

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
Milwaukee, Wisconsin**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2019 AND 2018**



[CLAconnect.com](http://CLAconnect.com)

WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
TABLE OF CONTENTS  
AUGUST 31, 2019 AND 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>8</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>9</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Young Men's Christian Association  
of Metropolitan Milwaukee, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Young Men's Christian Association of Metropolitan Milwaukee, Inc., which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, 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.

### ***Auditors' 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 auditors' 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.

Board of Directors  
Young Men's Christian Association  
of Metropolitan Milwaukee, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Metropolitan Milwaukee, Inc. as of August 31, 2019 and 2018, 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 Regarding a Change in Accounting Principle***

As discussed in Note 1 to the financial statements, Young Men's Christian Association of Metropolitan Milwaukee, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the presentation of various classifications and disclosures within the financial statements. Our opinion is not modified with respect to that matter.



**CliftonLarsonAllen LLP**

Milwaukee, Wisconsin  
January 23, 2020

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,191,379	\$ 1,729,804
Investments	3,508,458	3,368,516
Accounts Receivable, Net	27,459	60,027
Grants Receivable	337,265	370,103
Pledges Receivable, Net	286,910	151,651
Prepaid Expenses	93,126	120,631
Property and Equipment, Net	12,192,139	13,154,108
Other Assets	374,270	368,965
	\$ 18,011,006	\$ 19,323,805
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 777,811	\$ 714,215
Accrued Liabilities	840,914	678,198
Deferred Revenue	176,309	372,874
Other Liabilities	1,417,282	1,507,515
Capital Lease Obligations	264,921	486,625
Total Liabilities	3,477,237	3,759,427
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	8,536,514	5,087,800
Board Designated	1,740,012	2,294,635
Total Net Assets Without Donor Restrictions	10,276,526	7,382,435
With Donor Restrictions	4,257,243	8,181,943
Total Net Assets	14,533,769	15,564,378
Total Liabilities and Net Assets	\$ 18,011,006	\$ 19,323,805

See accompanying Notes to Financial Statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>			
Contributions	\$ 691,269	\$ 720,585	\$ 1,411,854
Government and Private Grants	403,411	-	403,411
United Way	56,578	283,643	340,221
Membership Fees	3,764,563	-	3,764,563
Program Fees	8,502,440	-	8,502,440
Services and Sales	402,295	-	402,295
Other	345,534	40,183	385,717
Satisfaction of Restrictions	5,127,041	(5,127,041)	-
Total Revenues, Gains, and Public Support	19,293,131	(4,082,630)	15,210,501
<b>EXPENSES</b>			
Program	12,158,768	-	12,158,768
Management and General	3,535,516	-	3,535,516
Fundraising	701,871	-	701,871
Total Expenses	16,396,155	-	16,396,155
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	2,896,976	(4,082,630)	(1,185,654)
<b>NONOPERATING REVENUES AND EXPENSES</b>			
Net Investment Income Restricted	-	125,142	125,142
Change in Cash Surrender Value of Life Insurance	-	32,788	32,788
Net Loss on Disposal of Property and Equipment	(2,885)	-	(2,885)
Total Nonoperating Revenues and Expenses	(2,885)	157,930	155,045
<b>CHANGE IN NET ASSETS</b>	2,894,091	(3,924,700)	(1,030,609)
Net Assets - Beginning of Year	7,382,435	8,181,943	15,564,378
<b>NET ASSETS - END OF YEAR</b>	\$ 10,276,526	\$ 4,257,243	\$ 14,533,769

See accompanying Notes to Financial Statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND PUBLIC SUPPORT</b>			
Contributions	\$ 653,251	\$ 391,787	\$ 1,045,038
Government and Private Grants	413,255	-	413,255
United Way	65,262	326,304	391,566
Membership Fees	3,871,842	-	3,871,842
Program Fees	8,857,975	-	8,857,975
Services and Sales	409,257	-	409,257
Other	416,477	-	416,477
Satisfaction of Restrictions	1,019,395	(1,019,395)	-
Total Revenues, Gains, and Public Support	15,706,714	(301,304)	15,405,410
<b>EXPENSES</b>			
Program	12,597,299	-	12,597,299
Management and General	3,714,056	-	3,714,056
Fundraising	542,084	-	542,084
Total Expenses	16,853,439	-	16,853,439
<b>CHANGES IN NET ASSETS FROM OPERATIONS</b>	(1,146,725)	(301,304)	(1,448,029)
<b>NONOPERATING REVENUES AND EXPENSES</b>			
Net Investment Income	17,979	-	17,979
Net Investment Income Restricted	-	308,622	308,622
Change in Cash Surrender Value of Life Insurance	-	(13,651)	(13,651)
Total Nonoperating Revenues and Expenses	17,979	294,971	312,950
<b>CHANGE IN NET ASSETS</b>	(1,128,746)	(6,333)	(1,135,079)
Net Assets - Beginning of Year	8,511,181	8,188,276	16,699,457
<b>NET ASSETS - END OF YEAR</b>	\$ 7,382,435	\$ 8,181,943	\$ 15,564,378

See accompanying Notes to Financial Statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2019**

	Program	Management and General	Fundraising	Total Functional Expenses
<b>EXPENSES - GENERAL OPERATIONS</b>				
Salaries, Wages, and Related Expenses	\$ 7,150,521	\$ 1,995,735	\$ 354,654	\$ 9,500,910
Professional Fees	393,952	343,669	304,457	1,042,078
Program and Supplies Expense	811,012	66,664	767	878,443
Postage and Shipping	3,262	38,735	6,093	48,090
Occupancy	1,581,469	40,703	200	1,622,372
Utilities and Telephone	764,375	94,645	-	859,020
Insurance	204,089	-	-	204,089
Equipment Leases, Rental, and Maintenance	75,180	428,107	24,472	527,759
Advertising, Printing, and Promotion	32,553	140,197	7,260	180,010
Conferences, Training, and Employee Expense	91,512	84,398	3,968	179,878
Dues	510	209,242	-	209,752
Interest Expense	-	18,679	-	18,679
Bad Debt	84,753	-	-	84,753
Depreciation	965,580	74,742	-	1,040,322
 Total Expenses - General Operations	 <u>\$ 12,158,768</u>	 <u>\$ 3,535,516</u>	 <u>\$ 701,871</u>	 <u>\$ 16,396,155</u>

See accompanying Notes to Financial Statements.



**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2018**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Functional Expenses</u>
<b>EXPENSES - GENERAL OPERATIONS</b>				
Salaries, Wages, and Related Expenses	\$ 6,967,154	\$ 1,942,386	\$ 402,206	\$ 9,311,746
Professional Fees	223,927	427,969	95,987	747,883
Program and Supplies Expense	974,905	90,606	14,300	1,079,811
Postage and Shipping	1,168	44,990	6,077	52,235
Occupancy	1,694,606	40,200	-	1,734,806
Utilities and Telephone	735,086	144,589	-	879,675
Insurance	218,553	-	-	218,553
Equipment Leases, Rental, and Maintenance	45,714	396,701	-	442,415
Advertising, Printing, and Promotion	40,538	223,494	7,952	271,984
Conferences, Training, and Employee Expense	99,183	66,794	15,222	181,199
Dues	340	216,272	340	216,952
Interest Expense	-	18,659	-	18,659
Bad Debt	627,880	-	-	627,880
Depreciation	968,245	101,396	-	1,069,641
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Expenses - General Operations	<u>\$ 12,597,299</u>	<u>\$ 3,714,056</u>	<u>\$ 542,084</u>	<u>\$ 16,853,439</u>

See accompanying Notes to Financial Statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
STATEMENTS OF CASH FLOWS  
YEAR ENDED AUGUST 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,030,609)	\$ (1,135,079)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,040,322	1,069,641
Provision for Bad Debt	84,753	627,880
Deferred Gain on Sale Leaseback	(81,304)	(81,304)
Loss on Sale of Property and Equipment	2,885	-
Change in Cash Surrender Value of Life Insurance	(32,788)	13,651
Realized Gain on Investments	(96,096)	(88,129)
Unrealized Loss (Gain) on Investments	83,836	(179,386)
Effects of Changes in Operating Assets and Liabilities:		
Accounts and Grants Receivable	(19,347)	(156,648)
Pledges Receivable	(135,259)	163,115
Prepaid Expenses and Other Assets	54,988	(75,631)
Accrued Liabilities and Other Liabilities	153,787	(33,907)
Accounts Payable	63,596	(32,072)
Deferred Revenue	(196,565)	150,607
Net Cash Provided (Used) by Operating Activities	(107,801)	242,738
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment for Purchase of Fixed Assets	(81,238)	(113,494)
Purchases of Investments	(1,397,105)	(1,324,299)
Proceeds from the Sale of Investments	1,269,423	2,035,481
Net Cash Provided (Used) by Investing Activities	(208,920)	597,688
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capitalized Lease Payments	(221,704)	(185,719)
Net Cash Used by Financing Activities	(221,704)	(185,719)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(538,425)	654,707
Cash and Cash Equivalents - Beginning of Year	1,729,804	1,075,097
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,191,379	\$ 1,729,804

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING  
AND FINANCING ACTIVITIES**

During 2018, the Organization entered into two capital lease agreements to acquire equipment in the amount of \$400,310.

See accompanying Notes to Financial Statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Young Men's Christian Association of Metropolitan Milwaukee, Inc. (the YMCA) is a nonprofit, volunteer-led, human development charitable organization whose mission is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all.

The YMCA is a diverse organization of men, women, and children joined together by a shared commitment to nurturing the potential of kids, promoting healthy living, and fostering a sense of social responsibility. Since no two communities are exactly alike, no two YMCA's are exactly alike. They are united by a deep commitment to strengthening their communities and to ensure that those they serve learn, grow, and thrive. Core programs include health and well-being, early childhood education, elementary education and academic mentoring, camping, aquatics, youth leadership, and family programs. The YMCA's financial assistance program provides funds for those in need – everyone is welcome to participate in YMCA programs.

**Use of Estimates**

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

**Basis of Presentation**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The donors of these resources permit the YMCA to use all or part of the income earned, including capital appreciation, for purposes with or without donor restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

The YMCA defines cash and cash equivalents as highly liquid, short-term investments with a maturity, at the date of acquisition, of three months or less. Excluded from this definition are cash equivalents held for long-term purposes.

The YMCA may at times have funds on deposit at one financial institution that exceeds the federally insured limits.

**Investments and Investment Income**

Investments are generally recorded at fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The YMCA records the change of ownership of bonds and stocks on the day a trade is made.

Investment income is reported as operating revenue and is included in the changes in net assets without donor restrictions unless the income or loss is restricted by donor or law.

**Accounts Receivable**

Accounts receivable are generally uncollateralized member/client obligations due upon receipt. Accounts receivable are carried at the original invoice amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Beginning in 2018, the carrying amount of accounts receivable is reduced by an allowance for doubtful accounts deemed appropriate by management based on past experience. Accounts receivable over 90 days past due are written off as uncollectible. The allowance for uncollectible accounts is \$415 and \$50,000 as of August 31, 2019 and 2018, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants Receivable**

Grants receivable consist of various federal and state grant funds passed through governmental agencies to the YMCA for various programs. Management believes no allowance for uncollectible grants is required based upon management's judgment and consideration of the collectability of each grant.

**Pledges Receivable**

Unconditional promises to give to the YMCA are recorded as receivables in the year the pledge was made. Pledges and other promises to give whose eventual uses are restricted by the donor are recorded as increases in net assets with donor restrictions. Pledges without donor restrictions to be collected in future periods are also recorded as an increase in net assets with donor restrictions and reclassified to net assets without donor restrictions when received.

Unconditional promises to give are reported in the statement of financial position net of unamortized discounts and an allowance for uncollectible pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate that approximates the rate of government securities. Amortization of the discount is recorded as an increase or decrease in contribution revenue. An allowance for uncollectible accounts is determined by management based on past collection history.

**Credit Risk**

Financial instruments, which potentially subject the YMCA to concentrations of credit risk, consist of cash and cash equivalents, receivables, and investments. These financial instruments are carried at their approximate fair value. The YMCA's policy is to limit credit exposure on financial instruments and place its cash with financial institutions deemed as being credit worthy.

Concentration of credit risk with respect to receivables is limited due to the large member base and the expectation that government programs will make timely payments.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are stated at cost, if purchased, or fair value at date of the gift, if donated. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, improvements, and betterments that materially prolong the estimated useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The principal depreciation rates are based upon the following estimated useful lives:

Land Improvements	15 Years
Buildings and Improvements	10 to 50 Years
Machinery and Equipment	5 to 12 Years
Leasehold Improvements	30 to 50 Years

**Impairment of Long-Lived Assets**

The YMCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less cost to sell.

**Deferred Revenue**

Program service fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the program service fees are earned. Revenue from membership dues is recognized on a pro rata basis over the period to which the membership relates.

Deferred revenue consisted of the following at August 31:

	2019	2018
Membership	\$ 109,243	\$ 129,744
Program	67,066	243,130
Total Deferred Revenue	\$ 176,309	\$ 372,874

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-Exempt Status**

The YMCA is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the IRC. The YMCA had no unrelated business income for the years ended August 31, 2019 and 2018. None of the YMCA's federal or state informational returns are currently under examination.

**Revenue Recognition**

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The YMCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Program service fees applying to services are reflected as support in the year when the program service fees are earned. Revenue from membership dues is recognized on a pro rata basis over the period to which the membership relates.

Grant revenue is recognized as revenue in the period in which it is expended for cost-reimbursed agreements.

**Donated Services and Assets**

The YMCA receives contributions of services for its programs. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed services that were recognized as revenue for the year ended August 31, 2019 and 2018.

Donated assets are recorded at fair value at the date of donation or, if sold immediately after receipt, at the amount of sales proceeds received, which are considered a reasonable approximation of the fair value at the date of donation.

**Advertising and Promotion**

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was \$180,010 and \$271,984 for the years ended August 31, 2019 and 2018, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, while the remaining natural expense categories are allocated on the basis of estimates of time and effort toward program and supporting services.

**Change in Accounting Principle**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The YMCA has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

**Upcoming Accounting Pronouncements**

Revenue from Contracts with Customers – In May 2014, FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the YMCA for the year ended August 31, 2020. Management is evaluating the effect of the amended revenue recognition guidance on the entity's financial statements.

Accounting for Contributions Received and Contributions Made – In June 2018, FASB issued ASU 2018-08 related to the accounting for contributions received and contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed and for exchange transactions, Topic 606 should be followed. The ASU is effective for the YMCA for the year ended August 31, 2020. Management is currently evaluating the impact this guidance will have on its financial statements.



**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Upcoming Accounting Pronouncements (Continued)**

Leases – In February 2016, FASB issued ASU 2016-02 Leases (Topic 842). This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In November 2019, the FASB approved the delay of the effective date of ASU 2016-02, which is now effective for annual reporting periods beginning after December 15, 2020. Management will be evaluating the effects of this new standard.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The YMCA regularly monitors liquidity required to meet its operating needs and other contractual commitments and has cash and cash equivalents, investments, and receivables at its disposal for these needs.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the YMCA considers all expenditures related to its ongoing activities in the areas of youth development, healthy living, and social responsibility as well as services undertaken to support these activities.

The YMCA's governing board has designated a portion of its unrestricted resources for endowment and other purposes. These funds are invested for long-term appreciation but remain available and may be spent at the discretion of the board.

In addition to financial assets available to meet general expenditures over the next 12 months, the YMCA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The following table reflects the YMCA's financial assets as of August 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date that is, without donor or other restrictions limiting their use.

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 1,191,379	\$ 1,729,804
Investments	3,508,458	3,368,516
Accounts Receivable	27,459	60,027
Grants Receivable	337,265	370,103
Pledges Receivable, Current	91,077	151,651
Total	<u>5,155,638</u>	<u>5,680,101</u>
Less Amounts Not Available to be Used Within One Year:		
Donor Restricted for Scholarships and Programs	(1,338,578)	(1,880,621)
Donor Restricted for Capital Campaign	(116,576)	(148,500)
Donor Restricted to be Maintained in Perpetuity and Endowment Earnings	<u>(2,518,446)</u>	<u>(2,411,453)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 1,182,038</u></u>	<u><u>\$ 1,239,527</u></u>

**NOTE 3 INVESTMENTS**

A summary of investments was as follows at August 31, 2019:

	<u>Cost or Gift Value</u>	<u>Unrealized Gains (Losses)</u>	<u>Investments at Fair Value</u>
Money Market Funds	\$ 135,939	\$ -	\$ 135,939
Equity Mutual Funds	1,902,904	451,330	2,354,234
Fixed Income Mutual Funds	967,077	51,208	1,018,285
Total Investments	<u><u>\$ 3,005,920</u></u>	<u><u>\$ 502,538</u></u>	<u><u>\$ 3,508,458</u></u>

A summary of investments was as follows at August 31, 2018:

	<u>Cost or Gift Value</u>	<u>Unrealized Gains (Losses)</u>	<u>Investments at Fair Value</u>
Money Market Funds	\$ 81,267	\$ -	\$ 81,267
Equity Mutual Funds	1,798,463	601,317	2,399,780
Fixed Income Mutual Funds	901,350	(13,881)	887,469
Total Investments	<u><u>\$ 2,781,080</u></u>	<u><u>\$ 587,436</u></u>	<u><u>\$ 3,368,516</u></u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 4 FAIR VALUE MEASUREMENTS**

In determining fair value, the YMCA uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

*Level 2* – Inputs to the valuation methodology based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets, such as dealer or broker markets.

*Level 3* – Inputs to the valuation methodology are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions, or are supported by little or no market activity.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at August 31, 2019 and 2018.

**Equity Securities and Mutual Funds**

Equity and fixed income mutual funds are valued at the daily closing price as reported by the mutual fund. Mutual funds held by the YMCA are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish daily NAV and to transact at that price. The mutual funds held by the YMCA are deemed to be actively traded.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at August 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 135,939	\$ -	\$ -	\$ 135,939
Fixed Income Mutual Funds:				
Intermediate Term Bond Funds	1,018,285	-	-	1,018,285
Equity Mutual Funds:				
ETF Large Index Funds	1,175,808	-	-	1,175,808
ETF Mid-Cap Index Funds	550,700	-	-	550,700
ETF Small-Cap Index Funds	114,920	-	-	114,920
Foreign Equity Funds	391,967	-	-	391,967
Infrastructure Funds	120,839	-	-	120,839
Total Investments	<u>\$ 3,508,458</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,508,458</u>

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at August 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 81,267	\$ -	\$ -	\$ 81,267
Fixed Income Mutual Funds:				
Intermediate Term Bond Funds	813,681	-	-	813,681
High Yield Bond Funds	73,788	-	-	73,788
Equity Mutual Funds:				
ETF Large Index Funds	1,324,519	-	-	1,324,519
ETF Mid-Cap Index Funds	388,745	-	-	388,745
ETF Small-Cap Index Funds	207,678	-	-	207,678
Foreign Equity Funds	431,207	-	-	431,207
Infrastructure Funds	47,631	-	-	47,631
Total Investments	<u>\$ 3,368,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,368,516</u>

**NOTE 5 PLEDGES RECEIVABLE**

Unconditional promises to give consisted of the following at August 31:

	<u>2019</u>	<u>2018</u>
Less than One Year	\$ 101,077	\$ 161,651
One to Five Years	135,833	-
Over Five Years	60,000	-
Total	<u>296,910</u>	<u>161,651</u>
Less: Allowance for Uncollectible Promises to Give	<u>10,000</u>	<u>10,000</u>
Total Pledges Receivable, Net	<u>\$ 286,910</u>	<u>\$ 151,651</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 6 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at August 31:

	<u>2019</u>	<u>2018</u>
Land and Land Improvements	\$ 1,677,087	\$ 1,669,910
Buildings and Improvements	18,002,702	18,002,702
Machinery and Equipment	9,478,683	9,408,640
Leasehold Improvements	500,000	500,000
Construction in Progress	-	2,274
Total - at Cost	<u>29,658,472</u>	<u>29,583,526</u>
Less: Accumulated Depreciation	<u>(17,466,333)</u>	<u>(16,429,418)</u>
Total Property and Equipment, Net	<u>\$ 12,192,139</u>	<u>\$ 13,154,108</u>

Total depreciation expense for the years ended August 31, 2019 and 2018 were \$1,040,322 and \$1,069,641, respectively.

**NOTE 7 LEASES**

**Capital Leases**

During 2016, the YMCA entered into two capital lease agreements with an imputed interest rate of 4.95%. Monthly payments of principal and interest are \$5,909 and \$6,365.

During 2018, the YMCA entered into two capital lease agreements with an imputed interest rate of 5.2%, respectively. Monthly payments of principal and interest are \$2,685 and \$7,725.

The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The capitalized cost of the leased property at August 31, 2019 and 2018 was \$882,458. Assets are amortized over their estimated productive lives or the lease term, if shorter, for leases that transfer ownership or contain bargain purchase clauses. Amortization expense on capital leases is included with depreciation expense. Accumulated amortization was \$599,986 and \$389,141 as of August 31, 2019 and 2018, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 7 LEASES (CONTINUED)**

**Sales Leaseback**

In February 2008, the YMCA sold 14.86 acres of land with a carrying value of \$127,718 for \$3,750,000. Total gain on the sale was \$3,622,282. The YMCA maintained ownership of two buildings located on 2.9 acres of the land sold and entered into a 25-year lease with the purchaser for use of land. The gain on the sale in excess of the present value of the minimum lease payments in the amount of \$1,589,687 was recognized at the time of the sale, and the remaining gain of \$2,032,595 was deferred and will be amortized over the life of the lease. The YMCA will recognize \$81,304 of the deferred gain on an annual basis until the lease expires in January 2033. The YMCA recognized \$81,304 of the deferred gain in the years ended August 31, 2019 and 2018. At August 31, 2019 and 2018, the remaining deferred gain was \$1,090,826 and \$1,172,130, respectively. The current portion, in the amount of \$81,304, is included in accrued liabilities as of August 31, 2019 and 2018, and the remainder is included in other liabilities in the accompanying statements of financial position.

The lease agreement requires the YMCA to make payments of \$120,000 per year. Beginning January 2014, the lease payments will increase by the consumer price index every five years. The Organization paid \$145,152 and \$134,400 in lease payments for the years ended August 31, 2019 and 2018, respectively. The YMCA recognized lease expense of \$139,145 for the years ended August 31, 2019 and 2018 and a decreased accrued rent expense of \$6,007 for the year ended August 31, 2019. Accrued rent expense of \$399,409 and \$405,416 as of August 31, 2019 and 2018, respectively, is included in other liabilities in the accompanying statements of financial position.

**Operating Leases**

The YMCA leases various facilities and equipment under leases accounted for as operating leases. Rent expense on the operating leases was \$874,145 and \$762,231 for the years ended August 31, 2019 and 2018, respectively.

The following is a schedule of future minimum lease payments under all leases with an initial term in excess of one year at August 31, 2019:

<u>Year Ending August 31,</u>	<u>Capital Leases</u>	<u>Sale Leaseback</u>	<u>Operating Leases</u>
2020	\$ 148,556	\$ 150,528	\$ 284,570
2021	78,570	150,528	171,084
2022	32,220	150,528	130,414
2023	21,480	150,528	111,200
2024	-	162,570	74,113
Thereafter	-	1,501,587	-
Total Future Minimum Lease Payments	<u>280,826</u>	<u>\$ 2,266,269</u>	<u>\$ 771,381</u>
Less: Amount Representing Interest	<u>15,905</u>		
Total Present Value of Future Minimum Lease Payments	<u>\$ 264,921</u>		

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 7 LEASES (CONTINUED)**

**Sublease**

In July 2008, the YMCA sold one of the buildings, as part of the sale leaseback noted above, located on the 2.9 acres of land leased for \$1,125,000. The carrying value of the building was \$2,262,796, and a loss on the sale of \$1,137,796 was recorded. The building sold sits on 1.88 acres of the 2.9 acres leased by the YMCA. The YMCA entered into a 25-year sublease with the purchaser for use of this land. The lease requires the purchaser to make payments of \$35,000 per year to the YMCA with the first payment due July 15, 2013. Beginning July 15, 2014, the lease payments will increase by the consumer price index annually. The YMCA received lease payments of \$38,708 and \$37,948 for the years ended August 31, 2019 and 2018, respectively. Lease revenue of \$34,016 and an increase in other assets in the accompanying statements of financial position of the same amount was recognized for the years ended August 31, 2019 and 2018.

Estimated future payments to be received relative to this agreement as of August 31, 2019, are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2020	\$ 39,481
2021	40,271
2022	41,076
2023	41,898
2024	42,736
Thereafter	420,877
Total	<u>\$ 626,339</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Subject to Expenditure for Specified Purpose:		
Scholarships and Programs	\$ 1,338,578	\$ 1,880,621
Capital Campaign	116,576	148,500
Total	<u>1,455,154</u>	<u>2,029,121</u>
Subject to the Passage of Time:		
United Way Pledges	283,643	326,304
Endowments Subject to the YMCA's Spending Policy and/or Appropriation, Including Amounts Held in Perpetuity of \$1,599,460 for 2019 and 2018, Which are Available to Support:		
Building Maintenance	200,698	185,775
Operations and Programs	2,188,285	5,522,826
International Programs	129,463	117,917
Total Endowments	<u>2,518,446</u>	<u>5,826,518</u>
Total Net Assets with Donor Restrictions	<u>\$ 4,257,243</u>	<u>\$ 8,181,943</u>

**NOTE 9 ENDOWMENT FUNDS**

The YMCA's endowment funds consist of donor-restricted funds established for the YMCA.

The YMCA has interpreted the State of Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. As of August 31, 2019 and 2018, there were no such donor stipulations. As a result of this interpretation, the YMCA retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the YMCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

The primary long-term financial objective for the YMCA's endowments is to preserve the real purchasing power of endowment assets and income after accounting for endowment spending and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three, and five years.



**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 9 ENDOWMENT FUNDS (CONTINUED)**

The endowment funds are managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the YMCA's existing spending policy. Over the short-term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The endowment assets are governed by a spending policy that seeks to distribute specific payout rate of the endowment base to support the YMCA's programs. The endowment base will be defined as the three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of December for the prior three years). The distribution of payout rate will be calculated at a specific fixed percentage of the base. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term. Spending in a given year will reduce the unit value of each endowment element by the payout percentage. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below the designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal, without drawing from the original corpus of a particular gift. During the year ended August 31, 2019, the board of directors appropriated for expenditure an additional \$3,443,936 of endowment funds that were not tied to gifts to be maintained in perpetuity. These funds had been restricted for purposes tied to the ongoing activities of the YMCA.

The endowment is invested in cash and cash equivalents and equity and fixed income mutual funds. The total endowment will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation.

Endowment net asset composition by type of fund as of August 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 990,012	\$ -	\$ 990,012
Due from Undesignated Net Assets	750,000	-	750,000
Original Donor-Restricted Gift Amount Required to be Maintained in Perpetuity by Donor	-	1,599,460	1,599,460
Accumulated Growth of Perpetual Gifts Subject to Appropriation for a Specific Purpose	-	918,986	918,986
Total Funds	<u>\$ 1,740,012</u>	<u>\$ 2,518,446</u>	<u>\$ 4,258,458</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 9 ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets for the year ended August 31, 2019 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 2,294,635	\$ 5,826,518	\$ 8,121,153
Investment Return, Net	-	125,142	125,142
Contributions	-	10,722	10,722
Appropriation of Endowment Assets for Expenditure	(554,623)	(3,443,936)	(3,998,559)
Endowment Net Assets - End of Year	<u>\$ 1,740,012</u>	<u>\$ 2,518,446</u>	<u>\$ 4,258,458</u>

Endowment net asset composition by type of fund as of August 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 2,294,635	\$ -	\$ 2,294,635
Original Donor-Restricted Gift Amount Required to be Maintained in Perpetuity by Donor	-	1,599,460	1,599,460
Accumulated Growth of Perpetual Gifts Subject to Appropriation for a Specific Purpose	-	811,993	811,993
Portion Subject to Appropriation Under UPMIFA	-	3,415,065	3,415,065
Total Funds	<u>\$ 2,294,635</u>	<u>\$ 5,826,518</u>	<u>\$ 8,121,153</u>

Changes in endowment net assets for the year ended August 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 2,294,635	\$ 5,531,547	\$ 7,826,182
Investment Return, Net	-	308,622	308,622
Contributions	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-
Other Changes:			
Change in Cash Surrender Value of Life Insurance	-	(13,651)	(13,651)
Endowment Net Assets - End of Year	<u>\$ 2,294,635</u>	<u>\$ 5,826,518</u>	<u>\$ 8,121,153</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF METROPOLITAN MILWAUKEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019 AND 2018**

**NOTE 9 ENDOWMENT FUNDS (CONTINUED)**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. The YMCA has no underwater endowment funds at August 31, 2019 and 2018.

**NOTE 10 RETIREMENT PLAN**

The YMCA participates in a defined contribution, individual account, money purchase retirement plan covering all eligible employees. The Plan is administered by the Young Men's Christian Association Retirement Fund (a separate corporation). The YMCA makes monthly contributions to the Young Men's Christian Association Retirement Fund based on a percentage of the participating employee's salary. Plan expense totaled \$549,814 and \$512,615 for the years ended August 31, 2019 and 2018, respectively.

The Young Men's Christian Association Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation (1922). Participation is available to all duly organized or reorganized Ys in the United States of America. As a defined contribution plan, the retirement fund has no unfunded benefit obligations.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Financial Awards from Grantors**

Financial awards from federal, state, and local governments in the form of grants are subject to special audit. Such audits could result in claims against the YMCA for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

**Letter of Credit**

The YMCA utilizes one letter of credit to satisfy requirements of the Wisconsin Unemployment Reserve Fund in the amount of \$212,269 for the YMCA, expiring December 31, 2023.

**NOTE 12 SUBSEQUENT EVENTS**

Management evaluated subsequent events through January 23, 2020, the date the financial statements were available to be issued. Events or transactions occurring after August 31, 2019, but prior to January 23, 2020 that provided additional evidence about conditions that existed at August 31, 2019, have been recognized in the financial statements for the year ended August 31, 2019. Events or transactions that provided evidence about conditions that did not exist at August 31, 2019 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended August 31, 2019.