YOUNG MEN'S CHRISTIAN ASSOCIATION OF WESTERN NORTH CAROLINA, INC.

Asheville, North Carolina

Financial Statements and
Supplementary Information

Years Ended September 30, 2019 and 2018

CARTER
ACCOUNTING • TAX • ASSURANCE

YOUNG MEN'S CHRISTIAN ASSOCIATION OF WESTERN NORTH CAROLINA, INC.

Table of Contents

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of Western North Carolina, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2019 and 2018, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 Young Men's Christian Association of Western North Carolina, Inc. as of September 30, 2019 and 2018, 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.

Other Matters

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of changes in promises to give is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2020, on our consideration of Young Men's Christian Association of Western North Carolina, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Young Men's Christian Association of Western North Carolina, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Young Men's Christian Association of Western North Carolina, Inc.'s internal control over financial reporting and compliance.

Carter, P.C.

Asheville, North Carolina
January 9, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	$ 6,078,103	$ 4,052,277
Restricted	10,159	95,611
Grants receivable	92,846	226,025
Promises to give, current portion	482,887	501,943
Other receivables	290,051	376,782
Prepaid expenses	73,794	91,440
Deposits	152,798	124,845
Real estate held for sale	800,000	900,000
Total current assets	7,980,638	6,368,923
Promises to give, net of current portion	381,483	546,305
Investments	2,703,015	2,864,368
Beneficial interest in endowment funds	664,229	661,437
Property and equipment, net	30,649,928	31,588,592
Goodwill	917,000	917,000
Total assets	$ 43,296,293	$ 42,946,625
Liabilities and net assets		
Current liabilities:		
Current portion of tax-exempt bonds payable	$ 404,000	$ 449,000
Current maturities of long-term debt	688,693	672,336
Accounts payable	678,709	588,110
Accrued expenses	699,158	740,539
Deferred revenue	483,972	511,302
Total current liabilities	2,954,532	2,961,287
Tax-exempt bonds payable, net of current portion	7,744,473	8,142,232
Long-term debt, net of current maturities	8,629,654	8,905,484
Total liabilities	19,328,659	20,009,003
Net assets:		
Without donor restrictions	19,978,322	19,109,811
With donor restrictions	3,989,312	3,827,811
Total net assets	23,967,634	22,937,622
Total liabilities and net assets	$ 43,296,293	$ 42,946,625

The accompanying notes are an integral part of these financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Membership and joining fees	$ 16,465,468	$	$ 16,465,468
Less, financial assistance	(2,723,091)		(2,723,091)
Program and facility fees	7,003,287		7,003,287
Less, financial assistance	(1,542,751)		(1,542,751)
Special events	2,140		2,140
Rental income	489,151		489,151
Management fees	190,443		190,443
Sales of merchandise	76,202		76,202
Investment income, net	41,914	35,486	77,400
Miscellaneous income	145,634		145,634
Total revenue	20,148,397	35,486	20,183,883
Public support			
Charitable contributions	1,209,575	1,101,900	2,311,475
United Way		39,943	39,943
Government grants		2,520,574	2,520,574
Other grants		681,823	681,823
Total public support	1,209,575	4,344,240	5,553,815
Net assets released from restrictions	4,195,292	(4,195,292)	
Total revenue and public support	25,553,264	184,434	25,737,698
Expenses			
Program services	20,469,473		20,469,473
Supporting services	4,175,756		4,175,756
Total expenses	24,645,229		24,645,229
Increase in net assets before other gains (losses)	908,035	184,434	1,092,469
Other gains (losses)			
Gains on disposal of property and equipment	46,657		46,657
Impairment loss on real estate held for sale	(100,000)		(100,000)
Net gains (losses) on investments	11,335	(22,933)	(11,598)
Net gains on beneficial interest in endowment funds	2,484		2,484
Total other losses	(39,524)	(22,933)	(62,457)
Increase in net assets	868,511	161,501	1,030,012
Net assets at beginning of year	19,109,811	3,827,811	22,937,622
Net assets at end of year	$ 19,978,322	$ 3,989,312	$ 23,967,634

The accompanying notes are an integral part of these financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statement of Activities
Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Membership and joining fees	$ 13,495,943	$	$ 13,495,943
Less, financial assistance	(2,228,873)		(2,228,873)
Program and facility fees	6,247,304		6,247,304
Less, financial assistance	(1,388,515)		(1,388,515)
Special events	4,703		4,703
Rental income	466,368		466,368
Management fees	177,631		177,631
Sales of merchandise	73,182		73,182
Investment income, net	2,771	28,158	30,929
Miscellaneous income	122,643		122,643
Total revenue	16,973,157	28,158	17,001,315
Public support			
Charitable contributions	826,102	1,346,315	2,172,417
United Way		31,323	31,323
Government grants		2,062,225	2,062,225
Other grants		684,669	684,669
Total public support	826,102	4,124,532	4,950,634
Net assets released from restrictions	3,910,458	(3,910,458)	
Total revenue and public support	21,709,717	242,232	21,951,949
Expenses			
Program services	17,915,880		17,915,880
Supporting services	3,805,333		3,805,333
Total expenses	21,721,213		21,721,213
Increase (decrease) in net assets before other gains	(11,496)	242,232	230,736
Other gains			
Gains on disposal of property and equipment	873,811		873,811
Net gains on investments	12,403	60,829	73,232
Net gains on beneficial interest in endowment funds	31,554		31,554
Total other gains	917,768	60,829	978,597
Increase in net assets	906,272	303,061	1,209,333
Net assets at beginning of year	18,203,539	3,524,750	21,728,289
Net assets at end of year	$ 19,109,811	$ 3,827,811	$ 22,937,622

The accompanying notes are an integral part of these financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services	Supporting Services: Management & General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Salaries	$ 8,969,272	$ 2,054,409	$ 266,781	$ 2,321,190	$ 11,290,462
Payroll taxes	748,445	81,599	20,409	102,008	850,453
Health insurance	444,258	145,049	15,529	160,578	604,836
Retirement benefits	366,237	215,715	21,263	236,978	603,215
Worker's compensation insurance	95,692	17,496	2,392	19,888	115,580
Total salaries and related expenses	10,623,904	2,514,268	326,374	2,840,642	13,464,546
Occupancy and rental	1,908,242	2,100		2,100	1,910,342
Supplies	1,289,972	41,637	3,498	45,135	1,335,107
Professional and contract services	1,651,861	168,938		168,938	1,820,799
Building and grounds maintenance	364,159	18,978		18,978	383,137
Repairs and maintenance	244,923	126,909		126,909	371,832
Advertising	63,962	74,876		74,876	138,838
Equipment rental	33,370	46,038		46,038	79,408
Banking fees	311,733	4,307		4,307	316,040
Vehicle expenses	230,539	21,722		21,722	252,261
National support	269,755	9,457		9,457	279,212
Telephone and communications	229,040	37,121		37,121	266,161
Insurance	125,564	27,682		27,682	153,246
Training and employee recognition	136,543	32,042		32,042	168,585
Meeting food costs	26,895	55,773	24,546	80,319	107,214
Conferences and conventions	88,882	96,170		96,170	185,052
Saleable merchandise	65,950				65,950
Swim meet costs	26,767				26,767
Property expenses	16,839	30,262		30,262	47,101
Organizational dues	15,416	35,010		35,010	50,426
Fiscal sponsorship agreement	136,981				136,981
Recruitment	5,259	10,645		10,645	15,904
Interest	259,592	115,919		115,919	375,511
Interest on tax-exempt bonds	240,317				240,317
Postage	6,321	6,264	110	6,374	12,695
Printing	69,231	959	857	1,816	71,047
Miscellaneous	14,502	54		54	14,556
In-kind expenses	295,708		63,760	63,760	359,468
Wellness program	9,525	8,400		8,400	17,925
Uncollectible promises to give			13,480	13,480	13,480
Total expenses before depreciation and income taxes	18,761,752	3,485,531	432,625	3,918,156	22,679,908
Depreciation	1,707,721	216,824		216,824	1,924,545
Income taxes		40,776		40,776	40,776
Total expenses	$ 20,469,473	$ 3,743,131	$ 432,625	$ 4,175,756	$ 24,645,229

The accompanying notes are an integral part of these financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statement of Functional Expenses
Year Ended September 30, 2018

		Supporting Services			
	Program Services	Management & General	Fundraising	Total Supporting Services	Total
Salaries	$ 7,824,185	$ 1,743,229	$ 291,145	$ 2,034,374	$ 9,858,559
Payroll taxes	631,554	86,601	22,273	108,874	740,428
Health insurance	666,344	132,004	13,947	145,951	812,295
Retirement benefits	359,113	184,654	24,140	208,794	567,907
Worker's compensation insurance	92,131	19,393	2,663	22,056	114,187
Total salaries and related expenses	9,573,327	2,165,881	354,168	2,520,049	12,093,376
Occupancy and rental	1,771,142	1,800		1,800	1,772,942
Supplies	1,151,541	44,220	2,530	46,750	1,198,291
Professional and contract services	1,226,207	148,594		148,594	1,374,801
Building and grounds maintenance	275,227	42,448		42,448	317,675
Repairs and maintenance	143,946	137,199		137,199	281,145
Advertising	37,433	74,664		74,664	112,097
Equipment rental	34,106	44,788		44,788	78,894
Banking fees	243,694	6,132		6,132	249,826
Vehicle expenses	210,108	18,386		18,386	228,494
National support	227,212	8,700		8,700	235,912
Telephone and communications	199,935	33,548		33,548	233,483
Insurance	172,674	24,602		24,602	197,276
Training and employee recognition	65,319	27,642		27,642	92,961
Meeting food costs	23,931	42,665	14,935	57,600	81,531
Conferences and conventions	86,338	38,154		38,154	124,492
Saleable merchandise	66,209				66,209
Swim meet costs	26,238				26,238
Property expenses	1,250	60,595		60,595	61,845
Organizational dues	13,981	27,868		27,868	41,849
Fiscal sponsorship agreement	8,320				8,320
Recruitment	10,079	8,355		8,355	18,434
Interest	139,229	115,549		115,549	254,778
Interest on tax-exempt bonds	296,387				296,387
Postage	3,075	6,224	10	6,234	9,309
Printing	66,359	2,870	962	3,832	70,191
Miscellaneous	39,001	900		900	39,901
In-kind expenses	179,167		103,654	103,654	282,821
Wellness program	23,562	11,254		11,254	34,816
Uncollectible promises to give			4,462	4,462	4,462
Total expenses before depreciation and income taxes	16,314,997	3,093,038	480,721	3,573,759	19,888,756
Depreciation	1,600,883	219,264		219,264	1,820,147
Income taxes		12,310		12,310	12,310
Total expenses	$ 17,915,880	$ 3,324,612	$ 480,721	$ 3,805,333	$ 21,721,213

The accompanying notes are an integral part of these financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Increase in net assets	$ 1,030,012	$ 1,209,333
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,924,545	1,820,147
Amortization of debt issuance costs	10,693	9,790
Net (gains) losses on investments	11,598	(73,232)
Net gains on beneficial interest in endowment funds	(2,484)	(31,554)
Provision for uncollectible promises to give	13,480	4,462
Present value adjustment	(12,511)	(52,247)
Gains on disposal of property and equipment	(46,657)	(873,811)
Impairment loss on real estate held for sale	100,000	
Receipt of donated stock	(50,736)	(30,189)
Changes in working capital - sources (uses):		
Grants receivable	133,179	(94,847)
Promises to give	182,909	634,962
Other receivables	86,731	26,743
Prepaid expenses	17,646	29,476
Deposits	(27,953)	(58,634)
Accounts payable	90,599	(633,347)
Accrued expenses	(41,381)	71,690
Deferred revenue	(27,330)	140,634
Net cash provided by operating activities	3,392,340	2,099,376
Cash flows from investing activities		
Proceeds from sale of investments	300,626	18,370
Purchase of investments	(100,135)	(29,885)
Contributions to beneficial interest in endowment funds	(50)	
Change in beneficial interest in endowment funds	(258)	(562)
Proceeds from the sale of property and equipment	54,821	1,405,784
Purchase of property and equipment	(562,602)	(1,646,654)
Cash paid in business acquisition		(469,166)
Net cash used by investing activities	(307,598)	(722,113)

The accompanying notes are an integral part of these financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Statements of Cash Flows (continued)
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from financing activities		
Principal payments on long-term debt	$ (1,176,540)	$ (965,868)
Proceeds from long-term debt	32,172	
Net cash used by financing activities	(1,144,368)	(965,868)
Net increase in cash and equivalents	1,940,374	411,395
Cash and equivalents at beginning of year	4,147,888	3,736,493
Cash and equivalents at end of year	$ 6,088,262	$ 4,147,888
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 605,135	$ 541,375
Cash paid for income taxes	$ 40,776	$ 12,310
Non-cash investing and financing activities		
Acquisition of property and equipment financed through debt	$ 431,443	$ 4,097,826
Business acquisition financed through debt	$	$ 447,834

The accompanying notes are an integral part of these financial statements.

Note 1 - Summary of Significant Accounting Policies

Association

Young Men's Christian Association of Western North Carolina, Inc. (Association) was incorporated in 1889 under the laws of the State of North Carolina. The Association applies Christian principles by providing programs that build healthy spirit, mind, and body for all. The Association seeks to promote its mission and core values by focusing on Youth Development, Healthy Living, and Social Responsibility in programs conducted at eight centers, one resident summer camp, 34 child care sites, one food pantry, and numerous mobile food distribution sites.

Income Tax Status

The Association is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income.

Basis of Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Association to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary purposes of the Association. These net assets may be used at the discretion of Association's management and Board of Directors.

- *Net assets with donor restrictions*: Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Association has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions or grants received for a specific purpose and investment income generated by donor-restricted endowment funds. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions.

The net asset classification of donor-restricted endowment funds is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). As a result, the investment return from donor-restricted endowment funds is classified as net assets with donor restrictions until appropriated for expenditure.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Association's ongoing program services and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and property and equipment, impairment loss on property and equipment, and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than promises to give, real estate held for sale, investments, beneficial interest in endowment funds, and debt, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for promises to give approximates fair value due to the allowance for uncollectible promises to give and net present value adjustments applied to outstanding balances.

Fair value of real estate held for sale is discussed in Note 6.

Fair value of investments and beneficial interest in endowment funds are discussed in Note 8.

The carrying value of debt approximates fair value due to market interest rates at the time of borrowing.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those amounts designated and classified as investments. Restricted cash consists of cash collections restricted by donors.

Grants and Other Receivables

Grants receivable are funds due from federal, state, or local governmental agencies and nonprofit organizations at fiscal year-end. Other receivables consist of amounts due from individuals for membership and childcare fees and sales tax receivables. Grants and other receivables are stated at the amount management expects to collect from outstanding balances. As of September 30, 2019 and 2018, no allowance for doubtful accounts was recorded as management expects all grants and other receivables amounts to be collectible.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in charitable contributions. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give based on prior years' collection history and management's analysis of specific promises made.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are recognized in the statements of activities.

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

The Association applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Association's assessment of the significance of an input requires judgement, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs, maintenance, and minor renewals that do not improve or extend the life of the asset are expensed as incurred. The Association has adopted an accounting practice to capitalize all property and equipment with a cost greater than $1,500 and an estimated useful life extending beyond one year.

Depreciation is computed using the straight-line method based on the estimated useful life of each class of depreciable asset, as follows:

Buildings and structures	15-50 years
Property improvements	5-50 years
Equipment and fixtures	3-10 years
Transportation vehicles	5 years

Deferred Revenue

Membership and summer camp fees are recognized in the period the services are provided. Fees collected for future periods are reported as deferred revenue.

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the gift. The Association reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation.

Donated materials and equipment are reflected as charitable contributions at their estimated fair value at the date of donation. For the years ended September 30, 2019 and 2018, the Association received in-kind materials and equipment in the amount of $691,752 and $612,275, respectively.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Association. The Association received $67,840 and $87,852 in donated services during the years ended September 30, 2019 and 2018, respectively. A substantial number of volunteers have also donated a significant amount of time to the Association's operations and program services throughout the fiscal year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Association received 19,975 and 26,492 volunteer hours during the years ended September 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for saleable merchandise, swim meet costs, fiscal sponsorship agreement, interest on tax-exempt bonds, uncollectible promises to give, and income taxes are allocated on the basis of a combination of estimates of time and effort and the square footage of building space in which the programs are operated. Saleable merchandise, swim meet costs, fiscal sponsorship agreement, and interest on tax-exempt bonds are directly related to program services. Uncollectible promises to give are directly related to fundraising which is a supporting service. Income taxes is directly related to the corporate office and rental income which are supporting services.

Note 1 - Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2019 and 2018, was $138,838 and $112,097, respectively.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

New Accounting Pronouncement

During the year ended September 30, 2019, the Association adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type and information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily and permanently restricted net assets are now combined and reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 3).

The accompanying information from the 2018 financial statements has been restated to conform to the 2019 presentation and disclosure requirements of ASU 2016-14.

Recently Issued Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01). ASU 2016-01 changes certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for financial statements for years beginning after December 15, 2018. The Association is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require lessees to recognize a lease liability and right-of-use asset for most leases, including operating leases. The standard will be effective for annual periods beginning after December 15, 2020. Early adoption is permitted. The Association is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, (ASU 2016-18). This ASU is intended to clarify the classification and presentation of restricted cash and equivalents in the statements of cash flows. The ASU will require amounts generally described as restricted cash to be included with cash and equivalents when reconciling beginning and ending amounts on the statements of cash flows. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. This guidance will not impact the presentation of the statements of cash flows.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify and improve the guidance about the distinction between contributions and exchange transactions and determine whether a contribution is conditional. This ASU will be effective for annual periods beginning after December 15, 2018. The Association is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

Note 2 - Net Assets

Net assets are described as follows:

At September 30	2019	2018
Net assets without donor restrictions:		
Undesignated	$ 14,826,667	$ 14,998,080
Board designated:		
Reserves	4,214,345	3,184,353
Board-designated endowment funds	937,310	927,378
Net assets without donor restrictions	19,978,322	19,109,811

Note 2 - Net Assets (continued)

At September 30		2019		2018
Net assets with donor restrictions:				
Subject to expenditure for specified purpose or period:				
Camp Watia	$	1,647,539	$	1,328,386
Ferguson YMCA and nutrition		341,933		348,654
Annual campaign and sponsorship		187,392		86,313
Program		50,807		181,589
Fiscal sponsorship agreement				6,071
Subject to the Association's spending policy or appropriation:				
Endowment promises to give, net		30,238		217,768
Donor-restricted endowment		681,403		609,030
Not subject to spending policy or appropriation:				
Investment in perpetuity - endowment		1,050,000		1,050,000
Net assets with donor restrictions		3,989,312		3,827,811
Total net assets	$	23,967,634	$	22,937,622

Note 3 - Liquidity and Availability of Financial Assets

The Association received significant contributions and promises to give restricted by donors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures. Promises to give made to endowments are not considered available to meet cash needs for general expenditures.

The Association manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Dedicated reserves to provide reasonable assurance that obligations and lender requirements are met.

Board-designated endowment funds are available, if necessary, for expenditure by appropriation by the Board.

Note 3 - Liquidity and Availability of Financial Assets (continued)

The following reflects the liquidity and availability of the Association's financial assets:

At September 30	2019	2018
Financial assets:		
Cash and equivalents	$ 6,088,262	$ 4,147,888
Grants receivable	92,846	226,025
Promises to give, net	864,370	1,048,248
Other receivables	290,051	376,782
Deposits	152,798	124,845
Real estate held for sale	800,000	900,000
Investments	2,703,015	2,864,368
Beneficial interest in endowment funds	664,229	661,437
Total financial assets	11,655,571	10,349,593
Amounts not available for general expenditure:		
Board designated reserves	(4,214,345)	(3,184,353)
Board-designated endowment funds	(937,310)	(927,378)
Total net assets with donor restrictions	(3,989,312)	(3,827,811)
Add back: restricted grants receivable	50,807	181,589
Add back: promises to give, current portion	462,041	491,097
Total amounts not available for general expenditure	(8,628,119)	(7,266,856)
Net financial assets available to meet cash needs for general expenditures within one year	$ 3,027,452	$ 3,082,737

Note 4 - Promises to Give

Promises to give represent pledges for annual fundraising, capital campaign, and endowment funds. Unconditional promises to give are described as follows:

At September 30	2019	2018
Due in less than one year	$ 482,887	$ 501,943
One to five years	471,148	647,779
More than five years	1,000	14,333
Total unconditional promises to give	955,035	1,164,055
Less, allowance for uncollectible promises to give	(57,176)	(69,807)
Less, discount to net present value at 4.5%	(33,489)	(46,000)
Promises to give, net	$ 864,370	$ 1,048,248

Concentration of Promises to Give

Undiscounted promises to give from a single donor totaled $600,000 as of September 30, 2019 and 2018.

Note 5 - Other Receivables

Other receivables are described as follows:

At September 30	2019	2018
Program receivables	$ 251,423	$ 337,460
Sales tax receivables	34,715	34,113
Returned checks and charge-backs	3,141	3,141
Interest receivable	772	2,068
Other receivables	$ 290,051	$ 376,782

Note 6 - Real Estate Held for Sale

The Association received a donation of land which was included with the purchase of the building at 40 North Merrimon Avenue. Upon closing, the Association placed the parcel of land for sale. According to the terms of the agreement, the Association shall pay the donor any net proceeds received from the sale in excess of the donated value of $900,000. Management has determined based on current market conditions that the carrying value of the asset is not expected to be fully recoverable and recorded an impairment loss of $100,000 for the year ended September 30, 2019. As of September 30, 2019 and 2018, the carrying value of the land was $800,000 and $900,000, respectively.

Note 7 - Beneficial Interest in Endowment Funds

The beneficial interest in endowment funds is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreements grant variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds if, in its sole judgement (without the approval of any trustee, custodian, guardian or agent), such condition or restriction becomes in effect unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. Under the terms of the agreements, the Association can withdraw all or a portion of the original principal provided the governing board of the Association and Foundation approves the withdrawal. The Association’s beneficial interest in endowment funds is invested in an allocated investment pool at the Foundation and is presented in the financial statements in the aggregate at fair value.

Note 8 - Fair Value Measurements

Investments and beneficial interest in endowment funds are reported in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Note 8 - Fair Value Measurements (continued)

Cash and Money Market Funds
Cash and money market funds are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. Although these funds are readily available, it is the intent of the Association to hold them for investment purposes and therefore has classified them as investments.

Certificates of Deposit
Certificates of deposit are short-term time deposits that are valued by a third-party brokerage company using prices from sources deemed reliable or using a matrix formula. Certificates of deposit are categorized as Level 2.

Equity Investments
Equity investments consist of daily traded exchange-traded funds and mutual funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Beneficial Interest in Endowment Funds
The fair value of the beneficial interest in endowment funds is provided by the Foundation. Due to inputs being unobservable, the instrument is categorized as a Level 3.

The following table sets forth carrying amounts and estimated fair values for financial instruments:

At September 30, 2019	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 25,988	$	$	$ 25,988
Certificates of deposit		753,090		753,090
Equity investments:				
Exchange-traded funds	1,918,338			1,918,338
Mutual funds	5,599			5,599
Total investments	1,949,925	753,090		2,703,015
Beneficial interest in endowment funds			664,229	664,229
Total fair value measurements	$ 1,949,925	$ 753,090	$ 664,229	$ 3,367,244

Note 8 - Fair Value Measurements (continued)

At September 30, 2018	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 38,952	$	$	$ 38,952
Certificates of deposit		991,755		991,755
Equity investments:				
Exchange-traded funds	1,828,079			1,828,079
Mutual funds	5,582			5,582
Total investments	1,872,613	991,755		2,864,368
Beneficial interest in endowment funds			661,437	661,437
Total fair value measurements	$ 1,872,613	$ 991,755	$ 661,437	$ 3,525,805

A reconciliation of changes in Level 3 inputs is as follows:

Years Ended September 30	2019	2018
Level 3 inputs, beginning of year	$ 661,437	$ 629,321
Contributions	50	
Interest and dividends	6,391	6,531
Investment fees	(6,133)	(5,969)
Net gains	2,484	31,554
Total Level 3 inputs, end of year	$ 664,229	$ 661,437

Note 9 - Endowment Funds

The Association's endowment funds consist of 22 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Absent explicit donor stipulations to the contrary, the Board of Directors of the Association has interpreted the North Carolina Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the Association retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 9 - Endowment Funds (continued)

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. The Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Association or donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) expected total return from income and the appreciation of investments, (6) other resources of the Association, and (7) investment policies of the Association.

Investment Return Objectives, Risk Parameters, and Strategies

The Association has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable, stable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of those endowment assets. As authorized by the Board of Directors, these assets are invested to maximize long-term returns, while mitigating risk through a diversified portfolio. The assets are invested in a manner that is intended to produce an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds expenditures with acceptable levels of risk. The Association expects its endowment assets, over time, to produce an average rate of return in excess of inflation. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to prevent exposing the fund to unacceptable levels of risk.

Spending Policy

The Association has a policy of appropriating for distribution an average spending rate of up to 5% of the average of the three most recent year-end market values of the endowment funds. In establishing this policy, the Association considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Association’s objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Underwater Endowment Funds

The Association considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Association has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. The Association has no underwater endowment funds at September 30, 2019 and 2018.

Note 9 - Endowment Funds (continued)

Endowment net asset composition by type of fund is as follows:

At September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board-designated endowment fund	$ 273,081	$	$ 273,081
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor		1,266,919	1,266,919
Accumulated investment gains		464,484	464,484
Promises to give, net		30,238	30,238
Total funds	$ 273,081	$ 1,761,641	$ 2,034,722

At September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Board-designated endowment fund	$ 265,941	$	$ 265,941
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor		1,205,725	1,205,725
Accumulated investment gains		453,305	453,305
Promises to give, net		217,768	217,768
Total funds	$ 265,941	$ 1,876,798	$ 2,142,739

Note 9 - Endowment Funds (continued)

Changes in endowment net assets are as follows:

Year Ended September 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 265,941	$ 1,876,798	$ 2,142,739
Transfers		(200,000)	(200,000)
Contributions	5,469	61,635	67,104
Unfulfilled promises to give recovery		12,029	12,029
Investment returns, net	1,671	11,179	12,850
Endowment net assets, end of year	$ 273,081	$ 1,761,641	$ 2,034,722

Year Ended September 30, 2018	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 257,084	$ 1,772,678	$ 2,029,762
Transfers	(10,930)		(10,930)
Contributions	7,448	25,798	33,246
Unfulfilled promises to give recovery		669	669
Investment returns, net	12,339	77,653	89,992
Endowment net assets, end of year	$ 265,941	$ 1,876,798	$ 2,142,739

Note 10 - Property and Equipment

A description of property and equipment is as follows:

At September 30	2019	2018
Land	$ 6,813,050	$ 6,807,580
Property improvements	5,110,447	4,817,472
Buildings and structures	27,207,221	27,101,561
Equipment and fixtures	6,821,365	6,635,003
Transportation vehicles	944,109	812,084
Construction in progress	18,149	117,411
	46,914,341	46,291,111
Less, accumulated depreciation	16,264,413	14,702,519
Property and equipment	$ 30,649,928	$ 31,588,592

Depreciation expense for the years ended September 30, 2019 and 2018, was $1,924,545 and $1,820,147, respectively.

Note 11 - Goodwill

Goodwill represents the excess of the purchase price over the fair value of the identifiable assets acquired in a business acquisition. The Association evaluates goodwill for potential impairment on an annual basis or other times during the fiscal year if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit, as defined in FASB ASC 350, *Intangibles—Goodwill and Other*, is below the carrying amount.

Goodwill was recorded in connection with the acquisition of assets of a local fitness center in September 2018. The balance of goodwill at September 30, 2019 and 2018, was $917,000. No impairment loss has been recorded for the years ended September 30, 2019 and 2018.

Note 12 - Business Acquisition

In August 2018, the Association purchased the assets of a local fitness club in Buncombe County for $3,850,000. Of this amount, $450,000 was paid in cash and the remaining balance was financed with a note payable as discussed in Note 15.

Following is a summary of the allocation of the purchase price:

Property and equipment	$ 2,927,000
Goodwill	917,000
Supplies	6,000
Total	$ 3,850,000

Note 13 - Accrued Expenses

Accrued expenses consist of the following:

At September 30	2019	2018
Accrued payroll	$ 375,962	$ 273,863
Accrued employee benefits	20,046	18,035
Health insurance claims	184,227	191,631
Security deposits	9,780	91,380
Accrued interest payable	108,124	165,630
Other accrued expenses	1,019	
Accrued expenses	$ 699,158	$ 740,539

Note 14 - Credit Agreement

In May 2017, the Association obtained a line of credit with a local bank to meet short-term working capital needs. Maximum borrowings on this arrangement were $2 million with interest payable monthly at a fixed rate of 2.75%. The agreement matured in May 2019 and was not renewed. As of September 30, 2019 and 2018, there were no outstanding balances on the credit agreement.

Note 15 - Long-term Debt

Long-term debt is described as follows:

At September 30	2019	2018
Various note payables bearing interest at fixed rates between 2.86% and 3.75%, payable in 60 monthly installments ranging from $821 - $1,612 maturing through September 2024, secured by vehicles	$ 167,501	$ 122,078
Various note payables bearing interest at fixed rates between 0.41% and 4.4%, payable in 36 - 96 monthly installments ranging from $471 - $6,245 maturing through September 2025, secured by equipment	1,145,139	1,157,352
Note bearing interest at fixed rate of 3.70%, payable in 119 monthly installments of $30,695, with balloon of $3,097,345 due May 2027, secured by building	4,751,627	4,937,921

Note 15 - Long-term Debt (continued)

At September 30	2019	2018
Note bearing fixed rate interest at 4.09%, payable in 119 monthly installments of $20,876, with balloon of $2,068,141 due August 2028, secured by building	$ 3,289,158	$ 3,400,000
Total long-term debt	9,353,425	9,617,351
Less, unamortized debt issuance costs	35,078	39,531
Long-term debt, less unamortized debt issuance costs	9,318,347	9,577,820
Less, current portion	688,693	672,336
Long-term debt, less current portion	$ 8,629,654	$ 8,905,484

Principal maturities on long-term debt is as follows:

Years Ending September 30	
2020	$ 688,693
2021	643,806
2022	581,304
2023	500,590
2024	480,270
Thereafter	6,458,762
Principal payments on long-term debt	$ 9,353,425

Covenants

In May 2017, the Association entered into a term loan agreement for $5,175,000 with TD Bank, N.A. In August 2018, the Association entered into another term loan agreement for $3,400,000 with the same institution. The agreements contain restrictive covenants, including maintaining a primary banking relationship and various financial covenants. As a result, a concentration of debt exists with TD Bank in the form of long-term debt and tax-exempt bonds payable. As of September 30, 2019 and 2018, the Association was in compliance with debt covenants.

Note 16 - Tax-Exempt Bonds Payable

On October 31, 2014, the Association entered into a bond purchase and loan agreement with the Public Finance Authority (a political subdivision of the State of Wisconsin), as the Authority, and TD Bank, N.A, as the purchaser, for the issuance of $9,090,000 Recreational Facilities Revenue Bond (YMCA of Western North Carolina), Series 2014. Bond proceeds were to be used to finance and refinance certain capital improvement projects, refund, in advance of maturity, the outstanding principal amount of the Buncombe County Industrial Facilities and Pollution Control Financing Authority Tax-Exempt Adjustable Mode Recreational Facilities Revenue Bonds (YMCA of Western North Carolina), Series 2001, finance interest on the bonds during the project construction period, and pay certain expenses incurred in connection with the issuance of the bonds by the Authority. The bonds are redeemable in varying principal amounts of $5,000 to $644,000 between June 1, 2017 and June 1, 2034, and bear interest at a rate of 2.56%.

Initial bond issuance costs of $135,802, included bond fees for underwriters, rating agencies, trustee counsel, fiscal and certifying agents, and for engineering and feasibility and other issuance costs. These costs are being amortized over the life of the debt. Bond amortization costs totaled $6,241 and $6,240 for the years ended September 30, 2019 and 2018.

Bonds payable consisted of the following:

At September 30	2019	2018
Bond credit agreement	$ 8,240,000	$ 8,689,000
Less, unamortized bond issuance costs	91,527	97,768
Bonds payable, less unamortized bond issuance costs	8,148,473	8,591,232
Less, current portion	404,000	449,000
Bonds payable, less current portion	$ 7,744,473	$ 8,142,232

Principal maturities on tax-exempt bonds payable are as follows:

Years Ending September 30	
2020	$ 404,000
2021	450,000
2022	462,000
2023	495,000
2024	527,000
Thereafter	5,902,000
Principal payments on tax-exempt bonds payable	$ 8,240,000

Note 16 - Tax-Exempt Bonds Payable (continued)

Covenants

The Association's credit agreement and related agreements contain the same covenants as long-term debt in Note 15. As of September 30, 2019 and 2018, the Association was in compliance with debt covenants.

Note 17 - Rental Income

The Association leases portions of the buildings located at YMCA at Mission Pardee Health Campus, Reuter Family YMCA, and Woodfin YMCA to third parties. The leases expire at various dates extending through December 2026. Rental income from the leases for the years ended September 30, 2019 and 2018, totaled $406,618 and $377,881, respectively.

The following is a schedule of future minimum rental income:

Years Ending September 30	Total
2020	$ 237,564
2021	210,892
2022	213,055
2023	218,589
2024	221,933
Thereafter	283,387
Future rental income	$ 1,385,420

From time to time, the Association leases space in its facilities to third parties under short-term rental agreements. During the years ended September 30, 2019 and 2018, rental income totaled $82,533 and $88,487, respectively.

Note 18 - In-kind Contributions

In-kind contributions are summarized as follows:

Years Ended September 30	2019	2018
Rent	$ 395,169	$ 410,598
Food donations	292,337	178,167
Advertising	63,120	87,852
Supplies	4,246	23,510
Painting services	4,720	
In-kind contributions	$ 759,592	$ 700,127

Note 19 - Retirement Fund

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (the Retirement Fund). This plan is for the benefit of all eligible employees of the YMCA who qualify under the participation requirements. The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York state corporation. Participation is available to all duly organized or reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

In accordance with the agreement with the Retirement Fund, contributions made by the Association are a percentage of the participating employees' salaries and are remitted to the Retirement Fund monthly. Total contributions charged to retirement costs was $603,215 and $567,907 for the years ended September 30, 2019 and 2018, respectively.

Note 20 - Commitments and Contingencies

Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Association carries commercial insurance coverage for risks of loss.

Self-insured Health Insurance

The Association offers health insurance to eligible employees through a self-insured health insurance program. The insurance costs are paid by the Association and are managed through a third-party administrator. The Association has recognized a liability in the amount of $184,227 and $191,631 at September 30, 2019 and 2018, respectively, which represents an estimate of claims incurred but not reported by providers. While management believes the accrual is adequate, actual claims may exceed accruals.

Lease Commitments

The Association leases office equipment, space, and land under non-cancelable operating leases. The leases require various monthly payments and expire through December 2029. Total rent expense for the years ended September 30, 2019 and 2018, for all operating leases was $722,485 and $708,172, respectively, and is included in equipment rental and occupancy and rental in the accompanying statements of functional expenses. The future minimum rental obligations under all operating leases are as follows:

Note 20 - Commitments and Contingencies (continued)

Years Ending September 30	
2020	$ 411,400
2021	387,548
2022	382,936
2023	405,948
2024	409,467
Thereafter	2,820,314
Total minimum lease commitments	$ 4,817,613

Maxwell M. Corpening, Jr. Memorial Center, Inc. (the "Center")

The Center is a nonprofit organization which provides facilities and support to the Association. The Center owns the facility located in Marion, North Carolina and is responsible for its debt. The Association is responsible for the management, staffing, and general operation of the facility. A lease and management agreement between the Association and the Center provides for the Association's leasing of the facility from the Center for a nominal value and an annual contribution in exchange for the operation and management of the facility. The lease commenced January 1, 2004, for a twenty-year term with automatic renewal terms of five years each.

The Center has also pledged to the Association to provide restricted operational support for the Corpening Facility, and to defray start-up costs and fund operating deficits, exclusive of indirect costs. Funds are used for direct expense to include furnishings and equipment.

Grants from the Center are contingent upon the Association's ability to meet debt covenant ratios and to pay debt service for project construction to include tax-exempt bond financing. There is no balance of the conditional pledge for the years ended September 30, 2019 and 2018. The Association received $194,000 during each of the years ended September 30, 2019 and 2018, which is included in other grants on the accompanying statements of activities. In addition, the Center has donated rent to the Association in the amount of $395,000 for each of the years ended September 30, 2019 and 2018.

Federal and State Assisted Programs

The Association has received proceeds from several federal and state grants. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in a refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

Note 21 - Concentration of Credit Risk

From time to time the Association's cash balances in financial institutions exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk related to such funds.

The Association's investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Association's investment account balances and amounts reported in the accompanying financial statements.

Geographical Concentration

The Association receives substantially all revenue and public support from residents, businesses, and organizations in or associated with Buncombe, Henderson, and McDowell Counties, North Carolina. The Association is exposed to a geographical concentration of members and contributors for approximately 100% of all revenue and charitable contributions as well as certain grants.

Note 22 - YMCA of the USA

The Young Men's Christian Association of Western North Carolina, Inc. is a member association of the National Council of Young Men's Christian Associations of the United States of America (the Council). The Young Men's Christian Association of Western North Carolina, Inc. is an independent autonomous organization, recognized as a member, but separate from the National Council. The Association must meet annual certification requirements to remain a member. National support paid to the Council for the years ended September 30, 2019 and 2018, was $279,212 and $235,912, respectively.

Note 23 - Related Party Transactions

Charitable contributions for annual giving and the capital campaign include board member and employee contributions totaling $248,296 and $440,687 for the years ended September 30, 2019 and 2018, respectively. Promises to give for annual giving and the capital campaign include amounts due from board members and employees totaling $43,183 and $35,852 at September 30, 2019 and 2018, respectively.

Note 24 - Income Taxes

Uncertain Tax Positions

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Association believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

Note 24 - Income Taxes (continued)

Uncertain Tax Positions (continued)

The Association has received rental income for commercial space it owns at 40 North Merrimon Avenue. The building is debt-financed and as such the net rental income is subject to unrelated business income tax as specified in the Internal Revenue Code. Management has determined the accrual for income taxes payable for unrelated business income would not be material.

Open Tax Years

The Association's Return of Organization Exempt From Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T) for the years ended September 30, 2018, 2017, and 2016, are subject to examination by the IRS, generally for three years after they were filed.

Note 25 - Subsequent Events

Subsequent events were evaluated through January 9, 2020, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Changes in Promises to Give
September 30, 2019

	Operating	Restricted	Endowment	Total Promises to Give
Promises to give, September 30, 2018	$ 86,313	$ 744,167	$ 217,768	$ 1,048,248
Transfers		200,000	(200,000)	
New pledges	1,031,003	383,172	67,163	1,481,338
Cash collections	(900,457)	(696,126)	(67,664)	(1,664,247)
Write-offs	(23,147)	(3,000)		(26,147)
Change in allowance	(6,320)	6,957	12,030	12,667
Change in discount		11,570	941	12,511
Promises to give, September 30, 2019	$ 187,392	$ 646,740	$ 30,238	$ 864,370

COMPLIANCE SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Young Men's Christian Association of Western North Carolina, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Young Men's Christian Association of Western North Carolina, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Young Men's Christian Association of Western North Carolina, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Young Men's Christian Association of Western North Carolina, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A s*ignificant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Young Men's Christian Association of Western North Carolina, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carter, P.C.

Asheville, North Carolina
January 9, 2020

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Young Men's Christian Association of Western North Carolina, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Young Men's Christian Association of Western North Carolina, Inc.'s major federal programs for the year ended September 30, 2019. Young Men's Christian Association of Western North Carolina, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Young Men's Christian Association of Western North Carolina, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Young Men's Christian Association of Western North Carolina, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Young Men's Christian Association of Western North Carolina, Inc.'s compliance.

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

Opinion on Each Major Federal Program

In our opinion, Young Men's Christian Association of Western North Carolina, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of Young Men's Christian Association of Western North Carolina, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Young Men's Christian Association of Western North Carolina, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Young Men's Christian Association of Western North Carolina, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carter, P.C.

Asheville, North Carolina
January 9, 2020

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Agriculture			
Food and Nutrition Service:			
Passed through N.C. Department of Health and Human Services - Division of Public Health:			
Child and Adult Care Food Program	10.558	9066	$ 410,612
Passed through N.C. Department of Public Instruction:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	9027	120,956
Total U.S. Department of Agriculture			531,568
U.S. Department of Health and Human Services			
Centers for Disease Control and Prevention:			
Passed through University of North Carolina at Asheville:			
Assistance Programs for Chronic Disease Prevention and Control	93.945	19-006	7,600
Passed through Buncombe County Department of Health and Human Services:			
Preventive Health and Health Services Block Grant Funded Solely With Prevention and Public Health Funds	93.758	2809	5,000
Passed through N.C. Department of Health and Human Services - Division of Public Health:			
Well-Integrated Screening and Evaluation for Women Across the Nation	93.436	00038714	671
Administration for Community Living:			
Passed through Isothermal Planning & Development Commission:			
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		12,540
Total U.S. Department of Health and Human Services			25,811

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended September 30, 2019

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State/Pass-through Grantor Number	Expenditures
FEDERAL AWARDS (continued)			
U.S. Department of Education			
Office of Academic Improvement:			
Passed through N.C. Department of Public Instruction:			
Title IV - Twenty-First Century Community Learning Centers	84.287C	PRC 110	$ 306,419
Total expenditures of federal awards			$ 863,798
STATE AWARDS			
North Carolina Department of Health and Human Services			
Office of Rural Health:			
Community Health Continuation Grant		00037498	$ 107,206
N.C. Office of Minority Health and Health Disparities:			
Passed through Buncombe County Department of Health and Human Services:			
Minority Diabetes Prevention Program		2675 & 276	262,770
Total expenditures of state awards			$ 369,976

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended September 30, 2019

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of Young Men's Christian Association of Western North Carolina, Inc. under programs of the federal government and the State of North Carolina for the year ended September 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFSA presents only a selected portion of the operations of Young Men's Christian Association of Western North Carolina, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Young Men's Christian Association of Western North Carolina, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Young Men's Christian Association of Western North Carolina, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Schedule of Findings and Questioned Costs
September 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ yes _X_ no
Significant deficiency(ies) identified?	____ yes _X_ none reported
Noncompliance material to financial statements noted?	____ yes _X_ no

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	____ yes _X_ no
Significant deficiency(ies) identified?	____ yes _X_ none reported
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	____ yes _X_ no

Identification of major federal programs:
CFDA# 10.558 - Child and Adult Care Food Program

The threshold for distinguishing Type A and Type B programs was $750,000.

Auditee qualified as low-risk auditee? ____ yes _X_ no

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF WESTERN NORTH CAROLINA, INC.

Summary Schedule of Prior Audit Findings
September 30, 2019

A Single Audit was not required for the year ended September 30, 2018.

A Single Audit was not required for the year ended September 30, 2017.