

REPORT OF
BOONSLICK HEARTLAND YMCA, INC.
FOR THE YEAR ENDED
DECEMBER 31, 2017

BOONSLICK HEARTLAND YMCA, INC.

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors of
Boonslick Heartland YMCA, Inc.
Boonville, Missouri

We have audited the accompanying financial statements of the Boonslick Heartland YMCA, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of December 31, 2017, and the related statement of support, revenue, and expenses - modified cash basis, statement of functional expenses – modified cash basis and statement of cash flows - modified cash basis for the year then ended and the related notes to the financial statements.

PARTNERS

Fred W. Korte, Jr.
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Heidi N. Ross

PARTNER EMERITUS

Robert A. Gerding

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Boonslick Heartland YMCA, Inc. as of December 31, 2017, and its support, revenue, and expenses and cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink, appearing to read "Gerding, Korte & Chitwood".

May 31, 2018

Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri

BOONSLICK HEARTLAND YMCA, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS -
MODIFIED CASH BASIS
DECEMBER 31, 2017

ASSETS

Current Assets:	
Cash - restricted	\$ 79,538
Total Current Assets	79,538
Noncurrent Assets:	
Investments - unrestricted	132,760
Investments - restricted	24,957
Total Investments	157,717
Fixed assets not being depreciated:	
Land	30,000
Fixed assets being depreciated:	
Leasehold improvements	928,179
Equipment	638,552
	1,566,731
Less: accumulated depreciation	(722,233)
Total fixed assets being depreciated (net)	844,498
Total Noncurrent Assets	1,032,215
Total Assets	\$ 1,111,753

LIABILITIES

Current Liabilities	
Bank overdraft	\$ 51,027
Note payable	37,980
Total Current Liabilities	89,007
Long-Term Liabilities	
Note payable (net of current portion)	368,175
Total Long-Term Liabilities	368,175
Total Liabilities	457,182

NET ASSETS

Net Assets:	
Temporarily restricted for endowment fund	24,957
Temporarily restricted for programs	55,845
Temporarily restricted for maintenance	23,693
Unrestricted	550,076
Total Net Assets	654,571
Total Liabilities and Net Assets	\$ 1,111,753

See Notes to Financial Statements

BOONSLICK HEARTLAND YMCA, INC.
STATEMENT OF SUPPORT, REVENUE AND EXPENSES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Unrestricted Net Assets

Support and Program Revenue:

Support:

Contributions	\$ 57,649
City of Boonville contract	20,000
United Way and other support	92,729
Total Support	<u>170,378</u>

Program Revenue:

Membership dues	390,245
Programs	435,580
Other	42,505
Total Program Revenue	<u>868,330</u>

Total Support and Program Revenue	<u>1,038,708</u>
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Expenses:

Program Services:

Youth sports	48,577
Aquatic	151,313
Other programs	592,409
Total Program Services	<u>792,299</u>

Fund-Raising	22,796
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Management and general	225,778
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Total expenses	<u>1,040,873</u>
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Other Changes in Net Assets:

Interest and dividends	3,787
Net Unrealized Gains/(Losses) on Investments	(8,741)
Net Realized Gains (Losses) on Investments	(790)
Transfers from Restricted Net Assets	5,447
Total Other Changes in Net Assets	<u>(297)</u>

Increase (decrease) in unrestricted net assets	<u>(2,462)</u>
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Temporarily Restricted Net Assets

Interest and dividends	1,279
Net Realized Gains (Losses) on Investments	20,320
Transfers To Unrestricted Net Assets	(5,447)
Increase (decrease) in temporarily restricted net assets	<u>16,152</u>
Change in Net Assets	13,690
Net assets, beginning of year	<u>640,881</u>
Net assets, end of year	<u>\$ 654,571</u>

BOONSLICK HEARTLAND YMCA, INC.
STATEMENT OF FUNCTIONAL EXPENSES -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Fund- Raising</u>	<u>Management and General</u>	<u>Total</u>
	<u>Youth Sports</u>	<u>Aquatics</u>	<u>Other Programs</u>				
Salaries	\$ 4,607	\$ 54,967	\$ 389,310	\$ 448,884	\$ 13,301	\$ 119,713	\$ 581,898
Payroll taxes and benefits	695	7,465	33,179	41,339	4,819	12,391	58,549
Contracted services	3,200	334	13,577	17,111	-	14,614	31,725
Depreciation	10,779	26,948	10,779	48,506	-	5,390	53,896
Insurance	5,330	13,325	2,665	21,320	-	5,330	26,650
Interest	-	-	7,933	7,933	-	-	7,933
Miscellaneous	-	-	11,499	11,499	-	-	11,499
National YMCA support	-	-	-	-	-	14,401	14,401
Professional fees	-	-	3,500	3,500	-	3,780	7,280
Program expenses	4,373	835	99,217	104,425	-	-	104,425
Travel and conferences	-	106	9,335	9,441	-	11,641	21,082
Repair and maintenance	4,275	10,688	3,206	18,169	-	3,206	21,375
Office expenses	-	-	-	-	3,576	19,993	23,569
Telephone	1,100	1,100	1,100	3,300	1,100	1,102	5,502
Utilities	14,218	35,545	7,109	56,872	-	14,217	71,089
Total Expenses	\$ 48,577	\$ 151,313	\$ 592,409	\$ 792,299	\$ 22,796	\$ 225,778	\$ 1,040,873

BOONSLICK HEARTLAND YMCA, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash Flows from Operating Activities	
Change in net assets	\$ 13,690
Adjustments to reconcile change in net assets	
to net cash provided by (used in) operating activities -	
Depreciation	53,896
Increase in bank overdrafts	51,027
(Gains) losses on investments	<u>(5,342)</u>
Net cash provided by (used in) operating activities	<u>113,271</u>
Cash Flows from Investing Activities	
Purchase of investments	(9,198)
Purchase of fixed assets	<u>(458,810)</u>
Net cash provided by (used in) investing activities	<u>(468,008)</u>
Cash flows from Financing Activities	
Proceeds of notes payable	380,010
Principal payments of notes payable	<u>(21,358)</u>
Net cash provided by (used in) financing activities	<u>358,652</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,915
Cash and cash equivalents, beginning of year	<u>75,623</u>
Cash and cash equivalents, end of year	<u><u>\$ 79,538</u></u>
Supplemental Information:	
Interest Paid	<u><u>\$ 7,933</u></u>

See Notes to Financial Statements

BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Purpose of Organization

The Boonslick Heartland YMCA, Inc. (the “Organization”) establishes, develops and administers a “YMCA” to help persons develop Christian personalities and to aid in building a Christian society through the improvement of physical, mental, social, moral and educational conditions of persons who participate in Organization programs and the community served by this organization.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the modified cash basis of accounting, under which revenues are recorded when received and expenses are recorded when paid. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses are not recorded in these financial statements. If the Organization utilized the basis of accounting recognized as generally accepted, the financial statements would be presented on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations.” Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Contributed Services

During the year ended December 31, 2017, the Organization received donated services from a variety of unpaid volunteers assisting the Organization in its fund-raising and operations. No amounts have been recognized in the accompanying statement of support, revenue, and expenses – modified cash basis since they do not meet the criteria for recognition under SFAS No. 116, “Accounting for Contributions Received and Contributions Made.”

F. Income Taxes

The Organization is exempt from federal and state income tax under Section 501 (c)(3) of the Internal Revenue Code and is currently classified by the Internal Revenue Service as other than a private foundation.

While the Organization is generally exempt from income taxes, it is subject to taxes on unrelated trade or business income and excess lobbying expense. For the year ended December 31, 2017, the Organization did not incur taxes for unrelated trade or business income.

The Organization files a Form 990, *Return of Organization Exempt from Income Tax*, each year-end. The Organization’s tax returns are subject to examination by the Internal Revenue Service. Open tax years subject to examination include 2014-2017. Any interest or penalties incurred related to income tax filings are reported in other management and general expenses in the statement of support, revenue and expenses – modified cash basis.

G. Leasehold Improvements and Equipment

The Organization’s policy is to capitalize all acquisitions of equipment and leasehold improvements in excess of \$300 with estimated useful lives extending beyond one year. Acquisitions by purchase are capitalized at cost; acquisitions by donation are capitalized at the approximate fair value at the date of donation. Depreciation and amortization are computed under the straight-line method over estimated useful lives of five to forty years. Depreciation expense for the year ended December 31, 2017 was \$53,896.

H. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of support, revenue, and expenses – modified cash basis. Accordingly, certain indirect expenses have been allocated among the program services and supporting services benefitted. Management and other general expenses have been allocated based upon estimates of facility usage and management time and upon specific identification when appropriate.

BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Compensated Absences

The Organization allows employees to accumulate paid time off up to a maximum amount based on years of service. Employees are allowed to cash out 50% of earned paid time off if at least four weeks notice is given.

K. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

L. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

M. Restricted Assets

Restricted assets include cash and investments of the Organization that are restricted as to their use. The restricted assets are related to the endowment fund, equipment and maintenance.

**BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 2 - INVESTMENTS

At December 31, 2017, the Organization held the following investments:

	Carrying Amount
Common stocks and funds	\$ 157,717
	\$ 157,717

Investment return during 2017 consisted of the following:

Interest and dividends	\$ 5,066
Net realized and unrealized gains (losses) on investments reported at fair value	10,789
	\$ 15,855

NOTE 3 - AGREEMENT WITH CITY

The Organization has entered into an agreement with the City of Boonville, Missouri to provide for the continuation of various recreational programs for the benefit of the citizens of Boonville, Missouri from July 10, 2017 to January 31, 2018. Under the terms of the agreement, the Organization received \$20,000 for these services in 2017.

NOTE 4 - FACILITY LEASE

The Organization entered into a lease agreement dated March 16, 2009, with the City of Boonville to lease Johnston Field House for 10 years ending March 16, 2019 at the rate of \$2.00 per year. The Organization also provides certain benefits for city employees.

NOTE 5 - NOTES PAYABLE

On November 11, 2015, the Organization entered into a note payable to finance the purchase of fitness equipment. The amount borrowed was \$64,100 at an interest rate of 3.25%. Payments of \$1,427.48 are due monthly until November 15, 2019. In 2017, the Organization made principal payments of \$15,805, leaving a balance as of December 31, 2017 of \$31,698. Interest of \$1,325 was paid in 2017.

On July 14, 2017, the Organization entered into a note payable to finance the purchase of the Early Childhood Learning Center. The amount borrowed was \$320,000 at an interest rate of 4.19%. Payments of \$1,984.39 are due monthly until July 25, 2020 when the remaining principal is due. In 2017, the Organization made principal payments of \$3,835, leaving a balance of \$316,165. Interest of \$6,084 was paid in 2017.

**BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 5 - NOTES PAYABLE (Continued)

On September 26, 2017, the Organization entered into a note payable to finance the purchase of fitness equipment. The amount borrowed was \$60,010 at an interest rate of 4.5%. Payments of \$1,120.70 are due monthly until October 6, 2022. In 2017, the Organization made principal payments of \$1,718, leaving a balance of \$58,292. Interest of \$524 was paid in 2017.

The expected future payments for the notes are as follows:

Year Ended December 31,	Interest	Principal	Total
2018	\$ 16,411	\$ 37,980	\$ 54,391
2019	14,901	37,960	52,861
2020	8,590	306,623	315,213
2021	803	12,645	13,448
2022	226	10,947	11,173
Total	<u>\$ 40,931</u>	<u>\$ 406,155</u>	<u>\$ 447,086</u>

NOTE 6 - EMPLOYEE PENSION PLAN

The Organization participates in the YMCA Retirement Plan. The retirement plan is a tax-exempt, defined contribution, individual account, money purchase church pension plan that serves only YMCA's. The fund generally meets the qualification requirements of Section 401(a) of the Internal Revenue Code, and Tax-deferred Accounts generally meet the requirements of section 403(b) of the Code. The YMCA Retirement Plan is governed by the Constitution and the Bylaws of the Fund, and terms and conditions of the Plan, which are set in legal documents that are the final word on all aspects of the Plan's features and provisions. The Fund's Board of Trustees is independent and does not include any member of Fund management. Under the plan, the Organization elected to contribute seven percent of each eligible employee's salary. Retirement Plan expenses incurred by the Organization during 2017 were \$13,238.

NOTE 7 - RELATED PARTY TRANSACTIONS

During 2017 the Boonslick Heartland YMCA, Inc. had the following transactions with related parties:

The Organization has met all of the qualifications for membership in the National Council of YMCA's. The Organization paid \$14,401 to the YMCA of the USA for 2017.

NOTE 8 - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the YMCA carries commercial insurance.

BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization maintains one bank account at one institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. All accounts were fully insured at December 31, 2017.

NOTE 10 - RESTRICTED NET ASSETS

The Organization is reporting restricted net assets of \$104,495 at December 31, 2017. \$24,957 of these net assets relate to the Organization's endowment fund and are restricted by action of the Board. This fund is maintained in an investment account and is composed of short-term investments and common stocks. The purpose of the fund is to provide financial support for either operating expenses or capital expenses of the Organization and is managed by the Organization's Board of Directors. Expenditures may only be made from the endowment fund by Board action. The restricted portion represents contributions by donors made to the endowment fund.

\$55,845 of these net assets relate to restrictions for the program expenses and are restricted by action of the Board and contracts. The purpose of this restriction is to provide support for programs.

\$23,693 of these net assets relate to restrictions for maintenance and are restricted by action of the Board. The purpose of this restriction is to provide support for the facility maintenance.

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization has adopted Accounting Standards Codification 820-10, *Fair Value Measurements and Disclosures* (ASC 820-10, formerly SFAS No. 157, *Fair Value Measurements*). ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

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 the unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to the unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1: Valuation is based upon unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Observable inputs may include interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3: Valuation is based on methodologies that are unobservable and significant to the fair value measure. These may be generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset 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. The Plan's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets recorded at fair value:

Cash equivalents: Valued at cost, which approximates fair value.

Registered investment companies (mutual funds): Valued at quoted market process available on an active market which is based on the underlying net asset value (NAV) of shares held by the Organization at year-end.

Common Stocks: Valued at quoted market process available on an active market which is based on the underlying net asset value (NAV) of shares held by the Organization at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Organization 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.

The table below presents the Organization's assets measured at fair value on a recurring basis as of December 31, 2017 and December 31, 2016, aggregated by the level in the fair value hierarchy within which those measurements fall:

**BOONSLICK HEARTLAND YMCA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 11 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

December 31, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds	\$ 73,878	\$ -	\$ -	\$ 73,878
Common stocks	83,839	-	-	83,839
Total	<u>\$ 157,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,717</u>
December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Mutual Funds	\$ 112,079	\$ -	\$ -	\$ 112,079
Common stocks	31,098	-	-	31,098
Total	<u>\$ 143,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,177</u>

NOTE 12 – EARLY CHILDHOOD LEARNING CENTER

On July 14, 2017, the Organization purchased an Early Childhood Learning Center. Revenues are included in Programs revenue and expenses in Other programs expenses on the Statement of Support, Revenue and Expenses.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 31, 2018, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.