The Young Men's Christian Association of Birmingham, Inc.
Birmingham, Alabama

Financial Report
December 31, 2019

Including Report of
Independent Auditors

CONTENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Young Men's Christian Association of Birmingham, Inc.
Birmingham, Alabama

We have audited the accompanying financial statements of The Young Men's Christian Association of Birmingham, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows for the year 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 the 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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.

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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 Birmingham, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements
The financial statements of The Young Men's Christian Association of Birmingham, Inc. as of December 31, 2018, were audited by other auditors whose report dated June 14, 2019 expressed an unmodified opinion on those statements.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Activities – Endowment Funds and the Schedule of Property and Equipment by Branch are presented for purposes of additional analysis and is 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.

Dent Moses LLP

Birmingham, Alabama
July 9, 2020

The Young Men's Christian Association of Birmingham, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 4,872,009	$ 990,582
Restricted cash	-	750,757
Investments	8,153,309	7,520,580
Pledges receivable, net	166,445	179,909
Accounts receivable	752,302	812,454
Note receivable	665,490	-
Prepaid expenses and supplies	366,683	537,036
Property and equipment, net	41,582,100	44,946,900
TOTAL ASSETS	$ 56,558,338	$ 55,738,218
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,583,967	$ 1,260,861
Deferred revenue	952,096	823,520
Notes payable	-	190,460
Interest rate swap	-	319,160
Capitalized lease obligations	19,385,028	20,562,620
Total liabilities	21,921,091	23,156,621
Net Assets		
Without donor restrictions:		
Undesignated	27,469,605	26,042,376
Designated by the board for endowments	6,662,286	6,024,902
With donor restrictions	505,356	514,319
Total net assets	34,637,247	32,581,597
TOTAL LIABILITIES AND NET ASSETS	$ 56,558,338	$ 55,738,218

The Notes to Financial Statements are an integral part of these statements.

The Young Men's Christian Association of Birmingham, Inc.
Statement of Activities
Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Support and revenue			
Contributions and grants	$ 2,398,899	$ 48,409	$ 2,447,308
Membership dues	16,399,811	-	16,399,811
Program service fees	10,028,282	-	10,028,282
Total support and revenue	28,826,992	48,409	28,875,401
Net assets released from restrictions	57,372	(57,372)	-
Total support, revenue and net assets released from restrictions	28,884,364	(8,963)	28,875,401
Expenses			
Program services	25,161,239	-	25,161,239
Management and general	3,083,036	-	3,083,036
Fundraising	360,323	-	360,323
Total expenses	28,604,598	-	28,604,598
Changes in net assets from operating activities	279,766	(8,963)	270,803
NON-OPERATING ACTIVITIES			
Gain (loss) on interest rate swap	(79,740)	-	(79,740)
Investment return, net	1,192,932	-	1,192,932
Gain (loss) on disposal of assets	785,505	-	785,505
Loss on extinguishment of capitalized lease obligations	(134,595)	-	(134,595)
Miscellaneous	20,745	-	20,745
Changes in net assets from non-operating activities	1,784,847	-	1,784,847
Changes in net assets	2,064,613	(8,963)	2,055,650
NET ASSETS - BEGINNING OF YEAR	32,067,278	514,319	32,581,597
NET ASSETS - END OF YEAR	$ 34,131,891	$ 505,356	$ 34,637,247

The Notes to Financial Statements are an integral part of these statements.

The Young Men's Christian Association of Birmingham, Inc.
Statement of Activities
Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Support and revenue			
Contributions and grants	$ 2,589,464	$ 45,000	$ 2,634,464
Membership dues	16,800,454	-	16,800,454
Program service fees	9,184,749	-	9,184,749
Total support and revenue	28,574,667	45,000	28,619,667
Net assets released from restrictions	12,372	(12,372)	-
Total support, revenue and net assets released from restrictions	28,587,039	32,628	28,619,667
Expenses			
Program services	25,047,415	-	25,047,415
Management and general	2,824,964	-	2,824,964
Fundraising	274,742	-	274,742
Total expenses	28,147,121	-	28,147,121
Changes in net assets from operating activities	439,918	32,628	472,546
NON-OPERATING ACTIVITIES			
Gain (loss) on interest rate swap	155,883	-	155,883
Investment return, net	(430,368)	-	(430,368)
Gain (loss) on disposal of assets	(17,736)	-	(17,736)
Miscellaneous	67,365	-	67,365
Changes in net assets from non-operating activities	(224,856)	-	(224,856)
Changes in net assets	215,062	32,628	247,690
NET ASSETS - BEGINNING OF YEAR	31,852,216	481,691	32,333,907
NET ASSETS - END OF YEAR	$ 32,067,278	$ 514,319	$ 32,581,597

The Notes to Financial Statements are an integral part of these statements.

The Young Men's Christian Association of Birmingham, Inc.
Statement of Functional Expenses
Year ended December 31, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$ 9,995,506	$ 1,757,459	$ 213,673	$ 11,966,638
Utilities	2,564,891	-	-	2,564,891
Payroll taxes and employee benefits	2,035,717	417,669	33,691	2,487,077
Maintenance and repairs	1,504,311	26,773	-	1,531,084
Rentals	1,273,565	7,246		1,280,811
Programs	906,702	33,073		939,775
Media, publications, and promotions	693,533	29,327	87,189	810,049
Professional fees and contract labor	195,433	492,397	2,281	690,111
Supplies	582,388	11,096	2,337	595,821
Computer support fees	500,817	47,749	7,088	555,654
Bank and credit card fees	411,897	3,928	-	415,825
Insurance	367,300	19,901	-	387,201
Transportation, travel, and training	265,189	97,640	10,465	373,294
National YMCA support	363,626	-	-	363,626
Communications	227,083	49,790	276	277,149
Cost of merchandise sold	185,740	-	-	185,740
Bad debts	181,513	2,166	-	183,679
Dues	59,151	9,118	2,878	71,146
Other expenses, net	8,857	14,555	445	23,857
Total expenses before interest and depreciation	22,323,218	3,019,887	360,323	25,703,428
Interest	635,496	-	-	635,496
Depreciation	2,202,526	63,148	-	2,265,674
Total expenses	$ 25,161,240	$ 3,083,035	$ 360,323	$ 28,604,598

The Notes to Financial Statements are an integral part of these statements.

The Young Men's Christian Association of Birmingham, Inc.
Statement of Functional Expenses
Year ended December 31, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$ 9,655,714	$ 1,740,775	$ 182,101	$ 11,578,590
Utilities	2,666,758	-	-	2,666,758
Payroll taxes and employee benefits	2,011,590	446,584	47,831	2,506,005
Maintenance and repairs	1,538,217	31,430	-	1,569,647
Rentals	865,605	6,673	150	872,428
Programs	986,077	22,077	-	1,008,154
Media, publications, and promotions	766,366	24,962	23,458	814,786
Professional fees and contract labor	285,623	265,087	22	550,732
Supplies	649,971	2,327	771	653,069
Computer support fees	409,495	43,630	5,385	458,510
Bank and credit card fees	403,143	5,088	-	408,231
Insurance	425,951	21,276	-	447,227
Transportation, travel, and training	298,490	94,860	10,745	404,095
National YMCA support	345,994	-	-	345,994
Communications	215,383	46,159	810	262,352
Cost of merchandise sold	216,461	-	-	216,461
Bad debts	164,994	987	-	165,981
Dues	104,419	9,771	2,560	116,750
Other expenses, net	9,096	10,089	909	20,094
Total expenses before interest and depreciation	22,019,347	2,771,775	274,742	25,065,864
Interest	736,291	-	-	736,291
Depreciation	2,291,777	53,189	-	2,344,966
Total expenses	$ 25,047,415	$ 2,824,964	$ 274,742	$ 28,147,121

The Notes to Financial Statements are an integral part of these statements.

The Young Men's Christian Association of Birmingham, Inc.
Statements of Cash Flows
Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,055,650	$ 247,690
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,265,674	2,344,966
Amortization of debt issue costs	20,528	17,644
(Gain) loss on interest rate swap	79,740	(155,883)
(Gain) loss on disposal of property and equipment	(785,505)	2,086
(Gain) loss on extinguishment of capitalized lease obligations	134,595	-
(Gain) loss from insurable events	(20,745)	(67,365)
Net realized and unrealized (gain) loss on investments	(998,868)	610,566
Investment (income) loss restricted for endowment	(153,313)	(144,238)
Donated property and equipment	(35,000)	-
Change in pledges receivable	13,464	(18,397)
Change in accounts receivable	60,152	(569,900)
Change in prepaid expenses and supplies	170,353	(70,654)
Change in other assets	-	1,000,000
Change in accounts payable and accrued expenses	323,106	191,035
Change in deferred revenue	128,576	537,591
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,258,407	3,925,141
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,152,417)	(1,230,334)
Proceeds from sales of property and equipment	2,456,415	-
Proceeds from insurance recovery	20,745	67,365
Net proceeds from sale of investments	366,140	77,915
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,690,883	(1,085,054)
CASH FLOWS FROM FINANCING ACTIVITIES		
Investment income (loss) restricted for endowment	153,313	144,238
Proceeds from capitalized lease obligations	10,830,830	-
Payments of capitalized lease obligations	(12,029,883)	(1,958,898)
Payments of debt issue costs	(183,520)	-
Repayment of notes payable	(190,460)	(68,060)
Repayment of interest rate swap	(398,900)	-
Net (payment) borrowing under line of credit	-	(764,900)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(1,818,620)	(2,647,620)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,130,670	192,467
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	1,741,339	1,548,872
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 4,872,009	$ 1,741,339

The Notes to Financial Statements are an integral part of these statements.

The Young Men's Christian Association of Birmingham, Inc.
Statements of Cash Flows (Continued)
Years ended December 31, 2019 and 2018

	2019	2018
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Amounts reported within the statement of financial position that sum to the total above:		
Cash and cash equivalents	$ 4,872,009	$ 990,582
Restricted cash	-	750,757
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	$ 4,872,009	$ 1,741,339
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 623,284	$ 729,037
NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated property and equipment	$ 35,000	$ -
Acquisition of property and equipment under capital lease obligations	$ 49,858	$ 43,941
Sale of property and equipment in exchange for note receivable	$ 665,490	$ -

The Notes to Financial Statements are an integral part of these statements.

The Young Men's Christian Association of Birmingham, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE 1 – DESCRIPTION OF ORGANIZATION

The Young Men's Christian Association of Birmingham, Inc. ("the YMCA"), is a charitable organization that opens its doors to all women, men, families, teenagers and children regardless of their ability to pay. The mission of the YMCA is to put Judeo-Christian principles into practice through programs that build healthy spirit, mind and body for all.

As of December 31, 2019, the YMCA is comprised of nine community branches, one youth center, and one resident camp. Incorporating the core character values of caring, respect, honesty and responsibility into all of its programs, the YMCA is dedicated to providing a firm foundation and support system promoting healthy lifestyles, leadership development, community interaction and collaboration, volunteerism and philanthropy. During 2019, the YMCA sold one community branch and its retreat center.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation
The financial statements of the YMCA have been prepared on the accrual basis of accounting.

The YMCA reports information regarding its financial position and activities according to two net asset classifications based on the existence and nature of any donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor-imposed restrictions. Board designated endowment funds are recorded as net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2019 and 2018, the YMCA has no donor-imposed restrictions that are perpetual in nature.

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

Income Taxes
The YMCA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Management believes that all revenue-producing activities of the YMCA comply with Section 501(c)(3) of the Internal Revenue Code. Accordingly, no accrual for taxes has been made.

The YMCA has no significant uncertain tax positions that would require either recognition or disclosure in the financial statements. No interest or penalties related to income taxes have been recognized in the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents

The YMCA defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less, excluding amounts held as long-term investments (quasi-endowments) in the YMCA's investment portfolio. The cash maintained in the YMCA's bank accounts may, at times, exceed federally insured limits. However, management believes the credit risk related to these amounts is minimal.

Restricted Cash

Restricted cash represents monies held in separate bank accounts to satisfy certain requirements of grant and debt agreements.

Investments

Investments are stated at fair value based on published market quotations. Unrealized holding gains and losses are reflected in investment income. Marketable securities that are donated are recorded at fair value as of the date received. Certain investments of board designated endowment funds have been jointly invested for the purpose of maximizing income. Investment income is shared based on each fund's total investments. Investment income (interest and dividends) is recognized when earned or declared, and the YMCA has rights to the respective income.

Board designated endowment funds are administered by Trustees who are nominated by the Board of Directors of the YMCA. The Trustees have sole authority to invest, sell, pledge and otherwise administer these funds for the sole benefit of the YMCA. Annual distributions from endowment assets are used to fund programs and supporting services.

Pledges Receivable

Contributors include businesses and individuals primarily located in Birmingham and the surrounding area. Contributions are recognized when the donor makes a pledge to the YMCA that is, in substance, unconditional. Contributions that are unrestricted are recorded as increases in net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in donor restricted net assets. When restrictions expire and/or are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

An allowance for uncollectible pledges is maintained in amounts estimated to provide adequate reserves to cover anticipated losses based on historical bad debt experience and periodic evaluation of the accounts. As of December 31, 2019 and 2018, an allowance of $12,482 and $11,259, respectively, was recorded.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are reported at their estimated net realizable value. Based on management's review of material balances outstanding and historical collection experience, no allowance has been recorded as management believes all accounts receivable are fully collectible. Management will write off any balance that remains after it has exhausted all reasonable collection efforts and concludes that additional efforts are not cost-justified.

Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair value at the date of gift. It is the YMCA's policy to capitalize expenditures for property and equipment in excess of $2,000 having estimated useful lives in excess of one year. Charges for depreciation are provided on a straight-line basis over the estimated useful lives of the assets or the shorter of the life of the lease or estimated useful life for donated, leased buildings. Amortization of assets recorded under capitalized lease obligations is included with depreciation in the accompanying financial statements.

Donated Property, Leases, Materials and Services

Donated materials are recorded as contributions at the time the donated items are placed into service or distributed. Donated property and leases are reflected as contribution revenue and property and equipment in the accompanying financial statements at their estimated fair value at the date the contribution becomes an unconditional promise to give. Volunteers devote significant amounts of time to the YMCA's various program services and fundraising activities; however, no objective basis exists for assigning value to their services. Accordingly, such donated services are not reflected in the accompanying financial statements.

Deferred Revenue

Deferred revenue represents revenues collected or billed but not earned. This is comprised primarily of summer camp registrations and membership dues received in advance.

Derivative Financial Instruments

The YMCA made use of derivative instruments for the purpose of managing interest rate risks. Interest rate swap agreements were used to convert the YMCA's variable rate long-term debt to a fixed rate (Note 11). The differentials paid or received on interest rate swap agreements are accrued and recognized as adjustments to net assets without donor restrictions; gains and losses realized upon settlement of these agreements were deferred until the underlying hedged instrument was settled.

Contributions and Grants

Unconditional contributions, grants, and pledges, are recognized in the period received or made. All contributions are considered available for unrestricted use unless specifically restricted by the donor. The YMCA has adopted a policy to classify donor restricted contributions as without restrictions to the extent that donor restrictions were met in the year the contribution was received. Conditional contributions and grants are recorded as revenue in the year the conditions are satisfied.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The YMCA recognizes revenue accounted for as exchange transactions from two major sources, which are as follows:

Membership Dues

Membership dues are recognized ratably over the period of membership, which varies based on when members join or leave the YMCA. Unearned membership revenue is reflected as deferred revenue on the statements of financial position. Members are provided with monthly access to the YMCA locations and a variety of services, and revenue is recognized monthly as the services are provided. Management has adopted the practical expedient whereby costs to obtain membership contracts are not capitalized as the average length of a membership contract is less than one year. Membership dues are reported net of scholarships and discounts.

Program Service Fees

Program Service Fees are reported at the amount that reflects the consideration to which the YMCA expects to be entitled in exchange for providing services to their program participants. Program fees include fitness classes, child care, day camps, overnight camps, swim lessons, sales of merchandise, and various other programs operating at YMCA locations, program sites, camps, or schools. Performance obligations are determined based on the nature of the services provided by the YMCA. Performance obligations are generally providing a service at a point in time. Revenue is recognized at the time the program is held or merchandise is sold. Unearned program fees are reflected as deferred revenue on the statements of financial position. Program service fees are reported net of scholarships and discounts.

Functional Allocation of Expenses

The costs of program services, management and general, and fundraising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of time, effort and utilization, and other appropriate methods based on the nature of the expenditure.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 totaled $760,939 and $799,535, respectively.

Non-operating Activities

Non-operating activities include all investment income, including gains and losses on investments held for long-term purposes or capital expenditures, gains and losses on sales of assets and gains and losses related to changes in value of the interest rate swap agreement. Non-operating activities are reflected in the accompanying statement of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. The YMCA adopted ASC 606 effective January 1, 2019 on a modified retrospective basis to all open contracts, as modified as of that date. The adoption did not have a material effect on the financial statements for the years ending December 31, 2019 or 2018.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The YMCA adopted ASU 2016-18 during 2019 and applied the change on a retrospective basis. The adoption did not have a material effect on the financial statements for the years ending December 31, 2019 or 2018.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The YMCA adopted the change in accounting principle on a modified prospective basis effective January 1, 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on total net assets or the change in net assets.

Evaluation of Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Financial assets:		
Cash	$	4,872,009
Investments		8,153,309
Pledges receivable		166,445
Accounts receivable		752,302
Note receivable		665,490
Total financial assets, at year-end		14,609,555
Less those unavailable for general expenditure within one year due to:		
Long term portion of note receivable		(466,667)
Less those with contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions		(73,409)
Less financial assets held as board designated endowments		(6,662,286)
Financial assets available to meet cash needs for expenditures within one year	$	7,407,193

As part of the YMCA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The YMCA also has a line of credit in the amount of $2,000,000 available to draw upon.

NOTE 4 – INVESTMENTS

Investments at December 31, 2019 and 2018 are stated at fair value and consist primarily of corporate bonds and notes, cash management funds, commercial paper and equity securities as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Common stocks	$ 1,739,549	$ 3,051,918	$ 1,283,895	$ 1,302,012
Corporate bonds	2,349,679	2,492,712	3,016,873	2,972,792
Mutual funds	1,255,727	1,180,018	1,130,686	1,783,895
International	1,180,884	1,322,875	1,439,521	1,342,222
Money market funds	105,786	105,786	119,659	119,659
Totals	$ 6,631,625	$ 8,153,309	$ 6,990,634	$ 7,520,580

NOTE 5 – FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the YMCA 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 by correlation or other means.

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.

The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis at December 31, 2019 and 2018:

Mutual funds, common stocks, and international stocks are valued at the closing price reported on the active market on which the individual securities are traded (Level 1).

Corporate bonds are valued based on quoted prices for identical or similar assets in non-active or less active markets (Level 2).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the YMCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a summary of the fair value measurements used for assets measured at fair value on a recurring basis as of December 31, 2019 and 2018:

		Fair Value Measurements at December 31, 2019		
	Fair Value	Level 1	Level 2	Level 3
Common stocks	$ 3,051,918	$ 3,051,918	$ -	$ -
Corporate bonds	2,492,712	-	2,492,712	-
Mutual funds	1,180,018	1,180,018	-	-
International	1,322,875	1,322,875	-	-
Money market funds	105,786	105,786	-	-
Totals	$ 8,153,309	$ 5,660,597	$ 2,492,712	$ -

		Fair Value Measurements at December 31, 2018		
	Fair Value	Level 1	Level 2	Level 3
Common stocks	$ 1,302,012	$ 1,302,012	$ -	$ -
Corporate bonds	2,972,792	-	2,972,792	-
Mutual funds	1,783,895	1,783,895	-	-
International	1,342,222	1,342,222	-	-
Money market funds	119,659	119,659	-	-
Totals	$ 7,520,580	$ 4,547,788	$ 2,972,792	$ -

NOTE 6 – PLEDGES RECEIVABLE

At December 31, 2019 and 2018, pledges receivable are due as follows:

	2019	2018
Amounts due within one year	$ 178,927	$ 181,168
Amounts due within two years	-	10,000
	178,927	191,168
Less allowances for uncollectible pledges	(12,482)	(11,259)
Totals	$ 166,445	$ 179,909

NOTE 7 – NOTE RECEIVABLE

In 2019, the YMCA sold property to an unrelated party in exchange for a $740,000 non-interest bearing mortgage note receivable. The note balance has been discounted to an estimated present value of $665,490, assuming a 5.5% interest rate over a three-year term. The note receivable is due in annual installments of $273,333, $273,333, and $193,334 beginning March 2020 through March 2022.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2019 and 2018 consists of the following:

	2019	2018
Land and donated land leases	$ 13,593,874	$ 14,625,679
Buildings	41,366,543	43,326,527
Building and leasehold improvements	17,520,057	18,259,213
Equipment and vehicles	7,249,488	7,621,876
Construction in progress	471,333	48,496
	80,201,295	83,881,791
Less accumulated depreciation and amortization	(38,619,195)	(38,934,891)
Totals	$ 41,582,100	$ 44,946,900

Depreciation expense, including amortization expense, amounted to $2,265,674 and $2,344,966 for the years ended December 31, 2019 and 2018, respectively.

Included in property and equipment are assets under capitalized lease obligations at December 31, 2019 and 2018 as follows:

	2019	2018
Land	$ 11,122,278	$ 10,470,000
Building and leasehold improvements	28,786,413	28,530,891
Equipment and vehicles	114,505	111,255
	40,023,196	39,112,146
Less accumulated depreciation and amortization	(9,723,624)	(7,823,645)
Totals	$ 30,299,572	$ 31,288,501

NOTE 9 – LINE OF CREDIT

The YMCA has entered into a line of credit facility with a bank having maximum availability of $2,000,000, none of which was outstanding at December 31, 2019 and 2018. The line renews annually and is subject to renewal in August 2020. Under the terms of this facility, the YMCA is required to maintain certain financial ratios relating to debt service coverage.

NOTE 10 – NOTES PAYABLE

Notes payable at December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Note payable - non-interest bearing note collateralized by real estate (Hargis land) was paid in full during 2019	$ -	$ 190,460
Totals	$ -	$ 190,460

NOTE 11 – CAPITALIZED LEASE OBLIGATIONS

Capitalized lease obligations represent lease agreements that the YMCA has entered into with a local municipal park and recreation board and redevelopment authority to lease certain facilities that the park and recreation board and the redevelopment authority purchased with proceeds from municipal bond issues as well as equipment acquired under leases determined to be accounted for as capital. A summary of all capitalized lease obligations at December 31, 2019 and 2018 are as follows:

	2019	2018
2019-A bond issue - interest at fixed rate of 2.55% monthly, interest only payments through March 2023 and thereafter principal and interest payments due in variable payment amounts and maturing in September 2029, secured by real estate	$ 9,057,312	$ -
2019-B bond issue - interest at fixed rate of 2.55% monthly, interest only payments until September 2021 and thereafter principal and interest payments due in variable payment amounts and maturing in September 2029, secured by real estate	9,777,312	-
2019-C bond issue - interest at fixed rate of 2.76% monthly, interest only payments through September 2021 and thereafter principal and interest payments due in variable payment amounts and maturing in March 2023, secured by real estate	720,000	-
2016-A bond issue #1 - interest at fixed rate of 2.54% monthly, principal and interest payments due in variable payment amounts and maturing in December 2031, was paid in full during 2019	-	6,580,245
2016-B bond issue - interest at fixed rate of 2.50% monthly, principal and interest payments due in variable payment amounts and maturing in September 2025, was paid in full during 2019	-	2,619,400
2012 bond issue - interest at a variable rate, due in variable payment amounts and maturing in August 2030, was paid in full during 2019	-	2,154,750
2017 bond issue - interest at a fixed rate of 3% monthly, principal and interest payments due in variable payment amounts and maturing in December 2031, was paid in full during 2019	-	3,314,236
2008 bond issue - interest at a variable rate, due in variable payment amounts and maturing in November 2023, was paid in full during 2019	-	6,033,013
Leases payable - interest at implicit rates ranging from 8.67% to 12.54% at December 31, 2019, due in monthly principal and interest payments and maturing July 2020 through December 2023 secured by equipment	81,844	58,897
Subtotal	19,636,468	20,760,541
Less: Unamortized debt issue costs	(251,440)	(197,921)
Total capitalized lease obligations	$ 19,385,028	$ 20,562,620

NOTE 11 – CAPITALIZED LEASE OBLIGATIONS (CONTINUED)

Facility Leases

During 2019, the YMCA refinanced its existing bonds through financing with the Public Park and Recreation Board of Jefferson County (PPRBJC). Details of the refinancing are presented below.

During 2019, the YMCA issued series 2019-A revenue bonds totaling $9,057,312, which refinanced $6,229,480 of the 2016 PPRBJC revenue bonds associated with the Hoover family branch, $2,469,192 of the PPRBJC revenue bonds associated with the Greystone family branch, $346,324 of the 2008 PPRBJC revenue bonds associated with the SportsFirst acquisition, and expenses of $12,316 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated August 29, 2019. Beginning October 1, 2019 through March 2023, monthly lease payments of interest only are required at a fixed rate. Beginning April 1, 2023, monthly lease payments of principal and interest are required to be made beginning through the maturity date of September 1, 2029, at which time the entire principal amount outstanding shall be due and payable. Each payment is in an amount equal to the debt service and accrued interest due on that date.

During 2019, the YMCA issued series 2019-B revenue bonds totaling $9,777,312, which refinanced $3,180,137 of the 2017 Homewood Downtown Redevelopment Authority (HDRA) revenue bonds associated with the Shades Valley renovation project, $1,558,797 of the Shelby County Park and Recreation Authority (SCPRA) revenue bonds associated with the Alabaster renovation project, $4,475,980 of the 2008 PPRBJC revenue bonds associated with the SportsFirst acquisition, $398,900 to terminate the interest rate swap agreement on the 2008 PPRBJC revenue bonds, and expenses of $163,498 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated August 29, 2019. Beginning October 1, 2019 through September 2021, monthly lease payments of interest only are required at a fixed rate. Beginning October 1, 2021, monthly lease payments of principal and interest are required to be made beginning through the maturity date of September 1, 2029, at which time the entire principal amount outstanding shall be due and payable. Each payment is in an amount equal to the debt service and accrued interest due on that date.

During 2019, the YMCA issued series 2019-C taxable revenue bonds totaling $720,000, which refinanced $720,000 of the 2008 PPRBJC revenue bonds associated with the SportsFirst acquisition. Beginning October 1, 2019 through September 2021, monthly lease payments of interest only are required at a fixed rate. Beginning October 1, 2021, monthly lease payments of principal and interest are required to be made beginning through the maturity date of March 1, 2023, at which time the entire principal amount outstanding shall be due and payable. Each payment is in an amount equal to the debt service and accrued interest due on that date.

NOTE 11 – CAPITALIZED LEASE OBLIGATIONS (CONTINUED)

A summary of each separate bond that was refinanced during 2019 is presented below.

Shades Valley Renovation Project – 2017 Bond Issue
During 2011, the YMCA obtained financing through the Homewood Downtown Redevelopment Authority (HDRA), for the renovation of the Shades Valley location. HDRA authorized the issuance of revenue bonds in an aggregate amount of $5,500,000. Under the agreement, at December 30, 2011 a draw down period began during which advances are available upon request up to a maximum of $5,500,000. At December 31, 2013 that maximum had been reached. Until November 30, 2013, monthly payments of interest only were required at a variable rate. Beginning May 2014, monthly payments of principal and interest are required to be made on the first day of each month through the maturity date of December 1, 2031. Each payment is in an amount equal to the debt service and accrued interest due on that date. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated December 1, 2011. The Bondholder has the right to tender these bonds on December 1, 2022.

During 2017, the YMCA refinanced the remaining $4,461,974 of the Shades Valley 2011-A bonds through financing with the HDRA which issued new revenue bonds totaling $3,470,306 plus expenses of $50,000 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement dated December 29, 2017. Monthly lease payments are to be made from February 1, 2018 through December 1, 2030. Each payment is in an amount equal to the debt service and accrued interest due on that date. The bondholder has the right to tender these bonds on December 1, 2020 and on each December 30, thereafter.

Hoover Family Branch – 2016-A Bond Issue
During 2010, the YMCA obtained financing through the PPRBJC, for the purchase of land and construction of a facility in Hoover, Alabama. PPRBJC authorized the issuance of revenue bonds in an aggregate amount of $7,000,000. Under the agreement, at December 30, 2010 a draw down period began during which advances were available upon request up to a maximum of $7,000,000. At December 31, 2011, that maximum had been reached. Until July 31, 2013, monthly payments of interest only were required at a variable rate. Beginning August 1, 2013, monthly payments of principal and interest were required to be made on the first day of each month through the maturity date of January 1, 2031. Each payment was in an amount equal to the debt service and accrued interest due on that date. In connection with the bond trust indenture, the YMCA executed a guaranty agreement and a lease agreement each dated December 30, 2010.

During 2011, it was determined that additional funds were necessary to complete the Hoover project, which had expanded in scope. The YMCA obtained financing through the issuance of a second series of revenue bonds authorized by the PPRBJC. Under the agreement, amounts were to be advanced upon request up to a maximum of $3,000,000 for additional expenses incurred related to the project. At December 31, 2013, that maximum had been advanced to the YMCA. As with the 2010 agreement, until July 31, 2013, monthly payments of interest only were required at a variable rate. Beginning August 1, 2013, monthly payments of principal and interest were required to be made on the first day of each month through the maturity date of January 1, 2031.

NOTE 11 – CAPITALIZED LEASE OBLIGATIONS (CONTINUED)

Each payment was in an amount equal to the debt service and accrued interest due on that date. In connection with the bond trust indenture, the YMCA executed a guaranty agreement and a lease agreement each dated November 21, 2011. Construction on the facility was completed and was placed in service during December 2011.

During 2016, the YMCA refinanced the remaining $5,335,151 of the Hoover 2010 bonds and the $2,287,770 of the Hoover 2011 bonds through financing with PPRBJC which issued new revenue bonds totaling $7,622,921 plus expenses of $46,468 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated December 16, 2016. Monthly lease payments are to be made from January 1, 2017 through December 1, 2030. Each payment is in an amount equal to the debt service and accrued interest due on that date. The Bondholder has the right to tender these bonds on December 1, 2021 and each December 30 thereafter until the maturity date.

Greystone Family Branch – 2016-B Bond Issue
During 2010, the YMCA refinanced the remaining $4,750,000 of the outstanding balance of the 2005 revenue bonds through financing with PPRBJC, which issued new revenue bonds totaling that amount plus expenses of $30,000 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA executed a guaranty agreement and a lease agreement each dated December 30, 2010. Monthly lease payments were required to be made for the period March 1, 2010 through September 1, 2025. Each payment was in an amount equal to the debt service and accrued interest due on that date.

During 2016, the YMCA refinanced the remaining $3,183,976 of the Greystone 2010 bonds through financing with PPRBJC which issued new revenue bonds totaling $3,183,976 plus expenses of $35,424 related to the issuance of the bonds. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated December 16, 2016. Monthly lease payments are to be made on a quarterly basis from March 1, 2017 through September 1, 2025. Each payment is in an amount equal to the debt service and accrued interest due on that date. The Bondholder has the right to tender these bonds on December 1, 2021 and each December 30 thereafter until the maturity date.

Alabaster Renovation Project – 2012 Bond Issue
During 2013, the YMCA obtained financing through the Shelby County Park and Recreation Authority (SCPRA), for the renovation of the Alabaster location. SCPRA authorized the issuance of revenue bonds in an aggregate amount of $3,000,000. Under the agreement, at August 28, 2013 a draw down period began during which advances were available upon request up to a maximum of $3,000,000. At December 31, 2013 that maximum had been reached. Until June 30, 2014, monthly payments of interest only were required at a variable rate. Beginning July 5, 2014, monthly payments of principal and interest were required to be made on the first day of each month through the maturity date of August 28, 2030. Each payment is in an amount equal to the debt service and accrued interest due on that date. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated August 28, 2013. The Bondholder has the right to tender these bonds on August 28, 2022 and on each August 28th thereafter.

NOTE 11 – CAPITALIZED LEASE OBLIGATIONS (CONTINUED)

SportsFirst Acquisition – 2008 Bond Issue
The YMCA acquired certain assets and assumed certain contracts, leases and liabilities of SportsFirst, Inc. during 2005. In connection with this transaction, the YMCA obtained financing through the PPRBJC, which issued revenue bonds totaling $19,000,000.

During 2008, the YMCA refinanced $12,000,000 of the outstanding balance of the 2005 revenue bonds through financing with PPRBJC, which issued new revenue bonds totaling that amount. In connection with the bond trust indenture, the YMCA has executed a guaranty agreement and a lease agreement each dated November 1, 2008. Monthly lease payments are required to be made through the maturity date of November 1, 2023 at which time the entire principal amount outstanding shall be due and payable. Each payment is in an amount equal to the debt service and accrued interest due on that date.

In order to manage fluctuations in interest rates on the 2008 lease agreement, the YMCA entered into an interest rate swap agreement. The interest rate swap agreement functions as a hedge of cash flow variability caused by changes in interest rates. The differential interest required to be paid or that will be received under this agreement is accrued consistent with the terms of the agreement and is recognized in interest expense as accrued. Terms of the swap agreement require the differential interest to be paid or received monthly.

Generally accepted accounting principles require derivative instruments, such as interest rate swap agreements, to be recognized at fair value as either assets or liabilities in the statement of financial position. Accordingly, the negative $319,160 value of the swap agreement at December 31, 2018 is reported as a liability in the statement of financial position. Any change in the swap's value is recognized as a change in net assets without donor restriction for the years ended December 31, 2019 and 2018. Value has been measured based on estimates of the amount needed to settle the agreement as calculated by the counterparty to the swap agreement. Such calculations were based on changes in market conditions and/or assumptions underlying valuation models.

As of December 31, 2018, the notional principal amount of the swap agreement was $6,033,013. The agreement effectively fixed the YMCA's interest rate exposure at 4.34 percent. The change in net assets without donor restriction recognized on the underlying bonds resulted in a total gain (loss) of $(79,740) and $155,883 for the years ended December 31, 2019 and 2018, respectively. The swap was terminated in conjunction with refinancing the revenue bonds.

NOTE 11 – CAPITALIZED LEASE OBLIGATIONS (CONTINUED)

Common Lease Terms - Facility Leases
With respect to the bond issues and related lease agreements mentioned above, the park and recreation boards and redevelopment authorities each have entered into trust indentures with financial institutions designating the financial institutions as trustees. The YMCA and the park and recreation board have conveyed title to the financial institutions of all real property and interests therein together with the buildings, structures and improvements at the sites. The leases contain bargain purchase options whereby the YMCA can purchase the facilities at a nominal cost at the end of the lease terms. Accordingly, the agreements are classified as capital leases with the related assets recorded as property and equipment and the lease obligations recorded as liabilities in the accompanying statement of financial position.

Under the terms of the bond agreements, the YMCA is required to maintain certain financial ratios relating to adjusted tangible net worth and debt service coverage.

Equipment Leases
During 2019, the YMCA entered into four capitalized lease obligations for equipment with Wells Fargo Financial Services. At December 31, 2019, there were a total of ten equipment leases. Amounts related to the leases are aggregated due to their similarities in treatment and terms.

Lease Payments
Following is a schedule of future minimum lease payments due under all capitalized lease obligations for each of the next five years ending December 31, thereafter and in the aggregate:

2020	$ 541,943
2021	748,569
2022	1,373,016
2023	1,326,955
2024	1,301,740
Thereafter	18,585,066
	23,877,289
Less amounts representing interest	(4,240,821)
Present value of minimum lease payments	$ 19,636,468

NOTE 12 – OPERATING LEASES

The YMCA leases equipment from an unrelated party under nine non-cancelable operating leases expiring in 2023. Total expense for rental of equipment under the operating leases was $657,231 and $552,459 for the year ended December 31, 2019 and 2018, respectively. Future minimum annual rental commitments under the operating leases at December 31, 2019 are as follows:

2020	$	424,649
2021		355,644
2022		277,511
2023		2,192
Total	$	1,059,996

NOTE 13 – EMPLOYEE BENEFIT PLAN

The YMCA participates in a defined contribution pension plan of The National YMCA. All employees with service hours in excess of 1,000 hours for two years are covered under provisions of the plan. Employee contributions are not mandatory; however, employees may elect to contribute a portion of their earnings. The Plan is operated as a church pension plan and is a non-profit tax-exempt corporation. As a defined contribution plan, the Plan has no unfunded benefit obligations.

In accordance with the Pension Plan, contributions, determined based on a percentage of the participating employee's salary, are paid monthly by the YMCA to The National YMCA Pension Plan (the Plan). Total YMCA contributions charged as retirement expense were $747,103 and $710,769 for the years ended December 31, 2019 and 2018.

NOTE 14 – RELATED PARTY TRANSACTIONS

The members of the YMCA'S governing body consist of many individuals and business leaders in the local community. At times, throughout the normal course of business, the YMCA transacts with certain local businesses whose management, ownership or governance consists of YMCA board members. All related party transactions with board members are governed by a conflict of interest policy. In 2019 and 2018, the YMCA paid marketing, software, and payment processing fees of $1,328,793 and $1,064,505, respectively, to these companies. Additionally, $23,301 was payable to these companies as of December 31, 2018.

NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of pledges receivable, investments and cash and cash equivalents, which are available for the following purposes or periods:

	2019	2018
Reunification program	$ -	$ 45,000
Restricted grant	48,409	-
Endowment for Camp Cosby scholarships	25,000	25,000
Donated land lease	431,947	444,319
Totals	$ 505,356	$ 514,319

NOTE 16 – DOWNTOWN YOUTH CENTER

During 2006, the YMCA entered into a 50-year lease agreement (ten successive five-year renewal options) with the Birmingham Board of Education (BBOE) for the gymnasium and certain other facilities of the former Phillips High School. The lease agreement called for the YMCA to make significant improvements to the leased premises, to allow the BBOE and other parties to use the facilities as authorized by the YMCA, and to establish an endowment to fund and support the maintenance of the improvements and the delivery of programs. The YMCA pays the BBOE $1.00 per year in rent for the facilities. The excess of the fair value of the BBOE lease over the required lease payments resulted in $600,000 donated land lease to be recorded as a capital asset. The land lease is amortized on the straight-line basis over the term of the lease. This amortization is included with depreciation expense.

NOTE 17 – ENDOWMENT FUNDS

The YMCA's endowment includes both donor-restricted funds and funds designated by the Trustees to function as an endowment. These funds consist of three individual funds held within two investment accounts. The General Endowment consists of the Camp Cosby fund, a portion of which is donor-restricted, and the General fund. The board-designated funds were established for the purpose of securing the long-term financial viability of Camp Cosby and the Association. The donor-restricted portion of the Camp Cosby fund was established for the purpose of providing camp scholarships. The Youth Center Endowment was established to fund and support the maintenance and delivery of programming at the Downtown Youth Center. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The YMCA has a spending policy on the endowment funds which states that the annual distribution will be at the rate of 5% of the average market value of the endowment measured over the previous 12 quarters ending June 30 prior to the beginning of the next calendar year. The trustees do have the discretion to spend all or any portion of that amount, or an amount in excess of the 5% depending on the needs of the YMCA or the Downtown Youth Center. The objective of the YMCA board trustees is to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

NOTE 17 – ENDOWMENT FUNDS (CONTINUED)

To achieve the objective, the YMCA has adopted an investment policy for the funds which is moderately aggressive, with an emphasis on long term growth. The target asset allocation for the funds is 65% equities, 20% diversified strategies, and 15% fixed income. However, the investment manager does have discretion with respect to the allocation of assets among the asset classes within specific guidelines. The goal for growth after distributions and fees for investment management and administration is earnings in excess of the inflation rate over a full market cycle. The funds are expected to maintain or grow, on an inflation adjusted basis, over a full market cycle.

Changes in endowment net assets as of December 31, 2019 and 2018 are as follows:

	2019	2018
Balance, beginning of year	$ 6,049,902	$ 6,741,738
Allocated for expenditures	(587,228)	(239,846)
Transfer from operating	100,000	-
Investment income	1,165,708	(415,190)
Investment fees	(41,096)	(36,800)
Balance, end of year	$ 6,687,286	$ 6,049,902

Endowment net assets as of December 31, 2019 and 2018 consist of the following:

	2019	2018
Designated by the board		
Youth Center Endowment (See Note 16)	$ 3,498,727	$ 3,209,613
General Endowment		
Camp Cosby	869,156	832,542
Hargis	-	35,263
Regular	2,294,403	1,947,484
Total designated by the board	6,662,286	6,024,902
With donor restrictions		
General Endowment		
Camp Cosby	25,000	25,000
Total with donor restrictions	25,000	25,000
Balance, end of year	$ 6,687,286	$ 6,049,902

NOTE 18 – CONTINGENT LIABILITIES

The YMCA is involved in certain litigation in the ordinary course of business. Management does not anticipate these claims to have a significant adverse impact on the financial position of the YMCA.

The YMCA has opted out of the state unemployment insurance system, requiring the YMCA to reimburse the state for unemployment benefits actually paid to each employee. Management does not anticipate claims as of December 31, 2019 to have a significant adverse impact on the financial position of the YMCA.

NOTE 19 – SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States is causing mandated and voluntary closings of non-essential businesses and service providers. The extent of the impact of COVID-19 on the YMCA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the YMCA's customers, employees and vendors, governmental ordinances and regulations, all of which are uncertain and cannot be predicted. At this point, the YMCA has experienced a decline in membership of approximately 35% and reduced staffing and other costs during mandated facility and program closures. A portion of deferred revenue presented in the statement of financial position at December 31, 2019 may be refunded in subsequent years rather than earned. Additionally, the YMCA's exposure for reimbursable unemployment benefits incurred subsequent to December 31, 2019 is currently unknown. The full extent to which COVID-19 may impact the YMCA's financial position or results of operations is uncertain.

SUPPLEMENTAL INFORMATION

The Young Men's Christian Association of Birmingham, Inc.
Schedule of Activities – Endowment Funds
Year ended December 31, 2019 and 2018

	General Endowment Funds *						Endowment Totals	
	Regular Fund	Camp Cosby Fund	Shades Valley Fund	Downtown Fund	Total General Endowment	Youth Center	2019	2018
Income and gains								
Dividends and interest	$ 46,070	$ 22,517	$ 1,696	$ 4,296	$ 74,579	$ 80,244	$ 154,823	$ 144,238
Net gain on investment	298,730	146,005	10,996	27,857	483,588	527,297	1,010,885	(559,428)
Transfer from operating	75,000	25,000	-	-	100,000	-	100,000	-
Total income and gains	419,800	193,522	12,692	32,153	658,167	607,541	1,265,708	(415,190)
Expenses and allocations								
Professional investment fees	(7,485)	(3,658)	(276)	(698)	(12,117)	(22,979)	(35,096)	(36,800)
General endowment fees	(6,000)	-	-	-	(6,000)	-	(6,000)	-
Distribution for programs	(129,496)	(750)	(2,945)	(6,089)	(139,280)	(127,448)	(266,728)	(75,000)
Distribution for equipment and maintenance purchases	-	(152,500)	-	-	(152,500)	(168,000)	(320,500)	(164,846)
Total expenses and allocations	(142,981)	(156,908)	(3,221)	(6,787)	(309,897)	(318,427)	(628,324)	(276,646)
Change in investments	276,819	36,614	9,471	25,366	348,270	289,114	637,384	(691,836)
Investments at beginning of year	1,754,548	857,542	64,586	163,613	2,840,289	3,209,613	6,049,902	6,741,738
Investments at end of year	$ 2,031,367	$ 894,156	$ 74,057	$ 188,979	$ 3,188,559	$ 3,498,727	$ 6,687,286	$ 6,049,902

** Activity within the General Endowment Funds is allocated based on the percentage of the individual branch's funds.*

The Young Men's Christian Association of Birmingham, Inc.
Schedule of Property and Equipment by Branch
December 31, 2019 and 2018

	Land and Donated Land Leases	Buildings	Building and Leasehold Improvements	Equipment and Vehicles	Construction in Progress	Totals 2019	Totals 2018
Hoover	$ 1,922,538	$ 8,520,863	$ 528,311	$ 707,818	$ -	$ 11,679,530	$ 11,556,739
Hoover City Schools	-	-	-	14,990		14,990	13,362
Downtown	1,161,232	6,679,460	2,534,085	458,605	84,022	10,917,404	10,856,089
Shades Valley	271,887	7,012,266	677,639	515,469	-	8,477,261	8,346,061
Greystone	3,750,000	2,947,890	960,280	579,280	100,000	8,337,450	8,218,938
Mountain Brook	2,300,000	3,152,000	873,299	442,870	100,000	6,868,169	6,735,945
Youth Center	600,000	-	5,725,224	39,058	10,000	6,374,282	6,354,696
Alabaster	877,853	4,510,393	287,905	608,594	-	6,284,745	6,261,118
Pelham	394,567	2,870,606	1,850,070	938,558	-	6,053,801	6,071,308
Trussville	2,000,000	2,643,000	566,832	351,394	-	5,561,226	5,521,745
Western Area	35,000	2,126,283	334,365	181,262	-	2,676,910	2,676,910
Hargis Retreat	-	-	-	-	-	-	2,557,588
Vestavia	-	-	-	-	-	-	2,361,394
Camp Cosby	169,392	401,047	1,983,100	580,414	-	3,133,953	2,803,666
Metropolitan	-	-	263,334	1,658,049	158,870	2,080,253	1,829,133
Northeast	111,405	502,735	935,613	173,127	18,441	1,741,321	1,717,099
Total cost	13,593,874	41,366,543	17,520,057	7,249,488	471,333	80,201,295	83,881,791
Less accumulated depreciation and amortization	168,053	20,786,165	10,936,280	6,728,697	-	38,619,195	38,934,891
Property and equipment, net	$ 13,425,821	$ 20,580,378	$ 6,583,777	$ 520,791	$ 471,333	$ 41,582,100	$ 44,946,900