

CONSOLIDATED FINANCIAL STATEMENTS

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION,
A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017



CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities.....	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 24



May 16, 2019

Board of Trustees
Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation
Summit, New Jersey

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation, and its wholly-owned subsidiary, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 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 of 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 entity'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 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 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 Summit Area Young Men’s Christian Association, A New Jersey Nonprofit Corporation and its wholly-owned subsidiary, as of December 31, 2018, 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.

Change in Accounting Principle

As described in Note B to the consolidated financial statements, Summit Area Young Men’s Christian Association, A New Jersey Nonprofit Corporation and its wholly owned subsidiary adopted Financial Accounting Standards Board ASU No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The consolidated financial statements as of and for the year ended December 31, 2017, were audited by Spire Group, PC, who merged with Hill, Barth & King, LLC as of December 1, 2018, and whose report dated May 16, 2018, expressed an unmodified opinion on those consolidated financial statements.

Report on Summarized Comparative Information

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink that reads "Hill, Barth & King LLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 13,746,036	\$ 2,980,796
Restricted cash	305,608	311,284
Accounts receivable	178	31,711
Pledges receivable - net	389,246	191,006
Prepaid expenses and other assets	116,341	95,591
TOTAL CURRENT ASSETS	<u>14,557,409</u>	<u>3,610,388</u>
<u>OTHER ASSETS</u>		
Investments - at fair value	7,167,508	7,768,395
Long-term pledges receivable - net	582,520	228,803
Property and equipment - net	13,815,222	12,487,137
TOTAL OTHER ASSETS	<u>21,565,250</u>	<u>20,484,335</u>
	<u>\$ 36,122,659</u>	<u>\$ 24,094,723</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 545,070	\$ 203,510
Accrued expenses	713,500	649,322
Deferred revenue	137,656	160,030
Capital lease obligations	134,778	204,792
Mortgage and note payable	370,851	225,951
TOTAL CURRENT LIABILITIES	<u>1,901,855</u>	<u>1,443,605</u>
<u>LONG-TERM LIABILITIES</u>		
Long-term capital leases	80,027	209,309
Long-term mortgage and note payable	11,480,980	863,946
TOTAL LONG-TERM LIABILITIES	<u>11,561,007</u>	<u>1,073,255</u>
TOTAL LIABILITIES	<u>13,462,862</u>	<u>2,516,860</u>
 <u>NET ASSETS</u>		
Without donor restrictions	14,058,033	13,104,727
With donor restrictions	8,601,764	8,473,136
TOTAL NET ASSETS	<u>22,659,797</u>	<u>21,577,863</u>
	<u>\$ 36,122,659</u>	<u>\$ 24,094,723</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2018

(With Summarized Comparative Information for the Year Ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<u>OPERATING ACTIVITIES</u>				
<u>PUBLIC SUPPORT</u>				
Contributions	\$ 552,012	\$ 1,299,318	\$ 1,851,330	\$ 946,955
Foundation grants	134,526	-	134,526	46,939
Special events (net of expenses of \$54,899 and \$63,774, respectively)	171,080	-	171,080	164,324
Government grants and contracts	123,695	-	123,695	150,364
Net assets released from restrictions	599,129	(599,129)	-	-
TOTAL PUBLIC SUPPORT	1,580,442	700,189	2,280,631	1,308,582
<u>REVENUE</u>				
Membership fees - net	4,615,305	-	4,615,305	4,591,410
Program fees - net	8,713,823	-	8,713,823	8,181,234
Gain on sale of equipment	-	-	-	36,750
Miscellaneous income	252,213	-	252,213	199,974
TOTAL REVENUE	13,581,341	-	13,581,341	13,009,368
TOTAL PUBLIC SUPPORT AND REVENUE	15,161,783	700,189	15,861,972	14,317,950
<u>EXPENSES</u>				
<u>PROGRAM SERVICES</u>				
Youth Development	5,836,338	-	5,836,338	5,420,365
Healthy Living	5,746,093	-	5,746,093	5,641,330
Social Responsibility	275,373	-	275,373	209,006
TOTAL PROGRAM SERVICES	11,857,804	-	11,857,804	11,270,701
<u>SUPPORTING SERVICES</u>				
Management and general	2,140,530	-	2,140,530	1,886,921
Fundraising	274,536	-	274,536	272,130
TOTAL SUPPORTING SERVICES	2,415,066	-	2,415,066	2,159,051
TOTAL EXPENSES	14,272,870	-	14,272,870	13,429,752
CHANGES IN NET ASSETS FROM FROM OPERATING ACTIVITIES - CARRIED FORWARD	888,913	700,189	1,589,102	888,198

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2018

(With Summarized Comparative Information for the Year Ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
CHANGES IN NET ASSETS FROM FROM OPERATING ACTIVITIES - BROUGHT FORWARD	\$ 888,913	\$ 700,189	\$ 1,589,102	\$ 888,198
<u>NON-OPERATING ACTIVITIES</u>				
Investment gain (loss)	64,393	(571,561)	(507,168)	1,071,578
CHANGES IN NET ASSETS	<u>953,306</u>	<u>128,628</u>	<u>1,081,934</u>	<u>1,959,776</u>
<u>NET ASSETS</u>				
Beginning of year	13,104,727	8,473,136	21,577,863	19,618,087
End of year	<u>\$ 14,058,033</u>	<u>\$ 8,601,764</u>	<u>\$ 22,659,797</u>	<u>\$ 21,577,863</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2018

	Program Services				Support Services			2018 Total
	Youth Development	Healthy Living	Social Responsibility	Total	Management and General	Fundraising	Total	
Salaries	\$ 2,826,666	\$ 3,057,073	\$ 152,206	\$ 6,035,945	\$ 1,363,439	\$ 191,795	\$ 1,555,234	\$ 7,591,179
Employee benefits and payroll taxes	896,585	649,058	33,925	1,579,568	338,599	34,305	372,904	1,952,472
TOTAL SALARIES, BENEFITS AND PAYROLL TAXES	3,723,251	3,706,131	186,131	7,615,513	1,702,038	226,100	1,928,138	9,543,651
Professional fees	104,073	115,316	2,081	221,470	113,378	9,540	122,918	344,388
Program supplies	311,959	409,769	57,741	779,469	57,289	26,418	83,707	863,176
Telephone	31,594	32,679	632	64,905	13,366	-	13,366	78,271
Postage and shipping	1,505	1,474	30	3,009	6,066	608	6,674	9,683
Occupancy	718,211	653,622	13,034	1,384,867	122,645	-	122,645	1,507,512
Equipment repair and maintenance	38,460	36,205	595	75,260	8,885	-	8,885	84,145
Printing and publications	10,686	9,764	199	20,649	13,850	6,254	20,104	40,753
Travel and transportation	145,564	14,928	51	160,543	476	-	476	161,019
Conference, convention and meetings	8,794	14,157	176	23,127	20,867	4,106	24,973	48,100
Interest	24,801	29,062	354	54,217	-	-	-	54,217
Dues and subscriptions	3,020	3,010	60	6,090	8,627	1,510	10,137	16,227
Liability insurance	61,553	60,322	1,232	123,107	-	-	-	123,107
National YMCA dues	100,605	98,593	2,012	201,210	-	-	-	201,210
Miscellaneous	145,292	142,386	2,906	290,584	37,013	-	37,013	327,597
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	5,429,368	5,327,418	267,234	11,024,020	2,104,500	274,536	2,379,036	13,403,056
Depreciation and amortization	406,970	418,675	8,139	833,784	36,030	-	36,030	869,814
SUBTOTAL	5,836,338	5,746,093	275,373	11,857,804	2,140,530	274,536	2,415,066	14,272,870
Special event expenses	-	-	-	-	-	54,899	54,899	54,899
TOTAL FUNCTIONAL EXPENSES	\$ 5,836,338	\$ 5,746,093	\$ 275,373	\$ 11,857,804	\$ 2,140,530	\$ 329,435	\$ 2,469,965	\$ 14,327,769

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Year Ended December 31, 2017

	Program Services				Support Services			2017 Total
	Youth Development	Healthy Living	Social Responsibility	Total	Mangement and General	Fundraising	Total	
Salaries	\$ 2,643,660	\$ 2,987,743	\$ 134,580	\$ 5,765,983	\$ 1,153,041	\$ 160,184	\$ 1,313,225	\$ 7,079,208
Employee benefits and payroll taxes	841,989	635,537	29,877	1,507,403	309,904	28,459	338,363	1,845,766
TOTAL SALARIES, BENEFITS AND PAYROLL TAXES	3,485,649	3,623,280	164,457	7,273,386	1,462,945	188,643	1,651,588	8,924,974
Professional fees	100,756	105,346	2,015	208,117	95,496	9,540	105,036	313,153
Program supplies	266,255	457,026	14,344	737,625	66,169	63,829	129,998	867,623
Telephone	26,894	28,412	538	55,844	12,291	-	12,291	68,135
Postage and shipping	2,341	2,295	47	4,683	4,785	259	5,044	9,727
Occupancy	661,833	625,308	12,273	1,299,414	148,980	-	148,980	1,448,394
Equipment repair and maintenance	23,422	42,659	277	66,358	12,563	-	12,563	78,921
Printing and publications	22,156	16,175	330	38,661	11,901	5,975	17,876	56,537
Travel and transportation	99,548	11,567	97	111,212	415	10	425	111,637
Conference, convention and meetings	11,933	14,244	239	26,416	30,050	2,894	32,944	59,360
Interest	28,353	27,566	564	56,483	-	-	-	56,483
Dues and subscriptions	3,075	3,142	62	6,279	15,431	980	16,411	22,690
Liability insurance	61,977	60,737	1,240	123,954	-	-	-	123,954
National YMCA dues	89,299	87,513	1,786	178,598	-	-	-	178,598
Miscellaneous	119,959	117,561	2,399	239,919	4,611	-	4,611	244,530
TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION	5,003,450	5,222,831	200,668	10,426,949	1,865,637	272,130	2,137,767	12,564,716
Depreciation and amortization	416,915	418,499	8,338	843,752	21,284	-	21,284	865,036
SUBTOTAL	5,420,365	5,641,330	209,006	11,270,701	1,886,921	272,130	2,159,051	13,429,752
Special event expenses	-	-	-	-	-	63,774	63,774	63,774
TOTAL FUNCTIONAL EXPENSES	\$ 5,420,365	\$ 5,641,330	\$ 209,006	\$ 11,270,701	\$ 1,886,921	\$ 335,904	\$ 2,222,825	\$ 13,493,526

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Changes in net assets	\$ 1,081,934	\$ 1,959,776
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	869,814	865,036
Amortization of deferred issuance cost	1,486	-
Net realized and unrealized (gain) loss on investments	739,947	(925,867)
Donated securities	(126,433)	(76,349)
(Increase) decrease in:		
Accounts receivable	31,533	(30,061)
Pledges receivable	(551,957)	(296,362)
Prepaid expenses and other assets	(20,750)	(12,512)
Increase (decrease) in:		
Accounts payable	341,560	148,287
Accrued liabilities	64,178	(32,496)
Deferred revenue	(22,374)	6,696
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,408,938</u>	<u>1,606,148</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Capital expenditures	(2,197,899)	(737,293)
Purchase of investments	(1,646,153)	(1,679,762)
Proceeds from sales of investments	1,633,526	1,824,565
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,210,526)</u>	<u>(592,490)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal borrowing on mortgage payable	12,000,000	-
Principal repayment on mortgage payable	(149,655)	-
Principal repayment on notes payable	(1,089,897)	(218,412)
Principal repayment on capital lease obligations	(199,296)	(208,163)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>10,561,152</u>	<u>(426,575)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,759,564	587,083
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	3,292,080	2,704,997
End of year	<u>\$ 14,051,644</u>	<u>\$ 3,292,080</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid during the year for:		
Interest	<u>\$ 52,731</u>	<u>\$ 56,483</u>
<u>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</u>		
Equipment purchased under capital lease	<u>\$ -</u>	<u>\$ 251,353</u>

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE A – ORGANIZATION AND BUSINESS

The Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation (the "YMCA" or "Association") is a not-for-profit organization incorporated on June 18, 1889. It utilizes two fully-equipped buildings that provide year-round recreational facilities, meeting rooms, and child care facilities. In addition, it maintains another location where it operates a year-round day care center.

Berkeley Heights YMCA LLC, a New Jersey limited liability company ("BH YMCA LLC") was incorporated on April 21, 2017 and is a wholly-owned subsidiary of the YMCA. BH YMCA LLC maintains a community pool for the residents of Berkeley Heights. As further discussed in Notes H and M, the BH YMCA LLC has entered into a lease of land on which it intends to construct a new facility. Construction began in October 2018.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standard:

On August 18, 2016, FASB issued 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 Summit Area Young Men's Christian Association, A New Jersey Nonprofit Corporation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Basis of Presentation:

These consolidated financial statements include the YMCA and BH YMCA LLC and follow the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany activity is eliminated in the consolidated financial statements. The YMCA is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the YMCA. These net assets may be used at the discretion of YMCA's management and the board of trustees.

Net assets with donor restrictions are subject to stipulations imposed by donors and grantors. When a restriction expires or is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Financial Information:

The consolidated financial statements include certain prior year summarized comparative information in total 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 financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Use of Estimates:

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions:

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Annual campaign contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as the promise is received.

Endowment Fund contributions may be donor restricted (See Note D). Investment earnings are recorded in net assets with donor restrictions until appropriated.

Contributions of donated noncash assets are recorded at their fair values in the period received as unrestricted revenue. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Memberships:

Memberships are recognized as revenue in the applicable membership period.

Cash and Cash Equivalents:

The YMCA considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments:

Investments are recorded at fair market value. Donated investments are recorded as contributions at their fair market values on the date of receipt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment:

Property and equipment purchases are recorded at cost, except for contributed property which is recorded at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The principal rates for computing depreciation by major asset categories are as follows:

<u>Description</u>	<u>Asset Life (Years)</u>
Building and renovations	7 – 40
Office equipment	3 – 10
Transportation equipment	3 – 5

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor improvements are charged to operations as incurred.

Long-Lived Assets:

In accordance with GAAP, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

Donated Services:

The YMCA receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. Certain commercial services are provided to the YMCA gratis or at a reduced cost. No amounts have been recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Reclassification:

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, the statements of functional expenses classify direct costs and supporting benefits by program. In addition, certain costs are allocated among the programs by their respective pro-rata share of total direct costs prior to allocation.

The expenses that are allocated include the following:

Direct classification of expenses by program:

- Youth development – childcare, toddlers, preschool, prekindergarten, kindergarten, infants/waddlers and camp.
- Healthy living – membership, sports, adult wellness, pool and aquatics
- Social responsibility – youth and family programs, teen programs, teen center and outreach
- Management
- Fundraising

Expenses allocated by pro-rata share to programs:

- Administration
- Occupancy

Advertising Expenses:

Advertising costs are expensed when incurred. Advertising costs for the years ended December 31, 2018 and 2017 amounted to \$21,786 and \$20,861, respectively.

Income Taxes:

The YMCA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been recorded in the consolidated financial statements.

Subsequent Events:

Management evaluated all activity of the Association through May 16, 2019, the date these consolidated financial statements were available to be issued, and concluded that no subsequent events occurred that would require recognition or disclosure in the consolidated financial statements or notes.

NOTE C – LIQUIDITY

The YMCA's policy is to maintain a net cash position (reserve and operating cash) ideally for sixty days of operating expenses (approximately \$2,400,000). Reserve funds may be used for non-emergency expenses once total net cash equals at least thirty days of operating expense. Net cash position should never be less than thirty days of operating except for emergency expenditures. Excess cash may be invested in marketable securities. These securities are considered long-term but are available for operating expenses, if the need arises. The YMCA has a \$2,000,000 line of credit available to meet cash flow needs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE C – LIQUIDITY (CONTINUED)

The following represents the financial assets at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Financial assets at year-end		
Cash	\$ 14,051,644	\$ 3,292,080
Receivables	971,944	451,520
Investments	<u>7,167,508</u>	<u>7,768,395</u>
TOTAL FINANCIAL ASSETS	<u>22,191,096</u>	<u>11,511,995</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>8,601,764</u>	<u>8,473,136</u>
TOTAL NOT AVAILABLE TO BE USED WITHIN ONE YEAR	<u>8,601,764</u>	<u>8,473,136</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS \$	<u>13,589,332</u>	<u>3,038,859</u>

Approximately \$10,900,000 of cash is earmarked for the construction of a new facility. This money may be used for operating expenses, if the need arises.

NOTE D – ENDOWMENT

The YMCA's endowment consists of only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Trustees of the YMCA has interpreted the NJ Uniform Prudent Management of Institutional Funds Act ("NJ UPMIFA") such that, unless stated otherwise in the gift instrument, the assets in the endowment fund are donor-restricted assets until appropriated for expenditure by the Association.

NJ UPMIFA also states that, subject to the intent of a donor expressed in the applicable gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the institution shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) the duration and preservation of the endowment fund;
- (2) the purposes of the institution and the 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 investments;
- (6) other resources of the institution; and
- (7) the investment policy of the Association

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE D – ENDOWMENT (CONTINUED)

To the extent a donor's intent is or was unclear, the Summit Area YMCA has classified the donation as with donor restriction and will do so unless and until the Summit Area YMCA determines otherwise or obtains a release of any such restrictions in accordance with the provisions of NJ UPMIFA.

Endowment net assets composition by type of fund as of December 31, 2018 and 2017:

	<u>With Donor Restrictions</u>	
	<u>2018</u>	<u>2017</u>
Donor-restricted endowment funds	<u>\$ 5,149,665</u>	<u>\$ 5,148,665</u>

Changes in endowment net assets for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Endowment net assets - beginning of year	\$ 5,148,665	\$ 5,147,293
Contributions	<u>1,000</u>	<u>1,372</u>
Endowment net assets - end of year	<u>\$ 5,149,665</u>	<u>\$ 5,148,665</u>

Endowment net assets include the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash	\$ 305,608	\$ 311,284
Investments	4,842,621	4,830,195
Pledges receivable - net	<u>1,436</u>	<u>7,186</u>
TOTALS	<u>\$ 5,149,665</u>	<u>\$ 5,148,665</u>

Funds with Deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NJ UPMIFA requires the YMCA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

Return Objectives and Risk Parameters:

The YMCA's current policy provides that the endowment assets will be invested in a manner that is intended to produce expected return of approximately 5% per annum while maintaining an acceptable level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives:

To satisfy its objective of moderate risk, the YMCA's target asset allocation is 65% in equities including alternatives and 35% in fixed income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE E – CAPITAL CAMPAIGN AND PLEDGES RECEIVABLE

The YMCA launched a capital campaign in 2017. Contributions are classified as with donor restrictions for the new Berkeley Heights YMCA building project, the Summit YMCA renovation project or the general capital project fund. Capital contributions are as follows:

<u>Capital campaign</u>	<u>2018 Contributions</u>	<u>Cumulative Contributions Through 2018</u>	<u>Campaign Pledges Paid Through Dec18</u>	<u>Pledges Due as of 12/31/18</u>
Berkeley Heights	\$ 459,192	\$ 740,027	\$ 279,373	\$ 460,654
Summit	319,100	336,100	180,974	155,126
General	<u>385,500</u>	<u>385,500</u>	<u>167,500</u>	<u>218,000</u>
TOTALS	<u>\$ 1,163,792</u>	<u>\$ 1,461,627</u>	<u>\$ 627,847</u>	<u>\$ 833,780</u>

For both annual and capital campaigns, contributions may be paid in multi-year pledge installments. Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows utilizing a 3% discount rate.

Promises to give at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Pledges receivable in one to five years	\$ 1,059,727	\$ 453,667
Less unamortized discount	<u>(59,009)</u>	<u>(24,708)</u>
	1,000,718	428,959
Less allowance for uncollectible pledges	<u>(28,952)</u>	<u>(9,150)</u>
NET PLEDGES RECEIVABLE	<u>\$ 971,766</u>	<u>\$ 419,809</u>

Pledge receivable balances are classified as follows:

	<u>2018</u>	<u>2017</u>
Capital campaign	\$ 833,780	\$ 270,000
Annual campaign	224,445	176,417
Endowment	<u>1,500</u>	<u>7,250</u>
TOTAL RECEIVABLES	<u>\$ 1,059,725</u>	<u>\$ 453,667</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE F – INVESTMENTS

The following summarizes the investments at December 31, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equities	\$ 4,069,725	\$ 4,648,906	\$ 4,172,881	\$ 5,469,146
Corporate and government bonds	1,906,583	1,896,489	1,585,620	1,576,251
Fixed income	624,439	622,113	704,846	722,998
TOTALS	<u>\$ 6,600,747</u>	<u>\$ 7,167,508</u>	<u>\$ 6,463,347</u>	<u>\$ 7,768,395</u>

NOTE G – FAIR VALUE MEASUREMENTS

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price the YMCA would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data from independent sources and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while observable inputs reflect our market assumptions. Preference is given to observable inputs. These three types of inputs create the following fair value hierarchy:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement dates.
- Level 2 – unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3 – unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The following tables present the assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE G – FAIR VALUE MEASUREMENTS (CONTINUED)

	December 31,	Fair Value Measurements at Reporting Date Using		
		2018	(Level 1)	(Level 2)
Equities				
Large blend	\$ 1,988,121	\$ 1,988,121	\$ -	\$ -
Foreign large blend	980,516	980,516	-	-
Small blend	540,822	540,822	-	-
Multialternative	314,882	-	314,882	-
Diversified emerging markets	258,824	258,824	-	-
Moderate allocation	187,735	187,735	-	-
Global real estate	183,853	183,853	-	-
Foreign small/mid blend	135,884	135,884	-	-
Healthcare	53,195	53,195	-	-
Large value	3,498	3,498	-	-
Technology	1,576	1,576	-	-
TOTAL EQUITIES	4,648,906	4,334,024	314,882	-
Corporate and government bonds				
Rated AA+	1,606,412	-	1,606,412	-
Rated AAA	229,463	-	229,463	-
Rated Aa1	40,255	-	40,255	-
Rated AA-	20,359	-	20,359	-
TOTAL CORPORATE AND GOVERNMENT BONDS	1,896,489	-	1,896,489	-
Fixed income				
Corporate bond ETF	622,113	622,113	-	-
TOTAL FIXED INCOME	622,113	622,113	-	-
TOTAL ASSETS	\$ 7,167,508	\$ 4,956,137	\$ 2,211,371	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE G – FAIR VALUE MEASUREMENTS (CONTINUED)

	December 31, 2017	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Equities				
Large blend	\$ 2,331,542	\$ 2,331,542	\$ -	\$ -
Foreign large blend	1,077,268	1,077,268	-	-
Small blend	615,786	615,786	-	-
Multialternative	398,000	-	398,000	-
Diversified emerging markets	300,970	300,970	-	-
Foreign small/mid blend	200,787	200,787	-	-
Global real estate	168,218	168,218	-	-
Moderate allocation	168,189	168,189	-	-
Infrastructure	158,502	158,502	-	-
Healthcare	49,884	49,884	-	-
TOTAL EQUITIES	5,469,146	5,071,146	398,000	-
Corporate and government bonds				
Rated AA+	1,282,858	-	1,282,858	-
Rated AAA	231,401	-	231,401	-
Rated Aa1	40,960	-	40,960	-
Rated AA-	21,032	-	21,032	-
TOTAL CORPORATE AND GOVERNMENT BONDS	1,576,251	-	1,576,251	-
Fixed income				
Corporate bond ETF	722,998	722,998	-	-
TOTAL FIXED INCOME	722,998	722,998	-	-
TOTAL ASSETS	\$ 7,768,395	\$ 5,794,144	\$ 1,974,251	\$ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,138,200	\$ 1,138,200
Buildings	16,694,735	16,694,735
Building improvements	2,674,399	2,389,094
Furniture and equipment	5,731,647	5,559,124
Vehicles	451,649	451,649
Construction in progress	2,129,840	389,769
Total	<u>28,820,470</u>	<u>26,622,571</u>
Less accumulated depreciation	<u>15,005,248</u>	<u>14,135,434</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 13,815,222</u>	<u>12,487,137</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$869,814 and \$865,036, respectively.

Construction in progress includes preconstruction costs for a new facility which will be built on leased land and is described in Notes I and N. At December 31, 2018 and 2017, capitalized interest totaled \$130,047 and \$-0-, respectively. The construction began in October 2018. Also included in construction in progress are preconstruction costs for a renovation to the existing Summit facility. Construction for this project is expected to begin in 2020.

NOTE I – BERKELEY HEIGHTS BUILDING PROJECT

On October 5, 2018, the Summit Area YMCA and Berkeley Heights LLC jointly borrowed \$12,000,000 under a mortgage loan payable to Investors Bank (See Note K). The mortgage proceeds were used to repay the prior mortgage balance, and the remaining proceeds are intended to fund the construction of the new facility in Berkeley Heights. As of December 31, 2018, \$10,900,000 is held on deposit in various bank accounts to minimize risk.

In May 2018, BH YMCA LLC entered into a construction contract with Vericon Construction Company, LLC to manage the construction of the new facility. Construction of the new facility commenced on October 6, 2018. The Guaranteed Maximum Price (GMP) of construction is \$15,016,970. As of March 31, 2019, budgeted construction cost was \$13,027,000 including project management fees. However, management anticipates slightly higher cost to complete the project but not to exceed the GMP. Contract payments to Vericon Construction total \$409,768 as of December 31, 2018.

In addition to the construction costs, cumulative project soft costs paid as of December 31, 2018 totaled \$1,362,885.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE J – LINES OF CREDIT

On November 29, 2018, the YMCA entered into a new line of credit with Investors Bank in the amount of \$2,000,000, expiring December 1, 2020. The interest rate was the prime rate rounded to the nearest 0.125%. The interest rate at December 31, 2018 was 5.50%. There was no outstanding balance on the line of credit as of December 31, 2018.

The YMCA had a line of credit with Investors Bank in the amount of \$750,000, which expired October 2018. The interest rate was the prime rate rounded to the nearest 0.125%. The interest rate at December 31, 2017 was 4.50%.

NOTE K – LONG-TERM DEBT

	<u>2018</u>	<u>2017</u>
Mortgage payable to Investors Bank with an original principal balance of \$12,000,000, which requires monthly payments of \$77,464 including principal and interest at 4.67%. The mortgage matures in November 2038 and is secured by substantially all assets of the YMCA and BH YMCA LLC. The YMCA is subject to financial covenants typical for this type of loan and is in compliance at December 31, 2018.	\$ 11,969,236	\$ -
Note payable to Investors Bank with an original principal balance of \$2,100,000 which requires monthly payments of \$21,067 including principal and interest at 3.75%. The note was secured by substantially all assets of the YMCA. The note was paid off with the proceeds from the new mortgage payable.	-	1,079,440
Note payable to bank for purchase of a vehicle with an original principal balance of \$52,444 which requires monthly payments of \$970 including principal and interest at 4.125%. The note matures in November 2018 and is secured by the related vehicle.	-	10,457
Total	11,969,236	1,089,897
Less unamortized debt issuance cost	117,405	-
	11,851,831	1,089,897
Less current portion	370,851	225,951
TOTAL LONG-TERM DEBT	<u>\$ 11,480,980</u>	<u>\$ 863,946</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE K – LONG-TERM DEBT (CONTINUED)

Principal repayment for long-term debt is as follows:

<u>Year</u>	
2019	\$ 370,851
2020	387,245
2021	407,535
2022	427,255
2023	447,930
Thereafter	<u>9,928,420</u>
TOTAL	<u>\$ 11,969,236</u>

NOTE L – CAPITAL LEASES

The YMCA has entered into several capital leases for office and exercise equipment which expire through 2020 with implied interest rates ranging from 5.82% to 6.49%. The assets and liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive life. Amortization expense for the years ended December 31, 2018 and 2017 amounted to \$203,342 and \$126,757, respectively. Amortization expense is included in depreciation expense.

Property and equipment held under capital lease:

	<u>2018</u>	<u>2017</u>
Fitness equipment	\$ 620,136	\$ 620,136
Less accumulated amortization	<u>409,469</u>	<u>206,127</u>
NET	<u>\$ 210,667</u>	<u>\$ 414,009</u>

Minimum future lease payments under capital lease as of December 31, 2018 for each of the years in the aggregate are:

<u>Year</u>	
2019	\$ 141,420
2020	<u>81,785</u>
Net minimum lease payment	223,205
Less amount representing interest	<u>8,400</u>
Present value of net minimum lease payments	214,805
Less current portion	<u>134,778</u>
LONG-TERM PORTION	<u>\$ 80,027</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE M – RETIREMENT PLAN

The YMCA participates in the YMCA Retirement Fund Retirement Plan, which is a defined contribution, money purchase church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and the YMCA Retirement Fund Tax-Deferred Savings Plan, which is a retirement income account plan as defined in section 403(b)(9) of the code. Both plans are sponsored by the Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922), organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As defined contribution plans, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA. The total contributions charged to retirement costs amounted to \$538,121 and \$508,655 for the years ended December 31, 2018 and 2017, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the Fund. The YMCA's policy is to fully fund retirement plan costs as accrued at 12% of compensation. Employees, at their option, may also contribute to tax deferred annuities through the Fund or other commercial sources. The Association does not match these contributions.

NOTE N – OPERATING LEASES

On July 1, 1995 the YMCA entered into a lease agreement for the Berkeley Heights branch facility for a term of five years with three additional five-year options of extension. The lease was extended to January 31, 2020. The facility comprised of 22,846 square feet, has an annual rental of approximately \$314,000 not including its proportionate share of common area maintenance charges, real estate tax and other sundry charges.

In April 2006, the YMCA entered into a lease agreement for office space located at 490 Morris Avenue in Summit. During August 2016 the lease was extended to July 2018. The annual rental is approximately \$110,000 not including its proportionate share of common area maintenance charges, real estate tax, and other sundry charges. The lease was verbally extended to October 2018. The YMCA vacated the premises in December 2018.

In May 2017, BH YMCA LLC entered into a 50-year lease with the Township of Berkeley Heights regarding land on which to build a new facility. The annual rent is \$1.00 for each of the first six years, \$25,000 for years 7-20, \$50,000 for years 21-30 and \$65,000 for years 31-50 (for total rental payments of \$2,150,006).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE N – OPERATING LEASES (CONTINUED)

The lease obligated BH YMCA LLC to (a) operate each summer season and maintain a community pool for the residents of Berkeley Heights throughout the 50 year term, (b) invest approximately \$210,000 for repairs to allow for the opening of the pool for the 2017 season, which was completed, (c) assume responsibility for repayment of up to \$105,000 owed to a bank by the previous operator of the community pool (also completed) and (d) spend approximately \$900,000 to construct a new outdoor pool complex within the first six years of the lease term.

BH YMCA LLC has the option to terminate the lease within the first six years of the lease term if (a) the results of environmental and geotechnical due diligence are not satisfactory, (b) all required Municipal, County and State approvals for the construction of a new YMCA facility and community pool are not received or (c) a fundraising goal of \$1,000,000 is not achieved.

All buildings and improvements on the property will become the property of the Township of Berkeley Heights at the end of the lease.

The YMCA had a non-cancellable operating lease for office equipment which expired September 2018.

The minimum future rental payments of these leases as of December 31, 2018 are as follows:

<u>Year</u>	
2019	\$ 319,105
2020	26,593
2021	1
2022	1
2023	1
Thereafter	<u>2,150,000</u>
TOTAL	<u>\$ 2,495,701</u>

Total rent expense for the years ended December 31, 2018 and 2017 amounted to \$480,295 and \$541,796, respectively.

NOTE O – CONCENTRATION OF CREDIT RISKS

The vast majority of contributions and receivables are due from payers located in the Summit area and its surrounding suburbs.

The YMCA's cash is exposed to concentration of credit risk. The YMCA's cash is placed with a wide array of institutions that have high credit ratings. The balances at the financial institutions are insured by Federal Insurance Corporation "FDIC" up to \$250,000. As of December 31, 2018 and 2017, the YMCA had cash which exceeded FDIC limits by \$200,331 and \$1,179,412, respectively. The YMCA's investments are subject to credit risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

SUMMIT AREA YOUNG MEN'S CHRISTIAN ASSOCIATION, A NEW JERSEY NONPROFIT CORPORATION

December 31, 2018 and 2017

NOTE P – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Specific purpose:		
Endowment	\$ 5,149,665	\$ 5,148,665
Unappropriated investment return	2,361,297	2,950,960
Capital campaign	763,310	-
Berkeley Heights project	244,981	266,311
Community garden	32,511	33,192
Grants	50,000	74,008
TOTALS \$	<u>8,601,764</u>	<u>\$ 8,473,136</u>

Net assets released from net assets with donor restrictions are as follows

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions:		
Investment return	\$ 18,102	\$ -
Capital campaign	400,482	-
Berkeley Heights project	21,330	-
Community garden	1,181	668
Grants	158,034	52,743
TOTALS \$	<u>599,129</u>	<u>\$ 53,411</u>

NOTE Q – RELATED PARTY TRANSACTIONS

The YMCA is affiliated by agreement with the YMCA of the USA. Under this agreement, the YMCA is obligated to pay a percentage of its revenues to the national Association. Dues paid to the YMCA of the USA for the years ended December 31, 2018 and 2017 amounted to \$201,210 and \$178,598, respectively.

The YMCA's health insurance coverage is carried through the National YMCA's policy. Health insurance costs paid to the YMCA of the USA for the years ended December 31, 2018 and 2017 amounted to \$836,582 and \$819,046, respectively.

NOTE R – LITIGATION

The YMCA is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Association.