

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION
OF GREENSBORO ENDOWMENT FUND, INC.
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2015)

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Officers and Executive Committee
December 31, 2016**

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC.

| | |
|--|--------------------|
| Chairperson: | James Smith |
| Chair-elect: | Phil Barnhill |
| Past Chair: | Candace Cummings |
| Secretary: | Charles McQueary |
| Treasurer: | James Mitchell, IV |
| Vice Chair: | Glen Long |
| President and Chief Executive Officer: | Greg Jones |

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO
ENDOWMENT FUND, INC.**

| | |
|------------------|------------------|
| Chairperson: | Dennis Stearns |
| Member at Large: | Ford Bowers |
| Member at Large: | Candace Cummings |
| Member at Large: | Adam Duggins |
| Member at Large: | Rhonda Joyce |
| Member at Large: | Dupont Kirven |
| Member at Large: | Rick Lusk |
| Member at Large: | Todd Rangel |

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
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Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of Greensboro, Inc.
Greensboro, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc. (collectively the "Association"), which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc. as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc.'s December 31, 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects with the audited consolidated financial statements from which it has been derived.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 13, 2017

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Financial Position
December 31, 2016
(With Comparative Totals as of December 31, 2015)**

| | <u>Assets</u> | |
|---|-----------------------------------|----------------------|
| | <u>2016</u> | <u>2015</u> |
| Current Assets: | | |
| Cash and cash equivalents | \$ 4,920,060 | \$ 4,848,249 |
| Funds held for others | 5,828 | 16,434 |
| Investments | 8,371,003 | 8,700,828 |
| Current portion of unconditional promises to give, net | 803,270 | 1,163,376 |
| Other receivables | 216,764 | 109,433 |
| Prepaid expenses and other assets | 208,986 | 123,920 |
| Total Current Assets | <u>14,525,911</u> | <u>14,962,240</u> |
| Other Assets: | | |
| Unconditional promises to give, less current portion | 562,012 | 1,050,030 |
| Property and equipment, net of accumulated depreciation | 39,619,201 | 40,996,784 |
| Rental real estate property, net of accumulated depreciation | 346,400 | 360,800 |
| Total Other Assets | <u>40,527,613</u> | <u>42,407,614</u> |
| Total Assets | <u>\$ 55,053,524</u> | <u>\$ 57,369,854</u> |
| | <u>Liabilities and Net Assets</u> | |
| Current Liabilities: | | |
| Funds held for others | \$ 5,828 | \$ 16,434 |
| Current maturities of long-term debt | 2,266,711 | 2,558,287 |
| Current maturities of obligations under capitalized leases | 316,724 | 390,519 |
| Accounts payable and accrued expenses | 369,519 | 672,329 |
| Deferred revenue | 375,707 | 234,110 |
| Total Current Liabilities | <u>3,334,489</u> | <u>3,871,679</u> |
| Other Liabilities: | | |
| Fair value of interest rate swap payable | 61,743 | 134,871 |
| Long-term debt, less current maturities | 15,940,388 | 18,190,546 |
| Obligations under capitalized leases, less current maturities | 372,044 | 508,962 |
| Total Other Liabilities | <u>16,374,175</u> | <u>18,834,379</u> |
| Total Liabilities | <u>19,708,664</u> | <u>22,706,058</u> |
| Net Assets: | | |
| Unrestricted: | | |
| Undesignated | 29,132,290 | 27,493,861 |
| Designated for reserves | 2,725,299 | 2,446,550 |
| Temporarily restricted | 2,543,316 | 3,790,414 |
| Permanently restricted | 943,955 | 932,971 |
| Total Net Assets | <u>35,344,860</u> | <u>34,663,796</u> |
| Total Liabilities and Net Assets | <u>\$ 55,053,524</u> | <u>\$ 57,369,854</u> |

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.**
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

| | 2016 | | | 2015 | |
|--|---------------|------------------------|------------------------|---------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| Public Support: | | | | | |
| The United Way | \$ 109,530 | \$ 106,676 | \$ - | \$ 216,206 | \$ 234,647 |
| Government grants | 105,075 | - | - | 105,075 | 86,873 |
| Annual support | 581,254 | - | - | 581,254 | 527,231 |
| Contributions and private grants | 148,794 | 370,201 | 10,984 | 529,979 | 1,273,001 |
| Total Public Support | 944,653 | 476,877 | 10,984 | 1,432,514 | 2,121,752 |
| Revenue: | | | | | |
| Membership dues | 8,055,962 | - | - | 8,055,962 | 7,771,519 |
| Program and service fees | 5,316,345 | - | - | 5,316,345 | 4,430,690 |
| Vending and other food related | 35,535 | - | - | 35,535 | 32,695 |
| Rental of real estate and facilities, net | 266,462 | - | - | 266,462 | 252,747 |
| Merchandise sales | 13,134 | - | - | 13,134 | 10,682 |
| Investment income, net | 621,556 | 13,311 | - | 634,867 | 612,786 |
| Gain (loss) on sale of property and equipment | (3,981) | - | - | (3,981) | 60,864 |
| Management fees | 84,816 | - | - | 84,816 | 82,800 |
| Other events | 44,525 | - | - | 44,525 | 33,896 |
| Miscellaneous | 10,855 | - | - | 10,855 | 19,238 |
| Unrealized gain (loss) on investments, net | 196,917 | 41,751 | - | 238,668 | (733,483) |
| Total Revenue | 14,642,126 | 55,062 | - | 14,697,188 | 12,574,434 |
| Net Assets Released from Restrictions: | | | | | |
| Satisfaction of program restrictions | 389,568 | (389,568) | - | - | - |
| Satisfaction of time restrictions | 114,278 | (114,278) | - | - | - |
| Satisfaction of property acquisition restrictions | 1,275,191 | (1,275,191) | - | - | - |
| Total Net Assets Released from Restrictions | 1,779,037 | (1,779,037) | - | - | - |
| Total Public Support, Revenue, and Net Assets Released from Restrictions | 17,365,816 | (1,247,098) | 10,984 | 16,129,702 | 14,696,186 |
| Functional Expenses: | | | | | |
| Program Services: | | | | | |
| Adult | 6,033,548 | - | - | 6,033,548 | 5,995,162 |
| Child care | 3,814,826 | - | - | 3,814,826 | 3,419,151 |
| Youth | 3,739,312 | - | - | 3,739,312 | 3,765,669 |
| Total Program Services | 13,587,686 | - | - | 13,587,686 | 13,179,982 |
| Supporting Services: | | | | | |
| Management and general | 1,503,938 | - | - | 1,503,938 | 1,457,542 |
| Fund-raising | 246,191 | - | - | 246,191 | 228,429 |
| Total Supporting Services | 1,750,129 | - | - | 1,750,129 | 1,685,971 |
| Total Functional Expenses | 15,337,815 | - | - | 15,337,815 | 14,865,953 |
| Other Expenses: | | | | | |
| Payments to affiliated organizations | 183,951 | - | - | 183,951 | 167,101 |
| Total Expenses | 15,521,766 | - | - | 15,521,766 | 15,033,054 |
| Change in net assets from operating activities | 1,844,050 | (1,247,098) | 10,984 | 607,936 | (336,868) |
| Change in fair value of interest rate swap agreement | 73,128 | - | - | 73,128 | 57,232 |
| Changes in net assets | 1,917,178 | (1,247,098) | 10,984 | 681,064 | (279,636) |
| Net assets, beginning | 29,940,411 | 3,790,414 | 932,971 | 34,663,796 | 34,943,432 |
| Net assets, ending | \$ 31,857,589 | \$ 2,543,316 | \$ 943,955 | \$ 35,344,860 | \$ 34,663,796 |

See Notes to Consolidated Financial Statements

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2016

(With Comparative Totals for the Year Ended December 31, 2015)

| | 2016 | | | | | | | | 2015 TOTAL |
|--|-------------------|---------------|-------------------|---------------|---------------------------|------------------|--------------|---------------|---------------|
| | Program Services | | | | Supporting Services | | | TOTAL | |
| | Adult Programs | Child Care | Youth Programs | Total | Management and General | Fund- Raising | Total | | |
| Salaries and wages | \$ 2,392,874 | \$ 1,459,653 | \$ 1,499,136 | \$ 5,351,663 | \$ 630,522 | \$ 121,688 | \$ 752,210 | \$ 6,103,873 | \$ 5,749,052 |
| Employee benefits | 327,243 | 199,618 | 205,018 | 731,879 | 86,228 | 17,059 | 103,287 | 835,166 | 844,922 |
| Payroll taxes | 173,394 | 105,770 | 108,631 | 387,795 | 45,689 | 11,378 | 57,067 | 444,862 | 421,233 |
| Total Salaries and Related Expenses | 2,893,511 | 1,765,041 | 1,812,785 | 6,471,337 | 762,439 | 150,125 | 912,564 | 7,383,901 | 7,015,207 |
| Professional fees | 61,879 | 37,925 | 39,921 | 139,725 | 59,882 | - | 59,882 | 199,607 | 195,791 |
| Supplies | 289,911 | 176,845 | 181,629 | 648,385 | 76,391 | 79,339 | 155,730 | 804,115 | 865,194 |
| Telephone | 25,508 | 15,559 | 15,980 | 57,047 | 6,721 | - | 6,721 | 63,768 | 63,064 |
| Postage and shipping | 9,763 | 5,956 | 6,117 | 21,836 | 2,573 | - | 2,573 | 24,409 | 24,100 |
| Occupancy | 73,224 | 44,666 | 45,874 | 163,764 | 19,294 | - | 19,294 | 183,058 | 170,550 |
| Printing and publication | 79,563 | 48,534 | 49,847 | 177,944 | 20,965 | - | 20,965 | 198,909 | 219,045 |
| Travel | 28,086 | 17,132 | 17,595 | 62,813 | 7,400 | - | 7,400 | 70,213 | 63,475 |
| Conferences, conventions and meetings | 38,424 | 23,439 | 24,073 | 85,936 | 10,125 | 9,080 | 19,205 | 105,141 | 118,247 |
| Interest and amortization | 188,382 | 114,913 | 118,022 | 421,317 | 49,639 | - | 49,639 | 470,956 | 487,057 |
| Bank service charges | 53,663 | 32,735 | 33,620 | 120,018 | 14,140 | - | 14,140 | 134,158 | 100,646 |
| Rental | 55,285 | 33,723 | 34,636 | 123,644 | 14,567 | - | 14,567 | 138,211 | 149,810 |
| Repairs and maintenance | 127,036 | 77,492 | 79,588 | 284,116 | 33,474 | - | 33,474 | 317,590 | 349,372 |
| Other events | 38,882 | 23,718 | 24,359 | 86,959 | 10,245 | 7,647 | 17,892 | 104,851 | 96,553 |
| Insurance | 75,239 | 45,896 | 47,137 | 168,272 | 19,825 | - | 19,825 | 188,097 | 194,280 |
| Depreciation | 793,468 | 484,015 | 497,108 | 1,774,591 | 209,079 | - | 209,079 | 1,983,670 | 1,966,351 |
| Utilities | 364,377 | 222,271 | 228,283 | 814,931 | 96,014 | - | 96,014 | 910,945 | 917,047 |
| Contracted services | 471,050 | 287,341 | 295,113 | 1,053,504 | 124,122 | - | 124,122 | 1,177,626 | 1,147,712 |
| Bad debt recovery | - | - | - | - | (67,900) | - | (67,900) | (67,900) | (70,528) |
| Food and beverage | 112,662 | 68,724 | 70,582 | 251,968 | 29,686 | - | 29,686 | 281,654 | 228,163 |
| Scholarships | 233,684 | 276,731 | 104,543 | 614,958 | - | - | - | 614,958 | 518,632 |
| Dues | 12,784 | 7,798 | 8,009 | 28,591 | 3,368 | - | 3,368 | 31,959 | 32,271 |
| Training | 7,167 | 4,372 | 4,491 | 16,030 | 1,889 | - | 1,889 | 17,919 | 13,914 |
| Total Functional Expenses | \$ 6,033,548 | \$ 3,814,826 | \$ 3,739,312 | \$ 13,587,686 | \$ 1,503,938 | \$ 246,191 | \$ 1,750,129 | \$ 15,337,815 | \$ 14,865,953 |

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Cash Flows
Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)**

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Changes in net assets | \$ 681,064 | \$ (279,636) |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Allowance for uncollectible accounts | (67,900) | (70,529) |
| Discount on unconditional promises to give | (51,368) | (302,509) |
| Depreciation | 1,998,070 | 1,980,751 |
| Amortization | 16,576 | 16,576 |
| (Gain) loss on sale of property and equipment | 3,981 | (60,864) |
| Investment income reinvested | (226,370) | (298,318) |
| Gain on sale of investments, net | (214,101) | (148,026) |
| Unrealized (gain) loss on investments, net | (238,668) | 733,483 |
| Change in fair value of interest rate swap | (73,128) | (57,232) |
| (Increase) decrease in: | | |
| Unconditional promises to give | 967,392 | 1,186,472 |
| Grants receivable | - | 15,000 |
| Other receivables | (107,331) | 260,256 |
| Prepaid expenses and other assets | (85,066) | 6,745 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (302,810) | (985,480) |
| Deferred revenue | 141,597 | (27,581) |
| Net cash provided by operating activities | <u>2,441,938</u> | <u>1,969,108</u> |
| Cash flows from investing activities: | | |
| Purchase and construction of property and equipment | (457,228) | (555,420) |
| Deposit on fixed assets | - | 49,736 |
| Proceeds from sale of property and equipment | 21,200 | 68,228 |
| Proceeds from sale of investments | 1,631,212 | 1,781,247 |
| Purchase of investments | (622,248) | (752,928) |
| Net cash provided by investing activities | <u>572,936</u> | <u>590,863</u> |
| Cash flows from financing activities: | | |
| Payments on capitalized leases | (384,753) | (356,535) |
| Payments on long-term debt | (2,558,310) | (2,756,029) |
| Net cash used in financing activities | <u>(2,943,063)</u> | <u>(3,112,564)</u> |
| Net increase (decrease) in cash and cash equivalents | 71,811 | (552,593) |
| Cash and cash equivalents, beginning | <u>4,848,249</u> | <u>5,400,842</u> |
| Cash and cash equivalents, ending | <u>\$ 4,920,060</u> | <u>\$ 4,848,249</u> |

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Young Men's Christian Association of Greensboro, Inc. ("YMCA") is a voluntary health and welfare organization incorporated in 1910 to establish, equip, maintain, conduct and operate various YMCA branches and to perform any acts reasonably incidental thereto in the greater Greensboro and Reidsville, North Carolina area.

The Young Men's Christian Association of Greensboro Endowment Fund, Inc. ("Endowment Fund") was incorporated in 1994 as a support organization for the benefit of the YMCA to hold and invest permanently restricted net assets. This corporation states in its articles of incorporation that it is organized for and at all times shall operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the YMCA. The articles also state that the Endowment Fund shall be operated, supervised, or controlled by the YMCA, and that the Directors of the Endowment Fund shall be elected or appointed by the Board of Directors of the YMCA. Because of the oversight authority of the YMCA Board over the actions of the Endowment Fund, the two entities have been consolidated for financial statement presentation purposes.

The consolidated financial statements include the accounts of the YMCA and the Endowment Fund. All material intercompany transactions have been eliminated. The consolidated entities will be referred to as the "Association" for purposes of these consolidated financial statements.

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

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, depending on the existence and/or nature of donor-imposed restrictions. Unrestricted net assets are those funds presently available for use by the Association at the discretion of the Board of Directors. Temporarily restricted net assets are subject to donor-imposed restrictions and may be used only for the purposes specified by the donor. Permanently restricted net assets are those funds which have permanent restrictions placed on the principal balance by the donor.

Comparative Financial Information

The financial statements include certain prior period summarized comparative information in totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of reporting the consolidated statements of cash flows, the Association considers all highly liquid investments, except those held by the Endowment Fund, purchased with maturities of three months or less to be cash equivalents.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Held for Others

The Association administers various organizational funds. The funds are established by assets received as transfers from other organizations/clubs which specifies itself as the beneficiary of the fund.

Investments

Investments in marketable securities with readily determinable values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Investments in limited liability companies (LLC's) are recorded at cost, due to the fact they don't have a readily determinable fair value and the Association doesn't have control. The agreements underlying participation in the limited liability companies may limit the Association's ability to liquidate its interests in such investments for a period of time.

Receivables

The Association records unconditional promises to give and other receivables at total unpaid balance, which approximates estimated fair value, less any allowance for doubtful accounts. The Association determines past due status of individual receivables based on the contractual terms of the original grant agreement or pledge commitment. The Association estimates its allowance for doubtful accounts based on a combination of factors, including historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of receivables. Receivables that management believes to be ultimately not collectible are written off upon such determination.

Property and Equipment

The Association generally capitalizes expenditures of \$1,000 or more for property and equipment whose life exceeds one year. Property and equipment are stated at cost or, in the case of donated assets, at estimated fair value at date of donation.

Depreciation, including amortization of capital lease assets, is provided for using the straight-line method over the shorter of its estimated useful lives of the assets or its related lease term.

Bond Issuance Costs

Bond issuance costs are being amortized on a straight-line basis over 20 years which approximates the effective interest rate method. Accumulated amortization amounted to \$107,743. Estimated amortization for each of the next five years is \$16,576. Bond issuance costs have been netted against long term debt in accordance with ASU 2015-03, "Interest Imputation of Interest".

Advertising

Advertising, printing and publication costs are expensed as incurred. During the year, costs related to these activities totaled \$198,909.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue represents advance payments on annual memberships to the Association. Under the current payment options, the members can either pay monthly through bank drafts or pay the entire membership amount upon joining. The unearned portion of any advance payment is deferred until such time that the revenue is earned.

Revenue Recognition

Contributions are generally recognized as revenue when they are received or unconditionally pledged. Revenue related to unconditional promises to give are recorded at their net realizable value. The Association 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. In that case, the contributions and expenditures are included in unrestricted net assets. Conditional promises to give are recognized as revenue when the condition stipulated by the pledge has been met.

The Association reports gifts of long-lived assets as unrestricted support at the estimated fair market value of the asset unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support.

Endowment Fund

The Endowment Fund consists of various fixed income funds, equity funds, and cash equivalents established for a variety of purposes. The endowment consists of donor-restricted endowment funds as well as board designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Endowment Fund 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. 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 meet funding requirements while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Endowment Fund 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 endowment portfolio is invested across multiple asset classes with emphasis on equities and fixed income as well as alternative investments, real estate and a low level of exposure to money market cash instruments.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Notes to Consolidated Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

The Endowment Fund has a policy for appropriating for distribution each year approximately 5% of its endowment funds average market value plus or minus 1.5% over the 3 year trailing average market value of the Endowment Fund. In establishing this policy, the Endowment Fund considered the long-term expected return of the endowment. Accordingly, over the long-term the Endowment Fund expects the current spending policy to preserve the purchasing power of the endowment funds over time, and to provide a reasonably stable and predictive revenue stream for use in connection with the charitable purposes of the Association. The Board of Directors annually adopts a spending rate.

Donated Services and Materials

The Association occasionally benefits from the services of volunteers in various programs. The services donated are not identical to services the donor would usually charge a fee to provide; therefore, a monetary amount cannot be assigned to the value of these services. Significant donated materials are recorded at their fair value as a contribution and related purchase.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

Tax Status

The Association is classified as a public charity and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements. Contributions to the Association are tax deductible by the donor.

It is the Association's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the consolidated financial statements. No material uncertain tax positions were identified for 2016. Currently, the statute of limitations remains open subsequent to and including 2013; however, no examinations are in process or anticipated. Any changes in the amount of a tax provision will be recognized in the period the change occurs.

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NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through April 13, 2017, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give amounts to be received in future periods are discounted to a present value using an interest rate of 5.0%.

Unconditional promises to give are as follows:

| | |
|---|----------------------------|
| Amounts receivable less than one year | \$ 803,270 |
| Amounts receivable in one to five years | 488,906 |
| Amounts receivable more than five years | <u>270,000</u> |
| Total unconditional promises to give | 1,562,176 |
| Less - discount to present value for future pledges | (93,081) |
| Less - allowance for uncollectible pledges | <u>(103,813)</u> |
| | <u><u>\$ 1,365,282</u></u> |

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is 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. In determining fair values, the Association uses various methods including market, income and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Inputs — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 Inputs — Observable prices that are based on inputs not quoted on active markets, but corroborated by market data, discounted cash flow models or similar techniques.

Level 3 Inputs — Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following summarizes the fair value measurements:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|---------------------|-------------------|----------------|---------------------|
| Asset: | | | | |
| Investments (See Note 4 for major categories) | <u>\$ 7,929,647</u> | <u>\$ 441,356</u> | <u>\$ -</u> | <u>\$ 8,371,003</u> |
| Liability: | | | | |
| Derivative - Interest rate swap agreement | <u>\$ -</u> | <u>\$ 61,743</u> | <u>\$ -</u> | <u>\$ 61,743</u> |

NOTE 4 - INVESTMENTS

A breakdown of the investments held are as follows:

| <u>Description</u> | <u>Reported Value</u> | <u>Cost</u> |
|---|---------------------------|---------------------|
| Restricted cash | \$ 35,636 | \$ 35,636 |
| Equity securities | 7,894,011 | 6,287,739 |
| Investment in limited liability companies | 441,356 | 441,356 |
| | <u>\$ 8,371,003</u> | <u>\$ 6,764,731</u> |

Investment income consists of the following:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Income: | | | |
| Dividends | \$ 109,866 | \$ 25,999 | \$ 135,865 |
| Capital gain distribution | 150,456 | 14,053 | 164,509 |
| Other interest | 130,255 | 1 | 130,256 |
| Capital gains (loss) on sales of securities | 231,067 | (16,966) | 214,101 |
| | <u>621,644</u> | <u>23,087</u> | <u>644,731</u> |
| Expenses: Investment fees | 88 | 9,776 | 9,864 |
| | <u>\$ 621,556</u> | <u>\$ 13,311</u> | <u>\$ 634,867</u> |

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NOTE 5 - RENTAL REAL ESTATE PROPERTY

The Association owns and leases five residential properties that are leased on an annual basis. An unrelated management company is responsible for leasing and managing the properties. Property held for investment consists of the following:

| | |
|-------------------------------|--------------------------|
| Land | \$ 44,000 |
| Houses | 396,000 |
| | <u>440,000</u> |
| Less accumulated depreciation | 93,600 |
| | <u><u>\$ 346,400</u></u> |

The following summarizes the revenue and expenses at year end:

| | |
|-------------------------|------------------------|
| Rental income | \$ 33,920 |
| Expenses: | |
| Real estate taxes | 6,372 |
| Interest | 4,140 |
| Repairs and maintenance | 6,426 |
| Insurance | 984 |
| Depreciation | 14,400 |
| | <u>32,322</u> |
| Net income | <u><u>\$ 1,598</u></u> |

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | |
|--|-----------------------------|
| Land and improvements | \$ 5,203,751 |
| Buildings | 45,335,404 |
| Equipment | 3,908,344 |
| Software costs | 137,306 |
| Furniture, fixtures and office equipment | 772,093 |
| Transportation vehicles | 214,287 |
| Leasehold improvements | 1,252,538 |
| | <u>56,823,723</u> |
| Less accumulated depreciation | 17,204,522 |
| | <u><u>\$ 39,619,201</u></u> |

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NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

| | |
|--|-----------------------------|
| Unsecured bank qualified loan payable to a financial institution calling for 240 equal monthly principal installments through the maturity date of November 2030. Interest is payable monthly at 68% of the 1-month LIBOR rate plus 1.2025% (the 1-month LIBOR rate was 0.77%). | \$ 13,947,937 |
| Note payable to a bank in monthly installments of \$4,852 including interest at 4.35%. The note matures in 2018 and is collateralized by real estate with a carrying value of \$2,890,400. | 82,936 |
| Unsecured nonbank qualified loan payable to a financial institution. The bond accrues interest at 78% of the 1-month LIBOR plus 1.588% per annum (the 1-month LIBOR rate was 0.77%). Principal payments are due in annual installments through 2019, ranging from \$65,000 to \$825,000. Starting in March 2019, the Association will pay monthly principal payments ranging from \$13,417 to \$20,238 with the final payment due February 2034. | 4,400,000 |
| | <u>18,430,873</u> |
| Less bond issuance cost, net of accumulated amortization | <u>223,774</u> |
| | 18,207,099 |
| Less current maturities | <u>2,266,711</u> |
| | <u><u>\$ 15,940,388</u></u> |

The provisions of the bank qualified loan contains various financial covenants related to minimum levels of liquidity and net assets that the Association must maintain. The covenant also includes provisions related to borrowing leverage and other liquidity ratios. The Association was in compliance with all covenant provisions.

Future maturities of long-term debt net of bond issuance cost for each of the next five years and thereafter are as follows:

| | |
|------------|-----------------------------|
| 2017 | \$ 2,266,711 |
| 2018 | 1,943,065 |
| 2019 | 1,453,420 |
| 2020 | 1,549,420 |
| 2021 | 1,553,420 |
| Thereafter | 9,441,063 |
| | <u><u>\$ 18,207,099</u></u> |

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NOTE 8 - DERIVATIVES

To reduce the impact of changes in interest rates on its variable rate bonds payable, the Association has entered into an interest rate swap agreement. Under the agreement, interest is payable at a fixed rate of 2.65% based on the outstanding balance of the bank qualified loan payable, and is effective through November 18, 2017. The annual gain or loss on the fair value of the swap agreement is reported as revenue or expense in the consolidated statement of activities and changes in net assets. The interest rate swap agreement had a notional principal amount of \$8,439,012.

The fair value of the interest rate swap agreement was derived from proprietary models as of a given date, supplied by the bank. The valuation is calculated on a mid market basis and does not include bid/offered spread that would be reflected in an actual price quotation. This model relies on certain assumptions regarding past, present, and future market conditions.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The Association has ten capital lease agreements with varying expiration dates through 2021. Capitalized costs of \$1,842,660 are included in equipment and the related accumulated depreciation is \$1,209,746 as of December 31, 2016. The leases are payable to financial institutions in monthly installments totaling \$35,501, including interest at approximately 3.90%. The capital leases are secured by the equipment leased.

Future minimum capital lease payments are as follows:

| | |
|------------------------------------|-------------------|
| 2017 | \$ 316,724 |
| 2018 | 232,361 |
| 2019 | 141,068 |
| 2020 | 30,502 |
| 2021 | 6,251 |
| | <u>726,906</u> |
| Amount representing interest | (38,138) |
| Present value of lease obligations | <u>\$ 688,768</u> |

NOTE 10 - OPERATING LEASES

The Association leases office space, land and use of other program facilities under various operating lease agreements with varying expiration dates through 2020. The Association also rents equipment on an as needed basis for program use. Total rental expense was \$321,269.

Future minimum lease payments for these operating leases are as follows:

| | |
|------|-------------------|
| 2017 | \$ 173,009 |
| 2018 | 174,967 |
| 2019 | 176,927 |
| 2020 | 23,985 |
| | <u>\$ 548,888</u> |

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NOTE 10 - OPERATING LEASES (Continued)

The Association also leases its facilities to various organizations and individuals on a regular basis. Except as described below, these leasing transactions are normally short-term and on a case-by-case or month-to-month basis.

The Association rented portions of its Ragsdale facility under two non-cancelable lease agreements. The facility has a cost of \$6,113,555 and accumulated depreciation of \$1,932,496. Depreciation expense was \$157,246 for the year. The first agreement calls for monthly rents of \$8,500 through February 2019, with one five-year extension option. The second lease calls for monthly rents of \$1,700, adjusted by the Consumer Price Index, throughout the lease term expiring April 2019. Rental income for the year totaled \$262,572.

Future minimum rental income to be received under the sub-rental agreements is as follows:

| | |
|------|-------------------|
| 2017 | \$ 122,400 |
| 2018 | 122,400 |
| 2019 | 23,800 |
| | <u>\$ 268,600</u> |

NOTE 11 - DESIGNATED NET ASSETS

The Board of Directors has designated certain amounts of unrestricted net assets to be used for future activities, repairs and maintenance, and other purposes on a branch-by-branch basis. These reserves are funded by designated cash balances. The Board retains the right to undesignate these funds as they deem appropriate. The reserve cash balances was \$422,551.

The Board of Directors has also designated \$2,000,000 of unrestricted net assets to be set aside for future operations. These reserves have been funded by purchasing designated investments. Market value of these funds was \$2,302,748. The Board retains the right to undesignate these funds as they deem appropriate.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, consist of the following:

| | |
|---|---------------------|
| Promises to give not available for use until subsequent year | \$ 106,676 |
| Hayes-Taylor capital campaign | 1,594,798 |
| Building and building improvements | 11,419 |
| Repairs and maintenance | 65,006 |
| Scholarships | 112,592 |
| Healthy Living | 109,380 |
| Unappropriated Endowment Fund | 261,960 |
| Youth Development | 44,203 |
| Diabetes Program | 225,394 |
| Other | 11,888 |
| | <u>\$ 2,543,316</u> |

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NOTE 13 - ENDOWMENT NET ASSETS

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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. As a result of this interpretation, the Association classifies permanently restricted net assets as (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purpose of the Association and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the Association; and (7) the investment policies of the Association.

The Association's endowment is held with an investment bank. Under the endowment agreement, the principal balance in the fund is permanently restricted to ensure that resources would be available to provide for future operations.

The Association has the following donor-restricted endowment net assets:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Beginning of year | \$ - | \$ 243,303 | \$ 932,971 | \$ 1,176,274 |
| Investment return: | | | | |
| Investment income | - | 42,749 | - | 42,749 |
| Net appreciation (realized and unrealized) | - | 24,785 | - | 24,785 |
| Investment fees | - | (9,774) | - | (9,774) |
| Total investment return | - | 57,760 | - | 57,760 |
| Appropriations | 39,103 | (39,103) | - | - |
| Expenditures | (39,103) | - | - | (39,103) |
| Contributions | - | - | 10,984 | 10,984 |
| End of year | <u>\$ -</u> | <u>\$ 261,960</u> | <u>\$ 943,955</u> | <u>\$ 1,205,915</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies of this kind during the year.

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NOTE 14 - COMMUNITY POOL

The Association, the City of Reidsville (the "City"), and Reidsville Community Pool Association ("RCPA") have entered into an agreement, whereas, the Association will operate and manage a community pool adjacent to the Association's Reidsville facility for the benefit of residents of the greater Reidsville area. Under the agreement, the Association receives a fee for the management of the pool. The management fee is intended to be a reimbursement for the cost of administrative overhead directly attributable to aquatic activities, and shall be based on a formula agreed upon by all parties. The agreement calls for the fee to be waived if the City continues to make its annual contribution for pool activities.

The agreement also calls for three percent of user fees to be deposited into a repair account and matched equally by both the Association and the City. Accumulated funds greater than \$30,000 in this account may be disbursed at the discretion of RCPA for aquatic programs or services. Operating surpluses are to be deposited in the repair account or may be specifically designated by RCPA for other public purposes. At year end, the accumulated fund amounted to \$14,677.

The following summarizes the revenue and expenses for the pool for the year:

| | |
|--|--------------------|
| Revenue: | |
| User fees | \$ 25,999 |
| City of Reidsville contribution | 34,382 |
| Pool rental | 2,297 |
| Endowment earnings | 1,000 |
| Total revenue | <u>63,678</u> |
| Expenses: | |
| Payroll (including payroll taxes and benefits) | 73,374 |
| Permits | 145 |
| Supplies | 12,010 |
| Utilities | 29,590 |
| Maintenance | 1,511 |
| Other | 7,723 |
| Total expenses | <u>124,353</u> |
| Operating deficit | <u>\$ (60,675)</u> |

NOTE 15 - PENSION PLAN

The Association is a participant in a multi-employer National YMCA Retirement Fund Plan (the "Fund Plan") for all eligible employees. Employees are eligible if they are at least 21 years old and have worked at least 1,000 hours in any 2 twelve-month periods beginning on the employee's hire date. The Association has a two-year waiting period for enrollment and immediate vesting schedule. The Association's contributions to the Fund Plan are computed as a percentage of covered employees' annual salaries and the Association is not liable for any other amounts. Total retirement costs for the year totaled \$411,709.

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NOTE 16 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the year, the Association paid interest of \$454,380.

During the year, the Association entered into the following non-cash investing transactions:

| | |
|--|-------------------|
| Property and equipment acquired through capital lease obligations | <u>\$ 174,040</u> |
|--|-------------------|

NOTE 17 - CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits. In addition, all of the Association's borrowings are concentrated with a single financial institution.

The Association's investments potentially subject it to market risk and concentrations of credit risk. The Association maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Association's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Association retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Association invests.

NOTE 18 - SUBSEQUENT EVENTS

As of January 1, 2016, the Association renewed the management agreement with the Eden Family YMCA, Inc. ("Eden Y"). The YMCA of Greensboro provided executive leadership of the operation by providing the Executive Director, as well as support and consultation in the areas of Human Resources, Finance, Financial Development, Information Technology and Property Management. The Eden Y is solely responsible to pay all costs and expenses associated with the operation of the Eden Y. The Association received a monthly management fee of \$7,068 throughout the agreement term expiring on December 31, 2016. To better serve the members of the Eden Y by reducing costs and expanding various services, the Board of Directors of the Association and the Board of Directors of the Eden Y passed a resolution effective January 1, 2017 to merge the Eden Y with the Association. As a part of the merger, the Eden Y will transfer all its net assets to the Association and the Association will assume all outstanding obligations of the Eden Y.

The Association has engaged First Tryon Advisors to act as its Independent Registered Municipal Advisor in its negotiations with BB&T to enter into a new loan and swap agreement for the 2010 debt. The current loan and swap rate are set to expire on November 18, 2017. Due to the current rate environment, the Association plans to accelerate the agreement and expects to close the transaction by the end of April 2017.

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NOTE 19 - ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. This update is effective for fiscal periods beginning after December 15, 2018. The purpose of this update is to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and IFRS. This update affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts fall under the scope of different guidance. The Company's management has not determined the impact this standard will have on their consolidated financial statement.

In February 2016, FASB issued ASU 2016-02, *Leases*. This update is effective for fiscal periods beginning after December 15, 2019 for nonpublic entities. Under the new standard, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. The standard will apply to both types of leases, capital (or finance) leases and operating leases. Previously, GAAP has required only capital leases to be recognized on lessee balance sheets. As under current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease for lessees primarily will depend on its classification as a finance or operating lease. For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability. For operating leases, lessees will recognize a single total lease expense. For both types of leases, lessees will recognize a right-of-use asset and a lease liability. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The YMCA of Greensboro has not determined the impact of this new standard as of year end.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities*. This update is effective for fiscal periods beginning after December 15, 2017. Under the new standard, there will be two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) instead of the existing three classes of net assets (unrestricted, temporarily restricted, and permanently restricted). The new standard requires all not-for-profit entities to provide expenses and an analysis of expenses by both nature and function, and disclosure of the methods used to allocate those expenses among the various functions. ASU 2016-14 requires qualitative disclosure about how liquidity is managed including dates to meet the cash needs for the upcoming year. Investment returns will be presented net of all related external and direct internal expenses and the existing disclosure of the netted amounts is no longer required. The standard continues to allow not-for-profit entities to present the net amount of operating cash flows using either the direct or indirect method of reporting, while no longer requiring the indirect reconciliation if the direct method is used.