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# MAKING IT COUNT

**YMCA of Northwest North Carolina  
2017 Financial Statements and Report of  
Independent Certified Public Accountants**



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Board of Directors  
Young Men's Christian Association of Northwest North Carolina  
Winston-Salem, North Carolina

## INDEPENDENT AUDITORS' REPORT

### ***Report on Financial Statements***

We have audited the accompanying financial statements of Young Men's Christian Association of Northwest North Carolina (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Northwest North Carolina as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

## ***Report on Summarized Comparative Information***

We have previously audited the financial statements of Young Men's Christian Association of Northwest North Carolina as of December 31, 2016, and we expressed an unmodified audit opinion on those financial statements in our report dated May 31, 2017. In our opinion the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Matters- Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal and state awards on page 25, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and by the Office of the State Auditor, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018 on our consideration of Young Men's Christian Association of Northwest North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Young Men's Christian Association of Northwest North Carolina's internal control over financial reporting and compliance.

*Butler & Burke LLP*

Winston-Salem, North Carolina  
June 5, 2018

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,840,148	\$ 7,915,342
Certificates of deposit	23,564	23,454
Marketable securities	2,399,909	2,168,047
Capital campaign pledges receivable, net	786,769	386,692
United Way pledge receivable	180,960	239,346
Refundable sales tax receivable	139,929	262,191
Other accounts receivable	557,228	644,836
Prepaid expenses	400,355	340,103
Property and equipment, net	<u>36,994,744</u>	<u>37,109,638</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 49,323,606</u></b>	<b><u>\$ 49,089,649</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable – trade	\$ 908,620	\$ 883,082
Accrued payroll	778,717	708,062
Deferred membership/program revenues	1,101,198	1,117,759
Refundable advances	144,745	98,078
Other liabilities	330,730	330,059
Bonds and notes payable, net	<u>9,587,199</u>	<u>11,000,460</u>
<b><u>Total Liabilities</u></b>	<b><u>12,851,209</u></b>	<b><u>14,137,500</u></b>
<b>Net Assets</b>		
Unrestricted	32,580,013	31,762,875
Temporarily restricted	2,434,092	1,864,569
Permanently restricted	<u>1,458,292</u>	<u>1,324,705</u>
<b><u>Total Net Assets</u></b>	<b><u>36,472,397</u></b>	<b><u>34,952,149</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 49,323,606</u></b>	<b><u>\$ 49,089,649</u></b>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2017 with Comparative Totals for 2016**

	Temporarily			Total	
	Unrestricted	Restricted	Permanently Restricted	2017	2016
Public support					
United Way allocations	\$ 419,603	\$ 180,960	\$ -	\$ 600,563	\$ 654,668
Contributions and grants	<u>3,428,648</u>	<u>1,317,411</u>	<u>33,587</u>	<u>4,779,646</u>	<u>4,101,974</u>
<u>Total Public Support</u>	<u>3,848,251</u>	<u>1,498,371</u>	<u>33,587</u>	<u>5,380,209</u>	<u>4,756,642</u>
Revenue					
Membership dues	19,231,076	-	-	19,231,076	18,677,450
Program service fees	8,436,481	-	-	8,436,481	8,549,214
Gain on disposal of assets	2,150	-	-	2,150	1,641,837
Casualty gain	248,387	-	-	248,387	-
Investment income	290,583	2,916	-	293,499	132,897
Special events, net	222,602	-	-	222,602	207,754
Sales to public, net	50,056	-	-	50,056	58,771
<u>Total Revenue</u>	<u>28,481,335</u>	<u>2,916</u>	<u>-</u>	<u>28,484,251</u>	<u>29,267,923</u>
Net Assets Released From Restrictions	831,764	(831,764)	-	-	-
<u>Total Support and Revenue</u>	<u>33,161,350</u>	<u>669,523</u>	<u>33,587</u>	<u>33,864,460</u>	<u>34,024,565</u>
Expenses					
Program services	28,073,010	-	-	28,073,010	27,528,634
Management and general	3,282,220	-	-	3,282,220	3,186,430
Fundraising	988,982	-	-	988,982	956,846
<u>Total Expenses</u>	<u>32,344,212</u>	<u>-</u>	<u>-</u>	<u>32,344,212</u>	<u>31,671,910</u>
Change in Net Assets before Transfers	817,138	669,523	33,587	1,520,248	2,352,655
Transfers	-	(100,000)	100,000	-	-
Change in Net Assets	817,138	569,523	133,587	1,520,248	2,352,655
Net Assets at Beginning of Year	<u>31,762,875</u>	<u>1,864,569</u>	<u>1,324,705</u>	<u>34,952,149</u>	<u>32,599,494</u>
Net Assets at End of Year	<u>\$ 32,580,013</u>	<u>\$ 2,434,092</u>	<u>\$ 1,458,292</u>	<u>\$ 36,472,397</u>	<u>\$34,952,149</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2017 with Comparative Totals for 2016**

	Program Services							Supporting Services			Total		
	Youth Development				Total Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Supporting Services	2017	2016
	Child Care	Education & Leadership	Swim, Sports & Play	Camp									
Salaries	\$ 1,916,510	\$ 749,550	\$ 1,192,154	\$ 941,332	\$ 4,799,546	\$ 7,173,341	\$ 252,987	\$ 12,225,874	\$ 1,725,528	\$ 614,904	\$ 2,340,432	\$ 14,566,306	\$ 14,417,550
Employee health and retirement benefits	150,808	54,734	180,462	89,019	475,023	1,081,469	43,089	1,599,581	367,532	77,901	445,433	2,045,014	1,949,238
Payroll taxes	170,081	64,355	99,895	79,247	413,578	613,672	21,764	1,049,014	119,502	31,151	150,653	1,199,667	1,191,233
Total salaries and related expenses	2,237,399	868,639	1,472,511	1,109,598	5,688,147	8,868,482	317,840	14,874,469	2,212,562	723,956	2,936,518	17,810,987	17,558,021
Professional fees and contract services	9,560	21,982	115,387	42,786	189,715	275,929	8,362	474,006	475,873	29,451	505,324	979,330	1,229,487
Office services - supplies, telephone, postage	267,731	107,938	168,947	538,618	1,083,234	768,332	32,556	1,884,122	105,995	65,643	171,638	2,055,760	2,083,175
Occupancy, equipment expense and maintenance	577,075	85,107	541,722	601,153	1,805,057	4,832,077	181,197	6,818,331	68,368	4,247	72,615	6,890,946	6,373,200
Information technology	34,105	7,228	34,311	40,455	116,099	343,869	12,260	472,228	246,600	32,563	279,163	751,391	654,458
Marketing	28,913	4,055	27,166	34,569	94,703	220,326	8,001	323,030	-	77,247	77,247	400,277	408,158
Travel and transportation expense	67,704	21,626	35,475	37,796	162,601	72,503	3,332	238,436	45,812	26,385	72,197	310,633	306,968
Conferences, meetings and training	5,551	2,817	6,751	6,302	21,421	78,839	3,017	103,277	44,447	9,458	53,905	157,182	140,242
National and world support	34,071	12,234	30,114	25,386	101,805	278,487	33,373	413,665	6,857	-	6,857	420,522	402,587
Interest and bond fees	27,730	5,053	23,240	28,081	84,104	230,767	9,968	324,839	-	-	-	324,839	356,563
Insurance	13,652	2,228	7,723	15,793	39,396	76,298	3,283	118,977	13,059	1,530	14,589	133,566	141,152
Miscellaneous	1,722	48,114	1,581	1,744	53,161	14,759	619	68,539	37,455	9,524	46,979	115,518	73,942
	3,305,213	1,187,021	2,464,928	2,482,281	9,439,443	16,060,668	613,808	26,113,919	3,257,028	980,004	4,237,032	30,350,951	29,727,953
Depreciation	167,240	30,473	140,162	169,353	507,228	1,391,744	60,119	1,959,091	25,192	8,978	34,170	1,993,261	1,943,957
Total expenses	\$ 3,472,453	\$ 1,217,494	\$ 2,605,090	\$ 2,651,634	\$ 9,946,671	\$ 17,452,412	\$ 673,927	\$ 28,073,010	\$ 3,282,220	\$ 988,982	\$ 4,271,202	\$ 32,344,212	\$ 31,671,910

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Cash Received From:		
Donors and grantors	\$ 4,301,441	\$ 4,857,075
Member dues and fees	19,239,654	18,739,637
Program service fees	8,411,342	8,594,859
Other	272,658	266,525
Casualty gain	248,387	-
Interest received	100,931	74,351
Cash paid to employees and suppliers	(29,867,238)	(28,769,588)
Interest paid	(310,414)	(342,139)
Contributions restricted for endowment	(33,587)	(34,780)
<u>Net Cash Provided by Operating Activities</u>	<u>2,363,174</u>	<u>3,385,940</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	2,150	2,022,288
Purchase of property and equipment	(1,878,367)	(1,605,453)
Redemption (purchase) of certificates of deposit	(110)	(110)
Net investment purchases	(39,294)	(132,653)
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(1,915,621)</u>	<u>284,072</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from bonds payable	-	1,129,166
Contributions received for capital additions	871,352	237,830
Payments on bonds and note payable	(1,427,686)	(1,319,994)
Contributions restricted for endowment	33,587	34,780
<u>Net Cash Provided by (Used in) Financing Activities</u>	<u>(522,747)</u>	<u>81,782</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(75,194)</b>	<b>3,751,794</b>
Cash and Cash Equivalents at Beginning of Year	<u>7,915,342</u>	<u>4,163,548</u>
Cash and Cash Equivalents at End of Year	<u>\$ 7,840,148</u>	<u>\$ 7,915,342</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 1,520,248	\$ 2,352,655
Adjustments		
Depreciation	1,993,261	1,943,957
Amortization of cost of bond issuance	14,425	14,425
Discount on capital campaign pledges receivable	1,626	5,174
Allowance for uncollectible pledges	45,982	6,844
Capital campaign contributions received	(871,352)	(237,830)
Contributions restricted for endowment	(33,587)	(34,780)
Gain on disposal of assets	(2,150)	(1,641,837)
Unrealized and realized gains on investments	(192,568)	(58,546)
(Increase) decrease in operating assets:		
Capital campaign pledges receivable	(447,685)	(55,664)
United Way pledge receivable	58,386	147,752
Refundable sales tax receivable	122,262	(23,024)
Other accounts receivable	87,608	232,281
Prepaid expenses	(60,252)	107,261
Increase (decrease) in operating liabilities:		
Accounts payable - trade	25,538	396,163
Accrued payroll	70,655	121,120
Deferred membership/program revenues	(16,561)	107,832
Refundable advances	46,667	1,876
Other liabilities	671	281
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 2,363,174</u>	<u>\$ 3,385,940</u>

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A: SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS

The **Young Men's Christian Association of Northwest North Carolina** (the "Association" or "YMCA") is a not-for-profit corporation organized under the laws of the state of North Carolina. The purpose of the Association is to help people reach their God-given potential in spirit, mind and body. The Association is comprised of thirteen facility branches, one non-facility child care branch, one non-facility sports branch, a resident camp, and an administrative office, serving Alexander, Davie, Forsyth, Iredell, Stokes, Wilkes and Yadkin counties.

The major accounting policies of the Association are summarized below to assist the reader in reviewing the Association's financial statements:

#### **Basis of Accounting**

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

#### **Classification of Net Assets**

Net assets of the Association are classified as unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets consist of assets, net of liabilities, related to the Association's regular activities, which are available at the discretion of the Board of Directors. Unrestricted amounts that are available for use in carrying out the mission of the Association include expendable resources, which have been designated for special use by the Board of Directors, and unexpendable resources invested in property and equipment.

Temporarily restricted net assets represent those amounts which are donor restricted for specific purposes. A donor's restriction is met when a stipulated time restriction ends or a special purpose restriction is accomplished. Temporarily restricted net assets received and consumed in the same period are reflected in unrestricted operating activities. Temporarily restricted net assets are transferred to unrestricted net assets as the net assets are released from restrictions.

Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds, which mandate that the principal be invested in perpetuity. The principal is reported as a permanently restricted net asset. Earnings, gains and losses on permanently restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

#### **Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits, time deposits, and investments in certificates of deposit with maturities of less than three months in banking institutions, and U.S. treasury bills.

#### **Investments**

Investments in marketable debt and equity securities are reported at fair value and both realized and unrealized gains and losses are reflected as changes in net assets in the statement of activities. Temporarily restricted gains and investment income whose restrictions are met in the same reporting period are classified as unrestricted revenues.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A: SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

#### **Capitalized Costs of Bond Issuance**

During 2014, the Series 2000 bond issuance through the North Carolina Capital Facilities Finance Agency was fully refunded with newly issued bonds through the Public Finance Authority (See Note F). The cost of issuance for the Series 2014 bonds was \$216,371. The accumulated amortization related to this issuance at December 31, 2017 and 2016 was \$54,093 and \$39,668, respectively. In accordance with GAAP, these bond issuance costs are netted against bonds payable in the accompanying statements of financial position.

#### **Property and Equipment**

Property and equipment are stated at cost unless donated. Donated property is stated at fair value as of the date of the gift. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Expenditures for maintenance and repairs, which do not improve or extend the life of an asset, are charged to expense as incurred. Major renewals and improvements are charged to the property accounts. Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from the property accounts and any gain or loss is recorded.

#### **Refundable Advances**

The Association records refundable advances when assets, such as cash or property, are advanced to the Association with the condition that these assets are to be returned to the donor if the stipulated restrictions are not met. Refundable advances are reported as revenue when the Association has complied with all donor restricted stipulations.

#### **Capital Campaign Pledges**

From time to time, the Association conducts capital campaigns for the purpose of raising funds primarily for the development or expansion of YMCA facilities. During 2016, a capital campaign was begun for the purpose of renovating the Statesville Family YMCA. During 2017, a capital campaign was begun for the purpose of repairing, renovating and upgrading facilities at YMCA Camp Hanes that were damaged by a tornado in May 2017.

Pledges and contributions are recorded as temporarily restricted support when received or recorded as unrestricted support when received and consumed in the same period.

#### **Contributed Support and Pledges Receivable**

Unconditional promises received are recognized as pledges receivable and revenue of the appropriate net asset category. Pledges receivable are recorded at the present value of the estimated future cash flows. The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A: SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

#### **Contributed Support and Pledges Receivable (Continued)**

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-term assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association records expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### **Allowance for Uncollectible Pledges**

The policy of the Association is to provide allowances for uncollectible pledges receivable based on a periodic evaluation of the aging of the receivables. Bad debt expense is charged against temporarily restricted revenues in the period estimated uncollectible pledges receivable are charged to the allowance account. Specific pledges receivable are written off when deemed to be uncollectible and are removed from both the receivable and allowance accounts.

#### **Membership Revenues**

The Association recognizes membership revenues pro rata on a daily basis over the life of the membership contracts. Unearned membership receipts are recognized as deferred membership revenues in the accompanying statements of financial position.

#### **Retirement Plan**

The Association participates in the Young Men's Christian Association of Northwest North Carolina Retirement Fund, which is a defined contribution retirement plan for eligible employees. It is the policy of the Association to fund retirement costs as they accrue. The vested interests of employees are measured by the current value of their contributions and the Association's contributions on their behalf, based on length of service (Note I).

#### **Advertising**

The costs of advertising and marketing programs are expensed as incurred. During 2017 and 2016, these expenses were \$424,167 and \$432,874, respectively.

#### **Financial Assistance**

The Association provides financial assistance to qualifying individuals for memberships and program fees. Membership and program fees revenue have been reported net of any applicable discounts.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A: SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

#### **Estimates and Assumptions**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

#### **Functional Expenses**

The Association allocates its expenses on a functional basis among its various programs. Employee salaries, payroll taxes and benefits are allocated between programs and supporting services on the basis of actual or estimated time devoted to these activities. Other expenses have been allocated based on program revenue or other bases, as determined by management. Although the methods of allocation used are considered reasonable and appropriate, other methods could be used that would produce different results.

#### **Income Taxes**

The Association is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Association's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Association has no uncertain tax positions that would be subject to change upon examination.

The Association is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Association is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds \$1,000. The Association's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

#### **Fair Value Measurements**

The Financial Accounting Standards Board has issued authoritative guidance regarding fair value measurements, which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP") and expands disclosures about fair value measurements. Fair value, as defined under GAAP, is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. See Note M for assets and liabilities of the Association measured at fair value on a recurring basis.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A: SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF BUSINESS (CONTINUED)

#### Donated Services

The Association recognizes revenue from donated services that create or enhance non-financial assets or require specialized skills. The recognized value of these services is based on rates commensurate with the type of services performed. Additionally, the Association receives a significant amount of skilled contributed time which does not meet the recognition criteria. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements (Note K).

#### Subsequent Events

The Association has evaluated its subsequent events (events occurring after December 31, 2017) through the date of this report, which represents the date the financial statements were available to be issued, and determined that all significant events and disclosures are included in the financial statements.

#### Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

### NOTE B: CONCENTRATION OF CREDIT RISK

As of December 31, 2017 and 2016, the Association maintained deposits in federally insured financial institutions in excess of federally insured limits. The risk is managed by maintaining all funds in high-quality financial institutions.

The Association receives a significant amount of its public support from the United Way. As the amounts of these contributions can vary by year based on the United Way's fund raising efforts, the Association could be adversely affected by a significant decrease in this funding. During 2017 and 2016, the Association recorded unrestricted and restricted contribution revenue from the United Way of \$600,563 and \$654,668 respectively, of which \$180,960 and \$239,346 was outstanding and included as allocations receivable as of December 31, 2017 and 2016, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE C: MARKETABLE SECURITIES**

	<u>2017</u>	<u>2016</u>
Money market	\$ 140,826	\$ 230,050
Mutual funds	2,149,454	1,834,301
Beneficial interest in assets held by others	<u>109,629</u>	<u>103,696</u>
	<u>\$ 2,399,909</u>	<u>\$ 2,168,047</u>

Investment income for the years ended December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest	\$ 15,964	\$ 13,880
Dividends	84,967	60,471
Realized gains (losses)	(6,494)	16,695
Unrealized gains	<u>199,062</u>	<u>41,851</u>
	<u>\$ 293,499</u>	<u>\$ 132,897</u>

Investment expenses were \$25,641 and \$23,054 for the years ended December 31, 2017 and 2016, respectively.

**NOTE D: PLEDGES RECEIVABLE**

	<u>2017</u>	<u>2016</u>
Due in:		
Less than one year	\$ 634,196	\$ 154,535
One to five years	<u>252,436</u>	<u>284,413</u>
	<b>886,632</b>	438,948
Less allowance for uncollectible pledges	<b>(87,204)</b>	(41,222)
Less discount of 2.89% on pledges	<u>(12,659)</u>	<u>(11,034)</u>
Net pledges receivable	<u>\$ 786,769</u>	<u>\$ 386,692</u>

United Way allocations receivable are restricted for periods after December 31, 2017 and 2016, and are expected to be collected in less than one year.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE E: PROPERTY AND EQUIPMENT**

	<u>2017</u>	<u>2016</u>
Construction-in-process	\$ 913,216	\$ 137,916
Land and land improvements	9,581,135	9,560,579
Land held for sale	160,000	160,000
Building and building improvements	56,148,882	55,539,592
Furnishings and equipment	6,030,948	5,649,723
Leasehold improvements	1,766,910	1,766,910
Vehicles	<u>291,885</u>	<u>335,622</u>
	<u>74,892,976</u>	<u>73,150,342</u>
Accumulated depreciation	<u>(37,898,232)</u>	<u>(36,040,704)</u>
	<u>\$ 36,994,744</u>	<u>\$ 37,109,638</u>

Depreciation expense for the years ended December 31, 2017 and 2016 was \$1,993,261 and \$1,943,957, respectively.

**NOTE F: BONDS AND NOTES PAYABLE**

A summary of bonds and notes payable consist of the following as of December 31, 2017 and 2016, respectively:

	<u>2017</u>	<u>2016</u>
2.27% fixed rate 15 year tax exempt Recreational Facilities Refunding Bonds through Public Finance Authority of Wisconsin for refinancing of NCCFFA bonds (above); total issuance for Series 2014-A bonds was \$3,000,000; secured by facilities in Forsyth County and matures April 1, 2021 (7 year maturity); interest due monthly and principal payments due semi-annually on April 1 and October 1	\$ 1,600,000	\$ 2,000,000
2.71% fixed rate 15 year tax exempt Recreational Facilities Refunding Bonds through Public Finance Authority of Wisconsin for refinancing of NCCFFA bonds (above); total issuance for Series 2014-B bonds was \$5,000,000; secured by facilities in Forsyth County and matures April 1, 2024 (10 year maturity); interest due monthly and principal payments due semi-annually on April 1 and October 1	3,250,000	3,750,000
3.23% fixed rate 15 year tax exempt Recreational Facilities Refunding and Revenue Bonds through Public Finance Authority of Wisconsin for refinancing of NCCFFA bonds (above) and notes payable and to pay certain costs incurred in relation to the issuance of the bonds; total issuance for Series 2014-C bonds was \$2,346,744; secured by facilities in Forsyth County and matures April 1, 2029 (15 year maturity); interest due monthly and principal payments due semi-annually on April 1 and October 1	1,799,169	1,955,619

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE F: BONDS AND NOTES PAYABLE (CONTINUED)**

	<u>2017</u>	<u>2016</u>
3.23% fixed rate 15 year tax exempt draw-down Recreational Facilities Revenue Bonds through Public Finance Authority of Wisconsin for capital improvements of facilities in Alexander, Davie, Forsyth, Stokes, Wilkes and Yadkin Counties to be completed by 2017; total available through the issuance for Series 2014-D bonds is \$2,800,000; secured by facilities in Forsyth County and matures April 1, 2029 (15 year maturity); interest payments due monthly and principal payments due semi-annually on April 1 and October 1 commencing October 1, 2017	<b>2,476,924</b>	2,692,308
3.34% fixed rate 7 year note payable to financial institution for the refinancing of notes payable and a revolving line of credit; total borrowed was \$1,168,866 with interest due monthly and principal payments due semi-annually on April 1 and October 1; matures April 1, 2021	<b>623,384</b>	779,236
4.75% fixed rate 15 year taxable draw-down note payable to financial institution is available to the Association for various unidentified capital projects; secured by facilities in Forsyth County; total available through April 1, 2021 is \$2,684,390 with interest due monthly following first draw on the note and principal payments due semi-annually on April 1 and October 1; matures April 1, 2029	-	-
Unsecured variable rate revolving line of credit with a local financial institution for maximum borrowings of \$2,000,000; interest calculated on 30-day LIBOR plus 1.25% and due monthly; matures July 1, 2018	-	-
	<b>9,749,477</b>	11,177,163
Less: unamortized bond issuance cost	<u><b>(162,278)</b></u>	<u>(176,703)</u>
Bonds and notes payable, net	<u><b>\$ 9,587,199</b></u>	<u>\$ 11,000,460</u>

The tax exempt bonds and taxable note described above are secured by the Jerry Long Family YMCA, William G. White Jr. Family YMCA, the Kernersville Family YMCA, and the Winston Lake Family YMCA. Various restrictive covenants existed for the outstanding bond issue. The Association was in compliance of these covenants at both December 31, 2017 and 2016.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS**

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**NOTE F: BONDS AND NOTES PAYABLE (CONTINUED)**

Annual maturities of long-term debt are as follows at each December 31:

2018	\$ 983,094
2019	983,094
2020	983,094
2021	1,783,094
2022	783,095
Thereafter	<u>4,234,006</u>
	<u>\$ 9,749,477</u>

Interest paid was \$310,821 and \$338,759 for the years ended December 31, 2017 and 2016, respectively. Interest expense was \$307,390 and \$338,768 for the years ended December 31, 2017 and 2016, respectively.

**NOTE G: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	<u>2017</u>	<u>2016</u>
Restricted for capital campaigns and/or endowment	\$ 2,194,746	\$ 1,576,249
For periods after December 31, 2017	239,346	-
For periods after December 31, 2016	<u>-</u>	<u>288,320</u>
	<u>\$ 2,434,092</u>	<u>\$ 1,864,569</u>

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE H: PUBLIC SUPPORT FROM FUND RAISING EFFORTS

Fund raising activities of the Association primarily consist of personal contacts by Association staff with members, program participants, corporations, public entities and other "friends of the YMCA." Association personnel and volunteers make direct requests asking donors to complete pledge cards for their gifts. Fund raising efforts also include grant requests to corporations, foundations, and governmental agencies.

The results of fund raising efforts for 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Public support from annual fundraising efforts	\$ 2,304,947	\$ 2,185,621
Public support from capital campaign fundraising efforts	1,317,411	188,320
Public support from endowment gifts	33,587	134,780
Indirect public support from fundraising efforts	600,563	654,668
Corporate and foundation grants from fundraising efforts	434,967	481,767
Government grants from fundraising efforts	688,669	1,111,136
Bequests and memorials	65	350
	<u>5,380,209</u>	<u>4,756,642</u>
Direct cost of fundraising efforts	(980,004)	(951,295)
Indirect cost of fundraising efforts	(8,978)	(5,551)
Total cost of fundraising efforts	<u>(988,982)</u>	<u>(956,846)</u>
Net revenue from fundraising efforts	<u>\$ 4,391,227</u>	<u>\$ 3,799,796</u>
Direct uses of revenues from fundraising efforts supplemented the following:		
Financial assistance for membership	\$ 1,218,406	\$ 1,161,641
Financial assistance for programs	<u>985,860</u>	<u>1,034,668</u>
Total direct financial assistance awarded	<u>\$ 2,204,266</u>	<u>\$ 2,196,309</u>

Other indirect uses of revenues from fundraising efforts include free and subsidized programs.

### NOTE I: RETIREMENT PLAN EXPENSE

The Association participates in a defined contribution, individual account, money purchase retirement plan administered by Young Men's Christian Association of Northwest North Carolina Retirement Fund (the "Retirement Fund"), (a separate corporation). This plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements.

In accordance with the agreement with the Retirement Fund, employee and employer contributions are a percentage of the participating employee's salary and are withheld (employee portion) and paid (employer portion) by the YMCA and remitted to the Retirement Fund following each payroll period. Employer contributions were 12% of participating employees' salaries for 2017 and 2016. Total Association contributions charged to retirement costs were \$879,403 and \$843,471 for 2017 and 2016, respectively.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE I: RETIREMENT PLAN EXPENSE (CONTINUED)

The Young Men's Christian Association of Northwest North Carolina Retirement Fund is operated as a church pension plan and is a nonprofit, tax exempt, New York state corporation. Participation is available to all duly organized and reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

### NOTE J: COMMITMENTS

The Association has non-cancellable operating leases for rental space and certain office, cardiovascular and environmental equipment.

The following is a schedule of future minimum lease payments as of December 31, 2017:

2018	\$ 2,066,994
2019	1,467,941
2020	1,071,710
2021	359,155
2022	65,150
Thereafter	<u>110,000</u>
	<u>\$ 5,140,950</u>

Rent expense for 2017 and 2016 was \$2,145,226 and \$1,976,992, respectively.

### NOTE K: VALUE OF DONATED SERVICES

During 2017, management estimated that volunteers donated 27,763 (unaudited) hours to the Association, serving as coaches, referees, directors and fundraisers. No amounts have been recorded in the financial statements with respect to these contributed services.

### NOTE L: CONTINGENCIES

Through December 31, 2015, the Association maintained a self-insured plan for its employees' group health and dental insurance programs. The plan was managed by a third party administrator. The Association's contingent liability was limited by individual and aggregate stop-loss provisions in an insurance contract, whereby losses exceeding specified amounts are paid by an insurance company. As of January 1, 2016, the Association participates in the Y-Benefits program offered and administered by YMCA of the USA. Coverage is paid for monthly based on an agreed upon per employee, per month charge.

The Association maintains a reserve for the payment of claims incurred but not yet reported as of each year end. This reserve balance was \$236,760 as of December 31, 2017 and 2016.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### NOTE M: FAIR VALUE MEASUREMENTS

Prices for equity and fixed income marketable securities, which are readily available in the active markets in which those securities are traded, and transacted values for money market mutual funds are categorized as Level 1.

Equity and fixed income funds within the beneficial interest in assets held by the Winston-Salem Foundation (the Foundation) endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Foundation, the Association has irrevocably assigned the monies to the Foundation and is only able to redeem accumulated income that the Foundation has transferred to the grantable funds account within the endowments. Therefore, the Association considers the measurement of its beneficial interest in assets held by the Foundation to be a Level 3 measurement within the fair value hierarchy.

The following tables set forth by level within the fair value hierarchy the Association's assets and liabilities accounted for at fair value on a recurring basis as of December 31, 2017 and 2016. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Marketable securities</b>								
<b>Money Market and Short-Term</b>								
Reserve Funds	\$ 140,826	-	-	\$ 140,826	\$ 230,050	-	-	\$ 230,050
<b>Mutual funds</b>								
Bond funds	\$ 653,394	\$ -	\$ -	\$ 653,394	\$ 599,971	\$ -	\$ -	\$ 599,971
Equity funds	1,106,921	-	-	1,106,921	863,701	-	-	863,701
Complimentary strategy funds	189,982	-	-	189,982	201,938	-	-	201,938
Real asset funds	199,157	-	-	199,157	168,691	-	-	168,691
	<u>2,149,454</u>	<u>-</u>	<u>-</u>	<u>2,149,454</u>	<u>1,834,301</u>	<u>-</u>	<u>-</u>	<u>1,834,301</u>
<b>Beneficial Interest in Assets</b>								
Held by Others	-	-	109,629	109,629	-	-	103,696	103,696
<b>Total assets at fair value</b>	<u>\$ 2,290,280</u>	<u>\$ -</u>	<u>\$ 109,629</u>	<u>\$ 2,399,909</u>	<u>\$ 2,064,351</u>	<u>\$ -</u>	<u>\$ 103,696</u>	<u>\$ 2,168,047</u>

The determination of fair value above incorporates various factors including the credit standing of the counterparties involved and the impact of credit enhancements.

## YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA NOTES TO FINANCIAL STATEMENTS

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### NOTE M: FAIR VALUE MEASUREMENTS (CONTINUED)

The following table illustrates the activity of Level 3 assets during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fair value, beginning of year	\$ 103,696	\$ 104,635
Unrealized gains	11,139	4,911
Purchases (sales)	<u>(5,206)</u>	<u>(5,850)</u>
Fair value, end of year	<u>\$ 109,629</u>	<u>\$ 103,696</u>

There were no changes during the years ended December 31, 2017 and 2016 to the Association's valuation techniques used to measure asset and liability fair values on a recurring basis.

Disclosures about the fair value of all financial instruments, whether or not recognized, for financial statement purposes are required under U.S. generally accepted accounting principles. Disclosures about the fair value of financial instruments are based on pertinent information available to management as of December 31, 2017. Accordingly, the estimates presented in these financial statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments.

Management estimates that the fair values of notes receivable, United Way pledge receivable, refundable sales tax receivable, other receivables, payables, and accrued expenses approximate their carrying values due to the short maturity of these instruments. The fair value of long-term debt approximates carrying values since these instruments either bear interest at variable rates based on current market interest rates or at fixed rates which approximate current market interest rates.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE N: ENDOWMENT

The Association's endowment consists of funds established for various purposes in accordance with donor restrictions. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

On March 19, 2009, North Carolina enacted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA); which in the absence of explicit donor restrictions, allows spending of the corpus of certain donor-restricted and board-designated endowments, so long as it is necessary for the continuing operation of the entity and is managed in a responsible and prudent manner. However, it is the Association's policy to maintain any original corpus that was permanently restricted by the donor and to recognize any other donor restrictions related to endowment gifts, such as restrictions on earnings. As a result, the Association classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment.

The investment returns and any appreciation or depreciation of the endowment assets are classified as temporarily restricted net assets.

#### *Endowment Net Asset Composition by Type of Fund as of December 31, 2017 and 2016:*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b><u>2017</u></b>				
Donor-restricted endowment funds	\$ -	\$ 2,267	\$ 1,458,292	\$ 1,460,559
Board-designated endowment funds	968,386	-	-	\$ 968,386
	<u>\$ 968,386</u>	<u>\$ 2,267</u>	<u>\$ 1,458,292</u>	<u>\$ 2,428,945</u>
<b><u>2016</u></b>				
Donor-restricted endowment funds	\$ -	\$ 101,645	\$ 1,324,705	\$ 1,426,350
Board-designated endowment funds	732,778	-	-	\$ 732,778
	<u>\$ 732,778</u>	<u>\$ 101,645</u>	<u>\$ 1,324,705</u>	<u>\$ 2,159,128</u>

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

### NOTE N: ENDOWMENT (CONTINUED)

#### *Changes in Endowment Net Assets for the Years Ended December 31, 2017 and 2016:*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>2017</b>				
Endowment net assets, beginning of year	\$ 732,778	\$ 101,645	\$ 1,324,705	\$ 2,159,128
Contributions	65	-	33,587	33,652
Interest and dividend income, net	83,651	2,267	-	85,918
Realized and unrealized gains	166,927	-	-	166,927
Amounts appropriated for expenditure	(15,035)	(1,645)	-	(16,680)
Transfers	-	(100,000)	100,000	-
Endowment net assets, end of year	<u>\$ 968,386</u>	<u>\$ 2,267</u>	<u>\$ 1,458,292</u>	<u>\$ 2,428,945</u>
<b>2016</b>				
Endowment net assets, beginning of year	\$ 646,888	\$ 902	\$ 1,289,925	\$ 1,937,715
Contributions	350	100,000	34,780	135,130
Interest and dividend income, net	50,048	10,564	-	60,612
Realized and unrealized gains	35,492	-	-	35,492
Amounts appropriated for expenditure	-	(9,821)	-	(9,821)
Endowment net assets, end of year	<u>\$ 732,778</u>	<u>\$ 101,645</u>	<u>\$ 1,324,705</u>	<u>\$ 2,159,128</u>

#### ***Funds with Deficiencies***

From time to time, the fair market value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Association to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2017 or 2016.

#### ***Return Objectives and Risk Parameters***

The Association has adopted investment policies for the long term endowment assets that attempt to provide an acceptable level of earnings while seeking to maintain the corpus of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment portfolio is invested with an investment policy target of 39% in fixed income and cash equivalents, 37% in equity securities, 12% in real assets, and 12% in hedge funds. The ranges around the targets for the broad categories of asset classes are plus or minus 10%.

Because market timing has historically impaired the ability of portfolios to perform over a long period, the funds deemed long term investments are invested within the guideline ranges at all times. The Association's goal is that these investments shall be able to achieve an average annual rate of return that meets or exceeds the weighted average of the S&P 500 Index and the Barclays Capital Aggregate Index with a 60% and 40% weighting, respectively.

# YOUNG MEN'S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS

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### NOTE N: ENDOWMENT (CONTINUED)

#### *Strategies Employed for Achieving Objectives*

The Association's strategy is to maximize the total return of the Endowment funds consistent with prudent levels of risk by preserving and protecting the purchasing power of the Endowment assets and earning a total return for each fund appropriate to each fund's duration, liquidity needs and risk tolerance. The total return should exceed the inflation rate plus the spending rate.

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

The endowment fund ("the Fund") is composed of gifts, bequests and charitable remainder trusts contributed to the YMCA of Northwest North Carolina ("YMCA"). The Fund is made up of both donor-designated gifts and board-designated gifts and the accumulated earnings on them. The intention is that, aside from the annual spending allowance, these funds will be held in perpetuity.

- As required by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), appropriations from the Fund are subject to the specific limitations, if any, contained in an applicable gift instrument.
- Remaining annual appropriations will be the amount of interest and dividends earned in the previous 12 months as of June 30 each year, but will be limited to no greater than 4% of the 3-year trailing average of the June 30s market value of the Fund.
- Calculations of the appropriations from the Fund will be made as part of the annual budgeting process so that amounts to be used in the operations of the YMCA for the following fiscal year will be known when the operating budget is prepared.

This spending policy will be reviewed annually as part of the budgeting process. Investment managers will be given ample notice of the required withdrawal schedule. Appropriate liquidity should be maintained to fund these withdrawals without impairing the investment process.

### NOTE O: RELATED PARTY TRANSACTIONS

The Association contracts for services with organizations having representatives on the Association's Board of Directors. Fees paid to such organizations were insignificant during 2017 and 2016.

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**SCHEDULE OF FEDERAL AND STATE AWARDS**  
**For The Year Ended December 31, 2017**

Grantor/Program Title	Federal CFDA Number	Grant Receipts	Expenditures	
			Federal	State
U.S. Department of Agriculture passed through the N.C. Department of Health & Human Services Division of Women’s and Children’s Health Child and Adult Care Food Program – William G. White, Winston Lake, Kernersville, Davie Wilkes, Fulton and Statesville Family YMCA’s	10.558	\$ 48,815	\$ 48,815	\$ -
U.S. Department of Education passed through the N.C. Department of Public Instruction for 21st Century Community Learning Centers – Childcare Services Branch*	84.287A	273,781	273,781	-
U.S. Department of Health and Human Services Cardiovascular Diseases Research sub-recipient to Wake Forest University CLIP II study at William G. White, Kernersville, and Fulton YMCA’s	93.837	72	72	-
U.S. Department of Health and Human Services Aging Research Alzheimer’s Disease Cooperative Study (EXERT) Service Provider for YUSA in conjunction with Wake Forest University	93.866	6,000	6,000	-
U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC) Enhance Fitness Implementation Grant Service Provide for YUSA	93.424	2,539	2,539	-
N.C. Department of Public Instruction – Forsyth County After School Quality Improvement		131,592	-	131,592
N.C. Department of Public Instruction – Stokes County After School Quality Improvement		91,801	-	91,801
N.C. Department of Public Instruction – YMCA Camp Hanes Milk Money Program		7,375	-	7,375
N.C. Community College System – YMCA Literacy Initiative Program		35,044	-	35,044
		<u>\$ 597,019</u>	<u>\$ 331,207</u>	<u>\$ 265,812</u>

No subrecipient payments during the year ended December 31, 2017

\* Denotes a program having a direct and material effect on the financial statements.

**NOTE A: BASIS OF PRESENTATION**

The schedule of federal and state awards includes the federal and state grant activity of Young Men’s Christian Association of Northwest North Carolina and is presented on the accrual basis. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and N.C. General Statute 143C-6-23. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Board of Directors  
Young Men's Christian Association of Northwest North Carolina  
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Young Men's Christian Association of Northwest North Carolina (the "Association"), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2018.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Butler & Burke, LLP*

Winston-Salem, North Carolina  
June 5, 2018

Board of Directors  
Young Men's Christian Association of Northwest North Carolina  
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

***Report on Compliance for Each Major Federal Program***

We have audited Young Men's Christian Association of Northwest North Carolina's (the "Association") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2017. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Association's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Young Men's Christian Association of Northwest North Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

### ***Report on Internal Control Over Compliance***

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Butler & Burke LLP*

Winston-Salem, North Carolina  
June 5, 2018

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF NORTHWEST NORTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2017**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors’ report expresses an unmodified opinion on the financial statements of Young Men’s Christian Association of Northwest North Carolina.
2. No significant deficiencies relating to the audit of the financial statements are reported in the **Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.**
3. No instances of non-compliance material to the financial statements of Young Men’s Christian Association of Northwest North Carolina were disclosed during the audit.
4. No significant deficiencies in internal control relating to the audit of the major federal award programs are reported in the **Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.**
5. The auditors’ report on compliance for each major federal award program for Young Men’s Christian Association of Northwest North Carolina expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Young Men’s Christian Association of Northwest North Carolina.
7. The program tested as a major program was: 21<sup>st</sup> Century Community Learning Centers CFDA#84.287A
8. The threshold for distinguishing types A and B programs was \$750,000.
9. Young Men’s Christian Association of Northwest North Carolina qualified as a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None