

YOUNG MEN'S CHRISTIAN ASSOCIATION OF
GRAND FORKS
GRAND FORKS, NORTH DAKOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2017

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
GRAND FORKS, NORTH DAKOTA
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
 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, 2017, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 possible 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, 2017, 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.

Miller McDonald, Inc.

June 13, 2018
Bemidji, Minnesota

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 187,310
Restricted Cash in Bank	89,978
Revenue Sharing Receivables	6,426
Unconditional Promises to Give - current portion	161,916
Inventory	1,055
Prepaid Expenses	12,285
Total Current Assets	<u>458,970</u>

Investments

325,329

Long-Term Unconditional Promises to Give, net of current portion
and allowance for uncollectible pledges, \$13,998

1,058,533

Fixed Assets

Property and Equipment, net of accumulated depreciation of \$4,293,989	<u>3,276,710</u>
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Total Assets

\$ 5,119,542

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued Payroll Taxes and Benefits	\$ 17,759
Accounts Payable	14,783
Interest Payable	4,192
Wages Payable	39,329
Long-Term Debt - current portion	125,000
Total Current Liabilities	<u>201,063</u>

Non-Current Liabilities

Long-Term Debt, net of current portion	<u>1,102,263</u>
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Total Liabilities

1,303,326

Net Assets

Unrestricted	2,583,228
Temporarily Restricted	1,232,988
Total Net Assets	<u>3,816,216</u>

Total Liabilities and Net Assets

\$ 5,119,542

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>			
Support:			
Direct Public	\$ 176,962	\$ 13,880	\$ 190,842
Indirect Public	16,050	-	16,050
Donated Facilities	222,275	-	222,275
Special Events	27,735	-	27,735
Total Support	<u>443,022</u>	<u>13,880</u>	<u>456,902</u>
Revenues:			
Membership	1,108,629	-	1,108,629
Program	1,257,233	-	1,257,233
Food Service	599	-	599
Facility and Equipment Rental	1,803	-	1,803
Interest	231	-	231
Investment Income	8,233	-	8,233
Merchandise	2,772	-	2,772
Miscellaneous	15,428	-	15,428
Net Realized and Unrealized Investment Gains (Losses)	28,534	-	28,534
Net Assets Released from Restrictions	264,545	(264,545)	-
Total Revenues	<u>2,688,007</u>	<u>(264,545)</u>	<u>2,423,462</u>
<u>Total Revenues and Other Support</u>	<u>3,131,029</u>	<u>(250,665)</u>	<u>2,880,364</u>
<u>EXPENSES</u>			
Program Activities	1,748,274	-	1,748,274
Fundraising	24,069	-	24,069
Building Operations	657,787	-	657,787
General and Administrative	592,140	-	592,140
<u>Total Expenses</u>	<u>3,022,270</u>	<u>-</u>	<u>3,022,270</u>
<u>CHANGE IN NET ASSETS</u>	<u>108,759</u>	<u>(250,665)</u>	<u>(141,906)</u>
<u>NET ASSETS, Beginning of Year</u>	<u>2,474,469</u>	<u>1,483,653</u>	<u>3,958,122</u>
<u>NET ASSETS, End of Year</u>	<u>\$ 2,583,228</u>	<u>\$ 1,232,988</u>	<u>\$ 3,816,216</u>

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (141,906)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation and Amortization Expense	179,279
(Gain) Loss on Investments	(28,534)
Investment Income Reinvested	(8,233)
Changes in Current Assets and Liabilities:	
Revenue Sharing Receivables	(1,377)
Unconditional Promises to Give	(556)
Inventory	1,603
Accounts Payable	(6,217)
Accrued Payroll Taxes and Benefits	1,275
Accrued Wages	2,953
Accrued Interest	(344)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>(2,057)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(180,611)
Received on Promises to Give	100,592
Transfers from Investments	19,798
Change in Restricted Cash	(13,498)
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(73,719)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on Long-Term Debt	(102,096)
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<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	<u>(177,872)</u>
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<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	<u>365,182</u>
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<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 187,310</u>
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SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid During the Year for Interest	\$ 51,401
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See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Activities					Total
	Sports	Health & Wellness	Youth Development	Childcare	Group Fitness	Program Activities
Salaries	\$ 28,303	\$ 105,517	\$ 148,264	\$ 723,874	\$ 96,083	\$ 1,102,041
Payroll Taxes	3,835	5,980	11,587	59,780	7,266	88,448
Employee Benefits	9,038	6,409	9,256	85,245	10,541	120,489
Occupancy	37,275	-	-	185,000	-	222,275
Telephone	-	-	-	-	-	-
Supplies	16,219	1,819	7,017	132,378	4,468	161,901
Equipment and Supplies	-	5,674	938	920	68	7,600
Printing and Publications	1,515	384	571	-	1,117	3,587
Postage and Shipping	-	-	-	-	-	-
Conference and Meetings	325	1,361	77	2,404	2,156	6,323
Travel	438	116	-	-	981	1,535
Professional Fees	-	-	-	-	-	-
License and Permits	-	-	-	95	-	95
Miscellaneous Expenses	-	645	-	942	1,058	2,645
Membership Dues	-	-	-	55	-	55
Interest Expense	-	-	-	-	-	-
National Support	968	1,159	1,634	26,655	864	31,280
Insurance - Directors and Officers	-	-	-	-	-	-
Provision for Uncollectable Pledges	-	-	-	-	-	-
Depreciation and Amortization	-	-	-	-	-	-
	<u>\$ 97,916</u>	<u>\$ 129,064</u>	<u>\$ 179,344</u>	<u>\$ 1,217,348</u>	<u>\$ 124,602</u>	<u>\$ 1,748,274</u>

<u>General and Administrative</u>	<u>Building Operations</u>	<u>Fundraising</u>	<u>Total</u>
\$ 255,095	\$ 146,032	\$ 8,246	\$ 1,511,414
21,158	11,804	631	122,041
65,015	30,828	577	216,909
-	193,293	-	415,568
18,925	-	-	18,925
76,940	35,512	14,615	288,968
9,557	61,826	-	78,983
13,010	-	-	16,597
5,336	-	-	5,336
964	-	-	7,287
1,324	270	-	3,129
42,059	-	-	42,059
-	182	-	277
9,651	83	-	12,379
2,984	-	-	3,039
51,057	-	-	51,057
17,211	-	-	48,491
4,031	-	-	4,031
(3,499)	-	-	(3,499)
1,322	177,957	-	179,279
<u>\$ 592,140</u>	<u>\$ 657,787</u>	<u>\$ 24,069</u>	<u>\$ 3,022,270</u>

See Accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Young Men's Christian Association of Grand Forks (Association) 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 to give receivable. The allowance is based on past experience and management's analysis of specific promises made.

Inventory - Inventory is stated at lower of cost or market determined by 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 \$1,000 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.

The Association maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts.

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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 statement of activities.

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 they are received 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. The Association currently does not have any permanently restricted assets.

Subsequent Events - The Association has evaluated subsequent events through June 13, 2018, 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. The Association serves the greater Grand Forks, North Dakota area.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 – PROMISES TO GIVE

Unconditional promises to give consist of the following:

Amounts Due in:

Less than one year	\$ 161,916
One to five years	425,881
Greater than five years	1,115,987
Restricted to Facility Renovation	<u>\$ 1,703,784</u>
Less: Allowance for uncollectible pledges	13,998
Less: Unamortized Discount	469,337
Net Unconditional Promises to Give	<u><u>\$ 1,220,449</u></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 a financial institution. Details regarding the investments as of December 31, 2017, are as follows:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Money Market Funds	\$ 10,325	\$ 10,325	\$ -
Common Trust Fund Bonds	149,674	154,260	4,586
Common Trust Fund Stocks	101,399	125,400	24,001
Common Trust Fund International	25,864	35,344	9,480
	<u>\$ 287,262</u>	<u>\$ 325,329</u>	<u>\$ 38,067</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 THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 are presented in the following table based on the levels of the fair value hierarchy under FASB ASC 820.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Similar Assets (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash Equivalent	\$ 10,325	\$ -	\$ -	\$ 10,325
Investments Measured at Net Asset Value (NAV)				315,004
				<u>\$ 325,329</u>

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, 2017.

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Common Trust Fund A (a)	\$ 154,260	\$ -	semi-monthly	5 days
Common Trust Fund B (b)	125,400	-	semi-monthly	5 days
Common Trust Fund International (c)	35,344	-	semi-monthly	5 days
	<u>\$ 315,004</u>	<u>\$ -</u>		

- (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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2017, is as follows:

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 353,578	\$ -	\$ 353,578
Parking Lot	67,764	67,764	-
Building	6,116,302	3,393,376	2,722,926
Furniture, Fixtures and Equipment	562,165	386,299	175,866
Aerobic Equipment	403,142	378,802	24,340
Vehicles	67,748	67,748	-
	<u>\$ 7,570,699</u>	<u>\$ 4,293,989</u>	<u>\$ 3,276,710</u>

NOTE 7 – SHORT-TERM AND LONG-TERM INDEBTEDNESS

Details relative to the Association's short-term and long-term indebtedness as of December 31, 2017 is as follows:

<u>Long-Term Debt</u>	<u>Collateral</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Current Portion</u>	<u>Total</u>
Bond Payable	Pledges	3.91%	06/01/31	\$ 125,000	\$ 1,245,115

The aggregate amount of future principal payments on long-term debt at December 31, 2017, is as follows:

Years Ending December 31,	
2018	\$ 125,000
2019	125,000
2020	125,000
2121	125,000
2022	125,000
Thereafter	620,115
Total	<u>1,245,115</u>
Less unamortized debt issuance costs	<u>17,852</u>
Long-Term debt less unamortized debt issuance costs	<u>\$ 1,227,263</u>

The bond payable is backed by the pledges receivable directly to 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 bond 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

Line of Credit – The Association has a line of credit agreement with a bank for \$80,000, expiring August 17, 2018. There were no borrowings against the line during the year ended December 31, 2017. The line bears a variable interest rate, 2.2% above the Wall Street Journal U.S. Prime Rate, with a floor of 5.45%. The line of credit is unsecured.

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 contributed \$60,209 to this fund on behalf of their employees for the year ended December 31, 2017. 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 \$222,275 for the year ended December 31, 2017. This amount has been included in support and expenses in the statement of activities.

NOTE 10 – ADVERTISING COSTS

The Association uses advertising to promote its program among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2017 was \$13,610.

NOTE 11 – 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 YMCA or Choice Wellness Center and have full use of either facility. Membership revenue from new members is split between the YMCA and Choice Wellness Center.

In addition, the Grand Forks Parks and Recreation Foundation (Foundation) launched a joint fundraising effort in 2010 to raise funds to build the new wellness center for the Foundation and to renovate the YMCA facility. The promises to give reflected in Note 3 to these financial statements reflects direct pledges to the YMCA as well as the amount of pledges allocated to the YMCA (generally 22%) of pledges and grants received by the Foundation as of the report date. As pledges are collected, the Foundation will remit the YMCA's share on a monthly basis. The funds raised from the campaign are restricted for use in renovating the YMCA 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, 2017. Pledges collected are restricted to being used to make payments on the bonds payable.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GRAND FORKS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 were available for the following purposes:

Time and Purpose Restriction

Pledges receivable for debt	\$ 1,058,122
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Purpose Restriction

Health Services	162,174
Parkinson Wellness	10,317
Other	<u>2,375</u>
	<u><u>\$ 1,232,988</u></u>