YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2018 and 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

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

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

Opinion

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

Changes in Financial Statement Presentation

As discussed in Note 1, Young Men's Christian Association of Middle Tennessee adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
May 23, 2019

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,628,014	$ 11,169,488
Accounts and grants receivable:		
Membership and program fees, net	1,138,516	1,035,327
Grants and contracts	85,578	131,319
Pledges receivable, net	568,412	1,601,293
Prepaid expenses and other assets	530,211	634,741
Total Current Assets	13,950,731	14,572,168
Pledges receivable, less current portion, net	54,807	99,779
Property and equipment, net	110,290,505	113,064,434
Cash restricted for investment in property and equipment	154,898	179,603
Total Assets	**$ 124,450,941**	**$ 127,915,984**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 1,457,654	$ 1,258,566
Accrued expenses	3,389,414	3,294,030
Deferred membership and other revenues	1,797,392	1,968,980
Current portion of notes payable	839,867	544,363
Current portion of bonds payable	1,591,067	1,531,768
Current portion of capital leases	180,264	1,020,707
Total Current Labilities	9,255,658	9,618,414
Line of credit	2,686,395	1,210,975
Deferred lease revenue	693,422	818,488
Interest rate swap liability	981,074	1,698,873
Long-term notes payable, less current portion	2,051,496	2,112,081
Long-term bonds payable, less current portion	39,094,694	41,882,370
Long-term capital leases, less current portion	221,933	757,603
Total Liabilities	54,984,672	58,098,804
Net Assets:		
Without Donor Restrictions:		
Undesignated	60,124,514	60,043,615
Board designated	7,945,710	6,695,711
Total Without Donor Restrictions	68,070,224	66,739,326
With Donor Restrictions	1,396,045	3,077,854
Total Net Assets	69,466,269	69,817,180
Total Liabilities and Net Assets	**$ 124,450,941**	**$ 127,915,984**

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restriction	With Donor Restriction	Total	2017 Total
Operating Activities:				
Public support:				
Contributions	$ 2,670,214	$ 416,973	$ 3,087,187	$ 2,812,139
Foundation and corporate grants	643,618	323,164	966,782	1,589,009
Special events, net	622,275	-	622,275	777,622
Gains on disposal of property and equipment	376,256	-	376,256	100,928
Release from restriction	1,277,858	(1,277,858)	-	-
Total Public Support	5,590,221	(537,721)	5,052,500	5,279,698
Revenue:				
Membership fees, net	44,410,840	-	44,410,840	43,349,303
Program fees, net	24,475,874	-	24,475,874	23,436,566
Government grants and contracts	2,385,930	-	2,385,930	2,469,124
Sales to members	878,081	-	878,081	898,025
Other income	822,012	-	822,012	824,209
Consulting and management fees	184,473	-	184,473	217,437
Total Revenue	73,157,210	-	73,157,210	71,194,664
Total Public Support and Revenue	78,747,431	(537,721)	78,209,710	76,474,362
Expenses:				
Program services	66,797,692	-	66,797,692	65,440,296
Administrative	10,767,488	-	10,767,488	10,232,721
Fundraising	2,288,836	-	2,288,836	2,112,075
Total Expenses	79,854,016	-	79,854,016	77,785,092
Changes in net assets from operations	(1,106,585)	(537,721)	(1,644,306)	(1,310,730)
Nonoperating Activities:				
Unrealized gain on interest rate swap	717,799	-	717,799	666,207
Contributions for capital assets	330,048	258,112	588,160	375,154
Loss on restructuring	(12,564)	-	(12,564)	(96,196)
Release from restriction	1,402,200	(1,402,200)	-	-
Total Nonoperating Activities	2,437,483	(1,144,088)	1,293,395	945,165
Change in net assets	1,330,898	(1,681,809)	(350,911)	(365,565)
Net assets, beginning of year	66,739,326	3,077,854	69,817,180	70,182,745
Net assets, end of year	$ 68,070,224	$ 1,396,045	$ 69,466,269	$ 69,817,180

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
Operating Activities:			
Public support:			
Contributions	$ 2,456,441	$ 355,698	$ 2,812,139
Foundation and corporate grants	588,346	1,000,663	1,589,009
Special events, net	777,622	-	777,622
Gains on disposal of property and equipment	100,928	-	100,928
Release from restriction	1,368,857	(1,368,857)	-
Total Public Support	5,292,194	(12,496)	5,279,698
Revenue:			
Membership fees, net	43,349,303	-	43,349,303
Program fees, net	23,436,566	-	23,436,566
Government grants and contracts	2,469,124	-	2,469,124
Other income	824,209	-	824,209
Sales to members	898,025	-	898,025
Consulting and management fees	217,437	-	217,437
Total Revenue	71,194,664	-	71,194,664
Total Public Support and Revenue	76,486,858	(12,496)	76,474,362
Expenses:			
Program services	65,440,296	-	65,440,296
Administrative	10,232,721	-	10,232,721
Fundraising	2,112,075	-	2,112,075
Total Expenses	77,785,092	-	77,785,092
Changes in net assets from operations	(1,298,234)	(12,496)	(1,310,730)
Nonoperating Activities:			
Unrealized gain on interest rate swap	666,207	-	666,207
Contributions for capital assets	102,900	272,254	375,154
Loss on restructuring	(96,196)	-	(96,196)
Release from restriction	991,672	(991,672)	-
Total Nonoperating Activities	1,664,583	(719,418)	945,165
Change in net assets	366,349	(731,914)	(365,565)
Net assets, beginning of year	66,372,977	3,809,768	70,182,745
Net assets, end of year	$ 66,739,326	$ 3,077,854	$ 69,817,180

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Program Services				Supporting Services		
	Healthy Living	**Youth Development**	**Social Responsibility**	**Total Program Services**	**Administrative**	**Fundraising**	**Total Expenses**
Personnel Costs:							
Salaries and wages	$ 19,647,893	$ 9,598,374	$ 555,216	$ 29,801,483	$ 5,744,568	$ 1,225,868	$ 36,771,919
Employee benefits	1,747,258	1,160,373	87,655	2,995,286	990,901	214,332	4,200,519
Payroll taxes	1,775,637	836,130	45,281	2,657,048	429,377	84,521	3,170,946
Total Personnel Costs	23,170,788	11,594,877	688,152	35,453,817	7,164,846	1,524,721	44,143,384
Nonpersonnel Costs:							
Occupancy	8,386,525	1,268,638	-	9,655,163	312,264	-	9,967,427
Depreciation and amortization	4,661,553	2,313,345	106,219	7,081,117	185,674	-	7,266,791
Supplies	2,422,012	1,712,425	5,546	4,139,983	151,332	117,356	4,408,671
Purchased services	1,151,583	869,365	30,163	2,051,111	577,588	28,761	2,657,460
Financing costs	1,285,082	637,736	29,282	1,952,100	-	-	1,952,100
Technology system and services	719,297	291,469	24,225	1,034,991	858,814	49,413	1,943,218
Awards, grants, and assistance	214,928	725,813	39,075	979,816	-	-	979,816
Conferences, meetings, and staff development	221,217	1,182,114	19,416	1,422,747	267,464	44,189	1,734,400
Equipment	647,942	252,625	3,507	904,074	361,469	2,231	1,267,774
Promotion and publication	131,318	77,032	24,348	232,698	445,450	236,955	915,103
Travel, meals, and entertainment	86,380	485,090	21,816	593,286	180,546	12,218	786,050
Membership and professional dues	394,982	130,596	4,119	529,697	48,655	4,420	582,772
Bad debt expense	194,745	96,644	4,438	295,827	-	232,486	528,313
Miscellaneous	116,775	91,421	1,316	209,512	68,227	35,471	313,210
Liability and other insurance	155,354	87,648	2,676	245,678	13,989	-	259,667
Postage and shipping	11,557	4,518	-	16,075	131,170	615	147,860
Total Nonpersonnel Costs	20,801,250	10,226,479	316,146	31,343,875	3,602,642	764,115	35,710,632
Total Expenses	$ 43,972,038	$ 21,821,356	$ 1,004,298	$ 66,797,692	$ 10,767,488	$ 2,288,836	$ 79,854,016

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services		
	Healthy Living	Youth Development	Social Responsibility	Total Program Services	Administrative	Fundraising	Total Expenses
Personnel Costs:							
Salaries and wages	$ 19,127,614	$ 9,642,215	$ 487,092	$ 29,256,921	$ 5,428,554	$ 1,166,363	$ 35,851,838
Employee benefits	1,608,100	1,019,106	72,853	2,700,059	870,420	198,801	3,769,280
Payroll taxes	1,743,891	858,501	36,084	2,638,476	378,152	80,952	3,097,580
Total Personnel Costs	22,479,605	11,519,822	596,029	34,595,456	6,677,126	1,446,116	42,718,698
Nonpersonnel Costs:							
Occupancy	7,982,890	1,068,033	2,601	9,053,524	323,422	-	9,376,946
Depreciation and amortization	5,088,956	2,503,329	106,607	7,698,892	313,224	-	8,012,116
Supplies	2,414,651	1,571,159	10,046	3,995,856	145,414	169,951	4,311,221
Purchased services	1,174,682	956,381	30,355	2,161,418	352,650	30,863	2,544,931
Financing costs	1,233,533	606,792	25,841	1,866,166	-	-	1,866,166
Technology system and services	697,006	299,169	8,555	1,004,730	796,720	42,977	1,844,427
Awards, grants, and assistance	303,944	656,900	42,717	1,003,561	-	2,618	1,006,179
Conferences, meetings, and staff development	198,714	1,045,742	31,381	1,275,837	234,694	42,539	1,553,070
Equipment	623,505	187,339	2,704	813,548	279,943	5,864	1,099,355
Promotion and publication	129,123	62,474	16,931	208,528	659,613	-	868,141
Travel, meals, and entertainment	101,583	439,007	25,302	565,892	149,711	9,925	725,528
Membership and professional dues	410,555	128,189	1,204	539,948	52,211	3,581	595,740
Bad debt expense	144,054	70,862	3,018	217,934	-	325,192	543,126
Miscellaneous	122,112	82,154	562	204,828	88,319	31,359	324,506
Liability and other insurance	140,325	78,680	2,299	221,304	46,560	-	267,864
Postage and shipping	10,705	2,169	-	12,874	113,114	1,090	127,078
Total Nonpersonnel Costs	20,776,338	9,758,379	310,123	30,844,840	3,555,595	665,959	35,066,394
Total Expenses	$ 43,255,943	$ 21,278,201	$ 906,152	$ 65,440,296	$ 10,232,721	$ 2,112,075	$ 77,785,092

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Cash received from program activities	$ 70,371,430	$ 68,480,844
Cash received from contributions and grants	7,094,801	7,836,805
Cash payments to employees and vendors	(70,244,159)	(68,299,297)
Cash payments for interest	(1,952,100)	(1,866,166)
Net cash provided by operating activities	5,269,972	6,152,186
Cash flows from investing activities:		
Purchases of property and equipment	(1,328,483)	(1,996,222)
Decrease in cash restricted for investment in property	24,705	691,007
Principal payments received on note receivable	-	1,353,730
Proceeds from sale of property and equipment	384,290	130,831
Net cash (used in) provided by investing activities	(919,488)	179,346
Cash flows from financing activities:		
Proceeds received from contributions for property and equipment	1,679,127	441,663
Proceeds from debt obligations	612,769	-
Principal payments on debt obligations	(4,807,741)	(3,592,236)
Principal payments on capital lease obligations	(1,376,113)	(2,094,956)
Net cash used in financing activities	(3,891,958)	(5,245,529)
Increase in cash and cash equivalents	458,526	1,086,003
Cash and cash equivalents, beginning of year	11,169,488	10,083,485
Cash and cash equivalents, end of year	$ 11,628,014	$ 11,169,488
Supplemental cash flow disclosures:		
Noncash investing and financing activities:		
Property and equipment acquired through notes payable	$ 3,176,934	$ 1,246,610
Property and equipment acquired through capitalized leases	$ -	$ 2,173,941
Accounts payable for construction-in-progress	$ 11,974	$ 16,495

Note 1—General and summary of significant accounting policies

General – The Young Men's Christian Association of Middle Tennessee (the "YMCA") is a worldwide charitable fellowship united by a common loyalty to Jesus Christ for the purpose of helping people grow in spirit, mind, and body. As the region's leading nonprofit dedicated to strengthening community, the YMCA works side-by-side with neighbors to make sure that everyone, regardless of age, income, or background, has the opportunity to learn, grow, and thrive. With 15 family wellness centers and over 260 program locations, the YMCA exists to nurture the potential of children and teens, improve the region's health and well-being, and to provide opportunities to give back and support neighbors.

Basis of Presentation – The accompanying financial statements present the financial position and operations of the corporate office and all YMCA centers on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. All significant transactions and balances between and among the corporate office and the centers have been eliminated in combination.

Resources are classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

> *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 objectives of the YMCA. These net assets may be used at the discretion of YMCA's management and the board of directors.
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> *Net Assets with Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the YMCA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions and Support – Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

The YMCA also receives grant revenue from various federal and state agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Any gifts of equipment or materials are reported as increases to net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as increases to net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Note 1—General and summary of significant accounting policies (continued)

Donated Services – Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2018 and 2017, contributed services meeting the requirements for recognition in the financial statements was not significant.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, the YMCA considers all cash funds, cash bank accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Accounts and Grants Receivable – Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. The allowance for doubtful accounts for accounts and grants receivable at December 31, 2018 and 2017 is $109,598 and $84,145, respectively.

Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an appropriate discount rate commensurate with the rate on U.S. government bonds whose maturities correspond to the maturities of the contributions and management's estimate of credit risk for each contribution. Amortization of the discount is recognized using the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

Prepaid Expenses – Prepaid expenses include certain marketing and promotional costs pertaining to future campaigns and are paid in advance and charged to operating expense when the campaign occurs.

Advertising, marketing, and promotional costs incurred totaled $1,136,520 and $1,233,030 for the years ended December 31, 2018 and 2017, respectively.

Property and Equipment – Land, building, equipment, furniture, and software are reported at cost at the date of purchase or at estimated fair value at date of gift to the YMCA. The YMCA's policy is to capitalize purchases with a cost of $5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from 2 to 40 for equipment, furniture, and building improvements, 5 to 7 years for software, 15 to 20 years for land improvements, and 40 years for buildings and building additions.

Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The YMCA assesses recoverability of the carrying value of the asset by estimating future net cash flows expected to result from the assets, including eventual disposition. If the future cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its estimated fair value.

Note 1—General and summary of significant accounting policies (continued)

Derivatives – The YMCA utilizes derivative financial instruments to manage its interest rate exposure by reducing the impact of fluctuating interest rates on its debt service requirements. Derivatives are recognized as either assets or liabilities in the statements of financial position at fair value. Changes in the fair value of derivatives are recognized currently in the statements of activities.

Deferred Revenues – Deferred revenue consists of membership dues, unearned revenue from a lease, and advance operational and maintenance costs received from a leasee.

Income from membership dues is deferred initially and recognized over the periods to which the dues relate.

Deferred lease revenue is recognized into income on the straight-line method over the term of the lease.

The reimbursement for operational and maintenance costs relating to a lease is recognized as the actual costs are incurred which is currently expected to represent a term of approximately 15 years.

Grant funds received prior to expenditure are recorded initially as deferred revenue and recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Income Taxes – The YMCA qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The YMCA pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2018 and 2017.

The YMCA files U.S. Federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. In addition, the YMCA files a Tennessee state income tax return.

The YMCA follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The YMCA has no tax penalties or interest reported in the accompanying financial statements. There is no accrual for uncertain tax positions at December 31, 2018 and 2017.

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

> *Program Services* – includes activities carried out to fulfill the YMCA's mission to provide nurturing and healthy development of children, teens, adults, seniors, families, and communities.
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> *Supporting Services* – Administrative expenses relate to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Fundraising expenses include the costs of activities directed toward appeals for financial support including annual giving campaigns and grants. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Note 1—General and summary of significant accounting policies (continued)

As part of its fundraising efforts, the YMCA holds periodic special events. Direct expenses related to special events are included within special event revenue in the accompanying statements of activities and totaled $165,717 and $246,355 for the years ended December 31, 2018 and 2017, respectively.

Allocation of Functional Expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, interest, occupancy, salaries and wages, and conferences, meetings, and staff development, which are allocated on a basis of estimated time and effort.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 Measurements – The YMCA classifies its financial assets and liabilities based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for financial assets and liabilities:

> Interest rate swaps are measured at fair value on a recurring basis utilizing Level 2 inputs. The YMCA obtains bank quotations to value its interest rate swaps. For purposes of potential valuation adjustments to its derivative positions, the YMCA evaluates the credit risk of its counterparties as well as that of the YMCA.
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> The carrying value of cash and cash equivalents, accounts and grants receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying value of contributions receivable approximates fair value because of the present value discount included in the carrying amount. Notes payable, bonds payable, and capital lease obligations have a carrying value which approximates the fair value of the outstanding balance of the notes, bonds, and capital lease obligations, respectively. The estimated fair value amounts have been determined by the YMCA using available market information and appropriate valuation methodologies.

No changes in the valuation methodologies were made during 2018 or 2017.

New Accounting Pronouncement – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

Note 1—General and summary of significant accounting policies (continued)

Accounting Policies for Future Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the YMCA for the year ending December 31, 2019. The YMCA is currently evaluating the effect of the implementation of this new standard.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. This standard will be effective for the fiscal year ending December 31, 2020. The YMCA is currently evaluating the effect of the implementation of this new standard.

In November 2016, the FASB issued accounting standard ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard will be effective for the year ending December 31, 2020. Early adoption is permitted. The YMCA is currently evaluating the effect of the implementation of this new standard.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The standard will be effective for the fiscal year ending December 31, 2019. The YMCA is currently evaluating the effect of the implementation of this new standard.

Reclassifications – Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Subsequent Events – The YMCA evaluated subsequent events through May 23, 2019, when these financial statements were available to be issued. YMCA management is not aware of any significant events that occurred subsequent to the statements of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 2—Liquidity and availability of resources

The YMCA has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The YMCA maintains a line of credit with maximum borrowings of $15 million (see Note 7) with a financial institution that is drawn upon as needed during the year primarily to finance fixed asset purchases, and also to manage cash flow, if needed.

Note 2—Liquidity and availability of resources (continued)

The following table represents the YMCA's financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve. These board designations could be drawn upon if the board approves that action. The YMCA considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission of helping people grow in spirit, mind, and body.

Financial Assets:	
Cash and cash equivalents	$ 11,628,014
Accounts and grants receivable, net	1,224,094
Pledges receivable, net	623,219
Cash restricted for investment in property and equipment	154,898
Financial Assets, at year-end	13,630,225
Less those unavailable for general expenditure within one year, due to:	
Board designated reserves	(7,945,710)
Net assets restricted for capital improvements	(404,859)
Net assets restricted for specific programs	(584,124)
Net assets restricted for future year operations	(407,062)
Financial assets available to meet general expenditures within one year	$ 4,288,470

Note 3—Contributions receivable

Pledges receivable consisted of the following as of December 31:

	2018	2017
Less than one year	$ 663,032	$ 1,666,287
Over one year	61,273	104,327
	724,305	1,770,614
Less allowance for uncollectible contributions	(94,620)	(64,994)
Less discount to net present value	(6,466)	(4,548)
Total	$ 623,219	$ 1,701,072

Contributions receivable are discounted at rates ranging from 0.72% to 5.17%.

Note 4—Note receivable

During 2015, the YMCA financed the sale of property held for sale by entering into a note receivable agreement with the purchaser. The note required monthly interest payments calculated at an annual rate of 5%. Additionally, periodic principal payments were required with the balance due in full on November 15, 2017. During 2017, this note receivable was paid in full.

Note 5—Property and equipment

Property and equipment consisted of the following as of December 31:

	2018	2017
Land and land improvements	$ 17,442,819	$ 17,436,399
Buildings and improvements	137,460,483	136,944,824
Equipment and furniture	41,643,856	40,789,488
Software	2,436,042	2,436,042
Construction in progress	338,962	173,163
	199,322,162	197,779,916
Less accumulated depreciation	(89,031,657)	(84,715,482)
	$ 110,290,505	$ 113,064,434

Construction in progress includes renovations and additions that were underway at December 31, 2018 and 2017 at YMCA centers.

Note 6—Deferred lease revenue

The YMCA maintains a joint occupancy agreement with a nonprofit organization for facility use and maintenance. Under the terms of the joint occupancy agreement, the nonprofit organization has the right to occupy certain space at the Bellevue Family YMCA and J.L. Turner Center for Lifelong Learning until February 28, 2029. The initial agreement required an advance payment of $2,000,000, of which $1,486,636 was prepaid rent for the entire initial lease term, and $513,364 was a prepayment for estimated operational costs and maintenance for approximately 15 years. The remaining unamortized balance of deferred lease revenue for the Bellevue facility totaled $693,422 and $818,488 at December 31, 2018 and 2017, respectively.

Note 7—Line of credit

The YMCA maintains a line of credit with a financial institution. The line of credit provides for maximum borrowings of $15,000,000 through October 31, 2020. The agreement requires monthly interest payments calculated at a rate of LIBOR plus 1.30% (3.65% and 2.66% at December 31, 2018 and 2017, respectively) in addition to a fee of 0.25% of the unused principal balance. The line of credit contains a provision to periodically convert portions of the balance to term notes, based upon the purpose for which the funds were drawn as well as the length of time the funds remain unpaid. During 2018, balances totaling $1,087,988 were converted to term loans (see Note 8).

Outstanding borrowings on the line of credit totaled $2,686,395 and $1,210,975 at December 31, 2018 and 2017, respectively. The line of credit contains restrictive covenants and is secured by a negative pledge of the YMCA's assets. The YMCA was in compliance with all covenants at December 31, 2018.

Note 8—Notes and bonds payable

On July 1, 2012, the YMCA entered into an agreement with a financial institution to provide up to $57 million in financing through a guaranty and credit qualified tax exempt loan and up to $15 million in financing (see line of credit discussed in Note 7) through a taxable debt facility. These debt instruments served to refinance substantially all existing debt and provide additional borrowing capacity. The industrial development bond associated with the tax exempt loan was approved by the Davidson County Industrial Development Board on May 8, 2012. The guaranty and credit agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's real property. The agreement contains a provision to adjust the monthly payment requirement and provide the financial institution the option to call the bonds, with 90 days' notice, on October 1, 2015, October 1, 2030, and October 1, 2035. The YMCA was in compliance with all covenants at December 31, 2018. Notes and bonds payable consisted of the following at December 31:

	2018	2017
Bonds Payable (1)		
2012 Industrial Revenue bonds, face 2012 Industrial Revenue Bonds, face value $57,000,000, final maturity date of June 1, 2037. Payments toward principal repayment are due monthly. Interest on the bonds is determined weekly by the Remarketing Agent. Rates at December 31, 2018 and 2017 were 3.40% and 2.47%, respectively.	$ 40,685,761	$ 43,414,138
Notes Payable		
Term note converted from the line of credit draw to finance major maintenance and renovation costs. The note requires principal payments of $13,636 plus interest, due monthly. Remaining principal is due upon maturity on October 31, 2020. The interest rate at December 31, 2018 was 3.65%.	1,472,737	1,636,376
Term note converted from the line of credit draw to finance the purchase of wellness equipment. The note requires principal payments of $23,083 plus interest, due monthly. Remaining principal is due upon maturity on December 31, 2021. The interest rate at December 31, 2018 was 3.85%.	782,995	-
Term note converted from the line of credit draw to finance the purchase of wellness equipment. The note requires principal payments of $30,000 plus interest, due monthly. Remaining principal is due upon maturity on October 31, 2020. The interest rate at December 31, 2018 was 3.65%.	511,480	975,737
Term note converted from the line of credit draw to finance the purchase of wellness equipment. The note requires principal payments of $1,930 plus interest, due monthly. Remaining principal is due upon maturity at December 31, 2022. The interest rate at December 31, 2018 was 4.01%.	84,541	-
Notes payable on vehicles purchased for employee and program usage. Total monthly payments range from $389 to $667, including interest ranging from 0% to 4.89% per annum. Maturities range through 2023.	39,610	44,331
Total notes and bonds payable	$ 43,577,124	$ 46,070,582

Note 8—Notes and bonds payable (continued)

Annual principal maturities and required reimbursement payments of notes and bonds payable as of December 31, 2018 are as follows:

Years Ending December 31,	Notes Payable	2012 Bond Issue	Total
2019	$ 839,867	$ 1,591,067	$ 2,430,934
2020	1,767,606	1,652,674	3,420,280
2021	257,796	1,716,652	1,974,448
2022	21,656	1,783,116	1,804,772
2023	4,438	1,852,153	1,856,591
Thereafter	-	32,090,099	32,090,099
	$ 2,891,363	$ 40,685,761	$ 43,577,124

(1) Effective November 1, 2015, the YMCA entered into an interest rate swap agreement with a financial institution in order to lessen exposure to fluctuating interest rates on the Bonds. The agreement provides for a 10-year term (maturity of November 1, 2025) and an original notional amount of $46,426,417. The agreement requires the YMCA to make a monthly interest payment equal to a per annum rate of 2.32% times the current notional amount ($41,882,370 at December 31, 2018), and the financial institution makes a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 77% of LIBOR (1.81% at December 31, 2018).

Note 9—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for the following at December 31:

	2018	2017
Capital improvements	$ 404,859	$ 1,548,948
Grants restricted for specific programs	584,124	1,000,663
Contributions restricted for future year operations	407,062	528,243
	$ 1,396,045	$ 3,077,854

Note 10—Commitments and contingencies

The YMCA has received certain federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantors.

Note 11—Concentrations of credit risk

The YMCA maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of December 31, 2018, the YMCA's depositor accounts exceeded FDIC insurance limits by approximately $12,100,000.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from one donor amounted to 67% of total gross outstanding contributions receivable as of December 31, 2017. This receivable was collected during 2018.

Note 12—Employee benefit plans

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 (a separate corporation) (the "Retirement Fund"). This plan is for the benefit of all eligible professional and nonprofessional staff of duly organized and reorganized YMCA's throughout the United States.

Contributions to the plan by employees and employer YMCAs are based on a percentage of the participating employees' salaries. Employer contribution rates were 10% for the years ended December 31, 2018 and 2017, respectively. Total contributions to the plan by the YMCA, which are included in employee benefits in the accompanying statements of functional expenses amounted to $1,974,350 in 2018 and $1,918,939 in 2017.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

Note 13—Related party transactions and related entities

The YMCA purchases insurance, contracts for marketing services, law services, construction services, and architectural services from entities in which certain board members are affiliated. The total of such expenditures approximated $233,000 in 2018 and $131,000 in 2017.

The YMCA Foundation of Middle Tennessee (the "YMCA Foundation") was formed to establish a sustaining means of support, using its income primarily for the benefit of the YMCA. The YMCA has representation on the YMCA Foundation's Board of Directors but does not have a majority voting interest. The YMCA Foundation receives donor designated funds and also makes grants to other nonprofit organizations. For the year ended December 31, 2018, the YMCA Foundation paid out total grants of $366,795 ($105,042 in 2017), of which $365,765 ($86,000 in 2017) was paid to the YMCA and included in grant revenues. During 2016, the YMCA made a $500,000 pledge to the YMCA Foundation which was paid during 2017.

Note 13—Related party transactions and related entities (continued)

A condensed summary of financial information of the YMCA Foundation as of and for the years ended December 31, follows:

	2018	2017
Total assets	$ 8,989,580	$ 9,623,817
Total liabilities	36,044	39,074
Net assets	$ 8,953,536	$ 9,584,743
Net assets:		
Without donor restrictions	$ 7,987,984	$ 8,630,641
With donor restrictions	965,552	954,102
Total net assets	$ 8,953,536	$ 9,584,743
Total support and revenue, including realized and unrealized (losses) gains on investments of ($590,142) in 2018 and $990,122 in 2017.	$ (187,569)	$ 1,303,089
Total expenses	$ 443,638	$ 191,592
Resources held for the benefit of the YMCA	$ 8,926,597	$ 9,539,951

Note 14—Leases

The YMCA is obligated under several noncancelable operating leases for office space, equipment, and vehicles that expire at various dates through 2021. Total rental expense incurred under these leases for the years ended December 31, 2018 and 2017 amounted to: office space - $625,899 and $646,481, respectively; equipment - $136,246 and $123,124, respectively; and vehicles - $92,241 and $111,632, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2021. Total capital lease payments made under these leases for the years ended December 31, 2018 and 2017 amounted to $1,430,860 and $2,174,285, including $68,295 and $79,329 of imputed interest, respectively.

Assets recorded under capital leases are included in property and equipment consisted of the following at December 31:

	2018	2017
Cost	$ 2,541,581	$ 5,140,287
Accumulated depreciation	(1,331,626)	(3,338,047)
Net book value	$ 1,209,955	$ 1,802,240

Note 14—Leases (continued)

Future minimum lease payments required under all noncancelable leases as of December 31, 2018 are:

Years Ending December 31,	Office	Equipment	Vehicles	Total Operating Leases	Capital Lease Equipment
2019	$ 155,399	$ 125,358	$ 6,519	$ 287,276	$ 191,773
2020	105,292	125,358	1,087	231,737	118,725
2021	2,006	-	-	2,006	112,084
	$ 262,697	$ 250,716	$ 7,606	$ 521,019	422,582
Less interest imputed at rates ranging from 1.91% to 3.90%					20,385
Present value of future minimum lease payments					$ 402,197