

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA**

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

YOUNG MEN'S CHRISTIAN ASSOCIATION OF FERGUS FALLS, MINNESOTA

DIRECTORS AND MANAGEMENT

Chris Marvel	President
Steve Swanson	Vice President
Mitch Wellman	Secretary
Brett Longtin	Treasurer
Roy Anderson	Director
Ron Burt	Director
Brent Klinnert	Director
Jane McLandress	Director
Nate Noland	Director
Kurt Nygaard	Director
Kendra Olson	Director
Dennis Lipp	Executive Director
Carrie Beithon	Finance/HR Director

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Young Men's Christian Association of Fergus Falls, Minnesota
Fergus Falls, Minnesota

We have audited the accompanying financial statements of Young Men's Christian Association of Fergus Falls, Minnesota (Organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Organization'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 Organization'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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Fergus Falls, Minnesota as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carlson AV LLP

Fergus Falls, Minnesota
July 16, 2018

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
Cash	\$ 233,494	\$ 48,032
Restricted cash	-	31,403
Accounts receivable	13,273	3,251
Prepaid expenses	7,638	9,223
Unconditional promises to give	34,300	52,490
Property and equipment, net	<u>2,410,419</u>	<u>2,450,765</u>
TOTAL ASSETS	<u>\$ 2,699,124</u>	<u>\$ 2,595,164</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 6,426	\$ 11,454
Accrued expenses and other liabilities	29,633	31,050
Deferred membership fees	21,764	20,775
Note payable	<u>42,443</u>	<u>13,133</u>
Total Liabilities	100,266	76,412
NET ASSETS		
Unrestricted	2,439,818	2,434,859
Temporarily restricted	<u>159,040</u>	<u>83,893</u>
Total Net Assets	<u>2,598,858</u>	<u>2,518,752</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,699,124</u>	<u>\$ 2,595,164</u>

(The accompanying notes are an integral part of these financial statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Public support			
Contributions			
Contributions	\$ 58,482	\$ 137,740	\$ 196,222
Annual giving	151,434	-	151,434
Y Folks	2,237	-	2,237
United Way	6,600	-	6,600
Sponsorship	2,750	-	2,750
In-kind contributions	6,197	-	6,197
Net assets released from restrictions	62,593	(62,593)	-
Total public support	<u>290,293</u>	<u>75,147</u>	<u>365,440</u>
Operating revenues			
Grants and contracts	22,500	-	22,500
Membership fees, net	779,296	-	779,296
Program fees, net	205,432	-	205,432
Special events	10,244	-	10,244
Rentals	54,764	-	54,764
Other	7,853	-	7,853
Interest	102	-	102
Total operating revenues	<u>1,080,191</u>	<u>-</u>	<u>1,080,191</u>
Total revenues	<u>1,370,484</u>	<u>75,147</u>	<u>1,445,631</u>
EXPENSES			
Program services			
Youth development	442,256	-	442,256
Healthy living	442,256	-	442,256
Social responsibility	221,138	-	221,138
Total program services	<u>1,105,650</u>	<u>-</u>	<u>1,105,650</u>
Support services			
Management and general	218,957	-	218,957
Fundraising	40,918	-	40,918
Total support services	<u>259,875</u>	<u>-</u>	<u>259,875</u>
Total expenses	<u>1,365,525</u>	<u>-</u>	<u>1,365,525</u>
CHANGE IN NET ASSETS	4,959	75,147	80,106
NET ASSETS, BEGINNING OF YEAR	<u>2,434,859</u>	<u>83,893</u>	<u>2,518,752</u>
NET ASSETS, END OF YEAR	<u>\$2,439,818</u>	<u>\$ 159,040</u>	<u>\$2,598,858</u>

(The accompanying notes are an integral part of these financial statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Public support			
Contributions			
Contributions	\$ 2,000	\$ 33,237	\$ 35,237
Annual giving	130,777	-	130,777
Y Folks	2,191	-	2,191
United Way	5,400	-	5,400
Sponsorship	3,250	-	3,250
In-kind contributions	4,070	-	4,070
Net assets released from restrictions	<u>246,012</u>	<u>(246,012)</u>	<u>-</u>
Total public support	393,700	(212,775)	180,925
Operating revenues			
Grants and contracts	25,670	-	25,670
Membership fees, net	786,736	-	786,736
Program fees, net	217,576	-	217,576
Rentals	46,307	-	46,307
Loss on disposal of property and equipment	(19,791)	-	(19,791)
Other	4,196	-	4,196
Interest	<u>31</u>	<u>-</u>	<u>31</u>
Total operating revenues	<u>1,060,725</u>	<u>-</u>	<u>1,060,725</u>
Total revenues	1,454,425	(212,775)	1,241,650
EXPENSES			
Program services			
Youth development	439,349	-	439,349
Healthy living	439,349	-	439,349
Social responsibility	<u>219,679</u>	<u>-</u>	<u>219,679</u>
Total program services	1,098,377	-	1,098,377
Support services			
Management and general	224,297	-	224,297
Fundraising	<u>39,247</u>	<u>-</u>	<u>39,247</u>
Total support services	<u>263,544</u>	<u>-</u>	<u>263,544</u>
Total expenses	<u>1,361,921</u>	<u>-</u>	<u>1,361,921</u>
CHANGE IN NET ASSETS	92,504	(212,775)	(120,271)
NET ASSETS, BEGINNING OF YEAR	<u>2,342,355</u>	<u>296,668</u>	<u>2,639,023</u>
NET ASSETS, END OF YEAR	<u>\$2,434,859</u>	<u>\$ 83,893</u>	<u>\$2,518,752</u>

(The accompanying notes are an integral part of these financial statements.)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017**

	<u>PROGRAM SERVICES</u>				<u>SUPPORT SERVICES</u>		<u>Total</u>
	<u>Youth Development</u>	<u>Healthy Living</u>	<u>Social Responsibility</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and Related Expenses							
Salaries and wages	\$ 218,156	\$ 218,156	\$ 109,078	\$ 545,390	\$ 115,896	\$ 20,453	\$ 681,739
Employee benefits	31,435	31,435	15,717	78,587	16,700	2,947	98,234
Payroll taxes	17,433	17,433	8,716	43,582	9,261	1,635	54,478
Total Salaries and Related Expenses	<u>267,024</u>	<u>267,024</u>	<u>133,511</u>	<u>667,559</u>	<u>141,857</u>	<u>25,035</u>	<u>834,451</u>
Other Expenses							
Business insurance	6,728	6,728	3,365	16,821	343	-	17,164
Business travel	744	744	372	1,860	254	-	2,114
Conference, meetings, and training	2,026	2,026	1,013	5,065	690	-	5,755
Depreciation	54,776	54,776	27,388	136,940	2,796	-	139,736
Equipment, expendable or rented	28,180	28,180	14,090	70,450	3,905	-	74,355
Equipment repairs and maintenance	2,976	2,976	1,487	7,439	-	-	7,439
Financing costs	-	-	-	-	75	-	75
Miscellaneous							
Bad debts	-	-	-	-	1,047	-	1,047
Banking fees	-	-	-	-	13,280	-	13,280
Miscellaneous	26	26	26	78	2,994	-	3,072
Dues and subscriptions	3,010	3,010	1,505	7,525	7,526	7,526	22,577
Recognition and rewards	40	40	20	100	2,447	1,252	3,799
Occupancy							
Building utilities	39,143	39,143	19,570	97,856	1,997	-	99,853
Real estate taxes	378	378	189	945	19	-	964
Building repairs and maintenance	4,185	4,185	2,092	10,462	214	-	10,676
Postage and shipping	606	606	303	1,515	3,027	678	5,220
Printing, publications, and promotions	3,511	3,511	1,755	8,777	1,019	1,256	11,052
Professional services	4,143	4,143	2,072	10,358	2,590	-	12,948
Purchased, contracted, or donated services	8,296	8,296	4,148	20,740	13,551	-	34,291
Special events	4,054	4,054	2,027	10,135	-	-	10,135
Supplies	10,131	10,131	5,066	25,328	17,135	4,294	46,757
Telecommunications	2,279	2,279	1,139	5,697	2,191	877	8,765
Total Other Expenses	<u>175,232</u>	<u>175,232</u>	<u>87,627</u>	<u>438,091</u>	<u>77,100</u>	<u>15,883</u>	<u>531,074</u>
TOTAL EXPENSES, YEAR ENDED DECEMBER 31, 2017	<u>\$ 442,256</u>	<u>\$ 442,256</u>	<u>\$ 221,138</u>	<u>\$ 1,105,650</u>	<u>\$ 218,957</u>	<u>\$ 40,918</u>	<u>\$ 1,365,525</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016**

	<u>PROGRAM SERVICES</u>				<u>SUPPORT SERVICES</u>		<u>Total</u>
	<u>Youth Development</u>	<u>Healthy Living</u>	<u>Social Responsibility</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries and Related Expenses							
Salaries and wages	\$ 222,751	\$ 222,751	\$ 111,375	\$ 556,877	\$ 118,336	\$ 20,883	\$ 696,096
Employee benefits	28,560	28,560	14,280	71,400	15,172	2,677	89,249
Payroll taxes	16,839	16,839	8,420	42,098	8,946	1,579	52,623
Total Salaries and Related Expenses	<u>268,150</u>	<u>268,150</u>	<u>134,075</u>	<u>670,375</u>	<u>142,454</u>	<u>25,139</u>	<u>837,968</u>
Other Expenses							
Business insurance	6,581	6,581	3,291	16,453	336	-	16,789
Business travel	1,474	1,474	738	3,686	503	-	4,189
Conference, meetings, and training	2,530	2,530	1,266	6,326	863	-	7,189
Depreciation	54,993	54,993	27,497	137,483	2,806	-	140,289
Equipment, expendable or rented	25,959	25,959	12,979	64,897	3,734	-	68,631
Equipment repairs and maintenance	2,461	2,461	1,231	6,153	-	-	6,153
Financing costs	-	-	-	-	4,025	-	4,025
Miscellaneous							
Bad debts	-	-	-	-	1,927	-	1,927
Banking fees	-	-	-	-	12,693	-	12,693
Miscellaneous	-	-	-	-	2,773	-	2,773
Dues and subscriptions	3,452	3,452	1,727	8,631	8,631	8,631	25,893
Recognition and awards	173	173	86	432	3,830	1,063	5,325
Occupancy							
Building utilities	39,093	39,093	19,547	97,733	1,995	-	99,728
Real estate taxes	333	333	167	833	17	-	850
Building repairs and maintenance	2,868	2,868	1,435	7,171	146	-	7,317
Postage and shipping	477	477	238	1,192	2,384	534	4,110
Printing, publications, and promotions	3,714	3,714	1,858	9,286	1,420	1,045	11,751
Professional services	3,457	3,457	1,728	8,642	2,161	-	10,803
Purchased, contracted, or donated services	8,284	8,284	4,142	20,710	12,586	-	33,296
Special events	4,429	4,429	2,214	11,072	-	-	11,072
Supplies	8,887	8,887	4,444	22,218	17,058	2,053	41,329
Telecommunications	2,034	2,034	1,016	5,084	1,955	782	7,821
Total Other Expenses	<u>171,199</u>	<u>171,199</u>	<u>85,604</u>	<u>428,002</u>	<u>81,843</u>	<u>14,108</u>	<u>523,953</u>
TOTAL EXPENSES, YEAR ENDED DECEMBER 31, 2016	<u>\$ 439,349</u>	<u>\$ 439,349</u>	<u>\$ 219,679</u>	<u>\$ 1,098,377</u>	<u>\$ 224,297</u>	<u>\$ 39,247</u>	<u>\$ 1,361,921</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 80,106	\$ (120,271)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	139,736	140,289
Loss on disposal of property and equipment	-	19,791
(Increase) decrease in operating assets		
Accounts receivable	(10,022)	7,709
Prepaid expenses	1,585	(2,218)
Unconditional promises to give	18,190	73,010
Increase (decrease) in operating liabilities		
Accounts payable	(5,028)	(2,453)
Accrued expenses and other liabilities	(1,417)	3,128
Deferred membership fees	989	362
Net Cash Provided by Operating Activities	224,139	119,347
 CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(99,390)	(44,852)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease (increase) in restricted cash	31,403	139,765
Advances on long-term debt	42,443	-
Payments on long-term debt	(13,133)	(229,713)
Net Cash Used by Financing Activities	60,713	(89,948)
 NET INCREASE (DECREASE) IN CASH	185,462	(15,453)
 CASH, BEGINNING OF YEAR	48,032	63,485
 CASH, END OF YEAR	\$ 233,494	\$ 48,032
 SUPPLEMENTAL DISCLOSURE		
Cash payments during the year for		
Interest	\$ 75	\$ 3,689

(The accompanying notes are an integral part of these financial statements.)

**YOUNG MEN’S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Young Men’s Christian Association of Fergus Falls, Minnesota’s (the YMCA) mission is to advance our cause of strengthening community through youth development, healthy living, and social responsibility. The YMCA is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation’s health and well-being, and providing opportunities to give back and support neighbors, the YMCA enables youth, adults, families, and communities to be healthy, confident, connected, and secure.

Program Activities:

Youth Development – Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills, and relationships that lead to positive behaviors, better health, and educational achievement. Our YMCA programs offer a range of experiences that enrich cognitive, social, physical, and emotional growth.

Healthy Living – Our YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health, and foster connections through fitness, sports, fun, and shared interests. As a result, people in our community are receiving the support, guidance, and resources they need to achieve greater health in spirit, mind, and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance, and individuals search for personal fulfillment.

Social Responsibility – Our YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community’s most critical social needs. YMCA programs deliver training, resources, and support that empower our neighbors to effect change, bridge gaps, and overcome obstacles. We engage YMCA members, participants, and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

As part of our mission, our programs are accessible, affordable, and open to all faiths, backgrounds, abilities, and income levels. We provide financial assistance to people who otherwise may not have been able to afford to participate.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The YMCA records resources for accounting and reporting purposes into three net asset categories: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets are not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the YMCA's mission.

Temporarily restricted net assets are subject to specific, donor-imposed restrictions that must be met by actions of the YMCA and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as releases from restriction. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted support.

Permanently restricted net assets are subject to donor-imposed restrictions requiring they be maintained permanently by the YMCA. Such net assets are normally restricted to long-term investments with income earned and appreciation available for specific and general YMCA purposes. The YMCA does not have any permanently restricted net assets as of December 31, 2017 or 2016.

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 disclosures of contingent matters at the date of the financial statements and the reported amounts or revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Membership dues and program fees are recognized as revenue ratably over the period of membership or the duration of the program.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Pledges

The YMCA records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The YMCA recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Contributed Services

The YMCA recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets, (b) require specialized skills, (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed. The YMCA did not receive any contributed services that meet these requirements for the years ended December 31, 2017 and 2016, respectively.

The YMCA receives services from a large number of volunteers who give significant amounts of their time to the programs of the YMCA. No amounts have been reflected for these types of donated services as there is no objective basis available to measure the value of such services.

Functional Allocation of Expenses

Expenses are charged directly to program, management, or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on full time equivalent expenses and facility square footage usages.

Advertising

The YMCA expenses advertising costs as incurred. Advertising costs for the years ended December 31, 2017 and 2016, were approximately \$11,052 and \$11,751, respectively.

Income Taxes

The YMCA has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense, however, there are no interest and penalties recognized in the statement of activities.

The YMCA's tax returns are subject to possible examination by taxing authorities. With few exceptions, tax returns essentially remain open for possible examination for a period of three years after the date the returns were filed.

Cash and Cash Equivalents

The YMCA considers all liquid investments with original maturities of three months or less to be cash equivalents.

Consideration of Credit Risk

The YMCA occasionally may maintain cash balances at financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The YMCA has not experienced any losses in such accounts. The YMCA monitors the financial stability of financial institutions regularly, and management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts.

Restricted Cash

Under agreements with donors, cash has been set aside and restricted for payment of debt and equipment purchases. Restricted cash is \$0 and \$31,403 as of December 31, 2017 and 2016, respectively.

Accounts Receivable

Accounts receivable consist primarily of receivables from program registrants. An allowance is determined by management based on historical collections, specific participants' circumstances, and economic conditions. Receivables are written off when management has exhausted collection efforts and deems the accounts uncollectible. The YMCA does not accrue interest on unpaid accounts receivable.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Investments in property and equipment are stated at cost less accumulated depreciation or at fair value, if donated. Buildings and building improvements are depreciated using the straight-line method over 10 to 66 years based upon useful lives. Equipment and furniture are depreciated using the straight-line method over 5 to 20 years. Only major replacements and improvements with a cost in excess of \$1,000 are capitalized and included in property and equipment. When property and equipment is sold or retired, any resulting gain or loss is reflected in current operations.

Impairment of Long-lived Assets

The carrying-value of the YMCA's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The YMCA considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value.

Deferred Revenue

Membership dues and program fees that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which they apply.

**YOUNG MEN’S CHRISTIAN ASSOCIATION
OF FERGUS FALLS, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017 and 2016**

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *“Presentation of Financial Statements of Not-for-Profit Entities” (Topic 958)*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations and restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct internal investment expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for the Organization for the year ended December 31, 2018. The Organization is currently evaluating the effect the provisions of ASU 2016-14 will have on the financial statements.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The presentation of debt issuance costs has been simplified as required by ASU 2015-03 and is presented as a direct deduction of the carrying amount of the debt.

Subsequent Events Consideration

Management has performed an analysis of the activities and transactions subsequent to December 31, 2017, to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended December 31, 2017. Management has performed their analysis through July 16 2018, the date on which the financial statements were available to be issued.

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OF FERGUS FALLS, MINNESOTA
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NOTE 2 – PROPERTY AND EQUIPMENT

The cost of property and equipment as of December 31 consists of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 53,616	\$ 53,616
Buildings	4,808,249	4,782,777
Equipment and furniture	228,671	197,197
Construction in progress	42,443	-
	<u>5,132,979</u>	<u>5,033,590</u>
Accumulated depreciation	<u>(2,722,560)</u>	<u>(2,582,825)</u>
TOTAL, NET	<u><u>\$2,410,419</u></u>	<u><u>\$2,450,765</u></u>

Depreciation expense on property and equipment was \$139,736 and \$140,289 for the years ended December 31, 2017 and 2016, respectively.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give represent amounts due from donors for multiyear unconditional pledges. Payments on the pledges are expected to be received as follows:

Amounts due in:	
Less than one year	\$ 18,100
One to five years	<u>16,200</u>
TOTAL	<u><u>\$ 34,300</u></u>

NOTE 4 – LINE OF CREDIT

The YMCA has a line of credit with Security State Bank for \$150,000. It is available for working capital purposes. The line is on demand and accrues interest at 4.75%. It is secured by the real estate of the YMCA. Interest is payable monthly. The line of credit is available through January 15, 2019. The line of credit balance was \$0 at December 31, 2017 and 2016, respectively.

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NOTE 5 – LEASES

The YMCA leases various pieces of equipment under operating lease agreements which expire on various dates. The YMCA also leases office equipment on a month-to-month basis. Rent expense was \$57,082 and \$58,053 for the years ended December 31, 2017 and 2016, respectively. A new lease was signed in January 2017 for a period of three years with monthly payments of \$4,475.

The future minimum operating lease payments for the years ending December 31 are as follows:

2018	\$ 55,672
2019	<u>53,698</u>
TOTAL FUTURE MINIMUM OPERATING LEASE PAYMENTS	<u><u>\$ 109,370</u></u>

NOTE 6 – NOTE PAYABLE

Note payable as of December 31 consists of the following:

	<u>2017</u>	<u>2016</u>
Security State Bank	\$ -	\$ 13,133
City of Fergus Falls	<u>42,443</u>	<u>-</u>
TOTAL	<u><u>\$ 42,443</u></u>	<u><u>\$ 13,133</u></u>

The note payable to Security State Bank is secured by real estate. Monthly interest payments are required through July 15, 2018, at a fixed interest rate of 5.16%. The balance remaining on the note payable was \$0 and \$13,133, net of unamortized loan costs, at December 31, 2017 and 2016, respectively. The estimate of unamortized loan costs was re-evaluated during 2016 because of the accelerated payments on the remaining note balance. The note payable was paid in full on January 5, 2017.

The note payable to City of Fergus Falls is unsecured. Monthly payments in the amount of \$627 are required through January 1, 2024 (maturity date) at a fixed interest rate of 2.0%. The balance remaining on the note payable was \$42,443 and \$0 at December 31, 2017 and 2016, respectively.

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NOTE 7 – EMPLOYEE BENEFIT PLAN

The YMCA participates in the YMCA's Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and the YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both plans are sponsored by the Young Men's Christian Association Retirement Fund. The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The Plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with our agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA. Total contributions charged to retirement costs aggregated \$23,867 and \$17,876 for the years ended December 31, 2017 and 2016, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employee's salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution to this plan.

Eligible employees must meet the following requirements:

1. Two years of employment with the YMCA,
2. Work at least 1,000 hours per year, and
3. Attain the age of 21 by the end of the entrance year.

All employees hired before July 1, 1989, are enrolled under the rules in effect at their entrance date. The payroll for employees covered by the Retirement Fund was \$381,568 and \$301,863 for the years ended December 31, 2017 and 2016, respectively. The YMCA's total payroll was \$677,271 and \$696,096 for the years ended December 31, 2017 and 2016, respectively.

Covered employees contribute fixed percentages of their gross earnings to the pension plan. The current contribution rates for the plan are: employee 5%; employer 7%.

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NOTE 8 – CONTINGENCIES AND COMMITMENTS

The YMCA receives fees from local city and school governments for services performed under contracts. Such contracts are subject to governmental compliance audits and may, from time to time, result in adjustments to fees. The YMCA has not had any significant disallowance of financial awards in the past, and management expects such amounts, if any, to be immaterial.

In the normal course of business, various legal actions and claims may be instituted or asserted in the future against the YMCA. Management believes that the YMCA does not have any significant claims or other litigation which the ultimate resolution would have a material financial impact.

NOTE 9 – RELATED PARTIES

Members of the YMCA's Board of Directors are also officers of contributors that have contributed \$9,800 and \$14,000 for the years ended December 31, 2017 and 2016, respectively.

Unconditional promises to give from related parties were \$16,800 and \$22,400 for the years ended December 31, 2017 and 2016, respectively.

Dues paid to the YMCA of the USA were \$21,275 and \$24,240 for the years ended December 31, 2017 and 2016, respectively. Fees paid to the YMCA of Minnesota were \$688 and \$688 for the years ended December 31, 2017 and 2016, respectively.

NOTE 10 – FINANCIAL ASSISTANCE PROVIDED

The YMCA provides financial assistance, through contributions and other fundraising, to help defray the costs of membership and program fees for individuals with need. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were \$100,625 and \$101,053 for the years ended December 31, 2017 and 2016, respectively.

NOTE 11 – RESTRICTION ON NET ASSETS

Temporary restricted net assets are available for debt reduction and facility renewal of \$159,040 and \$83,893 at December 31, 2017 and 2016, respectively.