

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION**

Audited Financial Statements

December 31, 2018 and 2017

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION**

Kannapolis, North Carolina

Audited

Financial Statements

As Of And For The Years Ended

December 31, 2018 and 2017

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CONTENTS

Independent Auditors' Report	Page 2
 Financial Statements -- Overview:	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses.....	7 - 8
Statements of Cash Flows	9
Notes To Financial Statements	10 - 18



POTTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
**Cannon Memorial Young Men's
Christian Association**
Kannapolis, North Carolina

We have audited the accompanying financial statements of **Cannon Memorial Young Men's Christian Association** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Potter & Company, PA

Concord, North Carolina
July 17, 2019

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets		
Cash	\$ 250,265	\$ 69,640
Cash - restricted	318,055	220,847
Investments	1,353,581	2,133,149
Accounts receivable	60,677	50,781
Capital pledges receivable	292,730	51,586
Prepaid expenses	<u>25,845</u>	<u>26,338</u>
Total Current Assets	<u>2,301,153</u>	<u>2,552,341</u>
Property and Equipment		
Land and improvements	1,338,283	1,248,631
Buildings	16,789,994	16,298,662
Leasehold improvements	624,272	624,271
Equipment, furniture and fixtures	2,033,388	1,942,050
Vehicles	480,760	415,760
Construction in progress	<u>391,865</u>	<u>96,350</u>
	21,658,562	20,625,724
Less accumulated depreciation	<u>(10,554,055)</u>	<u>(9,951,162)</u>
Total Property and Equipment	<u>11,104,507</u>	<u>10,674,562</u>
Other Assets		
Swap valuation adjustment asset	38,116	-
Endowment assets	<u>274,055</u>	<u>295,276</u>
Total Other Assets	<u>312,171</u>	<u>295,276</u>
 TOTAL ASSETS	 <u><u>\$ 13,717,831</u></u>	 <u><u>\$ 13,522,179</u></u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current Liabilities		
Accounts payable	\$ 223,257	\$ 160,077
Note payable, current	179,738	174,152
Capital lease payable, current	-	17,158
Other accrued expenses	162,898	155,231
Deferred grant revenue	7,960	3,735
Deferred program revenue	47,081	42,591
Deferred lease revenue	-	98,685
Swap valuation adjustment liability	-	1,071
	<u>620,934</u>	<u>652,700</u>
Long-Term Liabilities		
Note payable, noncurrent	<u>3,236,603</u>	<u>3,415,012</u>
	<u>3,236,603</u>	<u>3,415,012</u>
	<u>3,857,537</u>	<u>4,067,712</u>
Net Assets		
Without donor restrictions	9,084,553	8,938,344
With donor restrictions	<u>775,741</u>	<u>516,123</u>
	<u>9,860,294</u>	<u>9,454,467</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 13,717,831</u></u>	<u><u>\$ 13,522,179</u></u>

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2018**

	Without Donor Restrictions			With Donor Restrictions	2018 Total
	General Operating	Designated	Total		
Support					
Contributions and gifts	\$ 150,700	\$ -	\$ 150,700	\$ 867,556	\$ 1,018,256
United Way	56,107	-	56,107	-	56,107
Grants and Government Contracts	4,198	-	4,198	56,775	60,973
Memberships	3,811,005	-	3,811,005	-	3,811,005
Program service fees	1,450,743	-	1,450,743	-	1,450,743
Join fees	23,588	-	23,588	-	23,588
Special events	46,607	-	46,607	-	46,607
Lease income	127,305	-	127,305	-	127,305
Sales to the public	96,849	-	96,849	-	96,849
Loss on disposal of fixed assets	(1,418)	-	(1,418)	-	(1,418)
Investment income (net)	70,848	-	70,848	10,223	81,071
Realized gain on investments	53,403	-	53,403	319	53,722
Miscellaneous	12,159	-	12,159	-	12,159
Total Support	5,902,094	-	5,902,094	934,873	6,836,967
Net assets released from restriction	642,075	-	642,075	(642,075)	-
Total Support and Reclassifications	6,544,169	-	6,544,169	292,798	6,836,967
Expenses (by Function)					
Program	5,330,468	-	5,330,468	-	5,330,468
Management and General	765,924	-	765,924	-	765,924
Fundraising	104,361	-	104,361	-	104,361
Total Expenses	6,200,753	-	6,200,753	-	6,200,753
Increase (decrease) in Net Assets from Operations	343,416	-	343,416	292,798	636,214
Non-operating revenue (expense)					
Unrealized gain (loss) on investments	(236,393)	-	(236,393)	(33,180)	(269,573)
Unrealized gain on swap agreement	39,186	-	39,186	-	39,186
Total non-operating revenue (expense)	(197,207)	-	(197,207)	(33,180)	(230,387)
Increase in Net Assets	146,209	-	146,209	259,618	405,827
Transfers:					
Increase in Maintenance Reserves	309,051	(309,051)	-	-	-
Increase in Unemployment Reserves	-	-	-	-	-
	309,051	(309,051)	-	-	-
Net Assets - Beginning of Year	8,490,147	448,197	8,938,344	516,123	9,454,467
Net Assets - End of Year	\$ 8,945,407	\$ 139,146	\$ 9,084,553	\$ 775,741	\$ 9,860,294

The accompanying notes are an integral part of this statement.

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017**

	Without Donor Restrictions			With Donor Restriction	2017 Total
	General Operating	Designated	Total		
Support					
Contributions and gifts	\$ 175,122	\$ -	\$ 175,122	\$ 293,281	\$ 468,403
United Way	76,360	-	76,360	-	76,360
Grants - Other	3,651	-	3,651	300,000	303,651
Memberships	3,632,150	-	3,632,150	-	3,632,150
Program service fees	1,400,364	-	1,400,364	-	1,400,364
Join fees	22,464	-	22,464	-	22,464
Special events	53,456	-	53,456	-	53,456
Lease income	128,721	-	128,721	-	128,721
Sales to the public	111,292	-	111,292	-	111,292
Insurance Proceeds	1,841	-	1,841	-	1,841
Investment income (net)	66,919	-	66,919	6,781	73,700
Realized gain/loss on investments	15,293	-	15,293	425	15,718
Loss on disposal of fixed assets	(5,646)	-	(5,646)	-	(5,646)
Miscellaneous	9,706	-	9,706	-	9,706
Total Support	5,691,693	-	5,691,693	600,487	6,292,180
Net assets released from restriction	376,348	-	376,348	(376,348)	-
Total Support and Reclassifications	6,068,041	-	6,068,041	224,139	6,292,180
Expenses (by Function)					
Program	5,184,871	-	5,184,871	-	5,184,871
Management and General	707,305	-	707,305	-	707,305
Fundraising	104,454	-	104,454	-	104,454
Total Expenses	5,996,630	-	5,996,630	-	5,996,630
Increase in Net Assets from Operations	71,411	-	71,411	224,139	295,550
Non-operating revenues					
Unrealized gain on investments	202,851	-	202,851	28,367	231,218
Unrealized gain on swap agreement	46,214	-	46,214	-	46,214
Total non-operating revenues	249,065	-	249,065	28,367	277,432
Increase in Net Assets	320,476	-	320,476	252,506	572,982
Transfers:					
Increase (decrease) in Maintenance Reserves	(164,704)	164,704	-	-	-
Increase in Unemployment Reserves	-	-	-	-	-
	(164,704)	164,704	-	-	-
Net Assets - Beginning of Year	8,334,375	283,493	8,617,868	263,617	8,881,485
Net Assets - End of Year	\$ 8,490,147	\$ 448,197	\$ 8,938,344	\$ 516,123	\$ 9,454,467

The accompanying notes are an integral part of this statement.

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2018**

	Program	Management and General	Fundraising	2018 Total Expenses
Salaries	\$ 2,120,740	\$ 367,740	\$ 67,132	\$ 2,555,612
Payroll taxes	198,377	32,512	7,049	237,938
Retirement	91,020	43,358	1,552	135,930
Employee benefits	150,315	64,204	10,230	224,749
Total Salaries and Related Benefits	2,560,452	507,814	85,963	3,154,229
Contractual services	248,072	120,075	7,206	375,353
Program supplies	232,197	9,358	759	242,314
Minor equipment & supplies	70,885	1,802	146	72,833
Insurance	72,266	5,094	413	77,773
Telephone	56,380	18,009	1,460	75,849
Postage	2,060	7,407	601	10,068
Occupancy	889,239	31,697	2,570	923,506
Equipment rental & maintenance	175,025	6,113	496	181,634
Printing	21,503	10,188	826	32,517
Travel	34,423	18,063	1,465	53,951
Conferences and meetings	2,556	8,825	715	12,096
Staff training	10,905	324	26	11,255
Dues & subscriptions	103,040	6,063	491	109,594
Taxes & licenses	8,456	156	12	8,624
Awards & grants	1,113	14,597	1,184	16,894
Recruitment & relocation	18,668	-	-	18,668
Interest	140,337	-	-	140,337
Bank fees	79,998	339	28	80,365
Total Expenses Before Depreciation	4,727,575	765,924	104,361	5,597,860
Depreciation Expense	602,893	-	-	602,893
Total Expenses	\$ 5,330,468	\$ 765,924	\$ 104,361	\$ 6,200,753

The accompanying notes are an integral part of this statement.

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2017**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total Expenses</u>
Salaries	\$ 2,048,461	\$ 366,558	\$ 66,072	\$ 2,481,091
Payroll taxes	198,949	34,540	7,632	241,121
Retirement	86,418	43,461	287	130,166
Employee benefits	<u>145,975</u>	<u>65,023</u>	<u>9,411</u>	<u>220,409</u>
Total Salaries And Related Benefits	2,479,803	509,582	83,402	3,072,787
Contractual services	300,244	64,268	10,232	374,744
Program supplies	214,004	9,330	757	224,091
Minor equipment & supplies	72,276	3,250	263	75,789
Insurance	72,560	5,115	415	78,090
Telephone	56,235	18,677	1,514	76,426
Postage	1,634	2,562	208	4,404
Occupancy	840,117	30,853	2,502	873,472
Equipment rental & maintenance	153,152	6,136	497	159,785
Printing	10,666	6,831	554	18,051
Travel	30,180	16,687	1,353	48,220
Conferences and meetings	5,038	9,623	780	15,441
Staff training	5,308	58	5	5,371
Dues & subscriptions	102,751	7,467	605	110,823
Taxes & licenses	9,913	248	20	10,181
Awards & grants	2,183	15,867	1,286	19,336
Recruitment & relocation	25,326	-	-	25,326
Interest	147,810	-	-	147,810
Bank fees	<u>69,923</u>	<u>751</u>	<u>61</u>	<u>70,735</u>
Total Expenses Before Depreciation	4,599,123	707,305	104,454	5,410,882
Depreciation Expense	<u>585,748</u>	<u>-</u>	<u>-</u>	<u>585,748</u>
Total Expenses	<u>\$ 5,184,871</u>	<u>\$ 707,305</u>	<u>\$ 104,454</u>	<u>\$ 5,996,630</u>

The accompanying notes are an integral part of this statement.

**CANNON MEMORIAL YOUNG MEN'S
CHRISTIAN ASSOCIATION**
Statements of Cash Flows
December 31, 2018 and 2017

CASH FLOWS FROM OPERATING ACTIVITIES	2018	2017
Increase in net assets	\$ 405,827	\$ 572,982
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	602,893	585,748
Investment income, non-operating	(81,071)	(73,700)
Investment expense, non-operating	14,970	15,719
Net unrealized (gain) loss on swap agreement	(39,186)	(46,214)
Net unrealized (gain) loss on investments	269,573	(231,218)
Realized (gain) loss on sale of investments	(53,722)	(15,718)
Loss on disposal of property and equipment	-	5,646
Increase / decrease in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(9,896)	2,757
(Increase) decrease in pledges receivable	(241,144)	(51,586)
(Increase) decrease in prepaid expenses	493	18,568
Increase (decrease) in accounts payable	63,180	24,872
Increase (decrease) in accrued expenses	7,667	(55,424)
Decrease in deferred revenue	(89,970)	(127,804)
Net Cash Provided by Operating Activities	849,614	624,628
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	651,038	151,118
Payments for property and equipment	(1,032,838)	(430,014)
Net Cash Used in Investing Activities	(381,800)	(278,896)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(17,158)	(16,405)
Payments on notes payable	(172,823)	(166,173)
Net Cash Used in Financing Activities	(189,981)	(182,578)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	277,833	163,154
 Cash and Cash Equivalents - Beginning of Year	290,487	127,333
 Cash and Cash Equivalents - End of Year	\$ 568,320	\$ 290,487
 Cash Accounts		
Cash	\$ 250,265	\$ 69,640
Cash - restricted	318,055	220,847
Total Cash	\$ 568,320	\$ 290,487

The accompanying notes are an integral part of this statement.

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Cannon Memorial Young Men's Christian Association (the YMCA) was founded in 1908. It is a private, nonprofit organization committed to providing Christian opportunities and delivering programs for the physical, mental, and spiritual growth of all people in the community. The YMCA currently serves Cabarrus County and the surrounding area with three branches located in Kannapolis, Concord, and Harrisburg, North Carolina. The YMCA is incorporated under the laws of the State of North Carolina. The Organization generates the majority of its revenue from membership and program related fees. The YMCA also receives private and public grant funding and contributions, including United Way contributions.

Method of Accounting

The financial statements of the YMCA have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets depending on the existence and/or nature of any donor restrictions as follows: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions –

Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the YMCA pursuant to those stipulations or that expire by the passage of time.

Net assets subject to donor-imposed stipulations that they be maintained permanently by the YMCA. Generally, the donors of such assets permit the YMCA to use all or part of the income earned on the assets.

Contributions

Contributions received are recorded as net assets with or without restrictions depending on the existence and/or nature of any donor restrictions. Net assets with restrictions are reclassified to net assets without restriction upon satisfaction of the time or purpose restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Services

No amounts for donated services have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under ASC 958-605-50-1 have not been satisfied.

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Expense Allocation

The cost of providing the YMCA's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal or state income taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. There was no unrelated business income for the years ended December 31, 2018 and 2017.

The Organization has adopted ASC 740-10 as it relates to uncertain tax positions for the year ended December 31, 2018 and has evaluated its tax positions for all open tax years. The Organization is not currently under audit nor has the Organization been contacted by the Internal Revenue Service.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2018 and 2017.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The Organization follows the practice of capitalizing all expenditures for property and equipment over \$1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of one year or less.

Accounts Receivable

Accounts receivable include sales tax reimbursements receivable and other program receivables. Sales tax reimbursements receivable represent amounts due for sales tax paid to the state of North Carolina and various county and city taxes permitted to be reimbursed to the Organization for North Carolina purchases of property and supplies used in the operation of the Organization.

Accounts receivable are stated at the amount the YMCA expects to collect from outstanding balances. Balances that are still outstanding after the YMCA has used reasonable collection efforts are written off as bad debt expense.

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements 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 net assets without restriction 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.

Subsequent Events

Management has evaluated subsequent events through July 17, 2019, the date the financial statements were available to be issued.

NOTE 2 - RESTRICTED CASH

At December 31, 2018 and 2017, restricted cash consists of grant contribution amounts restricted for specific YMCA campus renovations and program grant funds to be expended in future years. The Organization reports these funds as net assets with restriction in the statements of financial position. See Note 18.

NOTE 3 - INVESTMENTS

Investments as of December 31, 2018 are summarized as follows:

	Without Restriction	With Restriction	Total
Investment balance at 12-31-17	\$ 2,133,149	\$ 295,276	\$ 2,428,425
Dividend and interest income	69,357	12,987	82,344
Realized gain on sale of investments	53,354	1,536	54,890
Unrealized gain (loss) on investments	(236,723)	(33,221)	(269,944)
Management fees (net)	(14,517)	(2,524)	(17,041)
Funds distributed from investment	(651,038)	-	(651,038)
Investment balance at 12-31-18	<u>\$ 1,353,582</u>	<u>\$ 274,054</u>	<u>\$ 1,627,636</u>

Investments are composed of the following at December 31, 2018

Investments at fair value	Fair Value	Cost	Unrealized Gain (Loss)
Money Market Funds	\$ 108,485	\$ 108,485	\$ -
Corporate Stocks and Bonds	1,519,151	1,467,038	52,113
Total investments	<u>\$ 1,627,636</u>	<u>\$ 1,575,523</u>	<u>\$ 52,113</u>

Investments are composed of the following at December 31, 2017:

Investments at fair value	Fair Fair Value	Cost	Unrealized Gain (Loss)
Money Market Funds	\$ 100,302	\$ 100,302	\$ -
Corporate Stocks and Bonds	2,328,123	2,007,236	320,887
Total investments	<u>\$ 2,428,425</u>	<u>\$ 2,107,538</u>	<u>\$ 320,887</u>

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 4 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The YMCA's financial instruments include cash, investments, and interest rate swap agreements. The YMCA estimates that the fair value of all financial instruments at December 31, 2018 and 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies.

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 1,627,636	\$ 1,627,636
Interest rate swap valuation (see Note 13)	<u>38,116</u>	<u>38,116</u>
Total assets at fair value	<u>\$ 1,665,752</u>	<u>\$ 1,665,752</u>

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 2,428,425	\$ 2,428,425
Interest rate swap valuation	<u>(1,071)</u>	<u>(1,071)</u>
Total assets at fair value	<u>\$ 2,427,354</u>	<u>\$ 2,427,354</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 5 - CONCENTRATION OF CREDIT RISK

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers \$250,000 for substantially all depository accounts. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limits. As of December 31, 2018 and 2017, the Organization had \$84,103 and \$-0- which exceeded these insured amounts.

NOTE 6 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	<u>2018</u>	<u>2017</u>
Cash paid for interest	\$ <u>140,337</u>	\$ <u>147,810</u>

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7 - FIXED ASSETS

Composition of fixed assets is as follows:

	Fixed Assets December 31 2017	Additions	Disposals	Fixed Assets December 31, 2018
Buildings	\$ 16,320,412	\$ 491,333	\$ -	\$ 16,811,745
Equipment, furniture & fixtures	1,927,811	88,838	-	2,016,649
Leasehold improvements	626,771	2,500	-	629,271
Land & improvements	1,238,620	89,653	-	1,328,272
Vehicles	415,760	65,000	-	480,760
Construction in Progress	<u>96,350</u>	<u>295,515</u>	<u>-</u>	<u>391,865</u>
	<u>\$ 20,625,724</u>	<u>\$ 1,032,839</u>	<u>\$ -</u>	<u>\$ 21,658,562</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$602,893 and \$585,748 respectively.

NOTE 8 - NET ASSETS

The nature of specified net assets at December 31, December 31, 2018 and 2017 are as follows:

	2018	2017
Net Assets without donor restrictions,		
Undesignated	\$ 8,945,407	\$ 8,490,147
Board designated	139,146	448,197
Net Assets with donor restrictions		
Donor designated grants / gifts	250,394	220,847
Capital restricted	251,292	-
Endowment	<u>274,055</u>	<u>295,276</u>
Total Net Assets	<u>\$ 9,860,294</u>	<u>\$ 9,454,467</u>

NOTE 9 - BOARD DESIGNATED NET ASSETS

Net assets without restriction of the Organization include amounts designated by the Board of Directors for specific purposes. In 2018, the Board has designated \$76,239 for the self-insured unemployment compensation reserve and \$62,907 for future capital needs and major repairs. In 2017, the Board has designated \$76,239 for the self-insured unemployment compensation reserve and \$371,958 for future capital needs and major repairs.

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 - ENDOWMENT FUNDS

At December 31, 2018 and 2017, the Endowment Fund consisted of the following:

	2018	2017
Permanently restricted net assets	\$ <u>274,055</u>	\$ <u>295,276</u>

Net assets with restrictions include endowment funds restricted in perpetuity to continue the Organization. Income from these assets may not be expended until the corpus exceeds \$500,000.

NOTE 11 - OPERATING LEASES

The YMCA leases certain equipment under multiple operating leases that require monthly rental payments. The original leases have terms of 12 to 60 months and expire at various times through 2021. The Organization has the option to purchase the equipment at fair market value upon expiration of the leases. Total rent paid for the years ending December 31, 2018 and 2017 on these leases was \$158,292 and \$135,821, respectively.

The Organization also leases building space for \$18,000 per month through August 31, 2020 and office space for \$2,100 on a month to month basis. The Organization paid rent for 2018 and 2017 of \$254,895 and \$253,572, respectively.

Minimum future rentals as of December 31, 2018 are as follows:

Year	Amount
2019	306,853
2020	186,353
2021	10,539
Total	\$ <u>503,745</u>

NOTE 12 - NOTE PAYABLE

On May 28 2013, the Organization refinanced their commercial note payable. The original purpose was for funding the construction of the West Cabarrus facility and is collateralized by that property. The note is due May 30, 2023. The note is payable in monthly installments of principal and interest. The balance outstanding at December 31, 2018 was \$3,416,341. Maturities of the note payable are as follows:

Years Ending December 31,	
2019	\$ 179,738
2020	186,931
2021	194,411
2022	202,738
2023 and thereafter	<u>2,652,523</u>
	\$ <u>3,416,341</u>

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 13 - INTEREST RATE SWAP AGREEMENT

In connection with the refinance of the note payable in May 2013, the YMCA entered into a new interest rate swap agreement with the bank as a counter party to reduce the impact of changes in the interest rate. The interest rate swap agreement expires in May 2023. The table below summarizes the significant terms and features of the interest rate swap agreement.

Notional amount	\$4,300,000
Swap type	Floating-to-fixed
Effective date	May 29, 2014
Final maturity	May 28, 2023
YMCA pays	3.93% fixed rate
YMCA receives	LIBOR plus 1.8%
Fair value at December 31, 2018	\$38,116

As of December 31, 2018, the swap had a positive fair value of \$38,116 based on market rates at that date. This amount will be adjusted on an annual basis based on current market rates.

NOTE 14 - COMMITMENTS

At December 31, 2018, the Organization was in compliance with its debt service coverage ratio loan covenant associated with its note payable to SunTrust Bank.

NOTE 15 - DEFERRED GRANT AND PROGRAM REVENUES

The Organization records deferred grant revenue for funds received for future expenditures. The deferred revenues included in the financial statements for the year ended December 31, 2018 were \$55,041, representing deferred program revenues of \$47,081 and deferred grants of \$7,960. For the year ended December 31, 2017, the deferred revenues were \$46,326, representing deferred program revenues of \$42,591 and deferred grants of \$3,735.

NOTE 16 - RETIREMENT PLAN

The Cannon Memorial YMCA is a member of the YMCA Retirement Fund (a separate corporation). The YMCA Retirement Fund is a defined contribution plan. All employees that meet the applicable plan requirements are eligible to participate. The Organization contributes 12% of the compensation of all eligible employees to the retirement fund annually. Participants are allowed to make tax-deferred contributions to the retirement fund through the Organization. The amount paid to the retirement fund by the Organization during the years ended December 31, 2018 and 2017 was \$135,931 and \$130,166, respectively.

NOTE 17 - RELATED PARTY TRANSACTIONS

The Cannon Memorial YMCA incurred expenditures in 2019 with three companies that are owned, either directly or indirectly, by three board members. Those amounts include architect services of \$358,315, landscaping services of \$36,497 and contractor services of \$30,402. The Organization also leases space to Atrium Health which has a board member that also serves on the Organization's board of directors. The amount received in rent to Atrium Health in 2018 was \$30,528.

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 18 - LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash Equivalents	\$ 568,320	\$ 290,487
Accounts receivable	52,214	50,781
Unconditional promises to give	301,193	51,586
Investments	<u>1,665,752</u>	<u>2,427,354</u>
Total financial assets available within one year	<u>2,587,479</u>	<u>2,820,208</u>
Less amounts unavailable for general expenditures within one year due to:		
Deposits held in custody for others	(2,524)	(2,383)
Restricted by donors with purpose restrictions	(255,804)	(247,281)
Restricted by donors in perpetuity	<u>(274,054)</u>	<u>(295,275)</u>
Total amounts unavailable for general expense within one year	<u>(532,382)</u>	<u>(544,939)</u>
Less amounts unavailable to management without board approval:		
Board designated for maintenance reserve	<u>(235,591)</u>	<u>(45,364)</u>
Total amount unavailable to management without board approval	<u>(235,591)</u>	<u>(45,364)</u>
Total financial assets available to meet general expenditures within the next 12 months	<u>\$ 1,819,506</u>	<u>\$ 2,229,905</u>

NOTE 19 – RECLASSIFICATIONS / RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which changes the current guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows. ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires not-for-profit entities to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date.

ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017. The Organization has adopted the provisions of ASU 2016-14 and has retrospectively applied this standard to the consolidated financial statements as of and for the year ending December 31, 2017.

CANNON MEMORIAL YOUNG MEN'S CHRISTIAN ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 19 – RECLASSIFICATIONS / RECENTLY ISSUED ACCOUNTING STANDARDS (Continued)

A summary of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

	<u>Total</u>
<u>As Originally Stated:</u>	
Net assets, December 31, 2017	
Unrestricted	\$ 8,938,344
Temporarily restricted	220,847
Permanently restricted	<u>295,276</u>
Total net assets, December 31, 2017	<u>\$ 9,454,467</u>
 <u>As restated:</u>	
Net assets, December 31, 2017	
Without donor restrictions	\$ 8,938,344
With donor restrictions	<u>516,123</u>
Total net assets, December 31, 2017	<u>\$ 9,454,467</u>