

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

For The Years Ended December 31, 2018 And 2017

**Lewitz, Balosie, Wollack,
Rayner & Giroux, LLC**
Certified Public Accountants
Old Saybrook, Connecticut 06475

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

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INDEPENDENT AUDITOR'S REPORT

To The Board Of Directors
Valley Shore YMCA, Inc.
Westbrook, Connecticut

Report On The Financial Statements

We have audited the accompanying financial statements of **Valley Shore YMCA, Inc.** (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 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Shore YMCA, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Levitz, Baloria, Wallach, Rymer & Giroux

June 13, 2019

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statements Of Financial Position

For The Years Ended December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash	\$ 102,404	\$ 133,957
Cash Held In Reserve For Temporarily Restricted Use	392,079	184,129
Accounts Receivable	31,677	19,057
Pledges Receivable	298,379	127,734
Marketable Securities	2,451	2,605
Deferred Expenses	21,991	24,338
<u>Total Current Assets</u>	848,981	491,820
<u>Property And Equipment, Net</u>	2,750,678	2,902,792
<u>Long Term Pledges Receivable, Net of Current Portion</u>	261,843	—
<u>Other Assets</u>	7,726	9,551
<u>TOTAL ASSETS</u>	<u>\$3,869,228</u>	<u>\$3,404,163</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 29,419	\$ 42,591
Accrued Expenses	56,745	74,026
Deferred Income	57,138	97,426
Custodial Account	13,783	24,195
Current Maturities Of Long-Term Debt	69,813	145,081
Current Maturities Of Capital Lease Obligations	31,779	4,420
<u>Total Current Liabilities</u>	258,677	387,739
<u>Long-Term Liabilities</u>		
Long-Term Debt, Net Of Current Portion	1,202,612	1,271,494
Capital Lease Obligations, Net Of Current Portion	47,783	—
<u>Total Long-Term Liabilities</u>	1,250,395	1,271,494
<u>Total Liabilities</u>	1,509,072	1,659,233
<u>Net Assets</u>		
Without Donor Restrictions		
Unrestricted	(46,732)	(125,273)
Invested in property, plant and equipment, net of mortgage	1,484,473	1,576,958
<u>Total Without Donor Restrictions</u>	1,437,741	1,451,685
With Donor Restrictions		
Restricted by purpose or time	922,415	293,245
Total with donor restrictions	922,415	293,245
<u>Total Net Assets</u>	2,360,156	1,744,930
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$3,869,228</u>	<u>\$3,404,163</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statement Of Activities And Changes In Net Assets

For The Years Ended December 31, 2018 And 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating Activities</u>						
<u>Public Support</u>						
Contributions	\$ 65,209	\$ 787,690	\$ 852,899	\$ 71,333	\$ 317,465	\$ 388,798
Special Events, Net Of Expenses	83,966	—	83,966	79,959	—	79,959
Net Assets Released From Restrictions	158,520	(158,520)	—	264,516	(264,516)	—
<u>Total Public Support</u>	<u>307,695</u>	<u>629,170</u>	<u>936,865</u>	<u>415,808</u>	<u>52,949</u>	<u>468,757</u>
<u>Revenue</u>						
Government Grants And Contracts	7,389	—	7,389	27,366	—	27,366
Membership Fees, Net Of Assistance	1,388,610	—	1,388,610	1,384,769	—	1,384,769
Program Fees, Net Of Assistance	936,000	—	936,000	920,060	—	920,060
Investment Income	35	—	35	180	—	180
Other Revenue	23,151	—	23,151	24,161	—	24,161
<u>Total Revenue</u>	<u>2,355,185</u>	<u>—</u>	<u>2,355,185</u>	<u>2,356,536</u>	<u>—</u>	<u>2,356,536</u>
<u>Total Public Support And Revenue</u>	<u>2,662,880</u>	<u>629,170</u>	<u>3,292,050</u>	<u>2,772,344</u>	<u>52,949</u>	<u>2,825,293</u>
<u>Expenses</u>						
<u>Program Services</u>						
Youth Development	769,944	—	769,944	786,116	—	786,116
Healthy Living	1,481,534	—	1,481,534	1,534,145	—	1,534,145
Social Responsibility	48,910	—	48,910	35,902	—	35,902
<u>Total Program Services</u>	<u>2,300,388</u>	<u>—</u>	<u>2,300,388</u>	<u>2,356,163</u>	<u>—</u>	<u>2,356,163</u>
<u>Support Services</u>						
Management And General	171,151	—	171,151	156,490	—	156,490
Fundraising	205,285	—	205,285	198,531	—	198,531
<u>Total Support Services</u>	<u>376,436</u>	<u>—</u>	<u>376,436</u>	<u>355,021</u>	<u>—</u>	<u>355,021</u>
<u>Total Expenses</u>	<u>2,676,824</u>	<u>—</u>	<u>2,676,824</u>	<u>2,711,184</u>	<u>—</u>	<u>2,711,184</u>
<u>Changes In Net Assets From Operations</u>						
	(13,944)	629,170	615,226	61,160	52,949	114,109
<u>Net Assets At Beginning Of Year</u>						
	1,451,685	293,245	1,744,930	1,390,525	240,296	1,630,821
<u>Net Assets At End Of Year</u>						
	<u>\$1,437,741</u>	<u>\$922,415</u>	<u>\$2,360,156</u>	<u>\$1,451,685</u>	<u>\$293,245</u>	<u>\$1,744,930</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended December 31, 2018

	Program Services			Support Services		Totals
	Youth Development	Healthy Living	Social Responsibility	Management And General	Fundraising	
Personnel Costs						
Salaries And Wages	\$491,773	\$625,990	\$18,841	\$ 70,549	\$ 86,985	\$1,294,138
Payroll Taxes And Employee Benefits	62,205	87,112	2,182	48,740	15,060	215,299
Total Personnel Costs	553,978	713,102	21,023	119,289	102,045	1,509,437
Non-Personnel Costs						
Contracted Services	12,292	17,191	388	12,905	55,979	98,755
Program, Janitorial And Office Supplies	32,564	60,670	12,210	6,949	1,101	113,494
Telephone	3,982	5,239	156	556	686	10,619
Postage And Shipping	1,665	1,847	58	663	383	4,616
Licenses And Permits	5,291	6,405	34	164	8	11,902
Office Equipment And Maintenance	—	—	—	19,456	—	19,456
Printing And Advertising	12,957	31,203	64	3,196	359	47,779
Travel, Meetings And Training	13,259	6,266	2	4,132	771	24,430
National YMCA Support And Other Dues	11,734	22,655	607	20	13,198	48,214
Bank And Credit Card Processing Fees	9,566	18,494	347	—	10,751	39,158
Insurance	8,469	50,212	1,210	302	302	60,495
Miscellaneous	70	—	—	—	—	70
Bad Debt Expense	4,439	10,664	—	—	16,500	31,603
Interest Expense	9,934	58,896	1,419	468	355	71,072
Rent	10,000	—	—	—	—	10,000
Repairs And Maintenance	14,819	93,776	2,117	529	529	111,770
Utilities	29,525	175,041	4,218	1,054	1,054	210,892
Total Non-Personnel Costs	180,566	558,559	22,830	50,394	101,976	914,325
Depreciation And Amortization	35,400	209,873	5,057	1,468	1,264	253,062
Total Expenses	\$769,944	\$1,481,534	\$48,910	\$171,151	\$205,285	\$2,676,824

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statement Of Functional Expenses
For The Year Ended December 31, 2017

	Program Services			Support Services			Totals
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management And General	Fundraising	
Personnel Costs							
Salaries And Wages	\$472,715	\$ 657,671	\$10,310	\$1,140,696	\$ 69,054	\$ 86,728	\$1,296,478
Payroll Taxes And Employee Benefits	70,666	94,682	1,081	166,429	36,423	8,233	211,085
Total Personnel Costs	543,381	752,353	11,391	1,307,125	105,477	94,961	1,507,563
Non-Personnel Costs							
Contracted Services	13,141	22,823	371	36,335	13,723	81,666	131,724
Program, Janitorial And Office Supplies	33,855	81,149	8,632	123,636	6,422	3,831	133,889
Telephone	3,831	5,330	84	9,245	560	703	10,508
Postage And Shipping	2,194	2,640	37	4,871	980	416	6,267
Licenses And Permits	5,791	10,067	156	16,014	35	49	16,098
Office Equipment And Maintenance	—	—	—	—	18,520	—	18,520
Printing And Advertising	18,270	26,961	38	45,269	2,818	925	49,012
Travel, Meetings And Training	9,168	3,075	2	12,245	3,785	705	16,735
National YMCA Support And Other Dues	11,213	21,127	421	32,761	37	5,836	38,634
Bank And Credit Card Processing Fees	11,240	21,204	423	32,867	11	5,852	38,730
Insurance	8,072	47,853	1,153	57,078	288	288	57,654
Miscellaneous	—	—	—	—	35	—	35
Bad Debt Expense	6,812	6,872	—	13,684	—	—	13,684
Interest Expense	10,396	61,632	1,485	73,513	667	371	74,551
Rent	10,000	—	—	10,000	—	—	10,000
Repairs And Maintenance	13,792	83,652	1,970	99,414	493	493	100,400
Utilities	27,967	165,804	3,995	197,766	999	999	199,764
Loss On Disposal Of Assets	20,189	3,405	486	24,080	122	122	24,324
Total Non-Personnel Costs	205,931	563,594	19,253	788,778	49,495	102,256	940,529
Depreciation And Amortization	36,804	218,198	5,258	260,260	1,518	1,314	263,092
Total Expenses	\$786,116	\$1,534,145	\$35,902	\$2,356,163	\$156,490	\$198,531	\$2,711,184

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statements Of Cash Flows

For The Years Ended December 31, 2018 And 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows From Operating Activities – Source (Use)</u>		
Increase (Decrease) In Net Assets	\$615,226	\$114,109
<u>Adjustments To Reconcile Change In Net Assets</u>		
<u>To Net Change In Cash From Operating Activities</u>		
Depreciation	252,859	262,889
Amortization Of Other Assets	203	203
Loss (Gain) On Disposal Of Property And Equipment	—	24,324
Unrealized Loss (Gain) On Marketable Securities	70	(179)
Contributions Restricted For Capital Assets	(296,832)	(180,923)
Changes In Assets And Liabilities:		
Accounts Receivable	(12,620)	(5,472)
Pledges Receivable	(432,488)	(100,555)
Other Assets	1,622	(2,260)
Deferred Expenses	2,347	(3,313)
Accounts Payable	(13,172)	9,357
Accrued Expenses	(17,281)	1,989
Deferred Income	(40,288)	(5,388)
Custodial Accounts	(10,412)	679
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>49,234</u>	<u>115,460</u>
<u>Cash Flows From Investing Activities – Source (Use)</u>		
Purchase Of Property And Equipment	(100,745)	(119,671)
Purchase Of Investments	(9,023)	(30,558)
Proceeds From Sale Of Investments	9,107	30,533
<u>Net Cash Provided (Used) By Investing Activities</u>	<u>(100,661)</u>	<u>(119,696)</u>
<u>Cash Flows From Financing Activities – Source (Use)</u>		
Contributions Restricted For Capital Assets	296,832	180,923
Payments On Lines Of Credit	—	(10,000)
Payments Of Long-Term Debt	(144,150)	(120,457)
Proceeds From Borrowings On Capital Lease Obligations	97,193	—
Payments Of Capital Lease Obligations	(22,051)	(54,668)
<u>Net Cash Provided (Used) By Financing Activities</u>	<u>227,824</u>	<u>(4,202)</u>
<u>Net Change In Cash And Equivalents</u>	176,397	(8,438)
<u>Cash At Beginning Of Year</u>	<u>318,086</u>	<u>326,524</u>
<u>Cash At End Of Year</u>	<u>\$494,483</u>	<u>\$318,086</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

1) Summary Of Significant Accounting Policies

Nature Of Operations - The mission of the Valley Shore YMCA, Inc. (YMCA) is to develop and encourage the growth of all individuals in spirit, mind and body in an atmosphere of mutual respect. The YMCA is a charitable community service organization that includes men, women and children of all ages, abilities, income, race and religions. Founded in 1917, our YMCA is dedicated to building strong kids, strong families and strong communities by putting principles into practice through programs that promote healthy living, youth development, and social responsibility.

Our YMCA serves a ten-town region within the Connecticut Valley-Shore area. The principle place of operations serving as headquarters is the facility in Westbrook. Our YMCA serves over 7,000 members and revenue is derived from membership fees, program fees, contributed income, rental income and earnings on investments.

As part of our mission our programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. We provide financial assistance to people who otherwise may not have been able to afford to participate.

Program Activities

- **Youth Development** - Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills and relationships that lead to positive behaviors, better health and educational achievement. Our YMCA programs, such as child care, before and after school care, day and specialty camp programs, youth sports, youth swim programs and other youth programming offer a range of experiences that enrich cognitive, social, physical and emotional growth.
- **Healthy Living** - The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun and shared interests. As a result, people in our community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment. Healthy living programs include group adult classes, chronic disease programs, wellness workshops, swim and fitness programs, weight loss programs, triathlon and running groups, and other recreation activities and social groups.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

1) Summary Of Significant Accounting Policies (Continued)

Program Activities (Continued)

- **Social Responsibility** - Our YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community's most critical social needs. YMCA programs, such as the YMCA Community Garden, teaching CPR, First Aid and Life Saving Classes, Backpack Collection Drive, Senior Forum, Blood Drives and community group access to share our facility are examples of how we deliver training, resources and support that empower our neighbors to effect change, bridge gaps and overcome obstacles. We engage YMCA members, participants and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

Basis Of Accounting - The financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis Of Presentation - The YMCA records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes there in are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets for use in general operations and not subject to donor (or certain grantor) restrictions.
- **Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounting Estimates - The preparation of 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 disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

1) Summary Of Significant Accounting Policies (Continued)

Revenue Recognition - Membership dues are recognized as revenue ratably over the period of membership. Program fees are recognized as income at the beginning of the program period.

Contributions And Pledges - The YMCA records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The YMCA recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Contributed Services - The YMCA recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets, (b) require specialized skills, (c) are provided by individuals possessing those skills and, (d) would typically need to be purchased if not contributed. The YMCA did not receive such contributed services for the years ended December 31, 2018 and 2017.

However, the YMCA receives services from a large number of volunteers who give significant amounts of their time to the programs of the YMCA. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

Functional Allocation Of Expenses - Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on facility square footage usages and other estimates made by management.

Advertising - The YMCA uses advertising to promote its programs among the communities it serves. Advertising costs are expensed as incurred.

Income Taxes - The YMCA has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income.

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense, however, there is no interest or penalties recognized in the statements of activities. The tax years after 2015 are still open to audit for both federal and state purposes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

1) Summary Of Significant Accounting Policies (Continued)

Cash And Cash Equivalents - The YMCA considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash allocated to the investment portfolio as part of the YMCA's investment strategy is reported as investments.

Concentration Of Credit Risk - The YMCA maintains cash balances at certain financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation. The YMCA has not experienced any losses in such accounts. The YMCA monitors the financial stability of financial institutions regularly and management does not believe there is significant credit risk associated with deposits in excess of federally insured amounts.

Deferred Loan Costs - Deferred loan costs are capitalized when paid and are amortized using the straight-line method over the term of the loan. These are included net in other assets.

Accounts Receivable - Accounts receivable consists primarily of receivables from program registrants. An allowance is determined by management based on historical collections, specific participants' circumstances, and economic conditions. Member receivables are written off when management has exhausted collections efforts and deems the accounts uncollectible. The YMCA does not accrue interest on unpaid accounts receivable.

Investments - Investments are reported at fair value and are based primarily on quoted market prices or estimated fair value.

Inventories - Inventories consisting of merchandise for resale are carried at the lower of cost or market on a first-in, first-out basis.

Property, Plant And Equipment - Investment in property, plant, and equipment is stated at cost less accumulated depreciation or at fair value if donated. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, ranging from three to forty years. Assets acquired that are deemed to be of a permanent and lasting nature with a cost exceeding \$1,000 are capitalized at cost. Maintenance or minor additions are expensed as incurred. The cost of the capitalized assets that have been retired, impaired or otherwise disposed are removed from the capital account.

Deferred Revenue - Membership dues and program fees that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which they apply.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

1) Summary Of Significant Accounting Policies (Continued)

Accounting Pronouncements Adopted: - In August 2016, the FASB issued (ASU) 2016-14, *Not-for-Profit Entities: Topic 958*. The amendments in this Update affect not-for-profit entity's (NFP's) and the users of their general-purpose financial statements. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources. The YMCA implemented this ASU effective for the year ended December 31, 2018.

2) Liquidity And Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash And Cash Equivalent	\$ 102,404
Accounts Receivable	31,677
Operating Investments	2,451
Promises To Give	3,277
	<u>\$139,809</u>

The YMCA also maintains a line of credit in the amount of \$50,000, which could be drawn upon in the event of an unanticipated liquidity need.

3) Pledges Receivable

Pledges receivable represent amounts due from donors for multiyear unconditional pledges. Pledges receivable are shown net of a discount on future collections. Collection on these pledges are estimated to be received as follows:

Pledges Receivable For General Operations	\$ 3,277
Pledges Receivable For Capital Campaign	<u>599,605</u>
Total Pledges Receivable	602,882
Less Discount For Net Present Value At The Rate Of 2.54%	26,160
Less Allowance Of Uncollectible Pledges	<u>16,500</u>
Total Pledges Receivable, Net	560,222
Less Current Portion	<u>298,379</u>
Long Term Pledges Receivable, Net	<u>\$261,843</u>

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

3) Pledges Receivable (Continued)

At December 31, 2018, one board member accounted for 49 percent of the total pledges receivable.

2017 pledges receivable are \$127,734 and comprised of \$100,000 grant by a local foundation committed to in 2017 and received in early 2018, \$15,000 in pledges for the Capital Campaign from an individual commitment and \$12,733 from various donors who are paying pledge installments in general support all due during 2018.

In addition, the YMCA has received conditional promises of \$842,402 as of December 31, 2018 relating to matching gifts which is subject to a condition of the YMCA receiving funds from other parties. The YMCA recognizes conditional promises when the conditions on which they depend are substantially met. As such, these amounts have not been recognized as of December 31, 2018.

4) Property, Plant and Equipment

Property, plant, and equipment at December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Land And Improvements	\$ 117,968	\$ 117,968
Buildings And Building Improvements	6,173,234	6,177,734
Equipment And Furnishings	640,372	623,920
Total Investment In Property, Plant, And Equipment	6,931,574	6,919,622
Less Accumulated Depreciation	4,180,897	4,016,830
Net Investment In Property, Plant, And Equipment	<u>\$2,750,677</u>	<u>\$2,902,792</u>

5) Long-Term Debt

Long-term debt as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Mortgage payable to bank, with interest at a rate of 5% per annum (interest rate adjusted at 5-year intervals – next adjustment date in 2023) in monthly installments to February 2033; collateralized by land, building and personal property located on Spencer Plains Road in Westbrook, CT.	\$1,266,205	\$1,325,834

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

5) Long-Term Debt (Continued)

Repayment agreement with YMCA of the USA of past due payables in monthly installments of \$962 to January 2019. Agreement is not-interest bearing and unsecured.	—	8,529
Unsecured loans from several board members with interest payable annually ranging from 2.5% to 4% and principal repayment due in 2018.	—	60,000
Repayment agreement, with utility company for financing of energy efficient lighting under 3 energy conservation incentive programs requiring monthly payments on electric bills to September 2019. Agreement is not-interest bearing and unsecured.	6,220	22,212
Total Long-Term Debt	1,272,425	1,416,575
Less: Current Maturities of Long-Term Debt	69,813	145,081
Long-Term Debt Net of Current Portion	<u>\$1,202,612</u>	<u>\$1,271,494</u>

Future annual maturities of the notes are as follows:

2019	\$ 69,813
2020	66,845
2021	70,265
2022	73,860
2023	77,639
Thereafter	914,004
Total	<u>\$1,272,426</u>

The secured mortgage loan agreement contains certain restrictive financial and nonfinancial covenants, including limitations on additional indebtedness and timely review of financial statements and tax returns.

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For The Years Ended December 31, 2018 And 2017

6) Revolving Line Of Credit

The YMCA has a \$50,000 line of credit with Webster Bank to be drawn upon as needed, with an interest rate of 7.5%. No amounts were outstanding at December 31, 2018 or 2017. The line of credit expires in October 2019 and is renewable at the discretion of the bank.

7) Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Net Assets With Donor Restrictions:		
Restricted For		
Programs		
Youth Development	\$ 8,097	\$ 6,380
Healthy Living	—	846
Social Responsibility	—	3,756
Capital Expenditure	144,642	144,642
Capital Campaign Development	769,676	137,621
Total Net Assets With Donor Restrictions	<u>\$922,415</u>	<u>\$293,245</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor. Those amounts released from restrictions during the years ended December 31, 2018 and 2017, are as follows:

	<u>2018</u>	<u>2017</u>
Programs		
Youth Development	\$ 18,973	\$ 23,116
Healthy Living	5,421	10,823
Social Responsibility	10,904	6,509
Capital Expenditure	—	116,854
Capital Campaign Development	123,222	107,214
Total Donor Restricted Net Assets Released		
From Restrictions	<u>\$158,520</u>	<u>\$264,516</u>

VALLEY SHORE YMCA, INC.

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For The Years Ended December 31, 2018 And 2017

8) Special Events

As part of its fundraising efforts, the YMCA holds periodic special events. Revenue for special events is recognized in the period in which the event is held. Direct expenses associated with special events are netted against such revenue as follows:

	<u>2018</u>	<u>2017</u>
Special Event Revenue	\$108,251	\$106,715
Special Event Direct Expenses	<u>(24,285)</u>	<u>(26,756)</u>
Special Event Revenue, Net Of Expenses	<u>\$ 83,966</u>	<u>\$ 79,959</u>

9) Financial Assistance Provided

The YMCA provides financial assistance, through contributions and other fundraising, to help defray the costs of membership and program and other fees for individuals with need. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Membership Dues	\$1,501,661	\$1,484,314
Less: Financial Assistance Provided	<u>(113,051)</u>	<u>(99,545)</u>
Membership Dues, Net Of Assistance	<u>\$1,388,610</u>	<u>\$1,384,769</u>
Program Fees	\$957,328	\$945,378
Less: Financial Assistance Provided	<u>(21,328)</u>	<u>(25,318)</u>
Program Fees, Net Of Assistance	<u>\$936,000</u>	<u>\$920,060</u>

10) Defined Contribution 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 through-out 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 a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

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Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

10) Defined Contribution Plans (Continued)

In accordance with our agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA. Total contributions charged to retirement costs aggregated \$43,000 and \$48,941 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 YMCA Retirement Fund. There is no matching employer contribution to this plan.

11) Related Parties

The YMCA pays dues to YMCA of the USA. Dues paid to YMCA of the U.S.A. for the year ended December 31, 2018 and 2017, were \$44,948 and \$34,602, respectively.

12) Lease Commitments

Capital Leases - The YMCA has entered into various capital lease agreements for fitness equipment. The outstanding balance of these capital lease obligations at December 31, 2018 and 2017, was \$79,562 and \$4,420, respectively. Future minimum payments required under these agreements are as follows:

2019	\$34,933
2020	34,933
2021	<u>14,566</u>
Total Minimum Lease Payments	84,432
Amount Representing Interest	<u>(4,870)</u>
Present Value Of Net Minimum Lease Payments	<u>\$79,562</u>

The following is a summary of property held under capital leases:

Equipment	\$ 97,193
Accumulated Depreciation	<u>(32,398)</u>
Net Equipment Held Under Capital Lease	<u>\$ 64,795</u>

VALLEY SHORE YMCA, INC.

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Notes To The Financial Statements

For The Years Ended December 31, 2018 And 2017

12) Lease Commitments (Continued)

Leased Equipment - YMCA has an operating lease covering copier equipment to April 2020 and an operating lease on a postage meter to April 2024. Future minimum lease obligations under operating leases as of December 31, 2018, are as follows:

2019	\$3,273
2020	653
2021	653
2022	653
2023	217
	<hr/>
	\$5,449

Rent expense for equipment under operating leases was approximately \$8,513 and \$7,949 for the years ended December 31, 2018 and 2017, respectively.

The Organization leases certain property from the Girl Scouts of Connecticut located in East Lyme to operate a day camp program. The lease was a seasonal lease for specific summer weeks and rent amounts are contingent upon the number of campers using the facility during the summer. Rent expense was \$10,000 during each of the years ended December 31, 2018 and 2017. The Organization is negotiating to rent an alternate property in East Lyme for the summer of 2019 under similar terms.

13) Commitments And Contingencies

In the normal course of business, various legal actions and claims are pending or may be instituted or asserted in the future against the YMCA. Management evaluates risks and keeps them to an acceptable level through various methods including the purchase of commercial insurance. Management believes the YMCA does not have any significant claims or other litigation which the ultimate resolution would have a material financial impact.

The YMCA self-insures employee unemployment compensation claims. If an employee becomes entitled to unemployment compensation, the YMCA is obligated to reimburse the State of Connecticut for any benefits paid to such employees. As of December 31, 2018 and 2017, the YMCA had a deposit of \$1,662 and \$3,284, respectively, which is included in deferred expenses.

The Board of Directors agreed to pursue a Capital Campaign to raise contributions in order to substantially renovate its facilities in Westbrook. In 2018 and 2017 funds were being expended as part of the prefunding process and included such items as feasibility studies, fundraising consultants and building schematics considered normal and best practices for undertaking a fundraising campaign of the size and scope envisioned. Funds contributed are recorded as Temporarily Restricted and funds are released from restriction when utilized specifically for the Capital Campaign process.

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14) Subsequent Events

Subsequent events were evaluated through June 13, 2019, which is the date the financial statements were available to be issued.