

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA
Port Huron, Michigan**

**CONSOLIDATED FINANCIAL STATEMENTS
With Supplementary Information**

**FOR THE YEAR ENDED
DECEMBER 31, 2016**



**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

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FOR YOUTH DEVELOPMENT
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

April 21, 2017

To our Board, Members, Employees, Volunteers, Donors and Friends:

We are pleased to present the enclosed financial statements for the year ended December 31, 2016. At the YMCA of the Blue Water Area, our mission guides us, our cause inspires us, and the stories of impact that we share every day prove that we strengthen the foundations of community through our work in youth development, healthy living and social responsibility.

Looking back at 2016, more than 22,500 members and program participants were impacted through after school programs, camp programs, swim lessons, preschool and child care, fitness and special events. That is nearly 1 out of every 8 residents of St. Clair and Sanilac Counties. We are also a significant employer, providing over 180 full and part-time employment opportunities and engaging hundreds of volunteers.

Some highlights of the year:

- Implementation of the CATCH (Coordinated Approach to Child Health) Curriculum in all youth-serving programs, reaching more than 5,000 children with activities designed to promote healthy eating and physical activity in children, with the end goal of reducing childhood obesity in our community.
- Use of best-practice information to conduct upgrades of our Camp and Afterschool Child Care Programs.
- Continued development of programs for Active Older Adults, including implementation of Enhance[®]Fitness, an evidence-based group exercise program focused on helping older adults at all levels of fitness become more active, energized and empowered to sustain healthy and independent lives.
- Completed an implementation plan to be able to offer the Y Diabetes Prevention Program to the community beginning in 2017.
- Offered tools to healthcare providers to "Prescribe the Y" for those patients who could benefit from increased physical activity and support.
- Offered Fun Fitness, a six-week wellness program with exercises designed to complement physical education classes and promote a healthy lifestyle for nearly 700 5th graders in the Port Huron Schools.
- Partnered with the St. Clair County Medical Society to offer the Walk For Summer Reading program. This project helped at-risk children at 24 elementary schools improve their reading skills and encourage physical activity. The students walked to earn books for summer reading, which is crucial to improving their literacy skills.

The true measure of any community is its desire and ability to help those less fortunate among us, and to strengthen the foundations of community. With 127 years of serving St. Clair and Sanilac Counties, the YMCA of the Blue Water Area, together with our members, volunteers, staff and partners, understands our community needs. When challenges arise, the Y steps in. With a focus on **youth development, healthy living** and **social responsibility**, we are ideally positioned to have a positive impact in countless lives.

Respectfully submitted,

Denise M. Brooks
President/CEO



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Young Men's Christian Association
of the Blue Water Area
Port Huron, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of the Blue Water Area (a nonprofit corporation) and its supporting organization which comprise the consolidated statement of financial position as of December 31, 2016, the related consolidated 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 judgement, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of the Blue Water Area and its supporting organization as of December 31, 2016 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statements and schedule of transportation expenses, as listed in the table of contents, are presented for purposes of additional analysis and are 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Letter to the Board, Members, Employees, Volunteers, Donors, and Friends and the Mileage Data, as listed in the table of contents and are the responsibility of management, are presented for purposes of additional analysis and are not required parts of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.


Certified Public Accountants

April 13, 2017

BASIC FINANCIAL STATEMENTS

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

Assets:

Cash and cash equivalents	\$	428,770
Receivables (net of allowance)		54,027
Inventory		1,894
Prepaid expenses		29,378
Unconditional promises to give (net of allowance)		71,789
Cash surrender value of life insurance		113,443
Beneficial interest in assets held by others		278,035
Land, buildings and equipment, net		<u>2,811,859</u>
 Total Assets	 \$	 <u><u>3,789,195</u></u>

Liabilities:

Accounts payable	\$	68,822
Accrued salaries and fringes		64,527
Unearned revenue		99,191
YMCA USA payable		78,397
Other Notes payable		440,766
Accrued vacation and sick		<u>63,960</u>
 Total Liabilities		 <u>815,663</u>

Net Assets:

Permanently restricted		299,751
Unrestricted		<u>2,673,781</u>
 Total Net Assets		 <u>2,973,532</u>
 Total Liabilities and Net Assets	 \$	 <u><u>3,789,195</u></u>

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

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Unrestricted Net Assets:

Revenues and Other Support:

Contributions	\$ 392,351
Program Fees	2,474,357
Grants and fees from local agencies	117,579
Merchandise sales	3,823
Rental income	37,418
Other	3,399
Net investment income	29,205
Total Revenues and Other Support	3,058,132

Expenses:

Program services	2,489,859
Supporting services -	
Management and general	169,548
Membership development	241,683
Fundraising	83,614
National support/dues	48,176
Total Expenses	3,032,880

Change in Net Assets Before other Gains and Losses	25,252
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Other Gains and Losses:

Loss on disposal of fixed assets	(45,130)
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Change in Net Assets	(19,878)
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Unrestricted Net Assets at beginning of year	2,693,659
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Unrestricted Net Assets at end of year	2,673,781
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Permanent Restricted Net Assets:

Contributions	-
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Permanent Restricted Net Assets at beginning of year	299,751
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Permanent Restricted Net Assets at end of year	299,751
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Total Net Assets at the End of the Year	\$ 2,973,532
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The accompanying notes are an integral part of these financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Total Program Services	Supporting Services			Total	Total Program and Supporting Services
		Management and General	Membership Development	Fundraising		
Salaries	\$ 1,265,217	\$ 93,159	\$ 141,918	\$ 51,215	\$ 286,292	\$ 1,551,509
Payroll taxes & benefits	226,784	16,698	25,438	9,180	51,316	278,100
	<u>1,492,001</u>	<u>109,857</u>	<u>167,356</u>	<u>60,395</u>	<u>337,608</u>	<u>1,829,609</u>
Supplies	174,214	3,555	-	17	3,572	177,786
Postage	1,441	1,441	1,441	1,441	4,323	5,764
Professional fees	-	21,900	-	-	21,900	21,900
Contracted services	219,178	4,473	-	16,766	21,239	240,417
Laundry and housekeeping supplies	48,136	982	-	-	982	49,118
Telephone	238	-	-	-	-	238
Utilities	233,651	4,063	23,024	-	27,087	260,738
Insurance	43,310	3,540	-	-	3,540	46,850
Equipment rent	1,221	-	-	-	-	1,221
Equipment maintenance	16,569	276	1,565	-	1,841	18,410
Building maintenance	11,991	200	1,132	-	1,332	13,323
Printing and publications	6,362	130	-	1,500	1,630	7,992
Advertising	34,953	-	31,458	3,495	34,953	69,906
Travel/mileage reimbursement	1,024	433	586	-	1,019	2,043
Transportation expenses	4,090	-	-	-	-	4,090
Conferences and training	9,904	2,476	-	-	2,476	12,380
Interest and fees	56,315	8,061	1,658	-	9,719	66,034
Non-Capitalized equipment	39,516	6,543	4,975	-	11,518	51,034
Miscellaneous	5,868	120	-	-	120	5,988
	<u>907,981</u>	<u>58,193</u>	<u>65,839</u>	<u>23,219</u>	<u>147,251</u>	<u>1,055,232</u>
Total expenses before depreciation	2,399,982	168,050	233,195	83,614	484,859	2,884,841
Depreciation	<u>89,877</u>	<u>1,498</u>	<u>8,488</u>	<u>-</u>	<u>9,986</u>	<u>99,863</u>
Total Expenses	<u>\$ 2,489,859</u>	<u>\$ 169,548</u>	<u>\$ 241,683</u>	<u>\$ 83,614</u>	<u>\$ 494,845</u>	<u>\$ 2,984,704</u>

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

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016**

Cash Flows From Operating Activities:

Change in net assets	\$(19,878)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation	99,863
Loss on disposal of assets	45,130
Forgiveness of debt	(130,000)
Allowance for doubtful accounts and pledges	(30,000)
Imputed interest on note	19,512
Decrease in cash surrender value of life insurance	(10,355)
Gains on endowment funds/assets held by others	(18,821)
Changes in assets and liabilities -	
Accounts receivable	25,165
Inventory	1,186
Prepaid expenses	(1,615)
Pledges/Bequest receivable	120,917
Accounts/YMCA payable	(29,828)
Accrued salaries and fringes	22,671
Unearned revenue	9,265
Net Cash Provided by Operating Activities	<u>103,212</u>

Cash Flows From Investing Activities:

Proceeds from sale of capital assets	74,870
Proceed from settlement on roof	378,360
Acquisition of capital assets	(5,600)
Acquisition of beneficial interest in assets held by others	(274,135)
Withdrawal from investments - Endowments	282,597
Net Cash Used for Investing Activities	<u>456,092</u>

Cash Flows From Financing Activities:

Checks drawn in excess of available bank balances	(12,465)
Note proceeds	64,588
Principal payments on equipment loan	(2,130)
Principal payments on debt	(186,224)
Net Cash Used for Financing Activities	<u>(136,231)</u>

Net Increase in Cash and Cash Equivalents 423,073

Cash and Cash Equivalents at beginning of year 5,697

Cash and Cash Equivalents at end of year \$ 428,770

Supplementary Information for Statement of Cash Flows:

Interest paid on long-term debt \$ 1,739

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

**THE YOUNG MEN’S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES:**

DESCRIPTION OF ASSOCIATION:

The Young Men’s Christian Association of the Blue Water Area (the “Association”) is a 501(c)(3) organization established to promote the ideals of ethical and moral lifestyles by providing the leadership and facilities necessary to build strong kids, strong families, and strong communities throughout St. Clair and Sanilac Counties. The Association attempts to fulfill this mission through youth, adult, and family recreation services, child care services, and services for senior citizens.

The Blue Water YMCA Foundation was organized in 2014 as a nonprofit organization under 501(c)(3) to serve as a supporting organization to The Young Men’s Christian Association of the Blue Water Area. The Board of Directors of the Blue Water YMCA Foundation must consist of no less than three trustees, and at all times a majority of the trustees must be appointed by the governing Board of The Young Men’s Christian Association of the Blue Water Area.

The consolidated financial statements report all activities of The Young Men’s Christian Association of The Blue Water Area and the Blue Water YMCA Foundation, where any inter-company transactions are eliminated.

SIGNIFICANT ACCOUNTING POLICIES:

The Association’s accounting policies are in accordance with accounting principles generally accepted in the United States of America. The following is a summary of policies which are considered significant to the Association.

BASIS OF ACCOUNTING - The financial statements of the Association are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

BASIS OF PRESENTATION - Financial statement presentation follows the requirements of the Financial Accounting Standards Board *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CASH AND CASH EQUIVALENTS - Cash equivalents represent highly liquid investments with a maturity of three months or less from the date of purchase.

INVESTMENTS - The Association reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the consolidated statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - (cont'd):**

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS -

Accounts receivable from program service fees are stated at the amount the Association expects to collect from outstanding balances. The Association provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts and historical experience. Balances that are still outstanding after the Association has used reasonable collection efforts are written off. The allowance for doubtful accounts was \$1,000 as of December 31, 2016.

PROMISES TO GIVE - Unconditional promises to give are recognized as contributions in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional contributions receivable that are expected to be collected within one year are recorded at the net realizable value; those that are expected to be collected in future years are recorded at the present value of the expected future cash flows using management's best estimate of key assumptions including collectability, payment period, and a discount rate commensurate with current market and other risks involved.

An allowance for doubtful accounts has been established based on historical experience and review of the current promises. The allowance for doubtful accounts is \$80,000 as of December 31, 2016.

INVENTORY - Inventory consists of supplies which are stated at the lower of cost or market using the first-in, first-out (FIFO) method.

PREPAID EXPENSES - Certain payments to vendors reflecting costs applicable to future accounting periods are recorded as prepaid items.

LAND, BUILDING, AND EQUIPMENT - Property and equipment are carried at cost at the date of purchase or fair value at date of donation. Property and equipment are defined by the Association as assets with an individual cost greater than \$5,000 and an estimated life greater than one year. Major additions are charged to the property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or disposed of, the recorded value is removed from the accounts. Gains and losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated life of the asset.

The estimated useful lives of the assets are as follows:

Building and building improvements	5 - 40 years
Furniture, equipment, and vehicles	3 - 10 years

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - (cont'd):**

LIFE INSURANCE CASH SURRENDER VALUE - The Association is the owner and beneficiary of two separate life insurance policies with an aggregate face value of \$500,000. The annual premiums are paid with contributions received from the individuals insured by the policies or by the policies' equity. The cash surrender value of these policies has been recorded as revenue and an asset when donated. Annual increases or decreases in the cash surrender value of the policies are recorded as revenue (or reduction of revenue) in the year incurred.

RESTRICTED AND UNRESTRICTED REVENUE - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 consolidated statement of activities as net assets released from restrictions.

INCOME TAXES - The Association is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Blue Water YMCA Foundation is tax-exempt under Section 501(c)(3) and is a Type 1 supporting organization under Section 509(a)(3). Accordingly, no provision for income taxes is required.

NATIONAL SUPPORT - The Association is a member of the National Council of Young Men's Christian Association and as a member is required to contribute 2% (percent) of adjusted total income to the National Council.

FUNCTIONAL EXPENSES - Specific identifiable expenses are charged directly to program and supporting services. Expenses related to more than one function are charged to program and supporting services based on a percentage of the square footage. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Association.

ADVERTISING - The Association's policy is to expense advertising costs for the promotion of programs as the costs are incurred. Advertising expenses were \$69,906 for 2016.

UNEARNED REVENUE - Unearned revenue represents membership fees applicable to future periods and gift certificates.

ACCRUED VACATION AND SICK - Employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under limits and conditions specified in the personnel policies.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - (cont'd):**

ESTIMATES - In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FAIR VALUE MEASUREMENTS - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Association accounts for certain financial assets and liabilities at fair value.

UPCOMING ACCOUNTING PRONOUNCEMENTS - In August 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, Topic 958, for not-for-profit entities aimed at improving the current net asset classification requirements and information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Included in the new standard is presenting on the face of the statement of financial position two classes of net assets at the end of the period, *net assets with donor restrictions* and *net assets without donor restrictions*, rather than the currently required three classes. The statement of activities would also present changes in each of the two classes of net assets rather than the currently required three classes. The amendments in this update are effective for the Association's financial statements for the year ending December 31, 2019.

In February 2016, FASB issued a new accounting standard, Topic 842, intended to improve financial reporting of leasing transactions. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flow arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet, the new standards will require both types of leases to be recognized on the balance sheet. The standard also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows from leases. The amendments in this standard are effective for the Association's financial statements for the year ending December 31, 2021.

SUBSEQUENT EVENTS - In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 13, 2017, the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT:

As of December 31, 2016, the Association had deposits with financial institutions with a bank balance of \$448,216, of which \$401,791 was covered by depository insurance and the remaining \$46,425 was uninsured and uncollateralized.

**THE YOUNG MEN’S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE AND INTENTIONS TO GIVE:

At December 31, 2016:

Promises to give	\$	151,789
Allowance for doubtful promises	(<u>80,000)</u>
	\$	<u>71,789</u>

The Association’s net promises to give are expected to be collected in less than one year.

In addition, the Association has \$275,000 of “intentions to give.” These intentions to give are based on bequests included in wills, therefore, are not recorded on the financial statements because the donor has the right to modify or change the bequest.

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

Since the inception of the Association, permanently restricted contributions have been received for the purpose of supplementary operations with the interest and appreciation on these investments. For most of 2016, the Association was responsible for investing and maintaining these endowments. In December 2016, the Association transferred the assets to the Community Foundation of St. Clair County (the “Foundation”) to enhance investment earnings and attract additional public contributions.

The assets are recorded as “beneficial interest in assets held by others,” which represents the assets transferred to the Community Foundation of St. Clair County to establish an agency endowment fund plus accumulated investment earnings. Under the terms of the agreement with the Foundation, the Board of Directors of the Association may recommend or request distribution from the fund in amounts limited by the spending policies of the Foundation. The Foundation’s current spending policy is to distribute 5% of the average fair value over the prior 16 quarters determined as of September of the year preceding distribution. At the time of the transfer of assets, the Association granted variance power to the Foundation. The Foundation expects to follow the recommendation but reserves the right to accept or reject the Association’s recommendations. Variance power also gives the Foundation the right to distribute the spendable portion of the fund to another nonprofit of its choice if the Association ceases to exist and the Board of the Foundation determines that support of the Association is no longer necessary or is inconsistent with the mission or purpose of the funds or the needs of the community.

The activity for 2016 was as follows:

Balance at January 1, 2016	\$	267,676
Net appreciation of investments		16,335
Investment income		5,448
Investment fees	(2,962)
Expenses appropriated by the Board	(<u>8,462)</u>
Balance at December 31, 2016	\$	<u>278,035</u>

As of December 31, 2016, the original value of permanently restricted contributions was \$299,751.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS - (cont'd):

From time to time, the fair value of assets associated with donor-restricted endowment investments may fall below the level that the donor requires the Association to retain as perpetual duration investment principal. In accordance with GAAP, a deficiency of this nature was reported in unrestricted net assets at December 31, 2016 amount to \$21,716. This deficiency resulted from market conditions that did not appreciate to the level required to cover allowable expenses in accordance with the Association's spending policy.

NOTE 5 - LAND, BUILDING, AND EQUIPMENT:

The following is a summary of capital assets for the year ended December 31, 2016:

Land	\$ 430,000
Building and building improvements	2,430,600
Furniture and equipment	474,176
Vehicles	<u>46,860</u>
	3,381,636
Less - accumulated depreciation	<u>(569,777)</u>
Total Land, Building, and Equipment, net	<u>\$ 2,811,859</u>

Depreciation expense for 2016 totaled \$99,863.

NOTE 6 - NOTES PAYABLE:

In November 2015, the association received a \$500,000 non-interest bearing loan from the James C. Acheson Foundation. The loan is to be repaid in monthly installments of \$2,762 commencing May 1, 2017 through May 1, 2032. Since the loan is long-term and "interest-free," accounting standards require that the Association record a contribution equal to the "imputed interest." The "imputed interest" for 2016 at 5.00% was \$19,512. \$ 346,512

In November 2015, the Association received a non-interest bearing, short-term loan in the amount of \$125,000 to be repaid when the Association sold the Sault Ste. Marie property. The Association sold the property in 2016; however, the proceeds were not sufficient to repay the entire amount of the loan. The remaining balance is to be repaid as cashflow becomes available. 38,130

On June 22, 2016, the Association entered into a capital lease for the purchase of equipment for \$34,588, payable in 36 monthly installments of \$1,023 including interest of 4.12% through July 1, 2019. 30,036

The past few years, the President/CEO has made non-interest bearing loans to the Association. During 2016, loans totaling \$30,000 were made. The loans are to be repaid as cashflow becomes available. 26,088

\$ 440,766

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 6 - NOTES PAYABLE - (cont'd):

The principal maturities of the notes, excluding the notes that will be repaid when cash is available, are as follows:

	<u>November 2015 Note (1)</u>	<u>Capital Lease</u>
2017	\$ 12,026	\$ 11,249
2018	16,521	11,722
2019	17,367	7,065
2020	18,255	-
2021	19,189	-
2022-2026	111,716	-
2027-2031	143,371	-
2032	<u>13,641</u>	<u>-</u>
	<u>\$ 352,086</u>	<u>\$ 30,036</u>

(1) The payment schedule includes the "imputed interest" that will be added to the principal of the loan for the period January-May 2017 of \$5,574.

NOTE 7 - YMCA USA PAYABLE:

As explained in Note 1, the Association is required to contribute 2% of the adjusted total income to the National YMCA Council. Because of cash flow, the Association has not paid the required amount for 2013, 2014, and 2015, totaling \$78,397. An agreement was reached in March 2016 whereby the Association will begin repaying the payable in 30 monthly installments of \$1,319 starting July 2016, with a \$50,000 lump-sum payment due no later than June 30, 2017, with no interest. The principal maturity of the agreement is as follows:

2017	\$ 65,832
2018	<u>12,565</u>
	<u>\$ 78,397</u>

NOTE 8 - LEASES:

Operating Lease -

In September 2014, the Association entered into a non-cancelable lease agreement for the rental of a copier. Monthly payments of \$364 are due through April 2019. Lease expense for the year ended December 31, 2016 was \$4,371. Minimum future lease payments under the operating lease are as follows:

2017	\$ 4,371
2018	4,371
2019	<u>1,458</u>
	<u>\$ 10,200</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 9 - RELATED PARTIES TRANSACTIONS:

During 2016, the Association received \$24,665 of contributions from board members and their families, as well as companies they own, the President/CEO, and other related parties. Also, as stated in Note 5, the Association has short-term loans from the President/CEO. The balance outstanding at December 31, 2016 was \$26,088.

NOTE 10 - FAIR VALUE MEASUREMENTS:

In accordance with ASC 820, the Association uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as "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 codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

The following table presents the Association's fair value hierarchy for the assets measured at fair value as of December 31, 2016:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial Interest in Assets				
Held by Others	\$ 278,035	\$ -	\$ 278,035	\$ -
Variable Life Insurance Policy	<u>113,443</u>	<u>-</u>	<u>113,443</u>	<u>-</u>
	<u>\$ 391,478</u>	<u>\$ -</u>	<u>\$ 391,478</u>	<u>\$ -</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 11 - EMPLOYEE PENSION PLAN:

The Association provides retirement benefits for all eligible employees through pension plans administered by the National Association. In order to be eligible, an employee must have completed two years of service in which at least 1,000 hours have been worked and must be 21 or older. The employee contributes 3%, and the Association contributes 5.0% of the employee's gross salary. Both Employer and Employees' contributions become fully vested immediately.

For the year ended December 31, 2016, the employer contribution to the pension plan was \$34,572.

SUPPLEMENTARY INFORMATION

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	YMCA	YMCA Foundation	Consolidating Adjustments	Total
Assets:				
Cash and cash equivalents	\$ 299,998	\$ 128,772	\$ -	\$ 428,770
Receivables (net of allowance) -				
Memberships	11,389	-	-	11,389
Settlement	18,333	-	-	18,333
Due from foundation	2,650	-	(2,650)	-
Other	24,305	-	-	24,305
Inventory	1,894	-	-	1,894
Prepaid expenses	29,378	-	-	29,378
Unconditional promises to give (net of allowance)	71,757	32	-	71,789
Cash surrender value of life insurance	113,443	-	-	113,443
Beneficial interest in assets held by others	278,035	-	-	278,035
Land, buildings and equipment, net	2,811,859	-	-	2,811,859
	<u>\$ 3,663,041</u>	<u>\$ 128,804</u>	<u>\$(2,650)</u>	<u>\$ 3,789,195</u>
Liabilities:				
Accounts payable	\$ 68,822	\$ -	\$ -	\$ 68,822
Accrued salaries and fringes	64,527	-	-	64,527
Unearned revenue	99,191	-	-	99,191
Due to YMCA	-	2,650	(2,650)	-
YMCA USA payable	78,397	-	-	78,397
Notes payable	440,766	-	-	440,766
Accrued vacation and sick	63,960	-	-	63,960
Total Liabilities	<u>815,663</u>	<u>2,650</u>	<u>(2,650)</u>	<u>815,663</u>
Net Assets:				
Permanently Restricted	299,751	-	-	299,751
Unrestricted	2,547,627	126,154	-	2,673,781
Total Net Assets	<u>2,847,378</u>	<u>126,154</u>	<u>-</u>	<u>2,973,532</u>
Total Liabilities and Net Assets	<u>\$ 3,663,041</u>	<u>\$ 128,804</u>	<u>\$ (2,650)</u>	<u>\$ 3,789,195</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	YMCA	YMCA Foundation	Consolidating Adjustments	Total
Revenues and Gains and Other Support:				
Public Support -				
Contributions	\$ 266,181	\$ 126,170	\$ -	\$ 392,351
Revenue and Gains -				
Memberships and guest fees	1,366,359	-	-	1,366,359
Childcare fees	869,417	-	-	869,417
Other program service fees	238,581	-	-	238,581
	<u>2,474,357</u>	<u>-</u>	<u>-</u>	<u>2,474,357</u>
Grants and fees from local agencies -				
Blue Water Area Transit	5,592	-	-	5,592
Mercy Hospital	4,760	-	-	4,760
Port Huron Noon Optimists	3,500	-	-	3,500
YMCA of the USA	8,402	-	-	8,402
State Alliance of Michigan YMCAs	90,368	-	-	90,368
Other	4,957	-	-	4,957
Merchandise sales	3,823	-	-	3,823
Rental income	37,418	-	-	37,418
Other	3,399	-	-	3,399
Investment income net of expenses	29,176	29	-	29,205
	<u>2,665,752</u>	<u>29</u>	<u>-</u>	<u>2,665,781</u>
Total Revenues and Other Support	<u>2,931,933</u>	<u>126,199</u>	<u>-</u>	<u>3,058,132</u>
Expenses:				
Program services	2,507,769	-	-	2,507,769
Supporting services -				
Management and general	151,638	-	-	151,638
Membership development	241,683	-	-	241,683
Fundraising	83,614	-	-	83,614
National support/dues	48,176	-	-	48,176
Total Expenses	<u>3,032,880</u>	<u>-</u>	<u>-</u>	<u>3,032,880</u>
Change in Net Assets Before Gains and Losses	(100,947)	126,199	-	25,252
Other Gains and Losses:				
Loss on disposal of fixed assets	(45,130)	-	-	(45,130)
Change in Net Assets	(146,077)	126,199	-	(19,878)
Net Assets at beginning of year	<u>2,993,455</u>	<u>(45)</u>	<u>-</u>	<u>2,993,410</u>
Net Assets at end of year	<u>\$ 2,847,378</u>	<u>\$ 126,154</u>	<u>\$ -</u>	<u>\$ 2,973,532</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**TRANSPORTATION OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 2,231	\$ -	\$ 1,671	\$ 3,902
Other salaries and wages	5,841	-	-	5,841
Fringe benefits	836	-	210	1,046
Services	192	-	-	192
Materials and Supplies Consumed -				
Fuel and lubricants	668	-	-	668
Other materials and supplies	-	2,027	-	2,027
Casualty and Liability Costs -				
Premiums for Public Liability	2,620	-	-	2,620
Depreciation	-	-	-	-
Total Operating Expenses	<u>\$ 12,388</u>	<u>\$ 2,027</u>	<u>\$ 1,881</u>	<u>\$ 16,296</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE BLUE WATER AREA**

**MILEAGE DATA (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Total Mileage</u>
Demand-Response	
1st Quarter	157
2nd Quarter	410
3rd Quarter	1,105
4th Quarter	<u>750</u>
Total Demand-Response Mileage	<u><u>2,422</u></u>