YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE GREATER TWIN CITIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

Audit Committee
Young Men's Christian Association of the Greater Twin Cities
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of the Greater Twin Cities (YMCA), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 YMCA'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 consolidated financial statements.

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

Audit Committee
Young Men's Christian Association of the Greater Twin Cities

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the YMCA as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 24, 2019

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 12,106,580	$ 14,424,211
Accounts Receivable, Net	4,369,749	4,106,208
Contributions Receivable, Net	3,525,680	11,855,967
Right to Use Assets	8,204,071	9,006,090
Receivable on Sale - Leaseback Transaction	2,800,000	3,000,000
Investments	97,558,757	96,577,667
Prepaid Expenses and Other Assets	1,685,726	1,413,128
Interest in Beneficiary Trusts	3,494,293	4,061,255
Funds Held in Escrow	1,276,999	1,314,062
Property Held For Sale	1,475,000	8,373,326
Land, Building, and Equipment, Net	216,037,964	204,609,487
Total Assets	$ 352,534,819	$ 358,741,401
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 6,404,258	$ 9,757,834
Accrued Expenses	6,900,257	9,533,838
Annuity Obligations	257,352	288,556
Bonds and Notes Payable	42,973,674	45,661,790
Capital Lease Payable	17,224,937	17,281,891
Deferred Swap Rate Liability	-	208,110
Assets Held for Others	1,919,376	1,955,802
Deferred Revenue	15,611,180	12,356,550
Total Liabilities	91,291,034	97,044,371
NET ASSETS		
Without Donor Restrictions	196,858,268	188,361,022
With Donor Restrictions	64,385,517	73,336,008
Total Net Assets	261,243,785	261,697,030
Total Liabilities and Net Assets	$ 352,534,819	$ 358,741,401

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Public Support:			
Contributions	$ 5,509,561	$ 11,451,220	$ 16,960,781
Grants	-	4,768,629	4,768,629
Total Public Support	5,509,561	16,219,849	21,729,410
Revenue:			
Youth Development	60,512,792	-	60,512,792
Less: Specific Assistance to Individuals	(3,861,108)	-	(3,861,108)
Healthy Living	87,498,163	-	87,498,163
Less: Specific Assistance to Individuals	(7,596,829)	-	(7,596,829)
Social Responsibility	3,813,331	-	3,813,331
Sale of Supplies	1,805,614	-	1,805,614
Investment Income	950,434	1,456,284	2,406,718
Other	1,867,150	-	1,867,150
Total Revenue	144,989,547	1,456,284	146,445,831
Net Assets Released from Restrictions - Program	8,710,113	(8,710,113)	-
Total Operating Support and Revenue	159,209,221	8,966,020	168,175,241
OPERATING EXPENSES			
Program Services:			
Youth Development	62,751,697	-	62,751,697
Healthy Living	53,673,426	-	53,673,426
Social Responsibility	4,174,750	-	4,174,750
Total Program Services	120,599,873	-	120,599,873
Support Services:			
Management and General	33,011,269	-	33,011,269
Fundraising	7,443,059	-	7,443,059
Total Support Services	40,454,328	-	40,454,328
Total Operating Expenses	161,054,201	-	161,054,201
EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	(1,844,980)	8,966,020	7,121,040
NONOPERATING REVENUES AND EXPENDITURES			
Investment Loss	(2,933,583)	(3,736,335)	(6,669,918)
Change in Value of Beneficiary Agreements	-	(568,253)	(568,253)
Change in Value of Deferred Swap Rate Liability	121,210	-	121,210
Loss on Asset Disposition	(629,041)	-	(629,041)
Conservation Easement Proceeds	1,070,000	-	1,070,000
Loss on Real Estate Impairment	-	-	-
Rental and Rebate Income	119,391	-	119,391
Acquisition of YMCA of Rochester	-	-	-
Capital Expenditures and Other Losses	(1,017,674)	-	(1,017,674)
Net Assets Released from Restrictions - Capital	13,611,923	(13,611,923)	-
CHANGE IN NET ASSETS	8,497,246	(8,950,491)	(453,245)
Net Assets - Beginning of Year	188,361,022	73,336,008	261,697,030
NET ASSETS - END OF YEAR	$ 196,858,268	$ 64,385,517	$ 261,243,785

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Public Support:			
Contributions	$ 3,526,718	$ 17,880,117	$ 21,406,835
Grants	-	4,187,208	4,187,208
Total Public Support	3,526,718	22,067,325	25,594,043
Revenue:			
Youth Development	58,996,061	-	58,996,061
Less: Specific Assistance to Individuals	(3,710,552)	-	(3,710,552)
Healthy Living	84,265,285	-	84,265,285
Less: Specific Assistance to Individuals	(6,900,083)	-	(6,900,083)
Social Responsibility	3,248,335	-	3,248,335
Sale of Supplies	1,416,408	-	1,416,408
Investment Income	833,280	1,381,242	2,214,522
Other	1,676,649	-	1,676,649
Total Revenue	139,825,383	1,381,242	141,206,625
Net Assets Released from Restrictions - Program	10,285,378	(10,285,378)	-
Total Operating Support and Revenue	153,637,479	13,163,189	166,800,668
OPERATING EXPENSES			
Program Services:			
Youth Development	59,576,500	-	59,576,500
Healthy Living	51,170,530	-	51,170,530
Social Responsibility	3,520,847	-	3,520,847
Total Program Services	114,267,877	-	114,267,877
Support Services:			
Management and General	31,385,789	-	31,385,789
Fundraising	7,070,241	-	7,070,241
Total Support Services	38,456,030	-	38,456,030
Total Operating Expenses	152,723,907	-	152,723,907
EXCESS OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	913,572	13,163,189	14,076,761
NONOPERATING REVENUES AND EXPENDITURES			
Investment Income	5,515,937	4,238,070	9,754,007
Change in Value of Beneficiary Agreements	-	255,111	255,111
Change in Value of Deferred Swap Rate Liability	130,108	-	130,108
Gain on Asset Disposition	1,082,991	-	1,082,991
Conservation Easement Proceeds	-	-	-
Loss on Real Estate Impairment	(1,069,316)	-	(1,069,316)
Rental and Rebate Income	233,255	-	233,255
Acquisition of YMCA of Rochester	7,707,748	95,983	7,803,731
Capital Expenditures and Other Losses	(409,968)	-	(409,968)
Net Assets Released from Restrictions - Capital	2,613,869	(2,613,869)	-
CHANGE IN NET ASSETS	16,718,196	15,138,484	31,856,680
Net Assets - Beginning of Year	171,642,826	58,197,524	229,840,350
NET ASSETS - END OF YEAR	$ 188,361,022	$ 73,336,008	$ 261,697,030

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				Support Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Total
OPERATING EXPENSES								
Salaries and Wages	$ 33,147,355	$ 23,735,972	$ 2,165,665	$ 59,048,992	$ 17,617,984	$ 3,909,929	$ 21,527,913	$ 80,576,905
Employee Benefits	2,453,296	2,812,752	350,291	5,616,339	3,012,945	817,247	3,830,192	9,446,531
Payroll Taxes	3,026,544	2,028,706	187,202	5,242,452	1,677,194	317,741	1,994,935	7,237,387
Total Salaries and Related Benefits	38,627,195	28,577,430	2,703,158	69,907,783	22,308,123	5,044,917	27,353,040	97,260,823
Professional Fees and Contract Services	2,404,566	2,044,953	437,872	4,887,391	5,649,049	862,376	6,511,425	11,398,816
Supplies	7,881,977	1,725,208	207,714	9,814,899	782,400	58,615	841,015	10,655,914
Telephone and Data	52,808	1,609	48,380	102,797	1,083,087	227	1,083,314	1,186,111
Postage and Shipping	151,402	146,281	11,015	308,698	16,985	51,077	68,062	376,760
Occupancy	5,516,703	7,642,322	3,725	13,162,750	188,552	64,812	253,364	13,416,114
Expendable Equipment	598,897	2,862,766	5,180	3,466,843	64,603	70,859	135,462	3,602,305
Printing, Publications, and Promotions	327,810	1,052,068	46,416	1,426,294	728,234	666,884	1,395,118	2,821,412
Travel and Employee Expense	403,199	327,331	219,401	949,931	747,810	34,669	782,479	1,732,410
Conferences and Meetings	4,401	98	8,406	12,905	101,185	123,384	224,569	237,474
Membership Dues	286,358	283,343	22,516	592,217	252,975	63,354	316,329	908,546
Awards and Grants	773,566	3,967	430,337	1,207,870	114,244	146,529	260,773	1,468,643
Financing	600,574	1,401,340	-	2,001,914	-	-	-	2,001,914
Other	160,077	212,939	30,630	403,646	594,336	255,356	849,692	1,253,338
Depreciation	4,962,164	7,391,771	-	12,353,935	379,686	-	379,686	12,733,621
Total Operating Expenses	$ 62,751,697	$ 53,673,426	$ 4,174,750	$ 120,599,873	$ 33,011,269	$ 7,443,059	$ 40,454,328	$ 161,054,201

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services				Support Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Total
OPERATING EXPENSES								
Salaries and Wages	$ 31,641,834	$ 22,984,534	$ 1,957,360	$ 56,583,728	$ 16,684,072	$ 3,861,696	$ 20,545,768	$ 77,129,496
Employee Benefits	2,455,856	2,853,544	284,324	5,593,724	2,664,179	734,077	3,398,256	8,991,980
Payroll Taxes	2,855,105	1,955,387	166,998	4,977,490	1,479,189	304,496	1,783,685	6,761,175
Total Salaries and Related Benefits	36,952,795	27,793,465	2,408,682	67,154,942	20,827,440	4,900,269	25,727,709	92,882,651
Professional Fees and Contract Services	1,937,565	1,466,953	230,037	3,634,555	5,873,406	803,082	6,676,488	10,311,043
Supplies	7,717,990	1,148,200	208,080	9,074,270	636,320	46,517	682,837	9,757,107
Telephone and Data	152,963	106,312	48,494	307,769	1,009,639	7,916	1,017,555	1,325,324
Postage and Shipping	143,541	137,758	8,028	289,327	15,996	29,264	45,260	334,587
Occupancy	5,016,496	6,569,123	1,050	11,586,669	199,595	6,245	205,840	11,792,509
Expendable Equipment	675,479	3,721,840	5,143	4,402,462	91,877	22,846	114,723	4,517,185
Printing, Publications, and Promotions	329,334	1,148,515	12,665	1,490,514	856,518	663,107	1,519,625	3,010,139
Travel and Employee Expense	453,732	445,467	194,493	1,093,692	794,603	78,813	873,416	1,967,108
Conferences and Meetings	4,673	42	18,137	22,852	86,511	116,262	202,773	225,625
Membership Dues	261,371	260,917	17,423	539,711	209,513	63,286	272,799	812,510
Awards and Grants	703,130	5,072	326,131	1,034,333	174,690	159,173	333,863	1,368,196
Financing	533,968	1,245,926	-	1,779,894	-	627	627	1,780,521
Other	249,881	386,988	42,484	679,353	265,786	170,282	436,068	1,115,421
Depreciation	4,443,582	6,733,952	-	11,177,534	343,895	2,552	346,447	11,523,981
Total Operating Expenses	$ 59,576,500	$ 51,170,530	$ 3,520,847	$ 114,267,877	$ 31,385,789	$ 7,070,241	$ 38,456,030	$ 152,723,907

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (453,245)	$ 31,856,680
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,733,621	11,523,981
Amortization of Bond Issuance Costs	156,224	118,759
Amortization of Bond Premium	(61,676)	(61,628)
Write-Off of Bond Issuance Costs	615,869	-
Debt Assumed from Acquisition of YMCA of Rochester	-	1,938,908
Bad Debt Expense	382,507	681,589
Contributions Restricted in Perpetuity	(1,502,745)	(8,139,523)
Net Contribution of Right to Use Assets	802,019	3,230,666
Loss on Real Estate Impairment	-	1,069,316
Net Realized and Unrealized (Gains) Losses on Investments	6,436,573	(9,990,589)
Change in Cash Surrender Value of Life Insurance Policies	102,993	21,653
Contributed Land, Building, and Equipment	(643,687)	(628,948)
Acquisition of YMCA of Rochester Land, Building, and Equipment	-	(9,836,363)
(Gain) Loss on Asset Disposition	629,041	(1,082,991)
Change in Value of Beneficiary Agreements	641,821	(255,111)
Change in Value of Deferred Swap Rate Liability	(121,210)	(130,108)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(446,048)	(216,165)
Contributions Receivable	297,703	(738,567)
Prepaid Expenses and Other Assets	(375,591)	214,948
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(3,913,709)	(2,827,461)
Accrued Expenses	(2,633,581)	3,623,301
Assets Held for Others	(36,426)	-
Deferred Revenue	3,254,630	1,858,280
Net Cash Provided by Operating Activities	15,865,083	22,230,627
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(22,614,626)	(26,103,503)
Decrease in Funds Held in Escrow	37,063	3,063,505
Proceeds from Sale of Investments	38,242,479	34,906,097
Purchases of Investments	(45,660,142)	(29,779,125)
Proceeds from Sale of Assets Held for Sale	6,813,945	-
Proceeds from Sale of Land, Building, and Equipment	6,000	25,916
Net Cash Used by Investing Activities	(23,175,281)	(17,887,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Purposes	224,633	1,316,257
Proceeds from Contributions Restricted in Perpetuity	9,272,591	1,212,575
Payments of Annuity Obligations	(67,958)	(70,256)
Payments on Capital Lease	(951,266)	(859,129)
Payment of Bond Issuance Costs	(262,821)	-
Proceeds from Bonds and Notes Payable	20,426,188	241,228
Payments on Bonds and Notes Payable	(23,648,800)	(5,221,024)
Net Cash Provided (Used) by Financing Activities	4,992,567	(3,380,349)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,317,631)	963,168
Cash and Cash Equivalent - Beginning of Year	14,424,211	13,461,043
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 12,106,580	$ 14,424,211

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 1,962,936	$ 1,700,492
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Acquired by Capital Lease	$ 894,312	$ 10,020
Contributions of Property	$ 643,687	$ 628,948
Construction-in-Progress Noncash Additions	$ 560,133	$ 5,021,969
Acquisition of YMCA of Rochester Land, Building, and Equipment	$ -	$ 9,836,363
Debt Assumed from Acquisition of YMCA of Rochester	$ -	$ 1,938,908

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Young Men's Christian Association of the Greater Twin Cities (YMCA) is a leading nonprofit dedicated to strengthening communities through youth development, healthy living and social responsibility. Established 162 years ago, the YMCA provides life-strengthening services across the greater Twin Cities metro region, southeastern Minnesota, and western Wisconsin communities. The 29 YMCA locations and program sites, eight overnight camps, 10 day camps, and more than 90 childcare sites engage more than 370,000 men, women, and children of all ages, incomes, and backgrounds. To learn more about the Y’s mission and work, visit ymcamn.org.

The consolidated financial statements include the activities of the YMCA, Open Y, LLC, and Twin Cities YMCA Partners, LLC. All significant intercompany transactions have been eliminated.

Financial Statement Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the YMCA and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose which will be satisfied by actions of the YMCA or the passage of time; or b) require that they be maintained in perpetuity by the YMCA; generally, the donor of these assets permit the YMCA to use all or part of the income earned, including capital appreciation, or related investments for purposes with or without donor restrictions.

Measure of Operations

In its consolidated statements of activities, the YMCA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activity consists primarily of investment returns above the amounts designated for operation, change in value of beneficiary agreements, change in deferred swap rate liability, gains and losses from asset dispositions, conservation easement proceeds received, loss on real estate impairment, rental and rebate income, acquisition of YMCA of Rochester, capital expenditures, and capital releases from restrictions.

Cash and Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less with the exception of cash designated for investment purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The YMCA provides an allowance for bad debts using the allowance method. Services are sold on an unsecured basis. Accounts past due more than 60 days are analyzed for collectibility. Accounts are written off after collection activities are exhausted. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. At December 31, 2018 and 2017, the allowance was $288,949 and $312,010, respectively.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Right to Use Assets

Right to use assets consists of the YMCA's interest to use properties in future years. The right to use assets are being amortized over the period the YMCA has the right to use the assets.

Receivable on Sale-Leaseback Transaction

During 2008, the YMCA, sold approximately 86 acres of land and simultaneously entered into a ground lease on the same property to continue to provide services to youth. The lease term was a minimum of 10 years and a maximum of 25 years at a rate of one dollar per year. The YMCA incurred a gain on sale of $11,341,893, which has been fully amortized with the exception of $3 million that is contingent upon the YMCA leaving the premises after the minimum lease term of 10 years. If the YMCA continues to lease the premises after the 10-year lease term, the contingent gain is reduced over the next 15-year period by $200,000 per year. At December 31, 2018, the 10-year period had expired with the YMCA continuing to lease the premises. As a result, the YMCA recognized a loss of $200,000 related to the forfeiture of the $200,000 of the $3 million contingent gain.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments, including alternative investments, are stated at fair value based either on quoted market prices, or for certain investments with no readily available quoted market prices, on fair values as determined by management based on review of inputs provided by the investment manager and evaluated by an independent reporting service on a monthly basis. The alternative investment may include derivative instruments embedded in the fund that could expose the YMCA to potential investment risk.

The YMCA invests in a variety of investment vehicles, including U.S. government securities, corporate bonds, common and preferred stocks, real estate funds, hedge fund of funds, and private equity.

Realized and unrealized gains and losses are recorded in the period in which they occur. A majority of the investments are invested in a combined investment pool. Interest income and realized and unrealized gains and losses are allocated using the market value method.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future consolidated statement of activities.

Interest in Beneficiary Trusts

Interest in beneficiary trusts consist of assets held in charitable remainder trusts, charitable gift annuities, and perpetual trusts.

Beneficial Interests in Charitable Remainder Trusts – Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the YMCA receives the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Changes in net assets of the trusts are recorded as gains or losses (change in value of beneficiary agreements) in the consolidated statements of activities.

Beneficial Interests in Charitable Gift Annuities – The annuity agreements specify that an annuity is to be paid to a donor-identified annuitant until such annuitant's death. The annuity obligation is measured at the present value of the expected future payments to be made to the beneficiary. The investments held in the annuities are carried at market value. The changes in the market values of the investments and the annuity obligation are reflected in the consolidated statements of activities as a change in value of beneficiary agreements. The trusts and annuity obligation are classified based upon the donor's stipulation as to the use of the funds after the death of the donor/annuitant.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest in Beneficiary Trusts (Continued)

Beneficial Interest in Perpetual Trusts – The YMCA is the beneficiary of perpetual trusts held by a third party. Under the terms of the trusts, the YMCA has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interest in the perpetual trusts is recorded at the fair value. Changes in net assets of the trusts are recorded as gain or losses (change in value of beneficiary agreements) on the consolidated statements of activities. Net assets and changes in the net assets are recorded with donor restrictions. Distributions received from these trusts are recorded as investment income without donor restrictions.

Funds Held in Escrow

Funds held in escrow represent cash held by others for security deposits, debt repayment and for future capital projects. Funds held in escrow consist of cash and cash equivalents.

Property Held for Sale

The YMCA records property held for sale at fair value when received and is measured at the lower of its carrying amount or fair value less costs to sell.

Land, Building, and Equipment

Land, building, and equipment acquisitions of $2,500 or greater are recorded at cost. Donated items are recorded at fair value on the date of the contribution. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Buildings	30 Years
Building and Land Improvements	15 to 20 Years
Equipment	5 Years
Vehicles	5 Years
Technology	3 Years

Impairment of Long-Lived Assets

The YMCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There was an impairment loss of $-0- and $1,069,316 recorded for the years ended December 31, 2018 and 2017, respectively. The property that was impaired had a value of $1,475,000 as of December 31, 2018 and 2017. The YMCA adjusted this asset to fair value because management believes the recorded value exceeded its fair value. This asset has been adjusted to fair value based on appraised values of this asset using Level 3 inputs on a nonrecurring basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the revenue is earned.

An agreement with the city of Forest Lake was signed on October 20, 2014 in which the city agrees to provide land and $9,000,000 to build a facility. The YMCA was required to begin construction by July 31, 2015, opening the facility by July 31, 2016. The YMCA has agreed to utilize the facility as a full service YMCA for 30 years after completion. The YMCA has also agreed to provide various benefits to all residents of the city of Forest Lake for 30 years. The revenue relating to this agreement will be treated as deferred revenue for the estimated value of the benefits that the YMCA will provide to all residents of the city and recognized over the 30 years. This was estimated to be $5,712,000. The remaining $3,288,000 was recognized as contributed revenue in 2014. As of December 31, 2018 and 2017, $5,236,000 and $5,426,400 was included in deferred revenue, respectively.

Revenue Recognition Significant Accounting Policies under ASC 606

Youth Development, Healthy Living, and Social Responsibility on the consolidated statements of activities are inclusive of the following categories:

Membership Dues

Membership dues are recognized ratably over the period of membership, which varies based on when members join or leave the YMCA. Unearned membership revenue is reflected as deferred revenue on the consolidated statements of financial position. Members are provided with monthly access to the YMCA locations and a variety of services, and revenue is recognized monthly as the services are provided. Management has adopted the practical expedient whereby costs to obtain membership contracts are not capitalized as the average length of a membership contract is less than one year. Dues revenue is allocated among the performance obligations and is recognized when each of the performance obligations are satisfied, as follows:

- Monthly access to the various YMCA locations and services included in the monthly membership – recognized monthly as service is provided
- Discounted program service fees – recognized during the year in which the discount is actually taken and the program service provided.

Program Service Fees

Program Service Fees are reported at the amount that reflects the consideration to which the YMCA expects to be entitled in exchange for providing services to their program participants. Program fees include fitness classes, child care, day camps, overnight camps, swim lessons, and various other programs operating at YMCA locations, program sites, camps, or schools. Performance obligations are determined based on the nature of the services provided by the YMCA. Performance obligations are generally providing a service at a point in time. Revenue is recognized at the time the program is held. Unearned program fees are reflected as deferred revenue on the consolidated statements of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Significant Accounting Policies under ASC 606 (Continued)

Sale of Supplies

Sale of supplies includes one-time sales of various items at the YMCA locations. Revenue is recognized at the point in time of the sale as no subsequent performance obligations exist.

Assets Held for Others

The YMCA received a gift in which the assets are to be held for endowment purposes. The agreement indicates that 25% of the income from the endowed assets is to be distributed to benefit other organizations not related to the YMCA. As such, the YMCA has recognized the portion of those assets that are held for the benefit of others as a liability on the consolidated statements of financial position.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were $1,947,858 and $2,347,634 for the years ended December 31, 2018 and 2017, respectively.

Functional Expenses

The costs of providing the various programs and other activities of the YMCA have been summarized on a functional basis in the consolidated statements of functional expenses. Salary and other personnel costs that are not directly coded to a programmatic activity are allocated based on time certifications and the best estimate of employees. Building maintenance, and depreciation expenses are allocated among the programs and supporting services benefited. Other operating costs are allocated using various allocation methodologies including allocations based on personnel, square footage, or revenue generated.

Tax Status

The YMCA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar Minnesota Statutes. The YMCA is not considered a private foundation and contributions are considered tax deductible. Twin Cities YMCA Partners, LLC and Open Y, LLC are wholly owned limited liability corporations of the YMCA and all activities are included in the filings of the YMCA.

The YMCA follows a policy that clarified the accounting for uncertainty in income taxes recognized in an organization’s consolidated financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The application of this policy has no impact on the YMCA’s consolidated financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The vast majority of contributions and receivables are located in the greater Twin Cities area and its surrounding suburbs as well as those in which the YMCA has a camp presence.

The YMCA holds cash at several institutions. The amounts on hand may at times exceed federally insured limits.

Fair Value Measurements

The YMCA measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The YMCA may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Financial assets recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the YMCA has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. government and agency securities).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in nonactive markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (example includes interests in beneficial trusts).

Derivatives and Hedging Activities

The YMCA uses derivative instruments principally to minimize the risks associated with outstanding bonds payable due to market rate fluctuations. The following is a summary of the YMCA's risk management strategy and the effect on the consolidated financial statements.

The YMCA accounts for its derivative and hedging activities by requiring that every derivative instrument, including those embedded in other contracts, be recorded in the consolidated statements of financial position as either an asset or liability measured at its fair value. Changes in the derivative instrument's fair value are recognized currently in the consolidated statements of activities unless specific hedge accounting criteria are met. The interest rate swap agreement does not qualify as a cash flow hedge.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Principles Adopted

Adoption of New Standard

The YMCA has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes and liquidity. The YMCA has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which resulted in no change to the total previously reported net assets, with the exception of the liquidity footnote which has only been presented for 2018.

Change in Accounting Principle

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB has issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity and understandability of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The consolidated financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the YMCA’s reported historical revenue.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on net assets or the change in net assets.

Subsequent Events

In preparing these consolidated financial statements, the YMCA has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through April 24, 2019, the date the consolidated financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

The YMCA's pledges represent contributions for facilities and equipment and to support the ongoing operations of the YMCA. Outstanding pledge contributions from various corporations, foundations, and individuals were discounted at rates between 2.45% and 5.00% based on imputed interest rates applicable to the year in which the promise was received and were as follows at December 31:

	2018			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 1,558,326	$ 1,349,132	$ 152,134	$ 3,059,592
In One to Five Years	519,289	421,775	56,943	998,007
In More Than Five Years	640	-	-	640
Total	$ 2,078,255	$ 1,770,907	$ 209,077	4,058,239
Less: Allowance for Uncollectible Pledges				(474,811)
Less: Unamortized Discount				(57,748)
Total Pledges Receivable, Net				$ 3,525,680

	2017			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 1,234,794	$ 1,604,362	$ 7,451,061	$ 10,290,217
In One to Five Years	1,204,643	338,716	563,439	2,106,798
In More Than Five Years	1,600	-	-	1,600
Total	$ 2,441,037	$ 1,943,078	$ 8,014,500	12,398,615
Less: Allowance for Uncollectible Pledges				(495,337)
Less: Unamortized Discount				(47,311)
Total Pledges Receivable, Net				$ 11,855,967

NOTE 3 INVESTMENTS

The following is a summary of the YMCA's investments at December 31:

	2018	2017
Cash and Cash Equivalents	$ 3,864,513	$ 1,730,072
Certificates of Deposit	12,170,108	16,244,688
U.S. Government Securities	2,558,404	2,245,941
U.S. Corporate Bonds	8,111,211	7,904,209
Non-U.S. Corporate Bonds	2,200,531	3,773,734
U.S. Common and Preferred Stocks	32,062,555	31,579,722
Non-U.S. Common and Preferred Stocks	19,084,186	18,509,916
Global Real Estate Fund	4,160,435	3,880,280
Multi-Strategy Hedge Fund of Funds	7,931,107	7,301,856
Private Equity	5,415,707	3,407,249
Total Investments	$ 97,558,757	$ 96,577,667

NOTE 4 LAND, BUILDING, AND EQUIPMENT

A summary of land, building, and equipment at December 31 are as follows:

	2018	2017
Land and Land Improvements	$ 33,922,489	$ 30,323,718
Buildings and Building Improvements	299,674,270	252,433,868
Property Held for Future Use	-	454,000
Equipment	27,743,616	27,158,348
Vehicles	1,935,611	1,654,202
Technology	10,818,038	10,732,529
Construction-in-Progress	2,107,535	35,606,809
Total Land, Building, and Equipment	376,201,559	358,363,474
Less: Accumulated Depreciation	(160,163,595)	(153,753,987)
Net Total Land, Building, and Equipment	$ 216,037,964	$ 204,609,487
Depreciation Expense	$ 12,733,621	$ 11,523,981

Property held for future use consisted of an intangible asset for airspace rights at a branch location, allowing the YMCA to expand the branch if necessary. The airspace rights and related building were sold during 2018.

Construction-in-progress consists of building construction, modifications, and improvements currently in progress, which are being financed through operations, debt financing, and capital contributions.

Property held for future use and construction-in-progress are not subject to depreciation.

Subsequent to year-end, land, buildings, and equipment were sold for $3.8 million.

NOTE 5 BONDS AND NOTES PAYABLE

A summary of bonds and notes payable at December 31 are as follows:

Description	2018	2017
Minnesota Agriculture and Development Board, Bank Qualified Debt, interest at 2.52%, with principal payments due annually starting December 1, 2014. Bonds were fully refunded in 2018.	$ -	$ 15,500,000
City of Andover, noninterest bearing, principal balance due in 2034.	1,302,698	1,302,698
City of White Bear Lake, interest only payable quarterly through September 2011 with principal and interest due in monthly installments beginning December 2011 of $143,439 through 2019. Bonds were fully refunded in 2018.	-	1,086,044
City of Woodbury, Minnesota Revenue Note, interest at 2.44%, payable monthly through January 1, 2021. Interest was reset on January 1, 2011 to 2.44% and reset on January 1, 2016 to 2.63%.	159,462	557,169
Housing and Redevelopment Authority of City of St. Paul, Commercial Development Revenue Note, interest at 5.8%, due in monthly installments of $3,768 through September 2011. Note can be extended through June 21, 2021. Interest was reset at June 21, 2011 to 2.46% and reset on June 21, 2016 to 2.66%.	103,362	138,503
City of Lino Lakes, Revenue Note, interest at 4.63%, interest only through June 2007 then monthly principal and interest through January 2021. Bonds were fully refunded in 2018.	-	1,003,057
Housing and Redevelopment Authority City of Hastings, Commercial Development Revenue Note, interest at 4.575%, interest only through December 2007 then monthly principal and interest through December 2019. Bonds were fully refunded in 2018.	-	279,507

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

Description	2018	2017
Sunrise New Markets Fund VII, LLC, and Capital City New Markets Fund VII, LLC, Construction Loan, interest fixed at 2.93%, monthly interest payments, principal payments monthly starting May 1, 2022 through April 27, 2045.	$ 9,372,586	$ 9,372,586
Sunrise Banks, National Association, Construction Loan, interest fixed at 4.07%, interest only through September 2016, principal payments starting October 1, 2016 through August 31, 2019.	220,715	662,159
City of Forest Lake, Recreational Facilities Revenue Note, interest at 2.37%, interest only payable quarterly through March 31, 2017 with principal and interest due quarterly beginning July 1, 2017. Bonds were fully refunded in 2018.	-	4,108,000
City of Minneapolis, Minnesota Revenue Bonds, interest at 2-4%, interest payable semiannually beginning December 1, 2016, with principal due annually beginning June 1, 2017. Payments continue through June 1, 2031.	12,015,595	12,788,271
City of White Bear Lake, Minnesota Revenue Refunding Bonds, interest at 5%, interest payable semiannually beginning June 1, 2019, with principal due annually beginning June 1, 2019. Payments continue through June 1, 2033.	20,426,188	-
Subtotal	43,600,606	46,797,994
Less: Debt Issuance Costs	(626,932)	(1,136,204)
Total	$ 42,973,674	$ 45,661,790

At December 31, 2018 and 2017, bonds and notes payable in the table above includes a bond premium on the City of Minneapolis, Minnesota revenue bonds in the amount of $700,595 and $768,271, which reduced the average stated rate of 3.6% to an effective interest rate of 2.7%. The table above also includes a premium on the City of White Bear Lake, Minnesota revenue bonds issued in 2018 in the amount of $2,026,188, which reduced the coupon interest rate of 5% to an effective interest rate of $3.38%.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

The summary of annual future maturities of principal on bonds and notes payable as of December 31, 2018 are as follows:

Year Ending December 31,	Scheduled Payment Amount
2019	$ 2,400,232
2020	1,945,012
2021	1,994,816
2022	8,779,317
2023	2,089,370
Thereafter	26,391,859
Total	$ 43,600,606

New Market Tax Credit Financing

In 2015, Sunrise New Markets Fund VII, LLC, a Minnesota limited liability company and Capital City New Markets Fund VII, LLC, a Minnesota limited liability company (collectively, the CDEs), made new market tax credit enhanced mortgage loans totaling $9,372,586 to the YMCA, to finance project costs of the St. Paul Midway branch (the NMTC Loan). The CDEs received allocations of new market tax credit (NMTC) pursuant to Section 45D of the IRC in order to assist eligible businesses in making new investments in certain communities. The availability of the NMTC allowed PNC New Markets Investment Partners, LLC, a Delaware limited liability company, to make a net investment of $3,116,631 in Midway Investment Fund, LLC (the Investment Fund), a Delaware limited liability company. Sunrise Banks, National Association made a loan of $6,749,249 to the Investment Fund (the Leverage Loan). Sunrise Banks, National Association also made a $1,250,751 loan directly to YMCA (Direct Loan). This loan was funded in 2016 and has a balance of $220,715 and $662,159 as of December 31, 2018 and 2017, respectively. The St. Paul Midway branch is security for both the Direct Loan and the NMTC Loan. YMCA also invested $5,690,378 in project equity.

The Investment Fund contributed the combined $9,865,880 to the CDEs as capital contributions, which in turn made the NMTC Loan to YMCA. The structure of this NMTC transaction is standard for the NMTC industry. The completion of this transaction provided a significant cash benefit to the YMCA.

Future Transactions – After the seven-year NMTC period expires, it is anticipated the CDEs will liquidate and distribute their assets to the Investment Fund. It is also anticipated that Twin Cities YMCA Partners, LLC will acquire the interests in the Investment Fund for a predetermined amount, and that the Investment Fund will be liquidated. After the “exit” transactions are completed, Twin Cities YMCA Partners, LLC will be the holder of a portion of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loan will be owed by the YMCA to its subsidiary. It is anticipated that the remainder of the NMTC Loan will be refinanced once it matures.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

New Market Tax Credit Financing (Continued)

Loan Terms – The NMTC Loan, dated April 27, 2015, stipulates the YMCA pay interest at an annual rate of 2.93% per month payable in arrears beginning in May 2015 until April 22, 2022 for a portion of the NMTC Loan and April 27, 2045 with respect to the other portion of the NMTC Loan. Interest costs associated with the NMTC Loan amounted to $274,720 for both years ended December 31, 2018 and 2017. The NMTC Loan is not eligible for prepayment until April 27, 2022.

Interest Rate Swap Agreement

The YMCA follows the *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, which establishes accounting and reporting standards for derivative instruments and for hedging activities. These standards require that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair market value.

The YMCA entered into an interest rate swap agreement with the objective to minimize the risks associated with market rate fluctuations. The agreement is a 10-year term at $6 million that expires on January 1, 2021. Pursuant to the terms of the swap agreement, the YMCA pays the swap provider interest at a fixed rate of 2.53%. The swap provider will pay the YMCA interest at a variable rate equal to the product of the BQ Multiplier (67.01%) and the monthly London Interbank Offered Rate (LIBOR). The fair value of the swap agreement liability was $-0- and $208,110 at December 31, 2018 and 2017, respectively. The swap agreement was terminated in 2018 with the extinguishment of the associated debt.

NOTE 6 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions consist of the following as of December 31:

	2018	2017
Purpose or Time Restricted:		
Capital	$ 11,556,218	$ 18,750,887
Time and Program	6,033,310	5,013,257
Endowment	8,633,432	12,392,265
Beneficiary Agreements	223,790	290,062
Total Purpose or Time Restricted Net Assets	26,446,750	36,446,471
Perpetual in Nature:		
Endowment	36,390,074	34,753,196
Beneficiary Agreements	1,548,693	2,136,341
Total Perpetually Restricted Net Assets	37,938,767	36,889,537
Total Net Assets With Donor Restrictions	$ 64,385,517	$ 73,336,008

NOTE 6 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES (CONTINUED)

Net assets released from restriction for the years ended December 31 are as follows:

	2018	2017
Time - Annual Support	$ 1,224,534	$ 3,324,949
Purpose - Program and Capital	19,634,457	8,188,530
Spending Rate Release of Endowment Funds	1,463,045	1,385,768
Total Releases from Restriction	$ 22,322,036	$ 12,899,247

NOTE 7 ENDOWMENT

Board-Designated and Donor-Restricted Endowments

The YMCA has board-designated and donor-restricted endowment funds established for the purpose of securing the YMCA's long-term financial viability and continuing to meet the needs of children and families in the community. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of the YMCA has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as maintaining the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the YMCA classifies the original value of the gifts to the endowment and the value of subsequent gifts to the endowment, as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditure. Most of these net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the YMCA to retain as a fund of perpetual duration. As of December 31, 2018, funds with original gift values of $10,064,599 and fair values of $9,325,380, and the deficiencies of $739,219 were reported in net assets with donor restrictions. As of December 31, 2017, funds with original gift values of $267,923 and fair values of $227,569, and the deficiencies of $40,354 were reported in net assets with donor restrictions. These deficiencies, which the YMCA believes are temporary, resulted from unfavorable market fluctuations. The board of directors determined that continued appropriations during years ended December 31, 2018 and 2017 for certain programs was prudent.

NOTE 7 ENDOWMENT (CONTINUED)

Board-Designated and Donor-Restricted Endowments (Continued)

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a portfolio containing diverse asset classes without concentration in any particular class or holding while assuming a moderate level of investment risk. The YMCA expects its endowment funds, over time, to provide an average rate of return of approximately 5% more than the consumer price index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the YMCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The YMCA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The YMCA has a policy of targeting for distribution each year an average of 4.5% of the endowment's market value calculated as of the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the YMCA considered the long-term expected return on its endowment. Accordingly, over the long-term, the YMCA expects the current spending policy to allow its endowment to grow to outpace the distribution. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The endowment payout was $2,035,355 and $1,945,549 for the years ended December 31, 2018 and 2017, respectively.

The composition of endowment funds by type of fund as of December 31 is as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 44,394,689	$ 44,394,689
Board-Designated Endowment Funds	14,121,934	-	14,121,934
Total Endowment Funds	$ 14,121,934	$ 44,394,689	$ 58,516,623

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 38,754,962	$ 38,754,962
Board-Designated Endowment Funds	15,228,124	-	15,228,124
Total Endowment Funds	$ 15,228,124	$ 38,754,962	$ 53,983,086

NOTE 7 ENDOWMENT (CONTINUED)

Board-Designated and Donor-Restricted Endowments (Continued)

The summary of changes in endowment net assets for the years ended December 31 is as follows:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, December 31, 2017	$ 15,228,124	$ 38,754,962	$ 53,983,086
Contributions	89,929	9,358,206	9,448,135
Earnings (Losses) and Expenses:			
Investment Income	338,534	918,385	1,256,919
Investment Expenses	(7,784)	(20,913)	(28,697)
Realized Gains	173,097	446,327	619,424
Unrealized Gains (Losses)	(1,127,656)	(3,599,233)	(4,726,889)
Total Earnings and Expenses	(623,809)	(2,255,434)	(2,879,243)
Appropriations	(572,310)	(1,463,045)	(2,035,355)
Endowment Fund Balance, December 31, 2018	$ 14,121,934	$ 44,394,689	$ 58,516,623

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance, December 31, 2016	$ 13,517,703	$ 33,417,929	$ 46,935,632
Contributions	52,942	1,087,346	1,140,288
Earnings (Losses) and Expenses:			
Investment Income	316,047	804,395	1,120,442
Investment Expenses	(7,683)	(19,537)	(27,220)
Realized Gains	215,601	549,923	765,524
Unrealized Gains (Losses)	1,693,295	4,300,674	5,993,969
Total Earnings and Expenses	2,217,260	5,635,455	7,852,715
Appropriations	(559,781)	(1,385,768)	(1,945,549)
Endowment Fund Balance, December 31, 2017	$ 15,228,124	$ 38,754,962	$ 53,983,086

NOTE 8 LEASES

The YMCA leases various pieces of equipment and facilities under operating lease agreements which expire on various dates. Rent expense totaled $2,395,949 and $2,975,640 for the years ended December 31, 2018 and 2017, respectively.

The future minimum operating lease payments are as follows:

Year Ending December 31,	Amount
2019	$ 3,160,220
2020	1,808,214
2021	1,565,333
2022	657,528
2023	549,367
Thereafter	3,258,029
Total	$ 10,998,691

In 2004, the YMCA entered into a long-term lease for a new facility. The lease has an initial term of 30 years with six optional renewal periods of 10 years each and a final renewal term of nine years. The lease is accounted for as a capital lease. The maximum lease payment in any year of the lease term is $635,000 including both principal and interest. Interest expense was $348,941 and $362,878 for the years ended December 31, 2018 and 2017, respectively. The cost of the building recorded under the capital lease was $9,672,643. Accumulated depreciation was $4,334,799 and $4,013,084 at December 31, 2018 and 2017, respectively. As part of the lease agreement the city of Andover donated the use of the land for the project. The value of the land was valued at $317,643 and is amortized over the initial 30-year lease period. Accumulated amortization was $158,821 and $148,233 as of December 31, 2018 and 2017, respectively. The amortization is included with depreciation expense.

On August 20, 2007, the YMCA entered into a lease agreement with the Economic Development Authority for the city of Elk River, Minnesota (EDA). The EDA built an approximately 55,000 square foot facility and the YMCA will provide health, wellness, and youth programs in the facility. The initial lease term is 31 years with an evergreen provision up to a maximum of 99 years. The YMCA’s lease payment is equal to one-third of the interest and principal on two separate debt issuances – a 25-year $10 million issuance on November 8, 2007 and a 7-year $2 million dollar issuance on February 20, 2008. The debt payments began August 1, 2008 and cease February 1, 2033. The agreement obligates the city to repay two-thirds of the debt and interest, while the YMCA is obligated for one-third of the debt and interest.

On February 12, 2013, the EDA refinanced the $10 million issuance. The YMCA obligation remains one-third of the debt and interest under the new agreement.

NOTE 8 LEASES (CONTINUED)

Interest expense and principal payments for the years ended December 31 were as follows:

	2018		
	YMCA	City of Elk River	Total
Interest	$ 72,126	$ 144,252	$ 216,378
Principal	168,333	336,667	505,000
Total	$ 240,459	$ 480,919	$ 721,378

	2017		
	YMCA	City of Elk River	Total
Interest	$ 79,944	$ 159,887	$ 239,831
Principal	131,667	263,333	395,000
Total	$ 211,611	$ 423,220	$ 634,831

The cost of the facility under the capital lease was $12,906,013. Accumulated depreciation was $6,497,049 and $5,928,397 as of December 31, 2018 and 2017, respectively.

On January 22, 2013, the YMCA entered into a capital lease agreement for office equipment. The lease term is 63 months with lease payments of $26,999 per month. The cost of the equipment recorded under the capital lease was $758,186. Interest expense was $4,120 and $35,489 for the years ended December 31, 2018 and 2017, respectively. Accumulated depreciation was $758,186 and $698,013 as of December 31, 2018 and 2017, respectively.

On May 1, 2018, the YMCA entered into a capital lease agreement for office equipment. The lease term is 63 months with lease payments of $16,660 per month. The cost of the equipment recorded under the capital lease was $894,312. Interest expense was $21,473 for the year ended December 31, 2018. Accumulated depreciation was $74,526 as of December 31, 2018.

Future minimum capital lease payments are as follows:

Year Ending December 31,	Andover	Elk River	Office Equipment	Rochester Phones	Total
2019	$ 635,000	$ 241,796	$ 199,920	$ 3,657	$ 1,080,373
2020	635,000	241,663	199,920	-	1,076,583
2021	633,808	243,113	199,920	-	1,076,841
2022	631,768	242,813	199,920	-	1,074,501
2023	633,830	244,096	116,620	-	994,546
Thereafter	6,581,863	2,466,677	-	-	9,048,540
Total Capital Lease Payments	9,751,269	3,680,158	916,300	3,657	14,351,384
Less: Interest Expense	(2,542,448)	(620,157)	(83,815)	(28)	(3,246,448)
Noncash Donation of Long-Term Facility Use	-	6,120,001	-	-	6,120,001
Total Minimum Capital Lease Payments	$ 7,208,821	$ 9,180,002	$ 832,485	$ 3,629	$ 17,224,937

NOTE 9 RETIREMENT BENEFITS

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (the Retirement Fund). This Plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements. The 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 or reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

In accordance with the agreement with the Retirement Fund, contributions made by the YMCA are a percentage of the participating employees' salaries and are remitted to the Retirement Fund monthly. Contribution expense was $5,175,783 and $4,796,960 in 2018 and 2017, respectively.

NOTE 10 CONTINGENCIES AND COMMITMENTS

Contracts

The YMCA receives fees and grants from various federal, state, and city government agencies for services performed under contracts. Such contracts are subject to governmental compliance audits and may, from time to time, result in adjustments to fees and grants received. In the opinion of the YMCA's management, the disposition of all such matters should not have a material adverse effect on the YMCA's financial position or changes in net assets.

Program Services

A rent agreement with White Bear Lake Area Schools was signed on October 12, 2009, in which the school district will pay $163,000 annually for 10 years beginning in 2010 for use of the aquatics facility at the White Bear Area YMCA.

Litigation and Insurance

The YMCA is involved in certain legal claims incidental to the normal course of its activities. As a result, the YMCA maintains liability insurance coverage. Although the ultimate outcome of these claims cannot be determined, management believes based on their current assessment, that the final disposition of these claims will not have a material adverse effect on the financial position of the YMCA.

NOTE 11 FAIR VALUE MEASUREMENTS

The YMCA uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the YMCA measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

Assets and liabilities measured at fair value on a recurring basis as of December 31 are as follows:

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ -	$ 12,170,108	$ -	$ 12,170,108
U.S. Government Securities	2,558,404	-	-	2,558,404
U.S. Corporate Bonds	8,111,211	-	-	8,111,211
Non-U.S. Corporate Bonds	2,200,531	-	-	2,200,531
U.S. Common and Preferred Stocks	32,062,555	-	-	32,062,555
Non-U.S. Common and Preferred Stocks	19,084,186	-	-	19,084,186
Global Real Estate Fund	4,160,435	-	-	4,160,435
Cash and Cash Equivalents	-	-	-	3,864,513
Investments Held at NAV or Equivalent	-	-	-	13,346,814
Total	68,177,322	12,170,108	-	97,558,757
Interest in Beneficiary Trusts	-	-	3,494,293	3,494,293
Total	$ 68,177,322	$ 12,170,108	$ 3,494,293	$ 101,053,050

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ -	$ 16,244,688	$ -	$ 16,244,688
U.S. Government Securities	2,245,941	-	-	2,245,941
U.S. Corporate Bonds	7,904,209	-	-	7,904,209
Non-U.S. Corporate Bonds	3,773,734	-	-	3,773,734
U.S. Common and Preferred Stocks	31,579,722	-	-	31,579,722
Non-U.S. Common and Preferred Stocks	18,509,916	-	-	18,509,916
Global Real Estate Fund	3,880,280	-	-	3,880,280
Cash and Cash Equivalents	-	-	-	1,730,072
Investments Held at NAV or Equivalent	-	-	-	10,709,105
Total	67,893,802	16,244,688	-	96,577,667
Interest in Beneficiary Trusts	-	-	4,061,255	4,061,255
Deferred Swap Rate Liability	-	(208,110)	-	(208,110)
Total	$ 67,893,802	$ 16,036,578	$ 4,061,255	$ 100,430,812

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table provides a summary of changes in fair value of the YMCA's Level 3 financial assets for the years ended December 31:

	2018 Interest in Beneficiary Trusts
Balances as of January 1, 2018	$ 4,061,255
Contribution of Interest in Beneficiary Trust	-
Change in Value of Beneficiary Agreements	(566,962)
Balances as of December 31, 2018	$ 3,494,293

	2017 Interest in Beneficiary Trusts
Balances as of January 1, 2017	$ 2,690,241
Contribution of Interest in Beneficiary Trust	1,077,664
Change in Value of Beneficial Agreements	293,350
Balances as of December 31, 2017	$ 4,061,255

Quantitative Information about Level 3 Fair Value Measurements

The unobservable inputs used to determine the fair value of the interest in beneficiary trusts are the underlying assets controlled by the trustee. The underlying assets consist of marketable securities that are either classified as Level 1 or Level 2 assets and the YMCA's fair value is determined by taking the trust's total value multiplied by their interest in the trust, as stated in the trust document.

Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of December 31:

	2018			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 7,931,107	$ -	Investments prior to April 1, 2006 - quarterly; subsequent investments - semi-annually	95 days regardless of date of investment
Private Equity	5,415,707	5,128,000	N/A	N/A

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent) (Continued)

	2017			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 7,301,856	$ -	Investments prior to April 1, 2006 - quarterly; subsequent investments - semi-annually	95 days regardless of date of investment
Private Equity	3,407,249	3,671,200	N/A	N/A

Multi-Strategy Hedge Fund of Funds focus on building and maintaining low volatility, multi-manager portfolios which have little or no correlation to the broader debt and equity markets. Investments are primarily with institutional quality hedge fund managers who invest in a diversified historically uncorrelated strategy such as relative value, event-driven investing, equity market neutral, credit opportunities, and distressed. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Private Equity includes venture capital, buyouts, mezzanine, and special situation funds. The unobservable inputs used to determine the fair value of the fund of private equity funds has been estimated based on the capital account balances reported by underlying partnerships subject to the private equity fund of funds management review and judgment.

NOTE 12 ACQUISITION

Effective August 31, 2017, the YMCA entered into an asset transfer and acquisition agreement with the YMCA of Rochester, thereby assuming their assets and liabilities. The acquisition occurred to better align the YMCA of Rochester with the YMCA that had similar established programs.

As of August 31, 2017, the YMCA acquired the following assets and liabilities, at fair value:

Cash and Cash Equivalents	$ 127,000
Accounts Receivable, Net	15,252
Contributions Receivable	30,138
Other Assets	11,317
Land, Building, and Equipment, Net	9,836,363
Accounts Payable	(110,730)
Accrued Expenses	(129,383)
Notes Payable	(1,938,908)
Deferred Revenue	(37,318)
Assets and Liabilities Acquired, Net	$ 7,803,731

NOTE 12 ACQUISITION (CONTINUED)

Of the total acquired, $7,707,748 was recorded as a contribution without donor restrictions and $95,983 was recorded as a contribution with donor restriction as of August 31, 2017 within the statement of activities.

NOTE 13 LIQUIDITY

The YMCA regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash requirements are invested in money market funds, certificates of deposits and other short-term investments.

The YMCA's governing board has designated a portion of its unrestricted resources for endowment, capital investments, and other purposes. Those amounts are identified as board-designated in the table below. These funds are invested for long-term appreciation but remain available and may be spent at the discretion of the board.

The following table reflects the YMCA's financial assets as of December 31, 2018 that are available to meet cash needs for operating expenditures within one year.

Cash and Cash Equivalents	$ 10,622,741
Accounts Receivable, Net	4,368,548
Contributions Receivable	1,349,132
Invested Reserves	14,758,579
Board Designated Endowment Funds	14,121,934
Board Designated Strategic Development Fund	24,055,088
Total	$ 69,276,022

NOTE 14 REVENUE RECOGNITION AND CONTRACT LIABILITIES

The following table shows the YMCA's revenue disaggregated according to the timing of the transfer of goods or services for the years ended December 31:

	2018	2017
Revenue Recognized at a Point in Time:		
Program Service Fees	$ 66,502,196	$ 64,147,918
Sale of Supplies	1,805,614	1,416,408
Revenue Recognized Over Time:		
Memberships	73,864,153	71,751,128
Total Revenue Recognized	$ 142,171,963	$ 137,315,454

NOTE 14 REVENUE RECOGNITION AND CONTRACT LIABILITIES (CONTINUED)

The YMCA's contract liabilities consist of the following as of December 31:

	2018	2017
Contract Liabilities:		
Program Service Fees	$ 3,898,590	$ 3,770,576
Sale of Supplies	-	-
Memberships	927,961	963,179
Total Contract Liabilities	$ 4,826,551	$ 4,733,755

Contract liabilities represent payments received prior to the start of the requisite service being paid for. The following table depicts activities for contract liabilities related to program service fees and memberships.

Balance at December 31, 2017	Refunds Issued	Revenue Recognized included in December 31, 2017 Balance	Cash Received in Advance of Performance	Balance at December 31, 2018
$ 4,733,755	$ -	$ 4,733,755	$ 4,826,551	$ 4,826,551

The balance of contract liabilities at December 31, 2018, less any refunds, will be recognized as revenue over the period services are rendered. The YMCA applies the practical expedient 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.