# Young Men's Christian Association of Dane County, Inc.

Financial Report
12.31.2018

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**Young Men's Christian Association of Dane County, Inc.**

## Contents

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**Independent Auditor's Report**

Board of Directors
Young Men's Christian Association
of Dane County, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Young Men's Christian Association of Dane County, Inc. (the Association), which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Dane County, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**
As discussed in the notes to the financial statements, effective January 1, 2018, the Association adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, Note 3, and ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-profit,* Note 2 and Note 11. The adoption of these standards resulted in cumulative-effect adjustment from adoption of *Topic 606* to the Association's net assets as of January 1, 2018, and required additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. Our opinion is not modified with respect to this matter.

RSM US LLP

Madison, Wisconsin
April 25, 2019

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Financial Position**
**December 31, 2018 and 2017**

| | **2018** | 2017 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 424,229** | $ 519,027 |
| Cash - endowment fund | **37,138** | 25,393 |
| Receivables: | | |
| Pledges receivable | **65,520** | 105,154 |
| Other receivables, net of allowance of $35,000 in 2018 and $25,000 in 2017 | **131,832** | 133,855 |
| Prepaid expenses and other | **134,023** | 118,203 |
| **Total current assets** | **792,742** | 901,632 |
| Certificates of deposit designated for unemployment compensation | **171,485** | 169,358 |
| Investments - endowment fund | **1,012,760** | 1,097,718 |
| Beneficial interest in remainder trust | **72,543** | 102,042 |
| Interest in net assets of Foundation | **119,209** | 126,866 |
| Property and equipment, net | **9,202,356** | 9,558,177 |
| **Total noncurrent assets** | **10,578,353** | 11,054,161 |
| **Total assets** | **$ 11,371,095** | $ 11,955,793 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | **$ 380,646** | $ 263,269 |
| Accrued salaries and benefits | **259,480** | 239,814 |
| Accrued interest and other | **99,974** | 122,785 |
| Deferred revenue: | | |
| Grants | **55,502** | 59,329 |
| Programs | **532,600** | 405,660 |
| Memberships | **28,776** | 40,141 |
| Capital lease obligations | **110,280** | 182,625 |
| Current portion of long-term debt | **155,000** | 150,000 |
| **Total current liabilities** | **1,622,258** | 1,463,623 |
| Capital lease obligations | **66,198** | 67,261 |
| Long-term debt, net of unamortized debt issuance costs of $82,978 in 2018 and $91,121 in 2017 | **4,352,022** | 4,498,879 |
| **Total noncurrent liabilities** | **4,418,220** | 4,566,140 |
| **Total liabilities** | **6,040,478** | 6,029,763 |
| Net assets: | | |
| Without donor restrictions: | | |
| Available for general activities | **2,520,944** | 2,976,138 |
| Board designated: | | |
| Unemployment compensation | **171,485** | 169,358 |
| Endowment fund | **1,049,898** | 1,117,186 |
| Repair and replacement | **740,227** | 740,227 |
| Total without donor restrictions | **4,482,554** | 5,002,909 |
| With donor restrictions | **848,063** | 923,121 |
| **Total net assets** | **5,330,617** | 5,926,030 |
| **Total liabilities and net assets** | **$ 11,371,095** | $ 11,955,793 |

See notes to financial statements.

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Activities**
**Years Ended December 31, 2018 and 2017**

| | **2018** | 2017 |
|---|---|---|
| **Changes in Net Assets Without Donor Restrictions** | | |
| Support: | | |
| Contributions | **$ 279,952** | $ 228,636 |
| Grants | **213,387** | 169,024 |
| Special events (net of expenditures of $46,463 and $62,335 in 2018 and 2017, respectively) | **106,649** | 71,669 |
| United Way of Dane County | **22,091** | 18,933 |
| Net assets released from restrictions | **105,154** | 121,854 |
| Recharacterization of fund balance | **5,925** | - |
| Total support | **733,158** | 610,116 |
| Revenue: | | |
| Program and other fees | **5,859,306** | 5,631,493 |
| Membership dues | **4,695,101** | 4,703,318 |
| Purchase of service contracts | **22,397** | 60,628 |
| Merchandise sales | **8,803** | 11,815 |
| Investment (loss) income | **(65,141)** | 153,611 |
| Other | **184,455** | 101,472 |
| Change in interest in net assets of Foundation | **(2,504)** | 18,973 |
| Total revenue | **10,702,417** | 10,681,310 |
| **Total support and revenue** | **11,435,575** | 11,291,426 |
| Expenses: | | |
| Salaries | **6,345,760** | 6,002,482 |
| Payroll taxes and insurance | **614,518** | 574,642 |
| Employee benefits | **725,306** | 639,623 |
| Professional fees | **411,139** | 382,570 |
| Supplies | **595,262** | 589,051 |
| Telephone and postage | **102,220** | 105,216 |
| Printing and promotion | **180,210** | 203,983 |
| Occupancy | **1,082,872** | 1,198,902 |
| Technology | **182,066** | 161,141 |
| Interest expense | **145,399** | 140,024 |
| Depreciation and amortization | **942,298** | 947,259 |
| Minor equipment and equipment repair | **80,348** | 84,547 |
| Travel, conferences and meetings | **179,633** | 208,469 |
| National percentage support | **165,188** | 166,331 |
| Organizational dues | **23,144** | 24,729 |
| Bad debt expense | **81,081** | 104,894 |
| Other | **8,519** | 1,482 |
| **Total expenses** | **11,864,963** | 11,535,345 |
| **Change in net assets without donor restrictions** | **(429,388)** | (243,919) |

(Continued)

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Activities (Continued)**
**Years Ended December 31, 2018 and 2017**

| | **2018** | 2017 |
|---|---|---|
| **Changes in Net Assets With Donor Restrictions** | | |
| Change in value of beneficial interest in remainder trust | **$ (29,499)** | $ 10,820 |
| Contributions | **65,520** | 105,154 |
| Net assets released from restrictions | **(105,154)** | (121,854) |
| Recharacterization of fund balance | **(5,925)** | - |
| **Change in net assets with donor restrictions** | **(75,058)** | (5,880) |
| **Change in net assets** | **(504,446)** | (249,799) |
| Net assets, beginning of year, as previously reported | **5,926,030** | 6,175,829 |
| Cumulative-effect adjustment from adoption of ASC 606 (Note 3) | **(90,967)** | - |
| Net assets beginning of year, as adjusted | **5,835,063** | 6,175,829 |
| Net assets, ending | **$ 5,330,617** | $ 5,926,030 |

See notes to financial statements.

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Cash Flows**
**Years Ended December 31, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | **$ (504,446)** | $ (249,799) |
| Cumulative-effect adjustment from adoption of ASC 606 (Note 3) | **(90,967)** | - |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | **942,298** | 947,259 |
| Gain on insurance proceeds received for damage to property and equipment | **(154,993)** | (29,027) |
| Amortization of debt issuance costs included in interest | **8,143** | 8,400 |
| Change in value of beneficial interest in remainder trust | **29,499** | (10,820) |
| Undistributed change in interest in net assets of Foundation | **7,657** | (13,743) |
| Unrealized and realized losses (gains) on investments | **83,071** | (140,635) |
| Changes in assets and liabilities: | | |
| Pledges receivable | **39,634** | (3,300) |
| Other receivables | **2,023** | 27,756 |
| Prepaid expenses and other | **(15,820)** | 16,228 |
| Accounts payable | **117,377** | 47,511 |
| Accrued expenses and other | **(3,145)** | (268,479) |
| Deferred revenue | **111,748** | 29,278 |
| **Net cash provided by operating activities** | **572,079** | 360,629 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | **(445,321)** | (232,199) |
| Insurance proceeds for damage to property and equipment | **154,993** | 29,027 |
| Net purchases of certificates of deposit designated for unemployment compensation | **(2,127)** | (1,454) |
| Purchase of investments | **(420,223)** | (423,001) |
| Proceeds from sales of investments | **422,110** | 403,099 |
| **Net cash used in investing activities** | **(290,568)** | (224,528) |
| Cash flows from financing activities: | | |
| Payments on capital lease obligations | **(214,564)** | (237,665) |
| Principal payments on long-term debt | **(150,000)** | (181,846) |
| **Net cash used in financing activities** | **(364,564)** | (419,511) |
| **Net decrease in cash and cash equivalents** | **(83,053)** | (283,410) |
| Cash and cash equivalents, including endowment fund cash: | | |
| Beginning | **544,420** | 827,830 |
| Ending | **$ 461,367** | $ 544,420 |

(Continued)

**Young Men's Christian Association of Dane County, Inc.**

**Statements of Cash Flows (Continued)**
**Years Ended December 31, 2018 and 2017**

| | **2018** | 2017 |
|---|---|---|
| Supplemental disclosures of cash flow information: | | |
| Cash payments for interest | **$ 145,003** | $ 138,498 |
| Supplemental schedule of noncash investing and financing activities: | | |
| Equipment acquired through issuance of capital lease | **$ 141,156** | $ - |

See notes to financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities**: The Young Men's Christian Association of Dane County, Inc. (the Association) offers human services which include programs within the general areas of healthy living, family support, child care, youth leadership development, social responsibility, and community outreach to persons in the Dane County area.

A summary of the Association's significant accounting policies follows:

**Use of estimates**: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 financial statements and the reported amounts of revenues and expenses, including functional allocations during the reporting period. Actual results could differ from those estimates.

**Concentration of risk**: Bank balances of cash and certificates of deposit generally exceed Federal Deposit Insurance Corporation insured limits. Management does not believe there is a risk of loss associated with these accounts.

**Cash equivalents**: Highly liquid investments with a maturity of three months or less when acquired or investments readily convertible to known amounts of cash are considered to be cash equivalents.

**Cash - endowment fund**: Cash equivalents held in the endowment fund investment account are classified as cash – endowment fund.

**Pledges receivable**: Pledge receivables are unconditional promises to give that depend only on the passage of time. Pledges are due in less than one year, and therefore, future cash flows are not discounted for unconditional pledges receivable at December 31, 2018 and 2017.

**Other receivables**: Receivables are initially carried at original transaction amount. Each reporting period, the Association evaluates the collectability of the receivables and record an allowance for doubtful accounts representing its estimate of the probable losses. Additions to the allowance for doubtful accounts are made by recording charges to bad debt expense reported in the statement of activities. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

**Certificates of deposit**: Certificates of deposit are recorded at amortized cost.

**Investments**: Investments are carried at fair value with gains and losses included in the statements of activities.

**Beneficial interest in remainder trust**: The Association received a contribution in which the donor has retained a life interest. The Remainder Trust gift is a time-restricted contribution not available to the Association until after the death of the donor and spouse, who, while living, receive quarterly payouts from the Trust based on a fixed percentage of the market value of the invested funds as of December 18, 2001, the date of the Trust. The assets are invested and administered by a trustee, and distributions are made to the beneficiaries. Adjustments to the assets' carrying value is recognized as changes in value of beneficial interest in the Remainder Trust and is classified as a change in assets with donor restrictions.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Interest in net assets of foundation**: The Association has an ongoing economic interest in the net assets of the Madison Community Foundation, Inc. (the Foundation). Accordingly, the Association recognizes its interest in the net assets of the Foundation, which is included in the accompanying statement of financial position as interest in net assets of Foundation. The Association recognizes changes in its interest in net assets of the Foundation and presents those changes in the accompanying statements of activities as changes in interest in net assets of Foundation.

**Property and equipment**: Property and equipment whose cost exceeds $2,500 is capitalized at cost. Donated assets are capitalized at their estimated fair value at the date donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are amortized over the shorter of the lease term or useful life. Amortization of assets acquired under capital leases is included with depreciation expense on owned assets. Interest expense incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

**Membership and program revenue recognition**: The Association generates substantial amounts of revenues from providing membership services to its members through collection of membership dues and offering various activity programs to its program participants throughout the year through collection of program and other fees. A single contract could include one or multiple performance obligations. For those contracts that have multiple performance obligations, if any, the Association allocates the total transaction price to each performance obligation based on its relative standalone selling price, which is determined based on the Association's overall pricing objectives, taking into consideration market conditions and other factors.

Revenue is recognized when control of the goods and services provided are transferred to Association's members or program participants in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods and services using the following steps: 1) identify the contract, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue as or when the Association satisfies the performance obligations.

The Association typically satisfies its performance obligation for membership dues over time as the related services are provided during the membership contract period as a stand-ready obligation. The performance obligation related to program and other fees are typically satisfied evenly over the course of the program service period and is a faithful depiction of how the Association transfers control of goods and services to its customers.

The Association generally recognizes its revenues under fixed-fee billing arrangements.

In fixed-fee billing arrangements, the Association agrees to a pre-established fee in exchange for a predetermined set of membership, program, or other services. Revenues for such services are generally recognized on a straight-line basis over the length of the contract. If the Association's estimates indicate a potential loss, such loss is recognized in the period in which the loss first becomes probable and reasonably estimable.

Variable considerations exist with contracts related to discounts and financial assistance given to qualifying individuals or families who are socially and/or economically disadvantaged, and refunds. Financial assistance is awarded based on a member application, income support, and the Association's approval. All of the factors are considered in determining the transaction price and allocated to the performance obligation based on the stand alone selling price of membership and program services. Any price concession is reflected in deferred revenue in the contract month prior to revenue being recognized.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Refunds, although rare, can be provided at the request of program participants prior to the conclusion of a program. In most instances, a product-exchange (i.e. credit for future program) is first offered to participants. The credit for future program provides future access to similar type of program, quality, condition, and price. If the credit is accepted by the program participants, any unperformed obligation will be reported as deferred revenue until such performance is fully met in the future. A full cash refund is extremely rare and is generally insignificant to the financial statement, and is only considered for program participants facing unforeseeable circumstances. Expected significant refunds, if any, are considered as price concession in determining the transaction price.

For the years ended December 31, 2018 and 2017, the Association recognized total support and revenues of $11,435,575 and $11,291,426, respectively. Of the $11,435,575 recognized in 2018, the Association recognized revenues of $505,130 from obligations satisfied, or partially satisfied, in prior periods.

As of December 31, 2018, the Association had $616,878 of remaining performance obligations under contracts entered during the year. The Association expects to fully recognize the outstanding performance obligation amounts in 2019. Actual revenue recognition could differ from these amounts as a result of adjustments to estimated variable consideration or other factors.

*Contract Assets and Liabilities*

The payment terms and conditions in contracts vary and contain no financing components. Payments in general are required to be made in advance prior to the beginning of membership or program period. Differences between the timing of billings and the recognition of revenue are recognized as either other receivables or deferred revenues in the statement of financial position.

Services performed that the Association is not yet entitled to bill because certain events, such as the full satisfaction of the Association's performance under its contract with customers must occur, are reported as contract assets. As of December 31, 2018 and 2017, there was no such contract asset reported in the statement of financial position.

Prepayments for membership dues and program and other fees are classified as deferred revenue (contract liability) and recognized over future periods in accordance with the applicable contract and the Association's revenue recognition policy. The Association's deferred revenue balance as of December 31, 2018 and 2017, was $616,878 and $505,130, respectively. The $111,748 decrease primarily reflects timing differences between members and program participants' payments in accordance with their contract terms and the completion of the Association's performance obligations. For the year ended December 31, 2018, the entire $505,130 of revenues recognized were included in the deferred revenue balance as of December 31, 2017.

The Association determined that the level of detail and disaggregation of revenues presented on its statement of activities and notes to the financial statements sufficiently covers the reporting requirements under ASC 606-10-50-2.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contributions**: Contributions are recorded as revenue when received or when an unconditional pledge has been made. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received whose restrictions are met within the same year as received are recognized as revenue without donor restriction in the period received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

**Grant revenue**: Grant revenue is recognized when allowable expenses related to a grant are incurred. Grants received in advance are recorded as deferred revenue - grants on the statements of financial position. The Association's grant revenue is considered non-reciprocal, non-exchange transaction and is recognized similarly to contributions with conditions. Revenue recognition is deferred until such condition is fully met by the Association.

**Other revenue**: The Association incurred damage from floods resulting in property damage. The gain from insurance recoveries of $154,993 and $29,027 is included in other revenue on the 2018 and 2017 statement of activities, respectively.

**Sales and similar taxes**: For membership dues and program and other fees, the revenue generated from such services support the Association's mission as a 501(c)(3) organization and are generally exempt from the collection of sales tax. For any revenue streams where the Association is legally required to collect sales taxes, the Association has elected to make the accounting policy election to exclude sales taxes and similar taxes from the measurement of transaction price under Accounting Standards Codification (ASC) 606.

**Reclassification**: Certain amounts reported on the 2017 financial statements have been reclassified, with no effect on net assets or changes in net assets, to be consistent with the classifications adopted as of and for the year ended December 31, 2018.

**Basis of presentation**: The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support the Association. Contributions are considered to be without donor restrictions and available for general use unless specifically restricted by the donor. Net assets without donor restrictions at January 1, 2018 of $5,002,909 were previously reported as unrestricted net assets.

Board designated net assets represent amounts received without donor restrictions that have been designated by the Board of Directors for specific use and are included in net assets without donor restrictions. The Board has designated net assets for the deposit required for unemployment compensation, for repair and replacement of property and equipment, and for the YMCA endowment fund (the Fund) established by the Board in 2004. The purpose of the Fund is to provide continuing financial support for programs, scholarships, new initiatives, and general operating expenses for the Association and to ensure the future success and stability of the Association. Assets designated for the Fund are included in investments and cash on the statements of financial position.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions. Net assets with donor restrictions at January 1, 2018 of $923,121 represent the sum of temporarily restricted net assets of $917,196 and permanently restricted net assets of $5,925. During 2018, the $5,925 was repurposed to net assets without donor restrictions due to lack of donor guidance. The Association has presented its assets and liabilities on the statements of financial position in a classified manner and in order of liquidity.

**Advertising costs**: The Association expenses advertising costs as incurred. Advertising expenses were approximately $142,000 and $160,000 for the years ended December 31, 2018 and 2017, respectively.

**Income taxes**: The Association is classified as a publicly-supported organization by the Internal Revenue Service and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from local property taxes and state franchise or income taxes.

The Association follows the provisions of the Uncertainty in Income Taxes Section of the Income Taxes Topic of the Financial Accounting Standards Board (FASB) ASC. These provisions address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

The Association files a Form 990 (Return of Organization Exempt from Income Tax) annually. When this return is filed it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions include such matters as the following: the tax exempt status of the entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

**Recently adopted accounting standards**: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for Association's fiscal year ending December 31, 2018. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. Upon adoption the Association recorded $154,993 and $29,027 of insurance proceeds received for damage to property and equipment from operating activities and reclassified to investing activities on the statement of cash flows for the years ended December 31, 2018 and 2017, respectively.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. The Association implemented ASU 2016-14 in the current year, applying the changes retrospectively.

The new standard changes the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

- The unrestricted net asset class has been renamed net assets without donor restrictions.

- The financial statements include a disclosure about liquidity and availability of resources (Note 2).

- As permitted by the ASU, the Association has omitted the liquidity and availability of resources and the analysis of expenses by both natural classification and functional classification for the year ended December 31, 2017.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. The Association adopted ASC 606 effective January 1, 2018 on a modified retrospective basis to all open contracts, as modified as of that date. The adoption did not have a material effect on the financial statements for the years ending December 31, 2018 or 2017. See Note 3.

**Pending accounting standards**: In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, ending December 31, 2020. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Association is currently evaluating the impact of this new standard on its financial statements.

## Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. For resource recipients: As the Association is a resource recipient, the ASU is applicable to contributions received for annual periods ending December 31, 2019, including interim periods. For resource providers: Where the Association is a resource provider, the ASU is effective for annual periods ending December 31, 2019, including interim periods. The Association is currently evaluating the impact of the adoption of this guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its subsequently issued amendments supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. This new standard is effective for the Association's reporting year ending December 31, 2019, with early adoption permitted. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements

**Subsequent events**: The Association has evaluated subsequent events for potential recognition and/or disclosures through April 25, 2019, the date the financial statements were issued.

## Note 2. Liquidity

The table below represents financial assets available for general expenditures within one year of December 31, 2018:

| | | |
|---|---|---|
| **Financial assets at year end:** | | |
| Cash and cash equivalents | $ | 424,229 |
| Cash - endowment fund | | 37,138 |
| Pledge receivables | | 65,520 |
| Other receivables, net | | 131,832 |
| Prepaid expenses and other | | 134,023 |
| Certificate of deposit designated for unemployment compensation | | 171,485 |
| Investments - endowment fund | | 1,012,760 |
| Beneficial interest in remainder trust | | 72,543 |
| Interest in net assets of foundation | | 119,209 |
| **Total financial assets** | $ | 2,168,739 |
| **Less amounts not available to be used within one year:** | | |
| Certificate of deposit designated for unemployment compensation | $ | (171,485) |
| Investments - endowment fund | | (1,012,760) |
| Beneficial interest in remainder trust | | (72,543) |
| Interest in net assets of foundation | | (119,209) |
| Financial assets not available to be used within one year | | (1,375,997) |
| **Financial assets available to meet general expenditures within one year** | $ | 792,742 |

The Association annually receives donor gifts that generally do not have time and purpose restrictions. Most often the gifts are utilized to fund financial assistance for Membership Dues and Program Service participation. The Board of Directors has designated unrestricted net assets to separately fund unemployment compensation reserves; repairs and replacement of property and equipment and an endowment fund. The endowment fund's purpose is to provide continuing financial support for programs, scholarships, new initiatives, general operating expenses and to ensure the future stability of the organization. Although the endowment fund is listed as not available to be used within one year, with Board approval such funds can be made readily available as needed.

Investment income without donor restrictions, contributions without donor restrictions, and contributions with donor restrictions for use in current activities and programs, are considered to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and program service expenses and expected to be paid in the subsequent year. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

The Association manages its cash available to meet general expenditures with the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining a sufficient level of asset liquidity, and
- Monitoring and maintaining reserves to provide reasonable assurance that all obligations will continue to be met.

## Note 2. Liquidity (Continued)

The Association's Finance and Audit Committee meets routinely to monitor the financial position. As a result, the Association has a liquidity policy to maintain financial assets available to meet general expenditures at a level that represents 100 percent of annual expenses for program expenses, administrative and general expenses, and fundraising expenses. To help meet the 100 percent level the Association is budgeted to generate approximately $11.9 million of annual revenues to fund approximately $11 million of annual expenses that require cash outlays. To achieve this, the Association forecasts its future cash flows and routinely monitors its liquidity.

## Note 3. Adoption of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*

The Association adopted ASC 606 effective January 1, 2018 on a modified retrospective basis to all open contracts, as modified as of that date. The Association elected the practical expedient in ASC 606-10-65-1(f)(4) in applying the modified retrospective transition method. Adoption of the new standard resulted in changes to the Association's accounting policy for revenue recognition whereby revenue is recognized over time. Adopting ASC 606 on a modified retrospective basis had no impact on financial statements in the prior periods presented. Upon adoption, the Association recorded $90,967 cumulative-effect adjustment to record a net decrease to net assets as revenue under previous revenue recognition guidance.

The impact of the cumulative effect adjustment on statement of financial position upon adoption was as follows:

| | As of December 31, 2017 | Cumulative Effect Adjustment | As of January 1, 2018 |
|---|---|---|---|
| **Assets and liabilities** | | | |
| Other receivables | $ 133,855 | $ - | $ 133,855 |
| Deferred revenue: Program | 405,660 | 90,967 | 496,627 |
| Deferred revenue: Memberships | 40,141 | - | 40,141 |
| **Net assets** | | | |
| Without donor restrictions | $ 2,976,138 | $ (90,967) | $ 2,885,171 |

### Note 3. Adoption of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (Continued)

The impact of adoption on the Association's statement of financial position and statement of activities as of and for the year ended December 31, 2018 was a follows:

| **Statement of Financial Position** | **As of December 31, 2018** | | |
|---|---|---|---|
| | **As Reported Under ASC 606** | **Effect of Adoption Increase/(Decrease)** | **As Computed Under ASC 605** |
| **Assets and liabilities** | | | |
| Other receivables | $ 131,832 | $ - | $ 131,832 |
| Deferred revenue: Program | 532,600 | (92,528) | 440,072 |
| Deferred revenue: Memberships | 28,776 | - | 28,776 |
| **Net assets** | | | |
| Without donor restrictions | $ 2,520,944 | $ 92,528 | $ 2,613,472 |

| **Statement of Activities** | **For the Year Ended December 31, 2018** | | |
|---|---|---|---|
| | **As Reported Under ASC 606** | **Effect of Adoption Increase/(Decrease)** | **As Computed Under ASC 605** |
| **Revenue** | | | |
| Program and other fees | $ 5,859,306 | $ 92,528 | $ 5,951,834 |
| Membership dues | 4,695,101 | - | 4,695,101 |
| Bad debt expense | 81,081 | - | 81,081 |

### Note 4. Fair Value Measurements and Investments

Fair value is defined 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the provisions as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the provisions are described below:

Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. This level of the fair value hierarchy provides for the most reliable evidence of fair value and is used to measure fair value whenever available.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment, for example interest rate and yield curves, volatilities, prepayment speeds and credit risk among others. These are inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3. Inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment estimation.

## Note 4. Fair Value Measurements and Investments (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entity requires judgment, and considers factors specific to the investment.

The Association invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

| | December 31, 2018 | | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 |
| Investments: | | | | | | | | |
| Mutual funds: | | | | | | | | |
| Equity securities: | | | | | | | | |
| U.S. Equities | $ 421,251 | $ 421,251 | $ - | $ - | $ 550,542 | $ 550,542 | $ - | $ - |
| Developed Foreign | 207,378 | 207,378 | - | - | 190,450 | 190,450 | - | - |
| Fixed income securities: | | | | | | | | |
| Taxable U.S. | 356,689 | 356,689 | - | - | 346,353 | 346,353 | - | - |
| U.S. listed real estate | 27,442 | 27,442 | - | - | 10,373 | 10,373 | - | - |
| Beneficial interest in remainder trust | 72,543 | - | - | 72,543 | 102,042 | - | - | 102,042 |
| Interest in net assets of Foundation | 119,209 | - | - | 119,209 | 126,866 | - | - | 126,866 |
| | $ 1,204,512 | $ 1,012,760 | $ - | $ 191,752 | $ 1,326,626 | $ 1,097,718 | $ - | $ 228,908 |

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds and exchange-traded funds (ETFs) that are registered with the SEC. Open-ended mutual funds are required to publish their daily net asset value (NAV) and to transact at that price. ETFs are marketable securities which track an index and are traded and valued similarly to common stock. The funds held by the Association are deemed to be actively traded.

The beneficial interest in remainder trust funds are invested in debt and equity securities, and the Association records its interest in this trust at fair value based on estimated future cash receipts discounted at 3.6 percent, which approximates the rate of return on U.S. Government securities. The Association considers these funds as Level 3 investment.

The interest in net assets of the Foundation is based on an annual valuation reports received from the Foundation's trustees. The Association's interest in funds held in trust by others is considered Level 3, based on unobservable inputs, in the fair-value hierarchy.

For the years ended December 31, 2018 and 2017, valuation techniques for investment have been consistent with the prior year.

The Association assesses the levels of the investments at each measurement date, and the transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Association's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the years ended December 31, 2018 and 2017, there were no such transfers.

Young Men's Christian Association of Dane County, Inc.

**Notes to Financial Statements**

**Note 4. Fair Value Measurements and Investments (Continued)**

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| | 2018 | |
|---|---|---|
| | Beneficial Interest in Remainder Trust | Interest in Net Assets of Foundation |
| Beginning balance, January 1 | $ 102,042 | $ 126,866 |
| Net realized and unrealized loss on investments | (11,145) | (4,997) |
| Distributions | (18,003) | (5,153) |
| Contributions | - | 3,899 |
| Interest, dividends, and other income | 4,149 | - |
| Fees and expenses | (4,500) | (1,406) |
| Ending balance, December 31 | $ 72,543 | $ 119,209 |

| | 2017 | |
|---|---|---|
| | Beneficial Interest in Remainder Trust | Interest in Net Assets of Foundation |
| Beginning balance, January 1 | $ 91,222 | $ 113,123 |
| Net realized and unrealized gain on investments | 29,174 | 20,321 |
| Distributions | (18,003) | (5,230) |
| Interest, dividends, and other income | 4,149 | - |
| Fees and expenses | (4,500) | (1,348) |
| Ending balance, December 31 | $ 102,042 | $ 126,866 |

Investment income consisted of the following for the years ended December 31:

| | 2018 | 2017 |
|---|---|---|
| Interest and dividends | $ 17,930 | $ 12,976 |
| Net unrealized and realized (losses) gains | (83,071) | 140,635 |
| Total investment income at December 31 | $ (65,141) | $ 153,611 |

## Note 5. Property and Equipment

Property and equipment as of December 31, 2018 and 2017 are summarized as follows:

| | 2018 | 2017 |
|---|---|---|
| Land | $ 1,763,265 | $ 1,750,670 |
| Buildings and improvements | 18,900,953 | 18,669,958 |
| Equipment and leasehold improvements | 3,112,628 | 2,854,742 |
| | 23,776,846 | 23,275,370 |
| Less accumulated depreciation and amortization | 14,574,490 | 13,717,193 |
| Property and equipment, net | $ 9,202,356 | $ 9,558,177 |

## Note 6. Pledged Assets, Long-Term Debt and Letter of Credit

Long-term debt included the following as of December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| City of Sun Prairie, Wisconsin Variable Rate Demand Development Revenue Bonds, Series 2006, with variable interest at 1.68% at December 31, 2018, annual payments, varying in amounts from $150,000 to $370,000, due December 2036 | $ 4,495,000 | $ 4,645,000 |
| Interest free promissory note, payable to City of Madison only upon sale, change of use, or discontinuance of use of East facility | 95,000 | 95,000 |
| | 4,590,000 | 4,740,000 |
| Unamortized debt issuance cost | (82,978) | (91,121) |
| Total | $ 4,507,022 | $ 4,648,879 |

Substantially all the Association's assets are pledged as collateral to these bonds and notes. All of these agreements, except for the note payable to the City of Madison, contain various covenants including a fixed charge coverage ratio.

The bonds can be called on a daily basis by the bondholder. The Association has a remarketing agreement with the underwriter that provides for a "best efforts" remarketing of the bonds. The Association anticipates that additional bonds will be issued to extend the maturities; however, there can be no guarantee that these bonds can or will be remarketed. The bonds are secured by a letter of credit, expiring March 2020 in the amount of the outstanding principal balance on the bonds plus accrued interest. The letter of credit is collateralized by substantially all of the Association's assets. If the letter of credit is drawn on to pay for the bonds that were not remarketed, such amounts are due immediately.

### Note 6. Pledged Assets, Long-Term Debt and Letter of Credit (Continued)

Assuming no bonds are called by the bondholders, future maturities of long-term debt are as follows:

| Years Ending December 31, | |
|---|---|
| 2019 | $ 155,000 |
| 2020 | 165,000 |
| 2021 | 175,000 |
| 2022 | 180,000 |
| 2023 | 190,000 |
| 2024-2028 | 1,120,000 |
| 2029-2033 | 1,450,000 |
| 2034-2036 | 1,155,000 |
| | 4,590,000 |
| Unamortized debt issuance cost | (82,978) |
| | $ 4,507,022 |

### Note 7. Capital Leases

The Association has capital leases for fitness and office equipment. Principal and interest payments are due monthly in amounts ranging from $550 to $5,795. Future maturities of these leases are as follows:

| Years Ending December 31, | |
|---|---|
| 2019 | $ 110,280 |
| 2020 | 40,743 |
| 2021 | 17,808 |
| 2022 | 17,808 |
| 2023 | 934 |
| | 187,573 |
| Less: Amounts representing interest | (11,095) |
| | $ 176,478 |

Asset under capital leases amounted to approximately $916,000. Accumulated amortization was approximately $752,000 and $542,000 at December 31, 2018 and 2017, respectively. Amortization expense for the year ended December 31, 2018 and 2017 amounted to approximately $210,000 and $227,500, respectively.

### Note 8. Operating Leases and Rent Expense

The Association rents a vehicle under a non-cancelable operating lease which has an expiration date of August 2019. The future minimum rental payments due in 2019 under operating leases are $3,809.

Rent expense was approximately $194,000 and $185,000 in 2018 and 2017, respectively.

## Note 9. Unemployment Compensation

The Association has elected the reimbursement (self-insured) method for unemployment compensation benefits. In order to guarantee payment of eligible benefits, the Treasurer, Wisconsin Unemployment Reserve Fund, requires that the Association provide adequacy of assurance deposits totaling approximately $171,000 and $169,000 as of December 31, 2018 and 2017, respectively. To comply with this requirement, the Association has pledged a certificate of deposit in this amount.

## Note 10. Retirement Plan

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

In accordance with the agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary and are shared between the employee and employer. Employee contributions are mandatory for eligible employees and withheld from payroll pre-tax. Association contributions charged to expense aggregated approximately $368,000 and $313,000 for the years ended December 31, 2018 and 2017, respectively.

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

## Note 11. Functional Expenses

The cost of providing the Association's programs and other activities is summarized on a functional basis. for the years ended December 31, 2018 and 2017 as follows:

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Program Services | | | | Supporting Services | | |
| | Youth Development | Healthy Living | Social Responsibility | Total | Management and General | Fundraising | Total |
| Salaries | $ 3,942,726 | $ 1,224,542 | $ 344,380 | $ 5,511,648 | $ 655,909 | $ 178,203 | $ 6,345,760 |
| Payroll taxes and insurance | 377,452 | 120,300 | 32,097 | 529,849 | 65,399 | 19,270 | 614,518 |
| Employee benefits | 403,888 | 126,730 | 49,476 | 580,094 | 112,903 | 32,309 | 725,306 |
| Professional fees | 25,510 | 159,452 | - | 184,962 | 185,892 | 40,285 | 411,139 |
| Supplies | 471,719 | 42,749 | 57,838 | 572,306 | 21,223 | 1,733 | 595,262 |
| Telephone and postage | 13,610 | 75,946 | 411 | 89,967 | 11,197 | 1,056 | 102,220 |
| Printing and promotion | 10,742 | 157,192 | 1,139 | 169,073 | 3,371 | 7,766 | 180,210 |
| Occupancy | 996,427 | 46,871 | 3,910 | 1,047,208 | 35,614 | 50 | 1,082,872 |
| Technology | 84,330 | 93,290 | 4,446 | 182,066 | - | - | 182,066 |
| Interest expense | 78,024 | 63,691 | 3,684 | 145,399 | - | - | 145,399 |
| Depreciation and amortization | 469,887 | 435,683 | 25,201 | 930,771 | 11,527 | - | 942,298 |
| Minor equipment and equipment repair | 66,466 | 13,486 | - | 79,952 | 366 | 30 | 80,348 |
| Travel, conferences and meetings | 132,864 | 13,417 | 9,133 | 155,414 | 20,340 | 3,879 | 179,633 |
| National percentage support | 84,102 | 76,652 | 4,434 | 165,188 | - | - | 165,188 |
| Organizational dues | 7,081 | 65 | - | 7,146 | 14,730 | 1,268 | 23,144 |
| Bad debt expense | 17,401 | 28,557 | 946 | 46,904 | 25,648 | 8,529 | 81,081 |
| Other | 58 | - | - | 58 | 8,461 | - | 8,519 |
| | $ 7,182,287 | $ 2,678,623 | $ 537,095 | $ 10,398,005 | $ 1,172,580 | $ 294,378 | $ 11,864,963 |
| | 60% | 23% | 5% | 88% | 10% | 2% | 100% |
| For the year ended December 31, 2017 | $ 7,023,008 | $ 2,658,046 | $ 412,731 | $ 10,093,785 | $ 1,073,329 | $ 368,231 | $ 11,535,345 |
| | 61% | 23% | 4% | 88% | 9% | 3% | 100% |

The financial statements report certain categories of expenses that are attributable to one or more programs or support functions of the Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include key employee compensation which is allocated based on estimated time and effort applied to the programs. Printing and promotion and technology are first applied directly to the programs based on usage with the remainder allocated along with depreciation and amortization and national support using a percentage of each program's revenue to the total revenue.

## Note 12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

| | 2018 | 2017 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Beneficial interest in remainder trust for youth scholarship | $ 72,543 | $ 102,042 |
| Maintenance and capital projects | - | 25,000 |
| | 72,543 | 127,042 |
| Subject to the passage of time: | | |
| For periods after December 31 | 65,520 | 80,154 |
| Subject to Association spending policy and appropriation: | | |
| Investment in perpetuity (including amounts above original gift amount of $0 in 2017), which, once appropriated, is expendable to support: | | |
| General support | - | 5,925 |
| Not subject to appropriation or expenditure: | | |
| Land restricted as to use by the donor | 710,000 | 710,000 |
| **Total net assets with donor restrictions** | $ 848,063 | $ 923,121 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

| | 2018 | 2017 |
|---|---|---|
| Purpose restrictions accomplished: | | |
| Maintenance and capital projects | $ 25,000 | $ 20,000 |
| Time restrictions expired: | | |
| Passage of specified time | 80,154 | 101,854 |
| **Total restrictions released** | $ 105,154 | $ 121,854 |

## Note 13. Endowment Fund

The Association's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Directors of the Association has interpreted the *Wisconsin Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring 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. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by the Association. In addition, most donor restricted endowment funds are subject to restrictions on the use of the appropriated amounts. As a result, donor-restricted endowment funds are classified as net assets with donor restrictions.

## Note 13. Endowment Fund (Continued)

As a result of this interpretation, the Association classified as net assets with donor restrictions in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Association's endowment net asset composition by type of fund is as follows for the years ended December 31, 2018 and 2017:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Donor-restricted | $ - | $ - | $ - | $ - | $ 5,925 | $ 5,925 |
| Board-designated | 1,049,898 | - | 1,049,898 | 1,117,186 | - | 1,117,186 |
| Total funds | $ 1,049,898 | $ - | $ 1,049,898 | $ 1,117,186 | $ 5,925 | $ 1,123,111 |

The changes in endowment net assets for the Association were as follows for the years ended December 31, 2018 and 2017:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | $ 1,117,186 | $ 5,925 | $ 1,123,111 | $ 965,154 | $ 5,925 | $ 971,079 |
| Investment return: | | | | | | |
| Investment income | 15,911 | - | 15,911 | 11,529 | - | 11,529 |
| Net appreciation (depreciation) - realized and unrealized | (83,199) | - | (83,199) | 140,503 | - | 140,503 |
| Total investment return | (67,288) | - | (67,288) | 152,032 | - | 152,032 |
| Recharacterization of fund balance | - | (5,925) | (5,925) | - | - | - |
| Endowment net assets, end of year | $ 1,049,898 | $ - | $ 1,049,898 | $ 1,117,186 | $ 5,925 | $ 1,123,111 |

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of Wisconsin UPMIFA requires the Association to retain as a fund of perpetual duration. There was no deficiency reported in unrestricted net assets as of December 31, 2018 and 2017, respectively.

## Note 13. Endowment Fund (Continued)

*Return Objectives and Risk Parameters*

The Association 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 Association must hold in perpetuity or for a donor-specified period(s) 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 the S&P 500 index while assuming a moderate level of investment risk.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Association 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 Association 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.

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

The Association has a policy of appropriating for distribution funds which are subject to limitations imposed in the investment policy and which the Finance and Audit Committee will recommend to the Board for approval.

## Note 14. Payments to Affiliated Organization

The Association serves the citizens of Dane County, Wisconsin and is independently governed by a local board of community leaders and volunteers. The Association is dedicated to creating positive change in its community and is a member of the national YMCA organization, YMCA of the USA. The Association paid annual national support fees of approximately $165,000 and $166,000 in 2018 and 2017, respectively.