FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

DELIVERING CLEAR IMPACT

Financial Statements and Report of Independent Certified Public Accountants and Single Audit Reports

YMCA OF THE USA

May 2019

What follows are YMCA of the USA's 2018 and 2017 financial statements and report of independent certified public accountants, Grant Thornton, which were prepared in May 2019. Please refer questions to YMCA of the USA's finance department at 800-872-9622.

Contents

GRANT THORNTON LLP
171 N. Clark Street, Suite 200
Chicago, IL 60601

D +1 312 856 0200
F +1 312 565 4719

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
National Council of Young Men's Christian Associations
of the United States of America

Report on the financial statements
We have audited the accompanying financial statements of the National Council of Young Men's Christian Associations of the United States of America ("Y-USA"), 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 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 Y-USA'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 Y-USA'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.

Grant Thornton

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Council of Young Men's Christian Associations of the United States of America 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.

Other matters

Supplementary information
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200,* Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for the year ended December 31, 2018 is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary 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 audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other reporting required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report, dated May 24, 2019, on our consideration of Y-USA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Y-USA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Y-USA's internal control over financial reporting and compliance.

Grant Thornton LLP

Chicago, Illinois
May 24, 2019

National Council of Young Men's Christian Associations
of the United States of America
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017
(In thousands)

ASSETS

	2018	2017
ASSETS		
Cash and cash equivalents	$ 18,223	$ 16,929
Prepaid expenses and other assets	1,271	1,470
Pledges receivable, net	21,415	30,027
Financial support and other receivables, net	1,427	3,479
Investments	84,122	98,988
Land, building and equipment, net	8,523	8,022
Jerusalem property development, net	8,232	8,232
Beneficial interests in perpetual trusts	8,565	8,533
TOTAL ASSETS	$ 151,778	$ 175,680

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable and accrued liabilities	$ 14,798	$ 9,274
Line of credit	3,000	-
Deferred revenue	1,170	1,243
Notes payable	6,500	6,500
Deferred rent expense	5,227	6,020
Total liabilities	30,695	23,037
NET ASSETS		
Without donor restrictions	30,314	50,886
With donor restrictions	90,769	101,757
Total net assets	121,083	152,643
TOTAL LIABILITIES AND NET ASSETS	$ 151,778	$ 175,680

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

National Council of Young Men's Christian Associations of the United States of America
STATEMENT OF ACTIVITIES
For the year ended December 31, 2018
(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues and support			
Contributions and support			
Contributions	$ 2,155	$ 25,240	$ 27,395
Government grants	5,206	-	5,206
Donations in kind and contributed services	-	58,395	58,395
World Service campaign	-	1,831	1,831
Net assets released from restrictions	103,743	(103,743)	-
Total contributions and support	111,104	(18,277)	92,827
Financial support from member YMCAs	75,600	-	75,600
Program and service revenue	8,511	-	8,511
Royalties and other revenue	730	-	730
Income from third party trusts	262	50	312
Allocation of investment earnings for current operations	4,263	1,697	5,960
Total revenues and support	200,470	(16,530)	183,940
Expenses			
Program activities			
Social responsibility	62,981	-	62,981
Youth development	80,560	-	80,560
Healthy living	40,390	-	40,390
Total program activities	183,931	-	183,931
Supporting services			
Management and general	8,445	-	8,445
Fund-raising	2,204	-	2,204
Total supporting services	10,649	-	10,649
Total expenses	194,580	-	194,580
Change in net assets from operations	5,890	(16,530)	(10,640)
Non-operating activities			
Investment return, net	(3,781)	(1,257)	(5,038)
Allocation of investment earnings for current operations	(4,263)	(1,697)	(5,960)
Endowment net assets reclassification	(8,464)	8,464	-
Change in beneficial interests in perpetual trusts	-	32	32
Reorganization costs	(9,954)	-	(9,954)
Total non-operating activities	(26,462)	5,542	(20,920)
CHANGE IN NET ASSETS	(20,572)	(10,988)	(31,560)
Net assets at beginning of year	50,886	101,757	152,643
Net assets at end of year	$ 30,314	$ 90,769	$ 121,083

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

National Council of Young Men's Christian Associations
of the United States of America
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017
(In thousands)

	Without donar restrictions	With donor restrictions	Total
Revenues and support			
Contributions and support			
Contributions	$ 685	$ 36,072	$ 36,757
Government grants	5,890	-	5,890
Donations in kind and contributed services	-	32,947	32,947
World Service campaign	-	1,424	1,424
Net assets released from restrictions	77,007	(77,007)	-
Total contributions and support	83,582	(6,564)	77,018
Financial support from member YMCAs	73,198	-	73,198
Program and service revenue	7,888	-	7,888
Royalties and other revenue	1,520	-	1,520
Income from third party trusts	226	85	311
Allocation of investment earnings for current operations	3,052	748	3,800
Total revenues and support	169,466	(5,731)	163,735
Expenses			
Program activities			
Social responsibility	54,810	-	54,810
Youth development	65,328	-	65,328
Healthy living	35,137	-	35,137
Total program activities	155,275	-	155,275
Supporting services			
Management and general	11,608	-	11,608
Fund-raising	2,378	-	2,378
Total supporting services	13,986	-	13,986
Total expenses	169,261	-	169,261
Change in net assets from operations	205	(5,731)	(5,526)
Non-operating activities			
Investment return, net	9,488	7,676	17,164
Allocation of investment earnings for current operations	(3,052)	(748)	(3,800)
Change in beneficial interests in perpetual trusts	-	828	828
Total non-operating activities	6,436	7,756	14,192
CHANGE IN NET ASSETS	6,641	2,025	8,666
Net assets at beginning of year	44,245	99,732	143,977
Net assets at end of year	$ 50,886	$ 101,757	$ 152,643

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

National Council of Young Men's Christian Associations
of the United States of America
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018
(In thousands)

	Program activities				Supporting services			
	Social responsibility	Youth development	Healthy living	Total	Management and general	Fund-raising	Total	Total
Personnel costs	$ 20,014	$ 17,479	$ 14,411	$ 51,904	$ 4,206	$ 1,812	$ 6,018	$ 57,922
Professional fees and other services	5,617	7,206	3,479	16,302	1,044	-	1,044	17,346
Advertising and marketing	21,480	27,197	14,455	63,132	1	-	1	63,133
Communications and supplies	769	670	367	1,806	252	45	297	2,103
Occupancy and insurance	1,819	1,642	1,422	4,883	736	125	861	5,744
Travel and meeting expenses	5,084	3,560	2,277	10,921	909	222	1,131	12,052
Awards and grants to associations	6,966	22,145	3,346	32,457	-	-	-	32,457
Financing costs	116	50	49	215	278	-	278	493
Depreciation and amortization	678	400	361	1,439	225	-	225	1,664
Provision for uncollectible accounts	411	204	184	799	115	-	115	914
Organizational dues	27	7	39	73	679	-	679	752
Total functional expenses	$ 62,981	$ 80,560	$ 40,390	$ 183,931	$ 8,445	$ 2,204	$ 10,649	$ 194,580

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

National Council of Young Men's Christian Associations
of the United States of America
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017
(In thousands)

	Program activities				Supporting services			
	Social responsibility	Youth development	Healthy living	Total	Management and general	Fund-raising	Total	Total
Personnel costs	$ 20,512	$ 16,607	$ 13,748	$ 50,867	$ 6,736	$ 1,998	$ 8,734	$ 59,601
Professional fees and other services	6,624	7,972	3,144	17,740	1,333	-	1,333	19,073
Advertising and marketing	13,961	17,436	9,354	40,751	-	-	-	40,751
Communications and supplies	931	527	396	1,854	305	92	397	2,251
Occupancy and insurance	1,490	1,077	994	3,561	1,157	117	1,274	4,835
Travel and meeting expenses	4,447	3,393	2,343	10,183	858	171	1,029	11,212
Awards and grants to associations	5,845	17,790	4,637	28,272	-	-	-	28,272
Financing costs	113	50	50	213	256	-	256	469
Depreciation and amortization	573	347	311	1,231	239	-	239	1,470
Provision for uncollectible accounts	258	126	113	497	87	-	87	584
Organizational dues	56	3	47	106	637	-	637	743
Total functional expenses	$ 54,810	$ 65,328	$ 35,137	$ 155,275	$ 11,608	$ 2,378	$ 13,986	$ 169,261

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

National Council of Young Men’s Christian Associations
of the United States of America
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2018 and 2017
(In thousands)

	2018	2017
Cash flows from operating activities		
Change in net assets	$ (31,560)	$ 8,666
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	1,664	1,470
Provision for bad debts	914	584
Net realized and unrealized losses (gains) on investments	5,154	(16,994)
Change in beneficial interests in perpetual trusts	(32)	(828)
Contributions with donor restritions	(2)	(1)
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	5,524	2,142
Financial support, pledges receivable and other receivables, net	9,750	13,515
Deferred revenue and lease payments	(866)	(600)
Prepaid expenses and other assets	199	(550)
Net cash (used in) provided by operating activities	(9,255)	7,404
Cash flows from investing activities		
Acquisitions of land, building and equipment	(2,165)	(2,985)
Sales of investments	17,346	4,176
Purchases of investments	(7,634)	(546)
Net cash provided by investing activities	7,547	645
Cash flows from financing activities		
Proceeds from notes payable	6,500	-
Proceeds from line of credit	3,000	-
Contributions with donor restrictions	2	1
Payments on notes payable	(6,500)	(500)
Net cash provided by (used in) financing activities	3,002	(499)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,294	7,550
Cash and cash equivalents at beginning of year	16,929	9,379
Cash and cash equivalents at end of year	$ 18,223	$ 16,929
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 155	$ 153

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

NOTE A - DESCRIPTION OF ORGANIZATION

The National Council of Young Men's Christian Associations of the United States of America ("Y-USA") is an Illinois not-for-profit organization with headquarters in Chicago, Illinois.

As the national resource office for the nation's 2,700 YMCAs, Y-USA's basic objective is to build the capacity of YMCAs to advance our cause of strengthening community through youth development, healthy living and social responsibility. Youth development aims to nurture the potential of every child and teen through programs such as childcare, education and leadership, swim and camp. Healthy living programs aim to improve the nation's health and well-being through programs that focus on family time, well-being and fitness, sports and recreation. Social responsibility incorporates giving back and providing support to our neighbors with programs that include social services, global services, volunteerism and advocacy.

Y-USA's funding comes from various sources, the most significant being from YMCA associations throughout the United States. These associations are autonomous corporations, separately incorporated in their respective states, have independent boards and issue separate, individual financial statements, which are not included in the accompanying financial statements.

Y-USA is governed by its Board of Directors (the National Board). Objectives, purposes, powers and functions of Y-USA are performed, carried out and made effective by the National Board.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Investment Committee has the responsibility of overseeing and protecting the endowment assets. Certain endowments and gifts contain restrictions that specify the use of income and/or principal. All distributions from the endowment fund continue to be made in accordance with the original donor restrictions and board designations and are accounted for in accordance with accounting principles generally accepted in the United States of America, adherence to Illinois law and the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All disbursements are made for the express purpose of furthering YMCA work throughout the world.

Net Assets

Net assets have been recorded and reported as changes in the following two net asset classes:

Net assets without donor restrictions – Net assets without donor restrictions consist of resources that are available for use in carrying out the mission of Y-USA and include those expendable resources that have been designated for special use by the National Board.

Net assets with donor restrictions – Net assets with donor restrictions represent contributions subject to donor-imposed restrictions. Some restrictions are temporary in nature, stipulating that resources be used after a specified date or for a particular purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished, net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Some restrictions are perpetual in nature and mandate the original principal be invested in perpetuity. The majority of the earnings from net assets restricted in perpetuity are available for the general use of Y-USA. Net assets with donor restrictions also includes beneficial interests in perpetual trusts held by third parties.

Revenues

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All revenue is recognized in the period when the contribution, pledge or unconditional promise to give is received. As the national resource office for the nation's 2,700 YMCAs, Y-USA has 819 corporate members that pay financial support to the national office. Financial support dues are billed and recognized on a monthly basis. Y-USA also generates program and service revenue from program and registration fees as well as YMCA program certification from training and development courses offered to the nation's YMCAs and their members. Program and service revenues are recognized at the completion of the courses.

Contributed Services and In-kind Media

Contributed services are reported as contributions if such services create or enhance non-financial assets or if they would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. Contributed services are recognized at their estimated fair values at date of receipt with an equal and offsetting amount in functional expenses in the statements of activities, resulting in no net impact on the change in net assets during the year. Contributed services recognized related to software and travel were $31 and $48 for the years ended December 31, 2018 and 2017, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of Y-USA's activities. Such services do not meet the criteria for recognition as contributions; therefore, their value is not reflected in the accompanying financial statements.

Advertising and marketing includes public service announcements (PSA) on radio, national cable and magazines. Y-USA produces and distributes PSAs to a third party who then distributes them to television, radio, Internet and magazines that focus attention on the YMCA programs. These carriers provide airtime and print space to deliver PSAs to assist Y-USA in its mission, free of charge. Y-USA has contracted with independent outside agencies to track the date and time that each PSA displays and to estimate the fair value of the announcement and printed advertisement based on the date, time and market. For the years ended December 31, 2018 and 2017, Y-USA recorded $57,554 and $32,947, respectively.

Allocation of Management & General Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Y-USA. Those expenses include staff officers, communications and supplies, occupancy and insurance, depreciation and amortization, provision for uncollectible accounts, and organizational dues. Staff officer costs are allocated based on an estimate of time spent on the various program and supporting activities. All other costs are allocated based on headcount.

Awards and Grants to Associations

These grants represent amounts distributed to member and international YMCAs to assist them in furthering their individual missions.

Investments

Publicly traded investments are recorded at fair value determined on the basis of closing market prices or bid quotations. Other investments are recorded at fair value based on Y-USA's unit share of the fair value of the underlying investments. Purchases and sales of investments are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Net realized and unrealized gains and losses are reflected in both operating and non-operating activities. The endowment allocation is reflected under operating activities while investment-related activity (realized/unrealized gains and losses and investment income) are reflected net in the non-operating activities section of the statements of activities.

Accounts and Pledges Receivable

Accounts and pledges receivable are due from member associations, donors and other entities, and are recorded net of allowances for uncollectible accounts. Y-USA determines its allowance for uncollectible accounts by considering a number of factors, including the length of time receivables are past due, Y-USA's previous collection history, the member association's or entity's current ability to pay its obligation to Y-USA, and the condition of the general economy and the industry as a whole. Y-USA writes off accounts and pledges receivable when they become uncollectible, and the payments subsequently received on such receivables are credited to revenue.

Land, Building and Equipment

Land, building, equipment and leasehold improvements are recorded at cost. Depreciation is provided using the straight-line method based on the estimated useful lives of the related assets, ranging from three to 8 years. Amortization on leasehold improvements is provided over the life of the lease. Y-USA's fixed asset capitalization policy is to capitalize long-lived assets with a value greater than $5.

Beneficial Interests in Perpetual Trusts

Y-USA has beneficial interests in certain perpetual trusts, which are held by third parties. Y-USA recognizes revenue equal to its proportionate share of the fair value of the trust assets upon notification and determination that its right to receive benefits under the agreement is unconditional and irrevocable. Changes in the fair value of Y-USA's interest in the trust assets are reflected as gains or losses in the statements of activities in the period in which they occur. The distributions are recognized as investment income.

Concentration of Credit Risk

Y-USA has certain financial instruments that subject it to potential credit risk. Those financial instruments consist primarily of cash and cash equivalents. Y-USA maintains its cash balance with financial institutions. At times, these balances may exceed the Federal Deposit Insurance Corporation insured limits. Y-USA has not experienced any loss on these accounts and believes there is no significant exposure of credit risk on cash and cash equivalents.

Use of Estimates

Management of Y-USA has made certain 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 revenue and expenses during the year. Actual results could differ from those estimates.

Income Taxes

Y-USA has received a favorable determination letter from the Internal Revenue Service stating that we are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income. The Financial Accounting Standards Board (FASB) issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements, and there are no interest or penalties recognized in the statements of activities or statements of financial position.

Fair Value Measurements

The FASB has issued guidance that defines fair value, establishes a framework for measuring fair value, specifies a fair value hierarchy based on the inputs used to measure fair value and specifies disclosure requirements for fair value measurements. The guidance also maximizes the use of observable inputs by requiring that observable inputs be used when available.

Inputs are used in applying the various valuation techniques and broadly refer to assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable requires significant judgment by Y-USA. Y-USA considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based on the pricing transparency of the instrument and does not necessarily correspond to Y-USA's perceived risk of that instrument.

Observable inputs are inputs that market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Investments for which values are based on quoted market prices in active markets, and are therefore classified within Level 1, include mutual funds, common and preferred stock, and short-term money market mutual funds. Y-USA does not adjust the quoted price for such instruments, even in situations where Y-USA holds a large position and a sale could reasonably impact the quoted price.

Level 2 - Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2. As Level 2 investments include positions that are not traded in active markets and/or subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Level 3 - Investments classified within Level 3 have significant unobservable inputs as they trade infrequently or not at all. When observable prices are not available for these investments, Y-USA uses one or more valuation techniques (e.g., the market approach, the income approach or the cost approach) for which sufficient and reliable data is available.

Y-USA has no investments recorded as Level 2 or Level 3 as of December 31, 2018 and 2017.

Y-USA's beneficial interests in perpetual trusts held by others are valued using the fair value of the assets in the trust as a practical expedient, unless facts and circumstances indicate that the fair values of the assets in the trust differ from the fair value of the beneficial interests. Perpetual trusts held by others are classified within Level 3 of the fair value hierarchy.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment return, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires a not-for-profit to present expenses by both their natural and functional classification in a single location in the financial statements. Y-USA implemented ASU 2016-14 effective for the year ended December 31, 2018. As a result of adopting this standard, certain prior year amounts including $28 of underwater endowment funds as of December 31, 2017 were reclassified from net assets without donor restriction to net assets with donor restriction to conform to the presentation requirements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which supersedes most of the current revenue recognition requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is currently effective for Y-USA for 2019 (early adoption is permitted). The guidance permits the use of either a retrospective or cumulative effect transition method.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The underlying principle of ASU 2016-02 is that lessees should be required to recognize the assets and liabilities arising from leases on the statements of financial position. The guidance requires a lessee to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous generally accepted accounting principles. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statements of financial position. The guidance is currently effective for Y-USA for 2020, and early adoption is permitted for all entities. Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach.

(In thousands)

NOTE C - LIQUIDITY

Y-USA's working capital and cash flows fluctuate during the year due to the timing of contributions. To manage liquidity, Y-USA maintains a credit line of $8,000 that is drawn upon as needed during the year to manage cash flow and is then repaid based on the availability of cash. See Note I for further description of this line of credit.

The following reflects Y-USA's financial assets as of December 31, 2018, reduced by amounts not available for general use within one year of the financial statement date due to contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year, as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the National Board approves that action.

Financial assets as of December 31, 2018	$121,474
Plus endowment fund appropriation for the following year	3,920
Less those amounts unavailable for general expenditures within one year, due to:	
Donor-restricted cash	(12,411)
Donor-restricted pledges receivable	(20,627)
Endowment funds with donor restrictions for specific purposes	(27,509)
Endowment funds Board-designated for specific purposes	(48,758)
Financial assets available to meet cash needs for general expenditures within one year	$ 16,089

(In thousands)

NOTE D - ACCOUNTS AND PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2018	2017
Pledges due in varying amounts, non-interest-bearing, discounted using an interest rate of 2%		
Less than one year	$20,682	$23,570
One to five years	788	6,696
Total pledges	21,470	30,266
Less		
Provision for uncollectible accounts	(30)	(30)
Discount to present value	(25)	(209)
Pledges, net	$21,415	$30,027

Accounts receivable consist of the following at December 31:

	2018	2017
Financial support dues	$ 1,151	$ 1,391
Other receivables	996	2,247
Total accounts receivable	2,147	3,638
Less allowance for doubtful accounts	(720)	(159)
Accounts receivable, net	$ 1,427	$ 3,479

(In thousands)

NOTE E - INVESTMENTS

At December 31, 2018 and 2017, investments comprised the following:

	2018	2017
Publicly traded		
Mutual funds	$24,696	$15,212
Common and preferred stock	34,233	51,813
Total publicly traded	58,929	67,025
Other investments		
Commingled funds	12,508	16,566
Invested cash in pending security purchases	738	1,988
Limited partnerships	11,947	13,409
Total other investments	25,193	31,963
Total investments	$84,122	$98,988

(In thousands)

NOTE F - FAIR VALUE MEASUREMENTS

The following table summarizes assets by fair value measurement level as of December 31. Y-USA measures certain investments using net asset value ("NAV") which is exempted from categorization within the fair value hierarchy and related disclosures. However, Y-US8 separately discloses the information required for assets measured using NAV in the following tables:

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	$24,696	$ -	$ -	$24,696
Common and preferred stock	34,233	-	-	34,233
	$58,929	$ -	$ -	58,929
Alternative investments, measured at NAV				
Commingled funds				12,508
Limited partnerships				11,947
Total investments at fair value				83,384
Invested cash in pending security purchases				738
Total investments				$84,122
Beneficial interests in perpetual trusts	$ -	$ -	$ 8,565	$ 8,565

(In thousands)

	2017			
	Level 1	Level 2	Level 3	Total
Mutual funds	$15,212	$ -	$ -	$15,212
Common and preferred stock	51,813	-	-	51,813
	$67,025	$ -	$ -	67,025
Alternative investments, measured at NAV				
Commingled funds				16,566
Limited partnerships				13,409
Total investments at fair value				97,000
Invested cash in pending security purchases				1,988
Total investments				$98,988
Beneficial interests in perpetual trusts	$ -	$ -	$8,533	$ 8,533

All net realized and unrealized gains or losses in the tables above are reflected in the accompanying statements of activities.

Investments valued at NAV as of December 31, 2018 and 2017, consisted of the following:

	2018			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnerships	$ 5,997	$ -	Annual	100 days
Limited partnerships	2,518	-	Quarterly	100 days
Limited partnerships	1,266	-	Quarterly	100 days
Limited partnerships	1,108	-	Quarterly	100 days
Limited partnerships	700	-	Quarterly	100 days
Limited partnerships	358	-	Quarterly	100 days
Commingled funds	3,155	-	Monthly	Trade plus 5 days
Commingled funds	2,230	-	Monthly	Trade plus 5 days
Commingled funds	2,136	-	Monthly	Trade plus 5 days
Commingled funds	4,987	-	Anytime	Trade plus 7 days
	$24,455	$ -		

(In thousands)

	2017			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnerships	$ 6,360	$ -	Annual	100 days
Limited partnerships	2,148	-	Quarterly	100 days
Limited partnerships	1,873	-	Quarterly	100 days
Limited partnerships	715	-	Quarterly	100 days
Limited partnerships	4,462	-	Monthly	Trade plus 5 days
Commingled funds	3,164	-	Monthly	Trade plus 5 days
Commingled funds	2,432	-	Monthly	Trade plus 5 days
Commingled funds	2,716	-	Anytime	Trade plus 7 days
	$23,870	$ -		

The changes in Level 3 assets for the years ended December 31, 2018 and 2017, consisted of the following:

	Balance, December 31, 2017	Additions	Transfers	Change in value	Balance, December 31, 2018
Beneficial interests in perpetual trust funds	$8,533	$ -	$ -	$ 32	$8,565

	Balance, December 31, 2016	Additions	Transfers	Change in value	Balance, December 31, 2017
Beneficial interests in perpetual trust funds	$7,705	$ -	$ -	$ 828	$8,533

Commingled Funds

Prudential Institutional Core Plus Fixed Income (Prudential)

Prudential is a fixed income portfolio. All of the underlying assets are marketable securities. This is an actively managed strategy targeting +150 basis points over the Barclays Aggregate benchmark. Both benchmark and non-benchmark sectors are used in the portfolio, with an emphasis on credit-oriented sectors. The fund, in aggregate, is investment-grade. On average, approximately 65% of the portfolio is rated A3/A- or better. The fund allows for liquidity upon five days' written notice. The fair value of the fund was $3,155 and $3,164 at December 31, 2018 and 2017, respectively.

Oppenheimer Funds, Inc.

The OFI Institutional Emerging Markets Equity Fund, LP is an emerging markets fund. The fund invests in common stocks of companies whose principal activities are in at least three developing markets. The fund invests in growth companies in any market capitalization. The selection process takes into account some top-down thematic trends: Mass Affluence, Restructuring, Technology and Trading. The fund is benchmarked against the MSCI Emerging Markets Index. All of the underlying assets are marketable securities. The fund allows for daily withdrawals with three to five days' written notice and will be payable next day. The fair value of the fund was $2,136 and $2,432 at December 31, 2018 and 2017, respectively.

Polunin Capital Partners Limited

The Polunin Emerging Markets fund invests in emerging market companies that have strong balance sheets and whose value relative to replacement costs are compelling based on Polunin's proprietary evaluation process. Trading liquidity is a key consideration. Typically, the portfolio comprises up to 100 stocks across 25 countries and 20 industrial sectors, and the majority of the portfolio is made up of out-of-index stocks at any point in time. This fund does not hedge currency exposure. The fund is benchmarked against the MSCI Emerging Markets Index. All of the underlying assets are marketable securities. The fund allows for monthly withdrawals with seven business days' written notice, and will be payable within five business days. The fair value of the fund was $2,230 and $2,716 at December 31, 2018 and 2017, respectively.

Mass Mutual Premier Short Duration

This Fund seeks to achieve a high total rate of return primarily from current income while minimizing fluctuations in capital values by investing primarily in a diversified portfolio of short-term investment grade fixed income securities. The investment seeks to achieve a high total rate of return primarily from current income while minimizing fluctuations in capital values by investing primarily in a diversified portfolio of short-term investment grade fixed income securities. The fund invests at least 80% of its net assets in investment grade fixed income securities. It seeks to maintain a dollar-weighted average duration of less than three years. Normally, 10% or less of the fund's total assets will be invested in below investment grade debt securities. The fair value of was $4,987 and $0 at December 31, 2018 and 2017, respectively.

Limited Partnerships

Permal Fixed Income Holdings

This fund is registered with the U.S. Securities and Exchange Commission. The objective of the fund is to achieve above-average returns over time while maintaining a lower risk profile than traditional investments. The pool is globally focused and the investments are both credit spread and non-credit spread related. The credit spread strategies include Fixed Income - Hedged and Fixed Income - Developed and Emerging Markets. The non-credit spread strategies include Global Macro, Relative Value Arbitrage and Event Driven strategies. The NAV of the fund is determined monthly. The fund allows for quarterly liquidity with 20 days' written notice. The fair value of the fund was $0 and $4,462 at December 31, 2018 and 2017, respectively.

Pointer Offshore Ltd.

The Pointer Offshore, Ltd. Fund is a fund of funds with a long/short equity focus. The objective of this Fund is to preserve capital and generate attractive risk-adjusted returns. The managers that are employed by the Fund are fundamentally driven, bottom-up, research-intensive stock pickers who use moderate leverage. The NAV of the Fund is determined monthly. After an initial two-year lock-up, the Fund allows for annual liquidity on December 31 provided that a written notice is received by September 15. The fair value of the Fund was $5,997 and $6,360 at December 31, 2018 and 2017, respectively.

Easterly U.S. Government Properties

Easterly is a private real estate equity fund that focuses primarily on the acquisition, development and management of Class A commercial properties that are leased to U.S. Government agencies through the U.S. General Services Administration (GSA). Easterly owns 29 commercial properties in the United States, including 26 that are leased primarily to U.S. Government tenant agencies and three properties that are leased to private tenants, encompassing approximately 2.1 million square feet in the aggregate. Easterly generates substantially all of its revenue by leasing its properties to such agencies through the GSA. Its objective is to generate attractive risk-adjusted returns for its stockholders over the long term through dividends and capital appreciation. The NAV of the fund is determined quarterly. The fair value of Easterly was $1,108 and $2,148 at December 31, 2018 and 2017, respectively

Fort Washington PE Opp II

Fort Washington is an institutional private equity fund-of-funds manager. Fort Washington works primarily with institutional investors, typically endowments, foundations and public pension plans. Fort Washington is active in both the primary and secondary markets, providing fund strategies to fit their client's investment needs with the private equity asset class. Fort Washington also manages customized separate account programs for a range of larger institutional investors. The NAV of the fund is determined quarterly. The fair value of Fort Washington was $2,518 and $1,873 at December 31, 2018 and 2017, respectively

Capital Dynamics Mid-Market Direct IV

Capital Dynamics Mid-Market Direct IV is a private equity co-investment fund focused on the middle market. The Fund invests in companies alongside well-established funds managed by experienced private equity firms globally. The Fund's objective is to generate superior returns through the appreciation in value of a diversified portfolio of 15 to 20 Co-investments. It is anticipated that Co-investments will be largely in mid-market management buy-outs and leveraged buy-outs but may also include buy-ins, growth capital transactions and re-capitalizations as well as infrastructure projects and distressed situations. The NAV of the fund is determined quarterly. The fair value of Capital Dynamics was $1,266 and $715 at December 31, 2018 and 2017, respectively.

(In thousands)

<u>Greenspring Opportunities V</u>

Greenspring Opportunity V is a direct venture capital fund focused on growth equity investments in expansion stage companies alongside its existing venture managers. NAV of the fund is determined quarterly. The Fund targets 18 promising portfolio companies in the information technology and life sciences sectors, with initial investment sizes ranging from $5 to $25 million. The NAV of the fund is determined quarterly. The fair value of Greenspring Opportunities was $358 and $0 at December 31, 2018 and 2017, respectively.

<u>Golub II</u>

Golub II is a senior loan fund focused on private companies in the U.S. middle market sponsored by private equity firms. The Fund's primary investment objective is to achieve a high level of current income and attractive risk-adjusted returns, relative to more liquid fixed income alternatives, with an emphasis on the preservation of capital. The NAV of the fund is determined quarterly. The fair value of Golub II was $700 and $0 at December 31, 2018 and 2017, respectively.

NOTE G - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at December 31:

	2018	2017
Land	$ 346	$ 346
Building	1,419	1,419
Leasehold improvements	7,314	7,312
Furniture, software and equipment	22,804	22,139
Construction in progress	1,622	125
Total land, building and equipment	33,505	31,341
Less depreciation and amortization	(24,982)	(23,319)
Land, building and equipment, net	$ 8,523	$ 8,022

NOTE H - JERUSALEM PROPERTY DEVELOPMENT

This project involves the expansion of the JIY YMCA facilities and the construction of residential units, an underground parking structure and retail space. In December 1999, a contract was signed with an Israeli developer to carry out the project. The contract, amended in 2002, called for an up-front payment of $9,000 followed by payments of $250 quarterly through 2006. In addition, the developer would pay Y-USA 17% of residential unit sales in excess of $135,000. Y-USA has received a total of $10,750 to date, while the remainder was held by the developer as an estimated capital gains tax on the transaction.

(In thousands)

In June 2013, the developer transferred $3,750 to the Israel Tax Authority as partial settlement of the capital gains tax liability. In October 2013, Y-USA paid the balance of $1,350 as the final settlement of the tax liability. Y-USA's portion of the tax has been capitalized in the Jerusalem property development. In addition to the cash payment, the contract called for the developer to construct and deliver to Y-USA, as custodian, a new sports center, a portion of the parking structure and related improvements. Y-USA has received assurance of performance of the developer through bank guarantees. The developer has received a 150-year lease on the land, ownership of the condominiums and a portion of the parking structure.

In 2015, Y-USA entered into discussions with JIY to transfer Y-USA's interest in the property development to JIY for $8,958, comprised primarily of repayment of an Israel property tax liability originally paid by Y-USA and the related interest, in the amount of $8,232, as well as an escrow account in the amount of $726. As a result, Y-USA recorded a write down of a portion of the Jerusalem Development Project. The total asset of $22,990 was written down by $6,141 and the remaining asset of $16,489 was netted against future deferred lease payments totaling $7,891 as of December 31, 2015. Y-USA received the escrow amount of $726 in 2016, resulting in a remaining asset for the property development of $8,232 on the statements of financial position as of December 31, 2018 and 2017, respectively.

NOTE I - NOTES PAYABLE AND OTHER BORROWINGS

Notes payable consisted of the following at December 31:

	2018	2017
Note payable at an interest rate of 3.82% payable monthly. Principal is payable annually beginning November 15, 2019, in the amount of $500, with all remaining unpaid principal due and payable in full on November 16, 2023.	$6,500	$ -
Note payable at an interest rate of 1.92% payable monthly. Principal is payable annually beginning December 15, 2016, in the amount of $500, with all remaining unpaid principal due and payable in full on December 15, 2018.	-	6,500
Total notes payable	$6,500	$6,500

(In thousands)

Maturities of the notes payable as of December 31, 2018, are as follows:

2019	$ 500
2020	500
2021	500
2022	500
2023	4,500
Total notes payable	$6,500

On October 22, 2018, Y-USA renewed its line of credit of $5,000 and increased it by an additional $3,000 for a total of $8,000. This is a revolving line of credit, and Y-USA can repay principal amounts and re-borrow them, provided Y-USA does not exceed the principal balance. This line of credit will be available until December 15, 2021. As of December 31, 2018 and 2017, Y-USA had drawn $3,000 and $0, respectively, on the available line of credit. Interest payments are due monthly, calculated at LIBOR plus 0.65 percentage points on the outstanding principal.

The line of credit and the outstanding note both have a covenant that requires Y-USA maintain a debt service coverage ratio greater than 1.5. Y-USA is in compliance with these covenants as of December 31, 2018.

NOTE J - LETTERS OF CREDIT

At December 31, 2018, Y-USA maintained unsecured, irrevocable letters of credit in the amount of $100 to secure the $1,000 deductible on its general liability coverage to cover any liability or exposure from claims that could have been generated prior to 2008. No claims have been made against these letters of credit.

(In thousands)

NOTE K – RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net assets with and without donor restrictions at December 31, 2018 and 2017 consist of the following balances:

	2018	2017
Amounts without donor restrictions:		
Board-designated	$ 49,638	$ 55,673
Internally designated	-	10,667
Undesignated	(19,324)	(15,454)
Total net assets without donor restrictions	30,314	50,886
Amounts restricted by time or purpose:		
Amounts restricted by purpose:		
Youth Development	29,117	44,741
Healthy Living	9,343	9,836
Social Responsibility	15,574	17,744
All other	610	679
Net assets restricted by purpose	54,644	73,000
Amounts restricted by time	16,045	8,709
Total net assets restricted by time or purpose	70,689	81,709
Amounts with perpetual donor restrictions:		
Permanent endowment funds, income of which is used for program support and general operations	11,515	11,515
Beneficial interest in perpetual trusts	8,565	8,533
Total net assets with perpetual restrictions	20,080	20,048
Total nets assets with donor restrictions	90,769	101,757
Total net assets	$121,083	$152,643

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes.

	2018	2017
Youth Development	$ 40,909	$32,474
Healthy Living	30,672	22,433
Social Responsibility	31,861	21,906
All Other	301	194
Total net assets released from restrictions	$103,743	$77,007

NOTE L - ENDOWMENT

Y-USA's endowment consists of various individual funds established for different purposes as detailed above, but primarily to support YMCA programs worldwide. The endowment consists of internally designated endowment funds, donor-restricted endowment funds and board-designated endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UPMIFA, as enacted by the state of Illinois, applies to Y-USA's donor-restricted endowment funds. As required by UPMIFA, Y-USA accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, Y-USA classifies within net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified within net assets with donor restrictions is classified either in accordance with donor stipulations or an implied time restriction, until those amounts are appropriated for expenditure by management for the donor-stipulated purpose. Y-USA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purpose of Y-USA and the donor-restricted endowment fund.
- General economic conditions.
- The possible effects of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of Y-USA.
- The investment policies of Y-USA.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the fund to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions of $19 and $28 as of December 31, 2018 and 2017, respectively. The deficiencies were from two gifts whose principal totaled $204 and whose combined market values were $184 and $176 as of December 31, 2018 and 2017, respectively. Amounts for prior periods were reclassified from net assets without donor restrictions in accordance with the implementation of ASU 2016-14. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new donor endowment contributions and continued appropriation for certain programs that were deemed prudent by the board of directors. Y-USA has a policy that permits spending from underwater funds depending on the degree to which the fund is underwater, unless specifically prohibited by the donor or relevant laws and regulations.

(In thousands)

Y-USA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the National Board, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximize returns on all funds invested and achieve full employment of all available funds as earning assets. Y-USA has an active Investment Committee that meets regularly to ensure that the objectives of the investment policies are met, and that the strategies used to meet the objectives are in accordance with the investment policies. Endowments are comprised of both investments and cash and cash equivalents on the statements of financial position at December 31, 2018 and 2017.

The National Board has adopted a spending policy calculated as 5% of the fund's 28-quarter rolling average balance, with a cap of no more than 6% of the funds' current market value as of June 30. In establishing spending policy, the National Board considered the long-term expected return on its endowment. Over the long term, the board of directors expects the current spending policy to allow its endowment to grow at an amount keeping with inflation. This is consistent with Y-USA's objective of maintaining the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

During 2018, Y-USA determined that endowment net assets previously indicated as appropriated for a guarantee for an affiliate are no longer needed and the appropriation is no longer valid. These endowment net assets, totaling $8,464, have been reclassified in the 2018 statement of activities from net assets without donor restrictions to net assets with donor restrictions.

During the year ended December 31, 2018, Y-USA had the following endowment-related activities:

	Without donor Restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$65,304	$33,256	$98,560
Total investment return	(12,255)	7,207	(5,048)
Appropriation of endowment assets for expenditures	(4,263)	(1,697)	(5,960)
Endowment net assets, end of year	$48,758	$38,794	$87,562

(In thousands)

During the year ended December 31, 2017, Y-USA had the following endowment-related activities:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$58,057	$27,169	$85,226
Total investment return	10,299	6,835	17,134
Appropriation of endowment assets for expenditures	(3,052)	(748)	(3,800)
Endowment net assets, end of year	$65,304	$33,256	$98,560

NOTE M - RETIREMENT PLAN

Y-USA participates in a defined contribution, individual account, money purchase retirement plan that is administered by the YMCA Retirement Fund (a separate corporation). This plan is for the benefit of all eligible professional and support staff of Y-USA who qualify under applicable participation requirements.

The YMCA Retirement Fund is operated as a church pension plan and is a not-for-profit, tax-exempt, state of New York Corporation. Participation is available to all duly organized and recognized YMCAs in the United States. As a defined contribution plan, the YMCA Retirement Fund has no unfunded benefit obligations.

In accordance with the agreement with the YMCA Retirement Fund, Y-USA and employee contributions are a percentage of the participating employees' salaries, paid for by Y-USA, and are remitted to the YMCA Retirement Fund monthly. Y-USA contributions charged to retirement expense were $4,885 and $4,691 for the years ended December 31, 2018 and 2017, respectively.

NOTE N - COMMITMENTS AND CONTINGENCIES

Minimum rental commitments for office space and office equipment under operating leases in effect as of December 31, 2018, are as follows:

Payable in years ending December 31,	
2019	$ 1,932
2020	1,955
2021	1,979
2022	2,023
2023	2,066
Thereafter	3,345
Total commitments	$13,300

Rental expense related to these operating leases was $2,673 and $2,501 for the years ended December 31, 2018 and 2017, respectively.

Member associations are separate autonomous corporations, the operations of which are not under the control of Y-USA. However, Y-USA has, on occasion, been included as a defendant in litigation arising from incidents at member associations. Y-USA has to date been dismissed from these cases. In addition, litigation has been filed against a former subsidiary of Y-USA.

Counsel, named by Y-USA insurers during the discovery process, is normally unable to express an opinion as to the liability and damage aspects of the cases. If Y-USA were to be held liable, it is possible that the plaintiff may, to the extent that the liability of Y-USA exceeds its insurance coverage, attempt enforcement action against the funds of Y-USA. It is the opinion of management that the outcome of any present litigation matters will not materially affect the net assets of Y-USA.

NOTE O - REORGANIZATION COSTS

During 2018, Y-USA initiated a reorganization plan to evolve its service-delivery model to better meet the needs of YMCA associations throughout the United States. The total estimated cost in connection with this plan is $9,954. Reorganization costs consist primarily of employee separation benefits and other costs to develop and implement a new service-delivery model. Payments made through December 31, 2018 were $6,448. The remaining amounts will be paid during the year ended December 31, 2019.

NOTE P - SUBSEQUENT EVENTS

Y-USA evaluated its December 31, 2018 financial statements for subsequent events through May 24, 2019, the date the financial statements were available to be issued. Y-USA is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

SINGLE AUDIT REPORTS

National Council of Young Men's Christian Associations of the United States of America
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2018

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through entity or contract identifying number	Amounts provided to sub-recipients	Federal expenditures
U.S. Department of Health and Human Services				
NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424		$ 448,506	$ 1,518,884
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations - financed in part by Prevention and Public Health Funds (PPHF)	93.524		250,862	817,793
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421		-	88,646
Chronic Diseases: Research, Control, and Prevention	93.068		114,000	594,843
Passed through				
The General Hospital Corporation				
Childhood Obesity Research Demonstration	93.535	229250	-	34,061
Wake Forest University Health Sciences				
Aging Research	93.866	WFUHS 112485	-	236,744
HCM Strategists, LLC				
Trans-NIH Research Support	93.310		144,900	213,495
Family Health International 360				
Injury Prevention and Control Research and State and Community Based Programs	93.136	102150.001.001	58,959	101,129
Total U.S. Department of Health and Human Services			1,017,227	3,605,595
U.S. Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Juvenile Mentoring Program	16.726		962,417	1,203,509
U.S. Department of the Interior				
Conservation Activities by Youth Service Organizations	15.931		272,534	375,861
Corporation for National and Community Service				
Volunteers in Service to America	94.013		-	21,332
Total expenditures of federal awards			$ 2,252,178	$ 5,206,297

The accompanying notes are an integral part of this schedule.

NOTE A - NATURE OF ENTITY

The National Council of Young Men's Christian Associations of the United States of America (Y-USA) is an Illinois not-for-profit organization with headquarters in Chicago, Illinois. The basic objectives of Y-USA are to serve as a means through which YMCAs can achieve their purposes and goals as a national movement, and to make available services that will enrich and strengthen YMCAs in carrying out their work.

Federal Program Background

Y-USA receives its federal funding from the U.S. Department of Health and Human Services (HHS), the Department of Justice (DOJ), the Department of the Interior (DOI) and Corporation for National and Community Service (CNCS).

The funding from the Centers for Disease Control and Prevention (CDC) supports the following programs: Diabetes Prevention Program (DPP) and various capacity building programs including Million Hearts (MH). DPP is an evidence-based lifestyle change program in populations at high-risk for developing type 2 diabetes (African American; American Indian/Alaska Native; Hispanic/Latino, Low Social Economic Status; Women with a history of Gestational Diabetes). MH seeks to increase the number of effective and evidence-based hypertension control models, partnerships and licensures, resources available to deliver the model, and YMCA pilot testing the model for national dissemination. The overall goal of capacity building assistance is to ensure improvements in the public health infrastructure so that it is prepared for responding to both acute and chronic threats relating to the nation's health such as emerging infections, disparities in health status, and increases in chronic disease and injury rates.

The funding from Centers for Medicare and Medicaid Services supports new models of service delivery/payment improvements that show substantial promise of delivering the Three-Part Aim of better health, better health care and lower costs through improved quality for Medicare, Medicaid and Children's Health Insurance Program (CHIP) beneficiaries.

Y-USA partnered with the National Association of Chronic Disease Directors as a subrecipient of an award from the CDC. The primary goal is to establish a national dissemination framework for the delivery of evidence-based arthritis interventions with an emphasis on populations that are not currently reached via the CDC's state arthritis programs.

Y-USA partnered with the Wake Forest University Health Sciences as a subrecipient of an award from the CDC. The primary goal is to encourage biomedical, social, and behavioral research and research training directed toward greater understanding of the aging process and the diseases, special problems and needs of people as they age.

Y-USA partnered with the Family Health International 360 as a subrecipient of an award from the CDC. The primary goals are to rigorously apply and evaluate current and new interventions, methods, and strategies that focus on the prevention and control of injuries and to bring the knowledge and expertise of Injury Control Research Centers to bear on the development of effective public health programs for injury control.

Y-USA partnered with the HCM Strategists, LLC as a subrecipient of an award from the NIH. The primary goal is to engage in outreach, education and awareness activities to explain and promote the All of Us Research program and will become a part of a national network of partner organizations to serve as trusted intermediaries and messengers.

Y-USA partnered with The General Hospital Corporation as a subrecipient of an award from the CDC. Y-USA is working to further the progress of the Childhood Obesity Research Demonstration 2.0 project.

The funding from DOJ provides mentoring services to high-risk populations that are underserved due to location, shortage of mentors, special physical or mental challenges of the targeted population, or other analogous situations identified by the community in need of mentoring services.

The goal of the DOI partnership will be to engage individuals between 6 and 35 years of age in recreational, educational, volunteer service and employment opportunities in national park sites and affiliated areas. Accordingly, the partnership will develop a new generation of natural and cultural resource conservation stewards.

The funding from CNCS supports efforts to alleviate poverty by engaging individuals, 18 years and older, from all walks of life, in a year of full-time service with Y-USA to create or expand programs designed to bring individuals and communities out of poverty.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Y-USA and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Indirect Cost Rate

Y-USA did not elect to use the option of the 10% de minimis indirect cost rate.

GRANT THORNTON LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
F +1 312 565 4719

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
National Council of Young Men's Christian Associations
of the United States of America

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Council of Young Men's Christian Associations of the United States of America ("Y-USA"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 24, 2019.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered Y-USA's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of Y-USA's internal control.

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

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

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

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

Grant Thornton LLP

Chicago, Illinois
May 24, 2019

GRANT THORNTON LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
F +1 312 565 4719

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
National Council of Young Men's Christian Associations
of the United States of America

Report on compliance for each major federal program
We have audited the compliance of the National Council of Young Men's Christian Associations of the United States of America ("Y-USA") with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. Y-USA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to Y-USA's federal programs.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Y-USA's compliance.

Opinion on each major federal program
In our opinion, Y-USA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

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

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

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

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

Grant Thornton LLP

Chicago, Illinois
May 24, 2019

National Council of Young Men's Christian Associations
of the United States of America
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes __X__ None reported
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes __X__ None reported
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.424	Department of Health and Human Services NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ Yes ___ No

II. FINANCIAL STATEMENT FINDINGS

No matters reported.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters reported.

YMCA OF THE USA
101 N Wacker Drive
Chicago IL 60606
800 872 9622

141902 02/19