

YOUNG MEN'S CHRISTIAN ASSOCIATION OF
GRAND FORKS

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
 The Young Men's Christian Association of Grand Forks
 Grand Forks, North Dakota

We have audited the accompanying statement of financial position of Young Men's Christian Association of Grand Forks (a non-profit organization) as of December 31, 2011, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Association's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 1 to the financial statements, the Association does not record receivables for membership, program and child care revenue, nor does it record deferred revenue for any unearned revenue. Accounting principles generally accepted in the United States of America require that such revenues be recorded in the period earned rather than when collected. It was not practical to determine the effects of the unrecorded receivables or deferred revenue on the financial statements.

In our opinion, except for the effects of not recording receivables or deferred revenue, as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Young Men's Christian Association of Grand Forks as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DREES, RISKEY & VALLAGER, LTD.

Drees, Risky & Vallager, Ltd.
 Certified Public Accountants

October 30, 2012
 Grand Forks, North Dakota

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

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ASSETS

CURRENT ASSETS:

Cash in bank	\$ 38,004
Restricted cash in bank	1,367,026
Unconditional promises to give - current portion	313,246
Inventory	324
Prepaid expense	15,201
Total current assets	<u>1,733,801</u>

INVESTMENTS 386,813

UNCONDITIONAL PROMISE TO GIVE (net of current portion,
and net of allowance for uncollectable pledges of \$100,000) 1,540,712

PROPERTY AND EQUIPMENT (net of allowance for
depreciation of \$3,466,515) 2,816,955

OTHER ASSETS

Unamortized loan costs 25,785

TOTAL ASSETS \$ 6,504,066

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued payroll taxes and benefits	\$ (260)
Accounts payable	38,518
Interest payable	9,698
Wages payable	67,068
Current portion of long-term debt	136,734
Total current liabilities	<u>251,758</u>

LONG-TERM INDEBTEDNESS, excluding current portion 2,234,831

Total liabilities 2,486,589

NET ASSETS:

Unrestricted net assets	2,720,498
Temporarily restricted net assets	1,296,979
Total net assets	<u>4,017,477</u>

TOTAL LIABILITIES AND NET ASSETS \$ 6,504,066

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Support:			
Direct public	\$ 155,090	\$ 1,395,975	\$ 1,551,065
Indirect public	29,856		29,856
Donated facilities	223,875		223,875
Special events	18,486		18,486
Total support	<u>427,307</u>	<u>1,395,975</u>	<u>1,823,282</u>
Revenues:			
Membership	997,684		997,684
Program	1,234,473		1,234,473
Food service	939		939
Facility and equipment rental	880		880
Interest	3,764		3,764
Investment income	12,680		12,680
Merchandise	3,806		3,806
Miscellaneous	12,635		12,635
Unrealized loss on investments	(9,447)		(9,447)
Net assets released from restrictions	1,121,207	(1,121,207)	-
Total Support and Revenues	<u>3,805,928</u>	<u>274,768</u>	<u>4,080,696</u>
Expenditures:			
Program activities	1,519,839		1,519,839
Fundraising	79,219		79,219
Building and occupancy	664,152		664,152
General and administrative	649,569		649,569
Total expenditures	<u>2,912,779</u>	<u>-</u>	<u>2,912,779</u>
Change in Net Assets	<u>893,149</u>	<u>274,768</u>	<u>1,167,917</u>
Net Assets, Beginning of Year	1,827,349	1,022,211	2,849,560
Net Assets, End of Year	<u>\$ 2,720,498</u>	<u>\$ 1,296,979</u>	<u>\$ 4,017,477</u>

The accompanying notes to financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 1,167,917
Non-cash items included in changes in net assets:	
Depreciation and amortization	91,377
Unrealized loss on investments	9,447
Provision for uncollectable pledges	100,000
Investment income reinvested	(12,680)
Non-cash donations received	(44,400)
Promises to give received	(1,324,702)
Amortization of discount on pledges receivable	(34,735)
Changes in assets and liabilities:	
Refund receivable	755
Inventory	(158)
Prepaid expense	(651)
Accrued payroll taxes and benefits	(1,988)
Accrued wages	2,254
Accrued interest	6,493
Accounts payable	10,929
Net cash used by operating activities	<u>(30,142)</u>

CASH FLOWS FROM (TO) INVESTING ACTIVITIES:

Purchase of property and equipment	(1,108,435)
Received on promise to give	378,190
Transfers from investments	23,329
Investment expense	5,494
Transfers to investments	(8,625)
Net cash used by investing activities	<u>(710,047)</u>

CASH FLOWS FROM (TO) FINANCING ACTIVITIES:

New borrowings:	
Long-term	2,100,000
Debt reductions:	
Long-term	(47,738)
Loan fees paid	(26,447)
Net cash provided by financing activities	<u>2,025,815</u>

NET INCREASE IN CASH 1,285,626

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 119,404

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 1,405,030

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

<u>Other:</u>	
Interest paid	<u>\$ 51,774</u>

The accompanying notes to financial statements are an integral part of this statement.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Activities				
	Sports	Health & Wellness	Youth Development	Childcare	Group Fitness
Salaries	\$ 43,804	\$ 125,769	\$ 102,324	\$ 633,131	\$ 18,695
Employee benefits	11,802	7,362	6,881	45,799	-
Payroll taxes	5,458	10,102	8,272	62,286	1,299
Provision for uncollectable pledges	-	-	-	-	-
Professional fees	-	-	-	-	-
Supplies	14,211	15,990	4,584	107,201	5,707
Telephone	-	-	-	-	-
Postage and shipping	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Equipment/supplies	8	14,726	480	83	-
Media service and publications	2,901	575	1,343	2,479	326
Travel	365	694	-	97	132
Conferences and conventions	-	4,933	544	778	-
Membership dues	-	-	-	500	-
Financing costs	-	-	-	-	-
National support	968	1,159	1,634	23,770	864
Miscellaneous	976	253	-	4,513	186
Depreciation and amortization	-	-	-	-	-
Insurance - D & O	-	-	-	-	-
Occupancy	37,275	-	-	186,600	-
	<u>\$ 117,768</u>	<u>\$ 181,563</u>	<u>\$ 126,062</u>	<u>\$ 1,067,237</u>	<u>\$ 27,209</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>General and Administration</u>	<u>Building Operations</u>	<u>Fundraising</u>	<u>Total</u>
\$ 221,469	\$ 156,270	\$ 3,524	\$ 1,304,986
57,286	24,405	183	153,718
18,245	12,288	-	117,950
100,000	-	-	100,000
46,929	-	-	46,929
66,573	66,548	896	281,710
16,403	-	-	16,403
7,561	-	-	7,561
-	282	-	282
8,784	100,421	-	124,502
24,592	-	-	32,216
9,795	-	-	11,083
3,873	148	-	10,276
2,154	-	-	2,654
16,622	-	-	16,622
19,252	-	-	47,647
26,454	2,471	74,616	109,469
662	90,715	-	91,377
2,915	-	-	2,915
-	210,604	-	434,479
<u>\$ 649,569</u>	<u>\$ 664,152</u>	<u>\$ 79,219</u>	<u>\$ 2,912,779</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Association's financial statements are prepared based on accounting principles generally accepted in the United States of America except for membership, program and child care revenues. The Association records membership, program and child care revenue when received, rather than when earned.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Association uses the allowance method to determine uncollectible promises receivable. The allowance is based on past experience and management's analysis of specific promises made.

INVENTORY

Inventory is stated at cost, using the first-in, first-out method.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost. The building is being depreciated over a forty-year period using the straight-line and accelerated methods and furniture, fixtures and equipment are being depreciated over five- to ten-year periods using the straight-line and accelerated methods.

The Association reports all property and equipment acquired through donations as unrestricted support in the absence of donor-imposed restrictions. The Association's policy is to capitalize items that exceed \$500 in cost. The donated item is capitalized at its estimated fair market value on the date it is received.

INCOME TAXES

The Association is exempt from income taxes as provided under Section 501(c)(3) of the Internal Revenue Code. Activities which are not directly related to its tax exempt purpose are subject to income tax. The Association has been classified by the Internal Revenue Service as an organization other than a private foundation.

Generally, the Association's income tax returns (Form 990) are subject to examination by the Internal Revenue Service for three years after the due date of the returns.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS

DONATED FACILITIES

Donated facilities are recorded in the statement of activities of the Association for different buildings used rent-free by the Association. The facilities estimated fair market values are computed at the rate of \$20 per hour of use for each program.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

USE OF ESTIMATES

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

NET ASSETS

All financial transactions have been recorded and reported as, unrestricted, temporarily restricted or permanently restricted net assets:

Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of The Young Men's Christian Association of Grand Forks.

Temporarily restricted net assets represent those amounts that are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds that mandate that the original principal be invested in perpetuity. This original principal is reported as a permanently restricted net asset, the income from which may be permanently or temporarily restricted or unrestricted, depending on the donor's specifications.

SUBSEQUENT EVENTS

The Association has evaluated subsequent events through October 30, 2012, the date which the financial statements were available to be issued.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF BUSINESS

The Young Men's Christian Association of Grand Forks is essentially a membership association of men, women and children of all ages, abilities, incomes, races and religions. It is dedicated to building healthy bodies, minds, and spirits of individuals and families. It puts Judeo Christian principles into practice through programs that promote good health, strong families, youth leadership, community development, and international understanding. This Association serves the Greater Grand Forks, North Dakota area.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

Restricted to facility renovation	\$ 2,743,257
Less: Unamortized discount	<u>(789,299)</u>
Net unconditional promises to give	<u>\$ 1,953,958</u>

Amounts due in:

Less than one year	\$ 313,246
One to five years	734,094
Greater than five years	<u>1,695,917</u>
	<u>\$ 2,743,257</u>

Unconditional promises to give due in more than one year are recognized at fair value, using present value techniques and a discount rate of 3.71% and 4.00%, based on the date of the recognition of the promises.

NOTE 4 - INVESTMENTS

Investments are held in a trust account with Alerus Financial. Details regarding the investments as of December 31, 2011, are as follows:

	2011		
	Cost	Market Value	Unrealized Gain (Loss)
Money market funds	\$ 10,783	\$ 10,783	\$ -
Common trust fund bonds	186,149	193,493	7,344
Common trust fund stocks	135,536	138,579	3,043
Insurance policies	13,357	13,357	-
Common trust fund international	31,122	30,601	(521)
	<u>\$376,947</u>	<u>\$386,813</u>	<u>\$ 9,866</u>

The use of these funds has been designated by the Association's board to allow 5% of the market value of the assets at the beginning of the year to be available for use in the current year. In addition, a special allocation may be made based upon cash flow needs of the Association.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2011 are as follows:

<u>December 31, 2011</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Similar Assets (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common Trust Funds	\$ 373,456	\$ 373,456	\$ -
Insurance Policies	13,357	-	13,357
	<u>\$ 386,813</u>	<u>\$ 373,456</u>	<u>\$ 13,357</u>

Fair values for common trust fund investments are determined by the trustee Alerus Financial based on the fair values of the underlying assets which are based on quoted prices in active markets for identical assets. The fair value of the life insurance policies is estimated at the current cash surrender value of the policies.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>Insurance policies</u>	
January 01, 2011	\$ 13,357
Change in value of policy	-
Transfers in and/or out of level 3	-
December 31, 2011	<u>\$ 13,357</u>

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2011, is as follows:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost-Less Accumulated Depreciation</u>
Land	\$ 397,978	\$ -	\$ 397,978
Parking lot	67,764	67,745	19
Building	4,089,526	2,618,952	1,470,574
Furniture, fixtures and equipment	467,896	444,068	23,828
Construction in progress	896,126	-	896,126
Aerobic equipment	296,431	270,648	25,783
Vehicles	67,749	65,102	2,647
	<u>\$ 6,283,470</u>	<u>\$ 3,466,515</u>	<u>\$ 2,816,955</u>

Interest of \$41,645 has been capitalized as part of construction in progress.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - SHORT-TERM AND LONG-TERM INDEBTEDNESS

Details relative to the Association's short-term and long-term indebtedness is as follows:

<u>Payee</u>	<u>Collateral</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Current Portion</u>	<u>Total</u>
<u>SHORT-TERM NOTES:</u>					
Alerus Financial - Line of Credit	Unsecured	6.00%	05/01/12	\$ -	\$ -
<u>LONG-TERM NOTES:</u>					
Alerus Financial	Unsecured	9.00%	03/15/12	\$ 1,103	\$ 1,103
Bond payable	Pledges	3.91%	06/01/31	\$ 84,000	\$2,100,000
Alerus Financial	Fund Assets	6.00%	02/15/16	7,408	55,709
Small Business Administration	Real Estate	4.00%	05/01/17	44,223	214,753
				<u>\$ 136,734</u>	<u>\$2,371,565</u>

The aggregate amount of future principal payments on long-term debt at December 31, 2011, is as follows:

Years ending December 31,	
2012	\$ 136,734
2013	137,876
2014	140,223
2015	142,673
2016	134,059
Later Years	<u>1,680,000</u>
Total	<u>\$ 2,371,565</u>

The credit line with Alerus Financial has a limit of \$60,000. As of December 31, 2011 \$60,000 is available to be drawn on the credit line.

The bond payable is backed by the pledges receivable directly by the Association and those representing its 22% share of total pledges made to the joint fundraising campaign. Interest is due on the outstanding principal of the bonds monthly with an annual principal payment due each June 1. The principal amount is the greater of \$84,000 or the amount of cash on hand from the designated pledges for the years 2012 through 2017. Thereafter the minimum amount increases to \$125,000. The future payments schedule above assumes the payments will be \$84,000 and \$125,000 for each respective year.

NOTE 8 - PENSION PLAN

The National YMCA Organization has established a retirement fund organized and operated for the purpose of providing retirement annuities and other benefits for employees of the YMCA's throughout the United States. The Young Men's Christian Association of Grand Forks is a participant in the National Plan. The plan covers substantially all full-time employees who have obtained the age of 21 and one year of service. The Young Men's Christian Association of Grand Forks has contributed \$50,111 to this fund on behalf of their employees for the year ended December 31, 2011. Contributions are calculated by the National Organization based on the salaries of eligible participants.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - DONATED FACILITIES

The Young Men's Christian Association of Grand Forks receives the use of several buildings rent-free from the Grand Forks Public School District in support of various programs. The Association has estimated the approximate fair value of the rent to be \$223,875 for the year ended December 31, 2011. This amount has been included in support and expenses in the statement of activities.

NOTE 10 - COMMITMENTS

The Association has partnered with Choice Wellness Center and Center Court Fitness run by the Grand Forks Park District to offer joint memberships. Individuals can sign up at either the Y or Center Court Fitness and have full use of either facility. Membership revenue from new members is split between the Y and Center Court Fitness. During 2012, Center Court Fitness was closed and the new facility Choice Wellness Center was opened.

In addition, the Grand Forks Park District and the Association launched a joint fundraising effort in 2010 to raise funds to build the new wellness center for the Park District and to renovate the Y facility. The promises to give reflected in Note 3 to these financial statements reflects a direct pledge to the YMCA as well as the amount of pledges allocated to the YMCA (generally 22%) of pledges and grants received by the Grand Forks Park District as of the report date. As pledges are collected, the Park District will remit the YMCA's share on a regular basis. The funds raised from the campaign are restricted for use in renovating the Y facility or paying off any debt incurred for such renovation.

Restricted cash in bank consists of the amount of pledges collected and the balance in the construction escrow account as of December 31, 2011. Pledges collected are restricted to being used to make payments on the bonds payable. The construction escrow account is restricted to be used for construction costs that were funded with the proceeds of the bond payable.