

Young Men's Christian Association of Greater Oklahoma City

Financial Report
October 31, 2017

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Independent Auditor's Report

RSM US LLP

To the Board of Directors
Young Men's Christian Association
of Greater Oklahoma City

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of Greater Oklahoma City, which comprise the statements of financial position as of October 31, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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 the Young Men's Christian Association of Greater Oklahoma City as of October 31, 2017 and 2016, 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.

RSM US LLP

Oklahoma City, Oklahoma
February 19, 2018

Young Men's Christian Association of Greater Oklahoma City

Statements of Financial Position
October 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 2,371,667	\$ 2,949,978
Receivables	754,344	1,290,162
Inventories and supplies	107,033	114,914
Prepaid insurance and other assets	633,036	553,407
Investments	8,523,863	7,617,083
Facilities, net	34,720,526	32,826,994
	<u>34,720,526</u>	<u>32,826,994</u>
Total assets	\$ 47,110,469	\$ 45,352,538
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,316,845	\$ 1,536,177
Deferred revenues	492,440	553,505
Notes payable	8,337,285	8,771,334
Total liabilities	10,146,570	10,861,016
Net assets:		
Unrestricted net assets:		
Undesignated	544,886	470,781
Designated for maintenance	924,140	649,564
Designated for investments	197,581	186,260
Designated for facilities	193,245	1,027,487
Invested in facilities	25,736,351	23,414,068
Total unrestricted net assets	27,596,203	25,748,160
Temporarily restricted net assets:		
For periods after October 31, 2017 and 2016	833,671	981,934
For investment	2,901,770	2,334,780
For facility acquisition	1,239,011	1,249,325
Total temporarily restricted net assets	4,974,452	4,566,039
Permanently restricted net assets	4,393,244	4,177,323
Total net assets	36,963,899	34,491,522
	<u>36,963,899</u>	<u>34,491,522</u>
Total liabilities and net assets	\$ 47,110,469	\$ 45,352,538
	<u>\$ 47,110,469</u>	<u>\$ 45,352,538</u>

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Statement of Activities and Changes in Net Assets
Year Ended October 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 3,284,359	\$ 145,175	\$ 47,863	\$ 3,477,397
Government grants and contracts	20,824	-	-	20,824
United Way allocations	55,056	78,144	-	133,200
	<u>3,360,239</u>	<u>223,319</u>	<u>47,863</u>	<u>3,631,421</u>
Membership dues	16,936,377	-	-	16,936,377
Program and facility fees	8,012,502	-	-	8,012,502
Sales to the public (net of direct related costs of \$171,855)	78,473	-	-	78,473
Rental income	277,443	-	-	277,443
	<u>25,304,795</u>	<u>-</u>	<u>-</u>	<u>25,304,795</u>
Investment income	35,231	201,784	105,322	342,337
Loss on disposal of fixed assets	2,000	-	-	2,000
	<u>37,231</u>	<u>201,784</u>	<u>105,322</u>	<u>344,337</u>
	28,702,265	425,103	153,185	29,280,553
Net assets released from restrictions	646,601	(646,601)	-	-
Total revenues, gains and other support	<u>29,348,866</u>	<u>(221,498)</u>	<u>153,185</u>	<u>29,280,553</u>
Expenses:				
Youth development	11,194,830	-	-	11,194,830
Healthy living	11,322,162	-	-	11,322,162
Social responsibility	1,325,689	-	-	1,325,689
General and administrative	3,006,242	-	-	3,006,242
Fundraising	559,677	-	-	559,677
Rental activities	149,625	-	-	149,625
Total expenses	<u>27,558,225</u>	<u>-</u>	<u>-</u>	<u>27,558,225</u>
Excess (deficiency) of revenues over expenses	1,790,641	(221,498)	153,185	1,722,328
Other gains:				
Net unrealized and realized gains on investments	57,402	629,911	62,736	750,049
Increase in net assets	1,848,043	408,413	215,921	2,472,377
Net assets, beginning of year	25,748,160	4,566,039	4,177,323	34,491,522
Net assets, end of year	<u>\$ 27,596,203</u>	<u>\$ 4,974,452</u>	<u>\$ 4,393,244</u>	<u>\$ 36,963,899</u>

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Statement of Activities and Changes in Net Assets
Year Ended October 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 1,788,318	\$ 756,744	\$ 6,415	\$ 2,551,477
Government grants and contracts	26,528	-	-	26,528
United Way allocations	36,668	73,332	-	110,000
	<u>1,851,514</u>	<u>830,076</u>	<u>6,415</u>	<u>2,688,005</u>
Membership dues	16,422,906	-	-	16,422,906
Program and facility fees	7,362,508	-	-	7,362,508
Sales to the public (net of direct related costs of \$220,317)	22,342	-	-	22,342
Rental income	192,003	-	-	192,003
	<u>23,999,759</u>	<u>-</u>	<u>-</u>	<u>23,999,759</u>
Investment income	22,622	167,610	1,834	192,066
Loss on disposal of fixed assets	30,380	-	-	30,380
	<u>53,002</u>	<u>167,610</u>	<u>1,834</u>	<u>222,446</u>
	25,904,275	997,686	8,249	26,910,210
Net assets released from restrictions	1,405,403	(1,405,403)	-	-
Total revenues, gains and other support	<u>27,309,678</u>	<u>(407,717)</u>	<u>8,249</u>	<u>26,910,210</u>
Expenses:				
Youth development	11,146,624	-	-	11,146,624
Healthy living	11,126,747	-	-	11,126,747
Social responsibility	1,293,155	-	-	1,293,155
General and administrative	2,981,508	-	-	2,981,508
Fundraising	469,599	-	-	469,599
Rental activities	143,452	-	-	143,452
Total expenses	<u>27,161,085</u>	<u>-</u>	<u>-</u>	<u>27,161,085</u>
Excess (deficiency) of revenues over expenses	148,593	(407,717)	8,249	(250,875)
Other gains:				
Net unrealized and realized gains on investments	1,690	66,735	16,050	84,475
Increase (decrease) in net assets	150,283	(340,982)	24,299	(166,400)
Net assets, beginning of year	25,597,877	4,907,021	4,153,024	34,657,922
Net assets, end of year	<u>\$ 25,748,160</u>	<u>\$ 4,566,039</u>	<u>\$ 4,177,323</u>	<u>\$ 34,491,522</u>

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Statements of Cash Flows
Years Ended October 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,472,377	\$ (166,400)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,636,603	1,591,529
Gain on disposal of facilities, net	(2,000)	(30,380)
Unrealized and realized gains on investments, net	(750,049)	(84,475)
Investment income restricted or designated for investment	(680,357)	38,188
Contributions received which are restricted for investment in endowment or facility acquisition	(299,744)	(774,215)
Non-cash contributions of land and building from Stillwater YMCA	(1,661,690)	-
Changes in operating assets and liabilities:		
Receivables	535,818	(155,041)
Inventories and supplies	7,881	2,416
Prepaid insurance and other assets	(79,629)	48,689
Accounts payable and accrued expenses	(219,332)	64,822
Deferred revenue	(61,065)	37,872
Net cash provided by operating activities	898,813	573,005
Cash flows from investing activities:		
Purchase of investments	(1,815,265)	(829,919)
Proceeds from maturities and sales of investments	1,658,534	901,689
Purchase of facilities	(1,869,609)	(508,427)
Proceeds from sale of facilities	3,164	34,075
Net cash used by investing activities	(2,023,176)	(402,582)
Cash flows from financing activities:		
Principal payments on bonds payable	(3,543)	-
Principal payments on notes payable	(491,701)	(327,724)
Proceeds from notes payable	61,195	-
Contributions restricted for investment in endowment	47,863	6,415
Contributions restricted for facilities acquisition	251,881	767,800
Investment income restricted (loss) for reinvestment	680,357	(38,188)
Net cash provided by financing activities	546,052	408,303
Net change in cash and cash equivalents	(578,311)	578,726
Cash and cash equivalents, beginning of year	2,949,978	2,371,252
Cash and cash equivalents, end of year	\$ 2,371,667	\$ 2,949,978
Supplemental disclosure of cash flow information—interest paid	\$ 410,495	\$ 433,187

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

**Statement of Functional Expenses
Year Ended October 31, 2017**

	Programs			General & Administrative	Fundraising	Rental Activity	Total
	Youth Development	Healthy Living	Social Responsibility				
Expenses:							
Salary and wages	\$ 4,917,579	\$ 4,546,427	\$ 359,871	\$ 1,170,581	\$ 204,271	\$ -	\$ 11,198,729
Employee benefits	554,948	460,800	56,538	206,701	40,340	-	1,319,327
Payroll taxes	434,957	395,026	34,637	-	101,978	-	966,598
Contracted services	88,988	21,115	42,905	117,080	-	-	270,088
Supplies	941,872	409,409	189,330	17,399	42,923	-	1,600,933
Telephone	92,308	85,195	14,305	25,162	8,044	-	225,014
Postage and shipping	11,137	11,374	1,805	5,729	2,760	-	32,805
Occupancy	2,508,397	2,875,955	426,229	155,197	54,897	90,294	6,110,969
Equipment rental and maintenance	188,762	1,266,683	17,224	679,149	14,777	-	2,166,595
Printing and promotion	120,141	97,061	13,204	55,120	30,924	-	316,450
Travel and employee expenses	387,115	79,765	28,328	87,119	16,438	-	598,765
Conferences and training	40,383	47,312	8,705	30,320	11,027	-	137,747
National support	-	-	-	342,816	-	-	342,816
Organizational dues	12,606	8,721	1,468	12,485	4,278	-	39,558
Miscellaneous	50,646	45,913	43,313	42,845	2,016	-	184,733
Interest	174,338	230,704	3,437	-	2,016	-	410,495
Depreciation and amortization	670,653	740,702	84,390	58,539	22,988	59,331	1,636,603
Total expenses	\$ 11,194,830	\$ 11,322,162	\$ 1,325,689	\$ 3,006,242	\$ 559,677	\$ 149,625	\$ 27,558,225

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

**Statement of Functional Expenses
Year Ended October 31, 2016**

	Programs			General & Administrative	Fundraising	Rental Activity	Total
	Youth Development	Healthy Living	Social Responsibility				
Expenses:							
Salary and wages	\$ 4,678,595	\$ 4,146,934	\$ 330,417	\$ 1,134,682	\$ 196,089	\$ -	\$ 10,486,717
Employee benefits	510,853	396,631	49,042	211,766	39,177	-	1,207,469
Payroll taxes	424,372	368,442	32,055	87,065	16,958	-	928,892
Contracted services	93,641	19,046	54,262	153,081	24	-	320,054
Supplies	934,389	408,786	154,672	19,150	38,609	1,530	1,557,136
Telephone	87,648	81,156	15,890	54,650	7,878	-	247,222
Postage and shipping	12,064	13,049	2,649	8,848	3,460	-	40,070
Occupancy	2,802,826	3,235,811	431,797	196,567	57,084	90,113	6,814,198
Equipment rental and maintenance	159,573	1,207,158	18,851	521,042	9,272	-	1,915,896
Printing and promotion	110,098	107,426	40,595	69,551	41,882	-	369,552
Travel and employee expenses	398,237	75,862	35,534	50,381	15,859	-	575,873
Conferences and training	43,163	57,329	7,622	42,389	12,163	-	162,666
National support	-	-	-	313,857	-	-	313,857
Organizational dues	10,255	6,740	1,416	14,611	3,957	-	36,979
Miscellaneous	48,449	42,198	27,307	40,676	1,158	-	159,788
Interest	183,116	241,270	6,674	-	2,127	-	433,187
Depreciation and amortization	649,345	718,909	84,372	63,192	23,902	51,809	1,591,529
Total expenses	\$ 11,146,624	\$ 11,126,747	\$ 1,293,155	\$ 2,981,508	\$ 469,599	\$ 143,452	\$ 27,161,085

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Young Men's Christian Association of Greater Oklahoma City (the Association) is incorporated under the laws of the State of Oklahoma as a not-for-profit organization and conducts activities in Oklahoma City and its surrounding communities.

Basis of financial statements: The financial statements of the Association have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association are classified and reported as follows:

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. The donors of these assets may permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted: Net assets subject to donor-imposed stipulations that can be met either by actions of the Association and/or the passage of time. Donor-restricted contributions whose restrictions are met in the same fiscal year are classified as unrestricted.

Unrestricted: Net assets for which the donor has not imposed a restriction that the assets be used for a specific purpose or held for a certain period of time. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Board of Directors of the Association has designated portions of the unrestricted net assets for maintenance, investment, and facility development. In addition, the Association has invested unrestricted net assets in the existing facilities of the Association.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as net assets released from restriction in the statement of activities.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any. An allowance for uncollectible receivables is established based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service, unless met in the same period in which case they are recognized as unrestricted contribution revenue

Rental income is recognized when earned in accordance with the terms of the respective leases. Accordingly, rental income is recognized over the terms of the respective leases.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Endowment investment and spending policies: The Association's endowment consists of approximately 20 individual funds established for a variety of purposes. The endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association has interpreted the Oklahoma Uniform Prudent Management of Institutional Funds Act (OKUPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment fund gift, absent explicit donor instructions to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original fair value of gifts to the permanent endowment, (b) the original fair value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the explicit donor instructions at the time of the gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by OKPMIFA.

In accordance with OKPMIFA, the Association considered the following factors in making its determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation and depreciation of investments;
- Other resources of the Association; and
- The investment policy of the Association.

Cash and cash equivalents: The Association considers highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalents held in the Association's investment portfolio, to be cash equivalents. The Association maintains its cash and cash equivalents in bank deposit accounts and money market funds, some of which may not be federally insured. The Association has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

Inventories and supplies: Inventories and supplies are stated at the lower of cost or market. Cost is determined using the first in, first out method.

Fair value of financial instruments: The Association's financial instruments consist of cash and cash equivalents, receivables, pledges receivable, investments, accounts payable and accrued expenses and notes payable. The carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses and notes payable approximates fair value.

Accounts receivable and credit policy: Accounts receivable principally consists of billings to other not-for-profit organizations. The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. The Association's management considers various factors in determining when to charge off a receivable, including the length of time from the initial billing, the payment history, the organization's financial status, and the overall collection history.

Young Men’s Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The delinquency of any receivable is considered on an individual basis. A receivable is charged off when management has determined that all reasonable methods for collection of the receivable have been exhausted.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position, with gains and losses included in the statements of activities and changes in net assets. The fair values of investments are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. The amounts the Association will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

Income and gains or losses on investments are reported as follows:

- Increases/decreases in permanently-restricted net assets if the terms of the gift that gave rise to the investment or applicable law require a portion of the income or gains and losses to be added to the principal of a permanent endowment.
- Increases/decreases in temporarily-restricted net assets if the terms of the gift or applicable law impose restrictions on the use of the income.
- Increases/decreases in unrestricted net assets in all other cases.

Generally, losses on the investments included in restricted net assets reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets but can be restored through subsequent investment gains. Losses on beneficial interests in assets held by others and certain other losses on permanently restricted funds are included in permanently restricted net assets.

The Association has an investment policy specific to its Endowment Fund, which is monitored by the Investment Committee (the Committee) of its Board of Directors. Endowment Fund assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. In addition to the spending policy, the investment policy describes the objective for the fund and sets ranges for asset allocation.

The overall rate of the return objective of the portfolio is a reasonable “real” rate, consistent with the risk levels established by the Committee. The expected rate of return over a full market cycle should equal or exceed a reasonable “real” return, plus the rate of inflation.

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset class:

	Minimum Percent	Maximum Percent	Target Percent
Large cap stocks	20%	40%	30%
Small and mid cap stocks	5%	20%	10%
International equities	5%	25%	15%
Emerging market equities	0%	15%	5%
Investment grade fixed income	10%	35%	20%
High yield fixed income	0%	10%	5%
International fixed income	0%	20%	10%
Alternative investments	0%	10%	5%
Cash and cash equivalents	0%	5%	0%

Young Men’s Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Association has an endowment spending formula for spending the earnings from the Endowment Fund. Unless specified otherwise by the donor, the Association allocates 4.0 percent of the related investment’s average market value for the prior 12 quarters as determined as of June 30 of each year for the subsequent year’s operating activities.

Donated services: In instances where services would have been purchased had volunteers not donated their services and the value of these services can be reasonably established, the Association reflects the value of the donation in its financial statements. A substantial number of volunteers have donated time to the Association for projects such as fundraising, coaching, the running of certain programs and events, and administration of the Association. No amounts have been reflected in the financial statements for such services.

Long-lived assets: Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Facilities: Depreciation of facilities is based on the straight-line method with the half-year convention in the year of acquisition utilizing the following estimated useful lives:

	<u>Years</u>
Buildings	25-45
Improvements	5-25
Furniture and equipment	5-10
Vehicles	5

Income taxes: The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for income taxes in the accompanying financial statements. Management evaluated the Association’s tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements.

Beneficial interests in assets held by others: Beneficial interests in assets held by others represent amounts held by the Oklahoma City Community Foundation (OCCF), which were contributed to OCCF by the Association together with the undistributed gains and losses on such funds. The Association does not have any rights to the principal of these funds as OCCF retains variance power. The Association’s interest in the assets is recorded at the fair value of the net assets held in trust by OCCF. The amount the Association will ultimately realize could differ materially from these recorded amounts, and significant fluctuations in fair values could occur from year to year.

Deferred revenues: Deferred revenues consist of deferred memberships and program revenues, which are recognized as revenue over the life of the related membership or program.

Functional allocation of expenses: The costs of providing the Association’s various programs, management and general expenses, fundraising expenses, and expenses related to the Association’s rental of excess space in its main office building have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among these cost centers using various systematic bases of allocation.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Estimates: In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Fair value measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data; and

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments and beneficial interest in assets held by others (see Note 4).

Concentration of credit risk: The Association maintains its cash in bank accounts and money market funds that, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments which potentially subject the Association to credit risk consist of grants and accounts receivable, grants and accounts receivable with restrictions, campaign pledges receivable, and investments. Credit risk for all the Association's receivables is concentrated because the majority of the balances are receivable from individuals located within the greater Oklahoma City area.

The Association's investments consist of various stocks, bonds, equity, and fixed income securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the investment account balances and the amounts reported in the statements of financial position and the statements of activities and changes in net position.

Recently issued accounting pronouncements: On August 18, 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The amendments in this update change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These amendments include qualitative and quantitative requirements in the following areas: (1) net asset classes, (2) investment return, (3) expenses, (4) liquidity and availability of resources, and (5) presentation of operating cash flows. ASU No. 2016-14 is effective for the Association's year ending October 31, 2019. Earlier application is permitted. The Association is currently evaluating the effect implementation of ASU No. 2016-14 will have on its financial statements.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Association is currently evaluating the impact of our pending adoption of the new standard on our financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Association has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

Subsequent events: The Association has evaluated subsequent events through February 19, 2018, the date the financial statements were available to be issued. There were no subsequent requiring recognition or disclosure.

Note 2. Basic Programs Offered by the Association

All programs and activities offered by the Association are designed around its mission: To put Christian principles into practice through programs that build healthy spirit, mind and body for all. The major program areas of the Association are as follows:

Youth development: The Association believe the values and skills learned early on are vital building blocks for life. Because of the Association, more young people in neighborhoods around our community are taking a greater interest in learning and making smarter life choices. At the Association, children and teens learn values and positive behaviors and can explore their unique talents and interests, helping them realize their potential. That makes for confident kids today and contributing and engaged adults tomorrow. The Association makes sure that every child has an opportunity to envision and pursue a positive future and to take an active role in strengthening his or her community, through programs like our Child Development Center or before-and-after school programs and others like YMCA Youth in Government and Y Achievers, which offer career exploration and college preparation.

For others, the Association is the starting point for kids to learn about becoming and staying active and developing healthy habits they'll carry with them throughout their lives. Whether it's gaining the confidence that comes from learning to swim or building the positive relationships that lead to good sportsmanship and teamwork, participating in youth sports programs at the Association is about building the whole child, from the inside out.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 2. Basic Programs Offered by the Association (Continued)

Very few environments are as special as camp, where kids become a community as they learn both how to be more independent and how to contribute to a group as they engage in physical, social, and educational activities. Our summer day camps, specialty camps, and resident camp teach self-reliance, a love for nature and the outdoors, and the development of attitudes and practices that build character and leadership.

Healthy living: Being healthy means more than simply being physically active. It's about maintaining a balanced spirit, mind, and body through a wide array of group exercise classes from water aerobics to cycling. The Association is a place where you can work toward that balance by challenging yourself to learn a new skill or hobby, fostering connections with friends through our lifelong learning programs, or bringing your loved ones closer together through our many family-centered activities. At the Association, it's not about the activity you choose as much as it is about the benefits of living healthier on the inside as well as the outside.

Serving families has always been at the heart of the Association. The Association is a place where they can find respite from social, economic, and educational challenges and learn how to overcome them. We have a fundamental desire to provide opportunities for every family to build stronger bonds through unique programs like Adventure Guides and Family Nights.

The Association provide educational programs to promote healthier decisions and offer a variety of programs that support physical, intellectual, and spiritual strength like Silver Sneakers and Active Older Adults programming.

The Association believe sports, fun, and exploring new interests aren't just for the young. Along with improving health, whenever teamwork is involved, there's the added benefit of being connected to others. That's why you'll find a range of recreational activities at the Association, from group classes to adult sports leagues.

Social responsibility: As a leading not-for-profit committed to strengthening community through youth development, healthy living, and social responsibility, the Association was created in response to social challenges and remains to this day a lifeline in communities around the world. The Association understands the challenges that keep individuals from reaching their full potential and responds with services and support which help people to be self-reliant, productive, and connected to the community. Each location responds to the unique issues influencing the community and provides support through services focused on critical areas, such as child welfare, community health, quality of life, or family services.

To bring about meaningful change, individuals need ongoing encouragement and tools. The Association is here day-in and day-out to provide the resources our communities need. The Association addresses social issues through our YMCA Lincoln Park Senior Center, the YMCA Military Welcome Center, environmental education camp at YMCA Camp Classen, and the Everybody in the Pool program that teaches underserved kids how to swim.

One of the most important aspects of building a global community is giving young people opportunities to understand and celebrate diversity. The Association helps people to develop cultural competencies and the key skills to collaborate with their peers around the world through our International Camp Counselor Program and Brazilian Exchange program.

Finally, the generosity of others is at the core of our existence. It is only through the support of our thousands of volunteers and public and private donors that we are able to give back to the communities we serve.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 3. Receivables

At October 31, receivables consisted of the following:

	2017	2016
United Way allocation	\$ 78,144	\$ 73,332
Program receivables	511,674	674,003
Pledges	155,800	499,996
Other	8,726	42,831
	<u>\$ 754,344</u>	<u>\$ 1,290,162</u>

Note 4. Investments

At October 31, investments at amortized cost and fair value are as follows:

	2017		2016	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Endowment money market	\$ 161,596	\$ 161,596	\$ 144,949	\$ 144,949
Certificates of deposit	925,000	925,000	900,000	900,000
Mutual funds	6,191,910	6,819,265	5,912,262	5,864,805
Corporate bonds	50,000	50,998	275,666	291,020
Municipal bonds	175,000	184,004	50,374	53,309
Beneficial interests in assets held by others (Note 6)	251,761	383,000	251,761	363,000
	<u>\$7,755,267</u>	<u>\$8,523,863</u>	<u>\$7,535,012</u>	<u>\$7,617,083</u>

The Association measures investments on a fund-by-fund basis and reports them at fair value in one of three categories based on inputs. The following tables summarize the levels in the fair value hierarchy of the Association's investment funds at October 31:

	2017			
	Level 1	Level 2	Level 3	Total
Endowment money market	\$ 161,596	\$ -	\$ -	\$ 161,596
Certificates of deposit	-	925,000	-	925,000
Mutual funds	6,819,265	-	-	6,819,265
Corporate bonds	-	50,998	-	50,998
Municipal bonds	-	184,004	-	184,004
Beneficial interests in assets held by others (Note 6)	-	-	383,000	383,000
	<u>\$6,980,861</u>	<u>\$1,160,002</u>	<u>\$ 383,000</u>	<u>\$8,523,863</u>

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 4. Investments (Continued)

	2016			Total
	Level 1	Level 2	Level 3	
Endowment money market	\$ 144,949	\$ -	\$ -	\$ 144,949
Certificates of deposit	-	900,000	-	900,000
Mutual funds	5,864,805	-	-	5,864,805
Corporate bonds	-	53,309	-	53,309
Municipal bonds	-	291,020	-	291,020
Beneficial interests in assets held by others (Note 6)	-	-	363,000	363,000
	<u>\$6,009,754</u>	<u>\$1,244,329</u>	<u>\$ 363,000</u>	<u>\$7,617,083</u>

The following table summarizes the changes in the fair value of the Association's Level 3 financial assets for the period ended October 31:

	Beneficial Interests in Assets Held by Others	
	2017	2016
Balance at November 1	\$ 363,000	\$ 380,000
Net investment performance	39,705	2,659
Distributions to the Association	(19,705)	(19,659)
Balance at October 31	<u>\$ 383,000</u>	<u>\$ 363,000</u>

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the Association by OCCF. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees. Distributions from OCCF decrease the Association's beneficial interest and increase cash at the time of distribution. The change in value is included in net unrealized and realized gain on investments in the statement of activities.

Note 5. Facilities

At October 31, facilities of the Association consist of the following:

	2017	2016
Land	\$ 2,586,849	\$ 1,731,849
Donated leases	870,000	870,000
Buildings and improvements	34,574,662	32,104,103
Leasehold improvements	17,769,821	17,769,821
Furniture and equipment	2,585,332	2,452,623
Vehicles	440,178	423,354
Construction in progress	27,017	-
	<u>58,853,859</u>	<u>55,351,750</u>
Less accumulated depreciation and amortization	(24,133,333)	(22,524,756)
Facilities, net	<u>\$ 34,720,526</u>	<u>\$ 32,826,994</u>

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 5. Facilities (Continued)

The Association entered into a lease agreement with the City of Oklahoma City for eight acres of land in a park in Cleveland County, Oklahoma, with an appraised value of \$870,000. The lease calls for the Association to develop and maintain a recreational facility for its sole use and its sole cost on the property in lieu of cash rentals. The lease period is for 20 years with two 10-year renewal options. The facility was placed in service in January 2006. Accordingly, the Association recognized \$870,000 of donated land lease in temporarily restricted net assets. The lease is being amortized over the original term and renewal periods with the amount of the amortization being released to unrestricted net assets each year. During 2017 and 2016, \$21,750 each year was released from temporarily restricted net assets.

Note 6. Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others represents funds contributed by the Association to OCCF to be held in trust for the benefit of the Association. OCCF also holds additional funds contributed by others for the benefit of the programs and activities of the Association. Funds and related undistributed gains and losses held by OCCF for the benefit of the Association, which were donated by others, are not reflected in the accompanying statements of financial position because OCCF maintains variance power over these funds.

A summary of funds held at OCCF for the benefit of the Association at June 30, 2017 and 2016, the most recent date for which such information is available, is as follows:

	<u>2017</u>	<u>2016</u>
Total funds held at OCCF for the benefit of the Association	\$ 1,465,000	\$ 1,388,000
Amount of such funds contributed by others, for which OCCF retains variance power	<u>1,082,000</u>	<u>1,025,000</u>
Funds contributed by the Association, held in trust by OCCF, and reflected on the Association's statements of financial position	<u>\$ 383,000</u>	<u>\$ 363,000</u>

The Association received total distributions from OCCF of \$71,520 and \$70,865 in the years ended October 31, 2017 and 2016, respectively, which are reflected in the accompanying statements of activities.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 7. Notes Payable

At October 31, notes payable consist of the following:

	<u>2017</u>	<u>2016</u>
2.75% refinancing loan with monthly sinking fund installments of \$24,442 with maturity of July 2026, secured by real estate	\$ 2,795,000	\$ 3,065,000
5.19% construction loan with monthly installments of \$43,894 with a balloon payment in September 2023, secured by real estate	5,681,138	5,902,110
2.10% automobile loan with monthly installment payments of \$793	35,744	-
	<u>\$ 8,511,882</u>	<u>\$ 8,967,110</u>

At October 31, 2017, the aggregate future principal payments on notes payable are as follows:

Years ending October 31:		
2018		\$ 526,628
2019		544,454
2020		567,201
2021		586,335
2022		602,459
Thereafter		<u>5,684,805</u>
		<u>\$ 8,511,882</u>

At October 31, notes payable are as follows:

	<u>2017</u>	<u>2016</u>
Principal	\$ 8,511,882	\$ 8,967,110
Issuance costs	(80,917)	(105,640)
Sinking fund	(93,680)	(90,136)
	<u>\$ 8,337,285</u>	<u>\$ 8,771,334</u>

The Association has a \$400,000 revolving line of credit at 4.0 percent maturing in March 2018. As of October 31, 2017 and 2016, no amounts were outstanding on this line of credit.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 8. Operating Leases

The Association has noncancelable long-term operating leases for certain fitness equipment and facilities with various expiration dates. At October 31, 2017, future minimum annual lease payments for these long-term leases for the next five years and thereafter are:

Years ending October 31:	
2018	\$ 893,618
2019	810,041
2020	734,882
2021	385,174
2022	317,637
Thereafter	<u>1,536,628</u>
	<u>\$ 4,677,980</u>

Total rent expense under operating leases was \$1,179,289 and \$1,325,928 for the years ended October 31, 2017 and 2016, respectively.

Note 9. Retirement Plan

The Association 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 (the Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York in 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 a defined contribution plan, the Retirement Plan and the Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the agreement, contributions for the YMCA Retirement Fund Plan are a percentage of the participating employee's salary. Total contributions charged to retirement expense in 2017 and 2016 were \$567,966 and \$558,250, 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 employer matching contribution in this plan.

Note 10. Commitments and Contingencies

From time to time, the Association is the defendant in certain legal claims. The Association's management is of the opinion, based on advice of legal counsel, that the ultimate outcome of any such litigation will not have a material effect on the future operations of the Association.

In the normal course of operations, the Association receives grants and other forms of reimbursement from various federal, state and local agencies. The activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds.

Management believes that the liability, if any, for a reimbursement which may arise as the result of audits would not be material.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 11. Accounting for Endowments

A summary of the endowment net asset composition by type of fund and change in net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$2,354,830	\$4,153,024	\$6,507,854
Board-designated	152,584	-	-	152,584
Total October 31, 2015	152,584	2,354,830	4,153,024	6,660,438
Investment return:				
Investment income	22,622	167,610	1,834	192,066
Net appreciation	1,690	66,735	16,050	84,475
Total investment return	24,312	234,345	17,884	276,541
Contributions	12,316	-	6,415	18,731
Appropriations	(2,952)	(287,321)	-	(290,273)
Donor-restricted	-	2,301,854	4,177,323	6,479,177
Board-designated	186,260	-	-	186,260
Total October 31, 2016	186,260	2,301,854	4,177,323	6,665,437
Investment return:				
Investment income	35,231	201,784	105,322	342,337
Net appreciation	57,402	629,911	62,736	750,049
Total investment return	92,633	831,695	168,058	1,092,386
Contributions	-	-	47,863	47,863
Appropriations	(41,615)	(271,476)	-	(313,091)
Donor-restricted	-	2,862,073	4,393,244	7,255,317
Board-designated	237,278	-	-	237,278
Total October 31, 2017	\$ 237,278	\$2,862,073	\$4,393,244	\$7,492,595

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 12. Rental Income

The YMCA leased office space to tenants under operating leases with initial term expiration dates ranging from 2018 to 2021. As of October 31, 2017, the minimum future cash rents receivable (excluding tenant reimbursements for operating expenses) under noncancelable operating leases for the office space in each of the next five years are as follows:

2018	\$	132,000
2019		127,000
2020		41,000
2021		2,000
	\$	<u>302,000</u>

Note 13. Stillwater YMCA Transition

Effective January 1, 2017, The Association entered into an agreement with the Stillwater YMCA, with the Association effectively assuming responsibility for the facilities and operation of the Stillwater YMCA. Under the agreement, the Association acquired the building and land of the Stillwater YMCA with no monetary consideration. The Association recognized \$770,000 and \$855,000 of unrestricted contributions equal to the fair value of building and land, respectively, and spent \$1,420,000 in renovations. The Association determined there were no other significant tangible or intangible assets or related liabilities that needed to be recognized in connection with this agreement.

