

YOUNG MEN'S CHRISTIAN ASSOCIATION OF
GRAND FORKS

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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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 financial statements of Young Men's Christian Association of Grand Forks (a non-profit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 qualified audit opinion.

Basis for Qualified 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. The effects on the accompanying financial statements of this departure have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Grand Forks as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DREES, RISKEY & VALLAGER, LTD.

Drees, Risky & Vallager, Ltd.

Certified Public Accountants

May 14, 2013
Grand Forks, North Dakota

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

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ASSETS

CURRENT ASSETS:

Cash in bank	\$ 39,820
Restricted cash in bank	250,495
Unconditional promises to give - current portion	307,297
Inventory	225
Prepaid expense	9,269
Total current assets	<u>607,106</u>

INVESTMENTS

388,193

UNCONDITIONAL PROMISE TO GIVE (net of current portion,
and net of allowance for uncollectable pledges of \$75,000)

1,306,181

PROPERTY AND EQUIPMENT (net of allowance for
depreciation of \$3,616,997)

3,783,562

OTHER ASSETS

Unamortized loan costs

24,463

TOTAL ASSETS

\$ 6,109,505

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Excess outstanding checks over cash on deposit	\$ 39,994
Notes payable	30,000
Accrued payroll taxes and benefits	(878)
Accounts payable	28,298
Interest payable	8,668
Wages payable	60,763
Current portion of long-term debt	138,448
Total current liabilities	<u>305,293</u>

LONG-TERM INDEBTEDNESS, excluding current portion

1,997,589

Total liabilities

2,302,882

NET ASSETS:

Unrestricted net assets	3,608,895
Temporarily restricted net assets	197,728
Total net assets	<u>3,806,623</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 6,109,505

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues:			
Support:			
Direct public	\$ 109,227	\$ -	\$ 109,227
Indirect public	25,300		25,300
Donated facilities	223,875		223,875
Special events	20,200		20,200
Total support	<u>378,602</u>	<u>-</u>	<u>378,602</u>
Revenues:			
Membership	911,257		911,257
Program	1,204,425		1,204,425
Food service	555		555
Facility and equipment rental	2,270		2,270
Interest	1,854		1,854
Investment income	11,987		11,987
Merchandise	2,874		2,874
Miscellaneous	9,743		9,743
Unrealized gain on investments	25,788		25,788
Net assets released from restrictions	1,099,251	(1,099,251)	-
Total Support and Revenues	<u>3,648,606</u>	<u>(1,099,251)</u>	<u>2,549,355</u>
Expenditures:			
Program activities	1,505,100		1,505,100
Fundraising	3,887		3,887
Building and occupancy	677,309		677,309
General and administrative	573,913		573,913
Total expenditures	<u>2,760,209</u>	<u>-</u>	<u>2,760,209</u>
Change in Net Assets	<u>888,397</u>	<u>(1,099,251)</u>	<u>(210,854)</u>
Net Assets, Beginning of Year	2,720,498	1,296,979	4,017,477
Net Assets, End of Year	<u>\$ 3,608,895</u>	<u>\$ 197,728</u>	<u>\$ 3,806,623</u>

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (210,854)
Non-cash items included in changes in net assets:	
Depreciation and amortization	151,804
Unrealized gain on investments	(25,788)
Provision for uncollectable pledges	(25,000)
Investment income reinvested	(11,987)
Changes in assets and liabilities:	
Inventory	99
Prepaid expense	5,932
Accrued payroll taxes and benefits	(618)
Accrued wages	(6,305)
Accrued interest	(1,030)
Accounts payable	(10,220)
Net cash used by operating activities	<u>(133,967)</u>

CASH FLOWS FROM (TO) INVESTING ACTIVITIES:

Purchase of property and equipment	(1,117,089)
Received on promise to give	265,478
Transfers from investments	31,056
Investment expense	5,440
Transfers to investments	(100)
Net cash used by investing activities	<u>(815,215)</u>

CASH FLOWS FROM (TO) FINANCING ACTIVITIES:

New borrowings:	
Short-term	95,000
Increase in excess outstanding checks over cash on deposit	39,994
Debt reductions:	
Short-term	(65,000)
Long-term	(235,527)
Net cash provided by financing activities	<u>(165,533)</u>

NET DECREASE IN CASH (1,114,715)CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 1,405,030CASH AND CASH EQUIVALENTS - END OF YEAR \$ 290,315

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Other:

Interest paid	<u>\$ 66,759</u>
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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, 2012

	Program Activities				
	Sports	Health & Wellness	Youth Development	Childcare	Group Fitness
Salaries	\$ 28,460	\$ 43,536	\$ 137,306	\$ 622,178	\$ 75,483
Employee benefits	8,963	2,794	7,858	54,738	4,926
Payroll taxes	3,610	4,187	10,727	58,489	5,717
Provision for uncollectable pledges	-	-	-	-	-
Professional fees	-	-	-	-	-
Supplies	7,510	4,983	10,299	135,260	951
Telephone	-	-	-	-	-
Postage and shipping	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Equipment/supplies	-	9,592	78	55	-
Media service and publications	1,613	675	1,469	4,207	23
Travel	270	-	221	-	383
Conferences and conventions	-	-	-	448	-
Membership dues	165	135	78	444	-
Financing costs	-	-	-	-	-
National support	968	1,159	1,634	23,770	864
Miscellaneous	170	1,268	-	1,993	1,568
Depreciation and amortization	-	-	-	-	-
Insurance - D & O	-	-	-	-	-
Occupancy	37,275	-	-	186,600	-
	<u>\$ 89,004</u>	<u>\$ 68,329</u>	<u>\$ 169,670</u>	<u>\$ 1,088,182</u>	<u>\$ 89,915</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>
\$ 231,960	\$ 151,870	\$ 3,666	\$ 1,294,459
53,953	25,777	191	159,200
23,479	11,858	-	118,067
(25,000)	-	-	(25,000)
43,840	-	-	43,840
71,598	68,812	30	299,443
16,916	-	-	16,916
7,573	-	-	7,573
-	282	-	282
9,043	77,885	-	96,653
25,528	-	-	33,515
551	184	-	1,609
116	-	-	564
2,775	-	-	3,597
56,081	-	-	56,081
19,252	-	-	47,647
28,837	1,759	-	35,595
1,322	150,482	-	151,804
3,046	-	-	3,046
3,043	188,400	-	415,318
<u>\$ 573,913</u>	<u>\$ 677,309</u>	<u>\$ 3,887</u>	<u>\$ 2,760,209</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 May 14, 2013, 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	\$ 2,477,779
Less: Unamortized discount	<u>(789,299)</u>
Net unconditional promises to give	<u>\$ 1,688,480</u>

Amounts due in:

Less than one year	\$ 307,297
One to five years	616,290
Greater than five years	<u>1,554,192</u>
	<u>\$ 2,477,779</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 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, 2012, are as follows:

	<u>2012</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money market funds	\$ 9,874	\$ 9,874	\$ -
Common trust fund bonds	164,951	175,360	10,409
Common trust fund stocks	134,725	147,074	12,349
Insurance policies	15,809	15,809	-
Common trust fund international	36,110	40,076	3,966
	<u>\$361,469</u>	<u>\$388,193</u>	<u>\$ 26,724</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, 2012 are as follows:

<u>December 31, 2012</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	\$ 372,384	\$ 372,384	\$ -
Insurance Policies	15,809	-	15,809
	<u>\$ 388,193</u>	<u>\$ 372,384</u>	<u>\$ 15,809</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, 2012	\$ 13,357
Change in value of policy	2,452
Transfers in and/or out of level 3	-
December 31, 2012	<u>\$ 15,809</u>

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2012, 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	67,764	-
Building	6,082,902	2,744,185	3,338,717
Furniture, fixtures and equipment	487,735	457,305	30,430
Construction in progress	-	-	-
Aerobic equipment	296,431	279,995	16,436
Vehicles	67,749	67,748	1
	<u>\$ 7,400,559</u>	<u>\$ 3,616,997</u>	<u>\$ 3,783,562</u>

Interest paid in 2012 of \$41,739 has been capitalized as part of building costs.

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%	08/15/13	\$ 30,000	\$ 30,000
<u>LONG-TERM NOTES:</u>					
Bond payable	Pledges	3.91%	06/01/31	\$ 84,000	\$1,916,000
Alerus Financial	Fund Assets	6.00%	02/15/16	8,496	47,737
Small Business Administration	Real Estate	4.00%	05/01/17	45,952	172,300
				<u>\$ 138,448</u>	<u>\$2,136,037</u>

The aggregate amount of future principal payments on long-term debt at December 31, 2012, is as follows:

Years ending December 31,	
2013	\$ 138,448
2014	140,831
2015	143,319
2016	133,439
2017	84,000
Later Years	<u>1,496,000</u>
Total	<u>\$ 2,136,037</u>

The credit line with Alerus Financial has a limit of \$60,000. As of December 31, 2012 \$30,000 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 \$51,104 to this fund on behalf of their employees for the year ended December 31, 2012. 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, 2012. 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 run by the Grand Forks Park District to offer joint memberships. Individuals can sign up at either the Y or Choice Wellness Center and have full use of either facility. Membership revenue from new members is split between the Y and Choice Wellness Center.

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 monthly 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, 2012. 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.