsequent to and including 2015; however, no examinations are in process or anticipated. Any changes in the amount of a tax provision will be recognized in the period the change occurs.

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through March 25, 2019, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give amounts to be received in future periods are discounted to a present value using an interest rate of 5.0%.

Unconditional promises to give are as follows:

Amounts receivable less than one year	$ 304,455
Amounts receivable in one to five years	428,990
Amounts receivable more than five years	251,150
Total unconditional promises to give	984,595
Less - discount to present value for future pledges	(89,636)
Less - allowance for uncollectible pledges	(62,836)
	$ 832,123

NOTE 3 - FAIR VALUE 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. In determining fair values, the Association uses various methods including market, income and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Inputs — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 Inputs — Observable prices that are based on inputs not quoted on active markets, but corroborated by market data, discounted cash flow models or similar techniques.

Level 3 Inputs — Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The following summarizes the fair value measurements:

	Level 1	Level 2	Level 3	Total
Asset:				
Investments (See Note 4 for major categories)	$ 7,877,343	$ -	$ -	$ 7,877,343
Derivative - Interest rate swap agreement	$ -	$ 32,423	$ -	$ 32,423

NOTE 4 - INVESTMENTS

A breakdown of the investments held are as follows:

Description	Reported Value	Cost
Restricted cash	$ 85,828	$ 85,828
Equity securities	7,791,515	6,959,396
	$ 7,877,343	$ 7,045,224

Investment income consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Income:			
Dividends	$ 108,886	$ 53,680	$ 162,566
Capital gain distribution	222,801	63,135	285,936
Other interest	119,365	22,486	141,851
Capital gains on sales of securities	224,018	306,481	530,499
	675,070	445,782	1,120,852
Expenses: Investment fees	262	16,264	16,526
	$ 674,808	$ 429,518	$ 1,104,326

NOTE 5 - RENTAL REAL ESTATE PROPERTY

The Association owns and leases five residential properties that are leased on an annual basis. An unrelated management company is responsible for leasing and managing the properties. Property held for investment consists of the following:

Land	$ 44,000
Houses	396,000
	440,000
Less accumulated depreciation	122,400
	$ 317,600

The following summarizes the revenue and expenses at year end:

Rental income	$ 32,207
Expenses:	
Real estate taxes	6,372
Repairs and maintenance	18,799
Insurance	984
Depreciation	14,400
	40,555
Net loss	$ (8,348)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land and improvements	$ 5,587,336
Buildings	48,821,724
Equipment	4,082,756
Software costs	128,920
Furniture, fixtures and office equipment	658,029
Transportation vehicles	289,588
Leasehold improvements	1,258,694
Construction in progress	18,810
	60,845,857
Less accumulated depreciation	20,323,110
	$ 40,522,747

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

Unsecured bank qualified loan payable to a financial institution calling for 240 equal monthly principal installments through the maturity date of November 2030. Interest is payable monthly at 82.646% of the 1-month LIBOR rate plus 1.4615% (the 1-month LIBOR rate was 2.50%).	$ 11,137,945
Unsecured nonbank qualified loan payable to a financial institution. The bond accrues interest at 82.646% of the 1-month LIBOR plus 1.8231% per annum (the 1-month LIBOR rate was 2.50%). There is an annual principal payment due in 2019 of $65,000. Starting in March 2019, the Association will pay monthly principal payments ranging from $13,417 to $20,238 with the final payment due November 2034.	3,050,000
	14,187,945
Less bond issuance cost, net of accumulated amortization	190,623
	13,997,322
Less current maturities	1,587,590
	$ 12,409,732

The provisions of the bank qualified loan contains various financial covenants related to minimum levels of liquidity and net assets that the Association must maintain. The covenant also includes provisions related to borrowing leverage and other liquidity ratios. The Association was in compliance with all covenant provisions.

Future maturities of long-term debt, net of bond issuance cost, for each of the next five years and thereafter are as follows:

2019	$ 1,587,590
2020	1,549,420
2021	1,553,420
2022	1,558,420
2023	1,563,420
Thereafter	6,185,052
	$ 13,997,322

Subsequent to year end, the Association paid off $1,030,229 of the total debt balance.

NOTE 8 - DERIVATIVES

To reduce the impact of changes in interest rates on its variable rate bonds payable, the Association has entered into an interest rate swap agreement. Under the agreement, interest is payable at a fixed rate of 2.755% based on the outstanding balance of the bank qualified loan payable, and is effective through November 18, 2022. The annual gain or loss on the fair value of the swap agreement is reported as revenue or expense in the consolidated statement of activities and changes in net assets. The interest rate swap agreement had a notional principal amount of $11,137,945.

As a result of the Federal tax rate decrease effective January 1, 2018 and the YMCA electing not to amend the existing swap, the bond documents allowed the bank to adjust the LIBOR rate on the YMCA's debt. The unsecured bank qualified loan rate increased to 68% of LIBOR plus 1.2025% plus the Corporate Tax Rate Factor of 1.21538. Consequently, due to the change in the rate owed to the bank, the swap is no longer perfectly hedged.

The fair value of the interest rate swap agreement was derived from proprietary models as of a given date, supplied by the bank. The valuation is calculated on a mid market basis and does not include bid/offered spread that would be reflected in an actual price quotation. This model relies on certain assumptions regarding past, present, and future market conditions.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The Association has ten capital lease agreements with varying expiration dates through 2023. Capitalized costs of $959,815 are included in equipment and the related accumulated depreciation is $527,444 as of December 31, 2018. The leases are payable to financial institutions in monthly installments totaling $29,837, including interest at approximately 4.29%. The capital leases are secured by the equipment leased.

Future minimum capital lease payments are as follows:

2019	$ 296,404
2020	149,544
2021	24,223
2022	7,797
2023	366
	478,334
Amount representing interest	(17,349)
Present value of lease obligations	$ 460,985

Subsequent to year-end, the Association entered into two capital lease agreements totaling approximately $280,989, with various expiration dates through 2024, which replaced previously expired capital leases. The leases are payable to financial institutions in monthly installments totaling $8,084, including interest at approximately 5.43%. The capital leases are secured by the equipment leased.

NOTE 10 - OPERATING LEASES

The Association leases office space, land and use of other program facilities under various operating lease agreements with varying expiration dates through 2020. The Association also rents equipment on an as needed basis for program use. Total rental expense was $401,086.

Future minimum lease payments for these operating leases are as follows:

2019	$	176,926
2020		23,985
	$	200,911

The Association also leases its facilities to various organizations and individuals on a regular basis. Except as described below, these leasing transactions are normally short-term and on a case-by-case or month-to-month basis.

The Association rented portions of its Ragsdale facility under two non-cancelable lease agreements. The facility has a cost of $6,289,325 and accumulated depreciation of $2,254,153. Depreciation expense was $162,400 for the year. The agreement calls for monthly rents of $8,500 through February 2024. The second lease calls for monthly rents of $1,700, adjusted by the Consumer Price Index, throughout the lease term expiring April 2019. Rental income for the year totaled $287,080.

Future minimum rental income to be received under the sub-rental agreements is as follows:

2019	$	108,800
2020		102,000
2021		102,000
2022		102,000
2023		102,000
Thereafter		17,000
	$	533,800

NOTE 11 - DESIGNATED NET ASSETS

The Board of Directors has designated certain amounts of net assets without donor restrictions to be used for future activities, repairs and maintenance, and other purposes on a branch-by-branch basis. These reserves are funded by designated cash balances. The Board retains the right to undesignate these funds as they deem appropriate. The reserve cash balances was $780,617.

The Board of Directors has also designated $2,121,651 of net assets without donor restrictions to be set aside for future operations. These reserves have been funded by purchasing investments with a market value designed for this amount. The Board retains the right to undesignate these funds as they deem appropriate.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, consist of the following:

Subject to spending policy and appropriation:	
Investment in perpetuity (including amounts above original gift amount of $1,680,588), which, once appropriated, is expendable to support the operations of the YMCA	$ 2,116,729
Subject to the passage of time:	
For periods after December 31, 2018	488,240
Subject to expenditures for specified purpose:	
Building or equipment, improvements or repairs	724,114
Scholarships	104,646
Programs	173,723
	1,002,483
Subject to expenditure when a specified event occurs:	
Paid-up life insurance policy that will provide proceeds upon death of insured for operations of the YMCA	24,784
	$ 3,632,236

NOTE 13 - ENDOWMENT NET ASSETS

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purpose of the Association and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the Association; and (7) the investment policies of the Association.

NOTE 13 - ENDOWMENT NET ASSETS (Continued)

The Association's endowment is held with an investment bank and investment firms. Under the endowment agreement, the principal balance in the fund is permanently restricted to ensure that resources would be available to provide for future operations.

The Association has the following donor-restricted endowment net assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	$ -	$ 2,327,853	$ 2,327,853
Investment return:			
Investment income	-	141,959	141,959
Net depreciation (realized and unrealized)	-	(278,122)	(278,122)
Investment fees	-	(16,264)	(16,264)
Total investment return	-	(152,427)	(152,427)
Appropriations	77,600	(77,600)	-
Expenditures	(77,600)	-	(77,600)
Contributions	-	18,903	18,903
End of year	$ -	$ 2,116,729	$ 2,116,729

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies of this kind during the year.

NOTE 14 - COMMUNITY POOL

The Association, the City of Reidsville (the "City"), and Reidsville Community Pool Association ("RCPA") have entered into an agreement, whereas, the Association will operate and manage a community pool adjacent to the Association's Reidsville facility for the benefit of residents of the greater Reidsville area. Under the agreement, the Association receives a fee for the management of the pool. The management fee is intended to be a reimbursement for the cost of administrative overhead directly attributable to aquatic activities, and shall be based on a formula agreed upon by all parties. The agreement calls for the fee to be waived if the City continues to make its annual contribution for pool activities.

The agreement also calls for three percent of user fees to be deposited into a repair account and matched equally by both the Association and the City. Accumulated funds greater than $30,000 in this account may be disbursed at the discretion of RCPA for aquatic programs or services. Operating surpluses are to be deposited in the repair account or may be specifically designated by RCPA for other public purposes. At year end, the accumulated fund amounted to $21,809.

NOTE 14 - COMMUNITY POOL (Continued)

The following summarizes the revenue and expenses for the pool for the year:

Revenue:		
User fees	$	22,423
City of Reidsville contribution		34,954
Pool rental		3,235
Total revenue		60,612
Expenses:		
Payroll (including payroll taxes and benefits)		80,410
Permits		150
Supplies		8,155
Utilities		33,349
Maintenance		1,501
Other		7,350
Total expenses		130,915
Operating deficit	$	(70,303)

NOTE 15 - PENSION PLAN

The Association is a participant in a multi-employer National YMCA Retirement Fund Plan (the "Fund Plan") for all eligible employees. Employees are eligible if they are at least 21 years old and have worked at least 1,000 hours in any 2 twelve-month periods beginning on the employee's hire date. The Association has a two-year waiting period for enrollment and immediate vesting schedule. The Association's contributions to the Fund Plan are computed as a percentage of covered employees' annual salaries and the Association is not liable for any other amounts. Total retirement costs for the year totaled $473,134.

NOTE 16 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the year, the Association paid interest of $556,747.

During the year, the Association entered into the following non-cash investing transactions:

Property and equipment acquired through capital lease obligations	$	85,173
Purchase of property and equipment with accounts payable	$	20,581

NOTE 17 - CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits. In addition, all of the Association's borrowings are concentrated with a single financial institution.

The Association's investments potentially subject it to market risk and concentrations of credit risk. The Association maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Association's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Association retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Association invests.

NOTE 18 - ASSETS LIQUIDITY

The following reflects the Association's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. Amounts not available include amounts set aside for reserves that could be drawn upon if the governing board approves that action.

Financial assets, at year end	$ 14,219,195
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with purpose or time restrictions	3,218,289
Assets held on behalf of others	3,983
Board designations for reserves	2,902,268
Financial assets available to meet cash needs for general expenditures within one year	$ 8,094,655

NOTE 19 - CHANGES IN ACCOUNTING POLICIES

During the year ended January 31, 2019, the Association adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14 *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities* to improve the clarity of the information presented in the consolidated financial statements pertaining to liquidity, financial performance and cash flows. Accordingly, the accounting changes have been retrospectively applied to prior periods presented as if the policies had always been used.

NOTE 20 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and subsequently amended the update with ASUs 2015-14, 2016-08, 2016-10, 2016-12, 2016-20, 2017-13, and 2017-14. These updates are effective for fiscal periods beginning after December 15, 2018 for nonpublic entities. The purpose of the updates are to improve financial reporting by creating common revenue recognition guidance for accounting principles generally accepted in the United States of America and International Financial Reporting Standards. The updates affect any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts fall under the scope of different guidance.

In February of 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* and subsequently amended the updated with ASU 2017-13, 2018-01, 2018-10, 2018-11, 2018-20, and 2019-01. This update is effective for fiscal periods beginning after December 15, 2019 for nonpublic entities. Under the new standard, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. The standard will apply to both types of leases, capital (or finance) leases and operating leases. Previously, accounting principles generally accepted in the United States of America have required only capital leases to be recognized on lessee balance sheets. As under current accounting standards, the recognition, measurement, and presentation of expenses and cash flows arising from a lease for lessees primarily will depend on its classification as a finance or operating lease. For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability. For operating leases, lessees will recognize a single total lease expense. For both types of leases, lessees will recognize a right-of-use asset and a lease liability. Lessor accounting under the new standard will remain similar to lessor accounting under current accounting standards.

NOTE 21 - SUBSEQUENT EVENTS

In March 2019, the Association entered into agreements to purchase property. The commitments totaled $378,000.