

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

**CONSOLIDATED FINANCIAL STATEMENTS
With Supplementary Information**

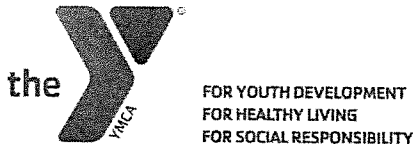
**FOR THE YEAR ENDED
DECEMBER 31, 2017**



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

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April 27, 2018

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

We are pleased to present the enclosed financial statements for the year ended December 31, 2017. 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 2017, more than 25,000 members and program participants were engaged at the YMCA. That is nearly 1 out of every 8 residents of St. Clair and Sanilac Counties. Of those, more than 9,000 youth were participated in after school programs, camps, swim lessons, sports, preschool and child care, fitness and special events. We are also a significant employer, providing over 160 full and part-time employment opportunities and engaging hundreds of volunteers.

As we look at the past year, we see that it is the story of "Us." Us is a promise – that every day, the Y strengthens communities for kids, adults, seniors and families with programs that protect, teach, connect, heal, nourish and encourage. It's how we help communities and the "us" who live in them achieve our individual and collective promise.

Some highlights of the year:

- Expansion of YMCA Drowning Prevention activities. Drowning is the second leading cause of accidental death in children ages 1-14. The Y taught more than 3,000 children invaluable water safety and swimming skills last year. Our goal is to ensure that ALL children have the opportunity to learn these lifesaving skills and become confident in and around the water that is such a big part of the area where we live.
- Brought the Y Diabetes Prevention Program to the community with the first cohort of participants beginning in the fall of 2017 – with life-changing results.
- Introduced SPARKS camps and programs. These programs are designed to "spark" interest in a variety of areas from Jr. Scientists to Think WIDER on the River Walk and from music to sailing.

In 2015, the YMCA embarked on a journey to be more accessible through a redesign of membership and program fees. Three years later, membership has grown by more than 70%. I'm pleased to say that while that growth is across all sectors, a significant part of that growth is in households with annual income between \$25,000 and \$50,000 a year. This is exactly the part of the community that we hoped to engage with those changes.

The YMCA is one of the only organizations in our community where there are activities and facilities being used by young and old, children, adults, singles, couples, elderly, the gregarious, and the lonely. The Y brings all these unique individuals together in positive and encouraging ways. The Y is an investment in programs focused on overall health, well-being, growth and success of our children and families. It is the power of Us.

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, 2017, 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, 2017 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, which 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 20, 2018

BASIC FINANCIAL STATEMENTS

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

Assets:

Cash and cash equivalents	\$	281,147
Receivables (net of allowance)		36,624
Inventory		3,176
Prepaid expenses		32,740
Unconditional promises to give		21,202
Cash surrender value of life insurance		140,016
Beneficial interest in assets held by others		306,204
Land, buildings and equipment, net		<u>2,790,627</u>
 Total Assets	 \$	 <u><u>3,611,736</u></u>

Liabilities:

Accounts payable	\$	60,274
Accrued salaries and fringes		72,942
Unearned revenue		115,008
YMCA USA payable		12,566
Notes payable		433,949
Accrued vacation and sick		<u>59,647</u>
 Total Liabilities		 <u>754,386</u>

Net Assets:

Permanently restricted		306,204
Unrestricted		<u>2,551,146</u>
 Total Net Assets		 <u>2,857,350</u>
 Total Liabilities and Net Assets	 \$	 <u><u>3,611,736</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, 2017**

Unrestricted Net Assets:

Revenues and Other Support:

Contributions	\$ 214,801
Program Fees	2,647,070
Grants and fees from local agencies	51,281
Merchandise sales	4,254
Rental income	45,086
Fundraising events including in-kind contributions	66,657
Other	6,184
Net investment income	51,678
Total Revenues and Other Support	3,087,011

Expenses:

Program services	2,610,236
Supporting services -	
Management and general	139,777
Membership development	254,580
Fundraising	153,210
National support/dues	51,843
Total Expenses	3,209,646

Change in Net Assets	(122,635)
Unrestricted Net Assets at beginning of year	2,673,781
Unrestricted Net Assets at end of year	2,551,146

Permanent Restricted Net Assets:

Gain of value of beneficial interest in assets held by others assets held by others	6,453
Permanent Restricted Net Assets at beginning of year	299,751
Permanent Restricted Net Assets at end of year	306,204

Total Net Assets at the End of the Year	\$ 2,857,350
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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, 2017**

	Total Program Services	Supporting Services			Total	Total Program and Supporting Services
		Management and General	Membership Development	Fundraising		
Salaries	\$ 1,356,553	\$ 77,918	\$ 159,510	\$ 85,828	\$ 323,256	\$ 1,679,809
Payroll taxes & benefits	243,460	13,984	28,627	15,404	58,015	301,475
	<u>1,600,013</u>	<u>91,902</u>	<u>188,137</u>	<u>101,232</u>	<u>381,271</u>	<u>1,981,284</u>
Supplies	163,891	3,345	-	4,934	8,279	172,170
Postage	1,311	1,311	1,311	1,311	3,933	5,244
Professional fees	-	17,520	-	-	17,520	17,520
Contracted services	240,857	4,915	-	850	5,765	246,622
Speaker fees	-	-	-	23,845	23,845	23,845
Laundry and housekeeping supplies	73,497	1,500	-	-	1,500	74,997
Utilities	242,622	4,044	22,914	-	26,958	269,580
Insurance	44,226	3,730	-	952	4,682	48,908
Equipment rent	128	128	129	6,635	6,892	7,020
Equipment maintenance	19,173	320	1,811	-	2,131	21,304
Building maintenance	5,438	91	514	-	605	6,043
Printing and publications	1,913	39	-	2,091	2,130	4,043
Advertising	32,293	-	29,064	9,079	38,143	70,436
Travel/mileage reimbursement	2,701	1,421	849	1,026	3,296	5,997
Transportation expenses	5,694	-	-	-	-	5,694
Conferences and training	8,601	1,695	352	535	2,582	11,183
Interest and fees	63,948	6,213	1,535	-	7,748	71,696
Non-Capitalized equipment	10,974	-	-	-	-	10,974
Miscellaneous	8,552	198	-	720	918	9,470
Bad Debt (Allowance)	75	-	-	-	-	75
	<u>925,894</u>	<u>46,470</u>	<u>58,479</u>	<u>51,978</u>	<u>156,927</u>	<u>1,082,821</u>
Total expenses before depreciation	2,525,907	138,372	246,616	153,210	538,198	3,064,105
Depreciation	84,329	1,405	7,964	-	9,369	93,698
Total Expenses	<u>\$ 2,610,236</u>	<u>\$ 139,777</u>	<u>\$ 254,580</u>	<u>\$ 153,210</u>	<u>\$ 547,567</u>	<u>\$ 3,157,803</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, 2017**

Cash Flows From Operating Activities:

Change in net assets	\$(122,635)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	93,698
Imputed interest on note	5,575
Increase in cash surrender value of life insurance	(26,573)
Gains on assets held by others	(28,169)
Changes in assets and liabilities -	
Accounts receivable	17,403
Inventory	(1,282)
Prepaid expenses	(3,362)
Operating pledges receivable	(5,663)
Accounts/YMCA payable	(74,379)
Accrued salaries and fringes	4,102
Unearned revenue	15,817
Net Cash Used for Operating Activities	<u>(125,468)</u>

Cash Flows From Investing Activities:

Capital pledges receivable	56,250
Acquisition of capital assets	(72,466)
Earnings on beneficial interest in assets held by others	6,453
Net Cash Used for Investing Activities	<u>(9,763)</u>

Cash Flows From Financing Activities:

Note proceeds	54,900
Principal payments on equipment loan	(11,249)
Principal payments on other debt	(56,043)
Net Cash Used for Financing Activities	<u>(12,392)</u>

Net Decrease in Cash and Cash Equivalents (147,623)

Cash and Cash Equivalents at beginning of year 428,770

Cash and Cash Equivalents at end of year \$ 281,147

Supplementary Information for Statement of Cash Flows:

Interest paid on long-term debt \$ 16,614

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, 2017**

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.

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, 2017.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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.

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

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 was 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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 \$70,436 for 2017.

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

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.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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 20, 2018, the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF CREDIT:

As of December 31, 2017, the Association had deposits with financial institutions with a bank balance of \$311,987, which is fully covered by depository insurance.

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

At December 31, 2017, the Association had promises to give receivable of \$21,202, all of which is expected to be collected in 2018.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

Beneficial interest in assets held by others 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 2017 was as follows:

Balance at January 1, 2017	\$	278,035
Net appreciation of investments		27,432
Investment income		7,029
Investment fees	(6,292)
Balance at December 31, 2017	\$	306,204

NOTE 5 - LAND, BUILDING, AND EQUIPMENT:

The following is a summary of capital assets for the year ended December 31, 2017:

Land	\$	430,000
Building and building improvements		2,486,425
Furniture and equipment		490,817
Vehicles		46,860
		3,454,102
Less - accumulated depreciation	(663,475)
Total Land, Building, and Equipment, net	\$	2,790,627

Depreciation expense for 2017 totaled \$93,698.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 2017 at 5.00% was \$5,575. \$ 338,715

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. 33,130

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. 18,787

On July 25, 2017, the Association entered into an installment purchase agreement for the purchase of equipment for \$44,900, payable in 60 monthly installments of \$843 including interest of 4.79% through August 25, 2022. 42,229

The past few years, the President/CEO has made non-interest-bearing loans to the Association. During 2017, loans totaling \$10,000 were made. The loans are to be repaid as cashflow becomes available. 1,088

\$ 433,949

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

	Installment Purchase	November 2015 Note	Capital Lease
2018	\$ 8,273	\$ 16,590	\$ 11,722
2019	8,679	17,439	7,065
2020	9,103	18,331	-
2021	9,549	19,269	-
2022	6,625	20,255	-
2023-2026	-	117,920	-
2027-2031	-	128,911	-
	<u>\$ 42,229</u>	<u>\$ 338,715</u>	<u>\$ 18,787</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 had not paid the required amount for 2013, 2014, and 2015 totaling \$78,397. An agreement was reached in March 2016 whereby the Association began repaying the payable in 30 monthly installments of \$1,319 in July 2016, with a \$50,000 lump-sum payment due no later than June 30, 2017, with no interest. The remaining principal balance at December 31, 2017 is \$12,566.

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, 2017 was \$4,371. Minimum future lease payments under the operating lease are as follows:

2018	\$	4,371
2019		<u>1,458</u>
	\$	<u>5,829</u>

NOTE 9 - RELATED PARTIES TRANSACTIONS:

During 2016, the Association received \$42,521 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 6, the Association has short-term loans from the President/CEO. The balance outstanding at December 31, 2017 was \$1,088.

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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 10 - FAIR VALUE MEASUREMENTS - (cont'd):

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, 2017:

	Total	Level 1	Level 2	Level 3
Variable Life Insurance Policy	\$ 140,016	\$ -	\$ 140,016	\$ -

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, 2017, the employer contribution to the pension plan was \$34,292.

SUPPLEMENTARY INFORMATION

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

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

	YMCA	YMCA Foundation	Consolidating Adjustments	Total
Assets:				
Cash and cash equivalents	\$ 194,393	\$ 86,754	\$ -	\$ 281,147
Receivables (net of allowance) -				
Memberships	14,342	-	-	14,342
Due from foundation	2,650	-	(2,650)	-
Other	22,282	-	-	22,282
Inventory	3,176	-	-	3,176
Prepaid expenses	32,740	-	-	32,740
Unconditional promises to give (net of allowance)	21,202	-	-	21,202
Cash surrender value of life insurance	140,016	-	-	140,016
Beneficial interest in assets held by others	306,204	-	-	306,204
Land, buildings and equipment, net	2,790,627	-	-	2,790,627
 Total Assets	 \$ 3,527,632	 \$ 86,754	 \$(2,650)	 \$ 3,611,736
 Liabilities:				
Accounts payable	\$ 60,274	\$ -	\$ -	\$ 60,274
Accrued salaries and fringes	72,942	-	-	72,942
Unearned revenue	115,008	-	-	115,008
Due to YMCA	-	2,650	(2,650)	-
YMCA USA payable	12,566	-	-	12,566
Notes payable	433,949	-	-	433,949
Accrued vacation and sick	59,647	-	-	59,647
Total Liabilities	754,386	2,650	(2,650)	754,386
 Net Assets:				
Permanently Restricted	306,204	-	-	306,204
Unrestricted	2,467,042	84,104	-	2,551,146
Total Net Assets	2,773,246	84,104	-	2,857,350
Total Liabilities and Net Assets	\$ 3,527,632	\$ 86,754	\$(2,650)	\$ 3,611,736

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

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>YMCA</u>	<u>YMCA Foundation</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
Unrestricted Net Assets:				
Revenues and Gains and Other Support:				
Public Support -				
Contributions	\$ 217,971	\$ 10,017	\$(13,187)	\$ 214,801
Revenue and Gains -				
Memberships and guest fees	1,495,272	-	-	1,495,272
Childcare fees	880,796	-	-	880,796
Other program service fees	271,002	-	-	271,002
	<u>2,647,070</u>	<u>-</u>	<u>-</u>	<u>2,647,070</u>
Grants and fees from local agencies -				
Blue Water Area Transit	4,845	-	-	4,845
Port Huron Noon Optimists	3,500	-	-	3,500
Blue Water YMCA Foundation	42,246	-	(42,246)	-
YMCA of the USA	4,119	-	-	4,119
State Alliance of Michigan YMCAs	22,313	-	-	22,313
Other	16,504	-	-	16,504
Merchandise sales	4,254	-	-	4,254
Rental income	45,086	-	-	45,086
Event income				
Contributions	54,280	-	-	54,280
In-kind	9,520	-	-	9,520
Other	2,857	-	-	2,857
Other	6,184	-	-	6,184
Investment income net of expenses	48,289	3,389	-	51,678
	<u>2,911,067</u>	<u>3,389</u>	<u>(42,246)</u>	<u>2,872,210</u>
Total Revenues and Other Support	<u>3,129,038</u>	<u>13,406</u>	<u>(55,433)</u>	<u>3,087,011</u>
Expenses:				
Program services	2,610,236	55,433	(55,433)	2,610,236
Supporting services -				
Management and general	139,754	23	-	139,777
Membership development	254,580	-	-	254,580
Fundraising	153,210	-	-	153,210
National support/dues	51,843	-	-	51,843
Total Expenses	<u>3,209,623</u>	<u>55,456</u>	<u>(55,433)</u>	<u>3,209,646</u>
Change in Unrestricted Net Assets	(80,585)	(42,050)	-	(122,635)
Permanent Restricted Net Assets:				
Change in value of beneficial interest in assets held by other	<u>6,453</u>	<u>-</u>	<u>-</u>	<u>6,453</u>
Change in Net Assets	(74,132)	(42,050)	-	(116,182)
Net Assets at beginning of year	<u>2,847,378</u>	<u>126,154</u>	<u>-</u>	<u>2,973,532</u>
Net Assets at end of year	<u>\$ 2,773,246</u>	<u>\$ 84,104</u>	<u>\$ -</u>	<u>\$ 2,857,350</u>

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

**TRANSPORTATION OPERATING EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Operations</u>	<u>Maintenance</u>	<u>General Admin.</u>	<u>Total System</u>
Labor -				
Operator's salaries and wages	\$ 2,070	\$ -	\$ 1,704	\$ 3,774
Other salaries and wages	5,816	-	-	5,816
Fringe benefits	795	-	224	1,019
Services	187	-	-	187
Materials and Supplies Consumed -				
Fuel and lubricants	778	-	-	778
Other materials and supplies	-	1,719	-	1,719
Casualty and Liability Costs -				
Premiums for Public Liability	3,449	-	-	3,449
Depreciation	-	-	-	-
Total Operating Expenses	<u>\$ 13,095</u>	<u>\$ 1,719</u>	<u>\$ 1,928</u>	<u>\$ 16,742</u>

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

**MILEAGE DATA (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Total Mileage</u>
Demand-Response	
1st Quarter	185
2nd Quarter	211
3rd Quarter	431
4th Quarter	<u>998</u>
Total Demand-Response Mileage	<u><u>1,825</u></u>