YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CONTENTS

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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, 2013, 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, 2013, 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, Riskey & Vallager, Ltd.

Certified Public Accountants

April 28, 2014
Grand Forks, North Dakota

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS:		
Cash in bank	$	86,822
Restricted cash in bank		91,990
Unconditional promises to give - current portion		281,285
Inventory		314
Prepaid expense		10,871
Total current assets		475,856
INVESTMENTS		329,547
UNCONDITIONAL PROMISE TO GIVE (net of current portion, and net of allowance for uncollectable pledges of $75,000)		1,476,836
PROPERTY AND EQUIPMENT (net of allowance for depreciation of $3,859,625)		3,934,424
OTHER ASSETS		
Unamortized loan costs		23,141
TOTAL ASSETS	$	6,239,804

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Excess outstanding checks over cash on deposit	$	23,923
Accrued payroll taxes and benefits		(569)
Accounts payable		25,455
Interest payable		7,241
Wages payable		61,598
Current portion of long-term debt		185,537
Total current liabilities		303,185
LONG-TERM INDEBTEDNESS, excluding current portion		1,851,697
Total liabilities		2,154,882
NET ASSETS:		
Unrestricted net assets		4,004,270
Temporarily restricted net assets		80,652
Total net assets		4,084,922
TOTAL LIABILITIES AND NET ASSETS	$	6,239,804

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

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Support:			
Direct public	$ 160,300	$ 344,083	$ 504,383
Indirect public	22,000		22,000
Donated facilities	223,875		223,875
Special events	26,073		26,073
Total support	432,248	344,083	776,331
Revenues:			
Membership	1,071,363		1,071,363
Program	1,118,845		1,118,845
Food service	711		711
Facility and equipment rental	768		768
Interest	174		174
Investment income	8,959		8,959
Merchandise	2,599		2,599
Miscellaneous	10,723		10,723
Unrealized loss on investments	27,928		27,928
Net assets released from restrictions	461,159	(461,159)	-
Total Support and Revenues	3,135,477	(117,076)	3,018,401
Expenditures:			
Program activities	1,372,016		1,372,016
Fundraising	3,918		3,918
Building and occupancy	768,788		768,788
General and administrative	595,380		595,380
Total expenditures	2,740,102	-	2,740,102
Change in Net Assets	395,375	(117,076)	278,299
Net Assets, Beginning of Year	3,608,895	197,728	3,806,623
Net Assets, End of Year	$ 4,004,270	$ 80,652	$ 4,084,922

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

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 278,299
Non-cash items included in changes in net assets:	
Depreciation and amortization	243,950
Gain on investments	(27,500)
Investment income reinvested	(8,959)
Promises to give received	(331,313)
Amortization of discount on pledges receivable	(77,299)
Changes in assets and liabilities:	
Inventory	(89)
Prepaid expense	(1,602)
Accrued payroll taxes and benefits	309
Accrued wages	835
Accrued interest	(1,427)
Accounts payable	(2,843)
Net cash provided by operating activities	72,361
CASH FLOWS FROM (TO) INVESTING ACTIVITIES:	
Purchase of property and equipment	(393,490)
Received on promise to give	263,969
Transfers from investments	97,625
Investment expense	-
Transfers to investments	(7,094)
Net cash used by investing activities	(38,990)
CASH FLOWS FROM (TO) FINANCING ACTIVITIES:	
New borrowings:	
Long-term	300,000
Debt reductions:	
Short-term	(30,000)
Long-term	(398,803)
Decrease in excess outstanding checks over cash on deposit	(16,071)
Net cash used by financing activities	(144,874)
NET DECREASE IN CASH	(111,503)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	290,315
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 178,812

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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Other:	
Interest paid	$ 84,803

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, 2013

	Program Activities				
	Sports	Health & Wellness	Youth Development	Childcare	Group Fitness
Salaries	$ 25,975	$ 40,518	$ 112,377	$ 576,376	$ 78,952
Employee benefits	7,156	-	7,236	37,647	7,272
Payroll taxes	3,349	3,553	8,915	46,482	5,961
Professional fees	-	-	-	-	-
Supplies	8,094	4,978	7,127	115,142	1,364
Telephone	-	-	-	-	-
Postage and shipping	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Equipment/supplies	-	5,447	49	1,065	-
Media service and publications	1,688	433	843	2,768	276
Travel	256	-	478	-	648
Conferences and conventions	-	655	300	-	2,127
Membership dues	252	162	-	670	-
Financing costs	-	-	-	-	-
National support	968	1,159	1,634	23,770	864
Miscellaneous	67	1,065	-	1,684	339
Depreciation and amortization	-	-	-	-	-
Occupancy	37,275	-	-	186,600	-
	$ 85,080	$ 57,970	$ 138,959	$ 992,204	$ 97,803

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

General and Administration	Building Operations	Fundraising	Total
$ 234,827	$ 155,749	$ 3,724	$ 1,228,498
56,513	33,801	194	149,819
21,132	11,980	-	101,372
37,503	-	-	37,503
59,612	58,483	-	254,800
18,301	-	-	18,301
7,028	-	-	7,028
-	282	-	282
10,803	65,272	-	82,636
14,376	-	-	20,384
890	91	-	2,363
559	-	-	3,641
3,246	-	-	4,330
83,376	-	-	83,376
19,252	-	-	47,647
25,182	1,142	-	29,479
1,322	242,628	-	243,950
1,458	199,360	-	424,693
$ 595,380	$ 768,788	$ 3,918	$ 2,740,102

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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.

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 April 28, 2014, the date which the financial statements were available to be issued.

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	$ 2,545,123
Less: Unamortized discount	(712,000)
Net unconditional promises to give	$ 1,833,123

Amounts due in:	
Less than one year	$ 281,285
One to five years	767,938
Greater than five years	1,495,900
	$ 2,545,123

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, 2013, are as follows:

	2013		
	Cost	Market Value	Unrealized Gain (Loss)
Money market funds	$ 25,240	$ 25,240	$ -
Common trust fund bonds	134,291	135,908	1,617
Common trust fund stocks	91,496	121,707	30,211
Insurance policies	15,809	15,809	-
Common trust fund international	23,588	30,883	7,295
	$290,424	$329,547	$ 39,123

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, 2013 are as follows:

December 31, 2013	Fair Value	Cash Equivalent (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalent and deposit in transit	$ 25,240	$ 25,240	$ -	$ -
Common Trust Funds	288,498	-	288,498	-
Insurance Policies	15,809	-	-	15,809
	$ 329,547	$ 25,240	$ 288,498	$ 15,809

Investments in common trust funds are valued based on the net asset value per share as determined by Alerus Financial. The following table discloses the fair value and redemption frequency for those assets whose fair value is estimated using the net asset value per share as of December 31, 2013.

Investment	Fair value	Unfunded Commitment	Redemption Frequency	Redemption notice period
Common Trust Fund A (a)	$ 121,707	$ -	semi-monthly	5 days
Common Trust Fund B (b)	135,908	-	semi-monthly	5 days
Common Trust Fund International (c)	30,883	-	semi-monthly	5 days
Total	$ 288,498	$ -		

(a) This fund invests in common stock, convertible securities, and mutual funds which are diversified by industry and risk with an investment strategy to provide stable, long-term growth in the unit value.
(b) This fund invests in quality fixed income securities including convertible bonds or preferred stock and mutual funds that consist of similar securities with an investment strategy to provide current income and total return. Investments are primarily domestic, but may include foreign instruments.
(c) This fund invests in common stock, convertible securities, American Depository Receipts and mutual funds of countries other than the United States that are diversified, by industry and risk with an investment strategy to provide stable, long-term growth in the unit value.

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

Insurance policies	
January 01, 2013	$ 15,809
Change in value of policy	-
Transfers in and/or out of level 3	-
December 31, 2013	$ 15,809

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2013, is as follows:

Description	Cost	Accumulated Depreciation	Cost-Less Accumulated Depreciation
Land	$ 397,978	$ -	$ 397,978
Parking lot	67,764	67,764	-
Building	6,088,402	2,888,389	3,200,013
Furniture, fixtures and equipment	495,294	472,169	23,125
Aerobic equipment	676,862	363,554	313,308
Vehicles	67,749	67,749	-
	$ 7,794,049	$ 3,859,625	$ 3,934,424

NOTE 7 - SHORT-TERM AND LONG-TERM INDEBTEDNESS

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

Payee	Collateral	Interest Rate	Maturity Date	Current Portion	Total
SHORT-TERM NOTES:					
Alerus Financial - Line of Credit	Unsecured	6.00%	08/15/14	$ -	$ -
LONG-TERM NOTES:					
American Federal	Donor guarantee	3.95%	04/15/18	$ 44,706	$ 271,344
Bond payable	Pledges	3.91%	06/01/31	$ 84,000	$ 1,599,010
Alerus Financial	Fund Assets	6.00%	02/15/16	9,006	39,233
Small Business Administration	Real Estate	4.00%	05/01/17	47,825	127,647
				$ 185,537	$2,037,234

The aggregate amount of future principal payments on long-term debt at December 31, 2013, is as follows:

Years ending December 31,	
2014	$ 185,537
2015	205,011
2016	198,914
2017	150,810
2018	158,952
Later Years	1,138,010
Total	$ 2,037,234

The credit line with Alerus Financial has a limit of $60,000. As of December 31, 2013 $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 $41,578 to this fund on behalf of their employees for the year ended December 31, 2013. The National Organization calculates contributions based on the salaries of eligible participants.

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, 2013. 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 as of December 31, 2013. Pledges collected are restricted to being used to make payments on the bonds payable.