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Financial Statements and Report of Independent Certified Public Accountants and Single Audit Reports For the Years Ended December 31, 2019 and 2018 YMCA OF THE USA

What follows are
YMCA of the USA's
2019 and 2018 financial
statements and report
of independent certified
public accountants,
Grant Thornton,
which were prepared
in April 2020.
Please refer questions to
YMCA of the USA's
finance department
at 800 872 9622.

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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 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.

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Supplementary 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, 2019 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 audit 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 April 8, 2020, 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
April 8, 2020

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018 (in thousands)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 35,446	$ 18,223
Prepaid expenses and other assets	1,520	1,271
Pledges receivable, net	20,449	21,415
Due from Jerusalem property developer	2,000	-
Financial support and other receivables, net	587	1,427
Investments	84,985	84,122
Land, building and equipment, net	8,015	8,523
Jerusalem property development, net	-	8,232
Beneficial interests in perpetual trusts	8,774	8,565
Total assets	$ 161,776	$ 151,778
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 18,674	$ 14,798
Line of credit	-	3,000
Deferred revenue	640	1,170
Notes payable	6,000	6,500
Deferred rent expense	4,809	5,227
Total liabilities	30,123	30,695
NET ASSETS		
Without donor restrictions	41,024	30,314
With donor restrictions	90,629	90,769
Total net assets	131,653	121,083
Total liabilities and net assets	$ 161,776	$ 151,778

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, 2019
(In thousands)

	Without donor restrictions	With donor restrictions	Total
Revenue and support			
Contributions and support			
Contributions	$ 1,386	$ 33,873	$ 35,259
Government grants	6,868	-	6,868
Donations-in-kind and contributed services	-	58,358	58,358
World Service campaign	-	1,310	1,310
Net assets released from restrictions	103,858	(103,858)	-
Total contributions and support	112,112	(10,317)	101,795
Financial support from member YMCAs	76,500	-	76,500
Program and service revenue	9,793	-	9,793
Royalties and other revenue	1,083	-	1,083
Income from third-party trusts	278	81	359
Allocation of investment earnings for current operations	2,227	1,693	3,920
Total revenue and support	201,993	(8,543)	193,450
Expenses			
Program activities			
Social responsibility	75,822	-	75,822
Youth development	69,973	-	69,973
Healthy living	38,113	-	38,113
Total program activities	183,908	-	183,908
Supporting services			
Management and general	10,941	-	10,941
Fund-raising	2,112	-	2,112
Total supporting services	13,053	-	13,053
Total expenses	196,961	-	196,961
Change in net assets from operations	5,032	(8,543)	(3,511)
Non-operating activities			
Investment return, net	8,412	9,887	18,299
Allocation of investment earnings for current operations	(2,227)	(1,693)	(3,920)
Change in beneficial interests in perpetual trusts	-	209	209
Provision for uncollectible accounts	(507)	-	(507)
Total non-operating activities	5,678	8,403	14,081
CHANGE IN NET ASSETS	10,710	(140)	10,570
Net assets at beginning of year	30,314	90,769	121,083
Net assets at end of year	$ 41,024	$ 90,629	$ 131,653

The accompanying notes are an integral part of this financial statement.

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
Revenue 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 revenue and support	200,470	(16,530)	183,940
Expenses			
Program activities			
Social responsibility	62,570	-	62,570
Youth development	80,356	-	80,356
Healthy living	40,206	-	40,206
Total program activities	183,132	-	183,132
Supporting services			
Management and general	8,330	-	8,330
Fund-raising	2,204	-	2,204
Total supporting services	10,534	-	10,534
Total expenses	193,666	-	193,666
Change in net assets from operations	6,804	(16,530)	(9,726)
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
Provision for uncollectible accounts	(914)	-	(914)
Reorganization costs	(9,954)	-	(9,954)
Total non-operating activities	(27,376)	5,542	(21,834)
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 this financial statement.

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

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019
(In thousands)

	Program activities				Supporting services			
	Social responsibility	Youth development	Healthy living	Total	Management and general	Fund-raising	Total	Total
Personnel costs	$ 17,417	$ 11,378	$ 10,483	$ 39,278	$ 4,583	$ 1,711	$ 6,294	$ 45,572
Professional fees and other services	9,312	10,376	7,449	27,137	3,032	-	3,032	30,169
Advertising and marketing	24,147	24,256	12,086	60,489	10	-	10	60,499
Communications and supplies	796	537	344	1,677	329	38	367	2,044
Occupancy and insurance	1,760	1,542	1,149	4,451	855	95	950	5,401
Travel and meeting expenses	4,591	3,174	1,471	9,236	840	268	1,108	10,344
Awards and grants to associations	16,703	18,123	4,698	39,524	-	-	-	39,524
Financing costs	185	83	84	352	328	-	328	680
Depreciation and amortization	864	495	344	1,703	301	-	301	2,004
Organizational dues	47	9	5	61	663	-	663	724
Total functional expenses	$ 75,822	$ 69,973	$ 38,113	$ 183,908	$ 10,941	$ 2,112	$ 13,053	$ 196,961

The accompanying notes are an integral part of this financial statement.

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
Organizational dues	27	7	39	73	679	-	679	752
Total functional expenses	$ 62,570	$ 80,356	$ 40,206	$ 183,132	$ 8,330	$ 2,204	$ 10,534	$ 193,666

The accompanying notes are an integral part of this financial statement.

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

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018 (in thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 10,570	$ (31,560)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	2,004	1,664
Provision for bad debts	507	914
Net realized and unrealized (gains) losses on investments	(17,863)	5,154
Change in beneficial interests in perpetual trusts	(209)	(32)
Contributions with perpetual restrictions	-	(2)
Changes in operating assets and liabilities		
Accounts payable and accrued liabilities	3,876	5,524
Financial support, pledges receivable and other receivables, n	1,299	9,750
Deferred revenue and lease payments	(948)	(866)
Prepaid expenses and other assets	(249)	199
Net cash used in operating activities	(1,013)	(9,255)
Cash flows from investing activities:		
Proceeds from Jerusalem property development	6,500	-
Acquisitions of land, building and equipment	(1,496)	(2,165)
Sales of investments	33,765	17,346
Purchases of investments	(17,033)	(7,634)
Net cash provided by investing activities	21,736	7,547
Cash flows from financing activities:		
Proceeds from notes payable	-	6,500
Payments on notes payable	(500)	(6,500)
Proceeds from line of credit	-	3,000
Payments on line of credit	(3,000)	-
Contributions with perpetual restrictions	-	2
Net cash (used in) provided by financing activities	(3,500)	3,002
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,223	1,294
Cash and cash equivalents at beginning of year	18,223	16,929
Cash and cash equivalents at end of year	$ 35,446	$ 18,223
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 303	$ 155
Jerusalem property development settlement not yet received	$ 2,000	$ -

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, 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.

North American YMCA Development Organization is an Illinois limited liability corporation of Y-USA that was established to address issues in the area of financial development including education, networking and training that lead to successful financial development. Their financial results are included herein.

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.

Revenue and Support

Contributed Revenue

Contributions (including World Service campaign) – Contributions, bequests and grants may come from individuals, foundations, corporations or trusts. Revenue is recognized in the period when an unconditional contribution, pledge or promise to give is received. If donor-imposed conditions exist, revenue is recognized when all conditions are satisfied.

Government grants – Y-USA receives funding from various departments of the U.S. government. All of Y-USA's government grants are nonreciprocal transactions and include conditions stipulated by the granting agencies and are, therefore, accounted for as conditional contributions. Revenue is recognized as conditions are satisfied, primarily as expenses are incurred.

Donations-in-kind and contributed services – Y-USA produces public service announcements ("PSAs") that run on media outlets across the country, such as television, radio, print and digital media. Y-USA distributes PSAs to a third party who then distributes them to media outlets. Media outlets provide placements to Y-USA for free, as a contribution to Y-USA's mission. Y-USA has contracted with independent outside agencies to track PSA placement and estimate the fair value of the donated media placements based on the date, time and market. Donations-in-kind are recognized at their estimated fair values based on placement date with a corresponding amount in expenses in the statements of activities, resulting in no net impact on the change in net assets during the year. Donations-in-kind related to PSAs were $58,241 and $57,554 for the years ended December 31, 2019 and 2018, respectively.

Contributed services are recognized as revenue if 1) the services either create or enhance a non-financial asset or 2) require specialized skills provided by entities or persons possessing those skills and Y-USA would need otherwise to purchase those services if not donated. Contributed services are recognized at their estimated fair values at the date of receipt with a corresponding amount in expenses in the statements of activities, resulting in no net impact on the change in net assets during the year. Contributed services were $117 and $942 for the years ended December 31, 2019 and 2018, 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.

Revenue from Contracts with Customers

Revenue from contracts with customers is recorded based on the accrual basis of accounting and is derived primarily from financial support from member YMCAs and program and service revenue. All of Y-USA's revenue from contracts with customers is from performance obligations satisfied over time and is derived from contracts with an initial expected duration of one year or less. Prices are specific to distinct performance obligations and do not consist of multiple transactions.

Financial support from member YMCAs – Y-USA has 806 corporate YMCA members that pay financial support to the national office (Y-USA). Financial support is used by Y-USA to lead the national YMCA movement, deliver resources and services that assist YMCAs in carrying out their work, facilitate innovation, advance national positioning and global perspective, and oversee national governance and membership standards. Financial support dues are billed the first of each month and are typically due the last day of the same month. Revenue is recognized ratably over the membership year.

Program and service revenue – Y-USA offers training, professional development and conference events to employees of member YMCAs. Events range from a one-hour online training course to a one-week conference at an off-site facility. Depending on the event, registration fees may include training, workshops, networking events, course materials, hotel and meals. Because each event takes place within a fiscal year, revenue is recognized at the completion of a training course or conference. Registration fees received in advance are recorded as deferred revenue in the statements of financial position and recognized as revenue in the following year.

Y-USA records deferred revenue in situations when amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenue for revenue from contracts with customers was $640 and $1,170 as of December 31, 2019 and 2018, respectively. There were no associated accounts receivable for revenue from contracts as of December 31, 2019 or 2018.

Allocation of 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 and are recorded when Y-USA selects the recipient YMCAs.

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. Total net investment return (realized/unrealized gains and losses and investment income) is presented in non-operating activities on the statements of activities, with corresponding transfer of the endowment allocation to operating 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 eight years. Amortization on leasehold improvements is provided over the lesser of the life of the lease or the estimated useful life of the asset. 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 change in beneficial interests in perpetual trusts in the statements of activities in the period in which they occur. The distributions are recognized as investment return.

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 it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, 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:

<u>Level 1</u> - 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.

<u>Level 2</u> – Financial instruments 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.

<u>Level 3</u> – Financial instruments 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, 2019 and 2018.

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 value 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.

Prior-year Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no effect on the change in net assets.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606),* which replaced most existing revenue recognition guidance. 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. Y-USA implemented ASU 2014-09 effective for the year ended December 31, 2019 using the modified retrospective method. Based on Y-USA's review of its contracts, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. Adoption of ASU 2014-09 had no impact on total beginning net assets, but resulted in additional disclosures.

In conjunction with the adoption of ASU 2014-09, Y-USA adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provides additional guidance on determining whether a contribution is conditional or unconditional. Y-USA implemented ASU 2018-08 effective for the year ended December 31, 2019. Based on Y-USA's review of its agreements, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The underlying principle of ASU 2016-02 is that lessees should recognize the assets and liabilities arising from leases in 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 the year ending December 31, 2021, but with early adoption permitted. 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, 2019 and 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.

	2019	2018
Financial assets as of December 31	$ 139,080	$ 132,631
Less those amounts unavailable for general expenditures within one year, due to:		
Board-designated cash	(17,000)	-
Donor-restricted for specific purposes	(16,062)	(20,627)
Endowment funds with donor restrictions for specific purposes	(21,465)	(22,748)
Endowment funds Board-designated for specific purposes	(43,903)	(48,758)
Financial assets available to meet cash needs for general expenditures within one year	$ 40,650	$ 40,498

NOTE D - ACCOUNTS AND PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2019	2018
Pledges, non-interest-bearing, discounted using an interest rate of 2%		
Less than one year	$ 16,179	$ 20,682
One to five years	4,387	788
Total pledges	20,566	21,470
Less		
Provision for uncollectible accounts	(30)	(30)
Discount to present value	(87)	(25)
Pledges receivable, net	$ 20,449	$ 21,415

December 31, 2019 and 2018 (In thousands)

Accounts receivable consist of the following at December 31:

	2019	2018
Financial support dues	$ 367	$ 1,151
Other receivables	592	996
Total accounts receivables	959	2,147
Less allowance for doubtful accounts	(372)	(720)
Accounts receivables, net	$ 587	$ 1,427

NOTE E - INVESTMENTS

At December 31, 2019 and 2018, investments comprised the following:

	2019	2018
Publicly traded		
Mutual funds	$ 19,844	$ 23,435
Common and preferred stock	35,217	34,233
Total publicly traded	55,061	57,668
Other investments		
Commingled funds	16,627	13,769
Invested cash in pending security purchases	-	738
Limited partnerships	13,297	11,947
Total other investments	29,924	26,454
Total investments	$ 84,985	$ 84,122

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2019 and 2018
(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-USA separately discloses the information required for assets measured using NAV in the following tables:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 19,844	$ -	$ -	$ 19,844
Common and preferred stock	35,217	-	-	35,217
	$ 55,061	$ -	$ -	55,061
Other investments, measured at NAV				
Commingled funds				16,627
Limited partnerships				13,297
Total investments, at fair value				$ 84,985
Beneficial interests in perpetual trusts	$ -	$ -	$ 8,774	$ 8,774

	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 23,435	$ -	$ -	$ 23,435
Common and preferred stock	34,233	-	-	34,233
	$ 57,668	$ -	$ -	57,668
Other investments, measured at NAV				
Commingled funds				13,769
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

December 31, 2019 and 2018 (In thousands)

Investments valued at NAV as of December 31, 2019 and 2018 consisted of the following:

	2019			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnerships, private equity	$ 6,179	$ 1,930	N/A	N/A
Limited partnerships, fund of funds	7,118	-	Semi-Annual	3.5 months
Commingled funds	16,627	-	Daily; Monthly	5-7 business days
	$ 29,924	$ 1,930		

	2018			
	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Limited partnerships, private equity	$ 5,950	$ -	N/A	N/A
Limited partnerships, fund of funds	5,997	-	Semi-Annual	3.5 months
Commingled funds	13,769	-	Daily; Monthly	5-7 business days
	$ 25,716	$ -		

The changes in Level 3 assets for the years ended December 31, 2019 and 2018 consisted of the following:

Balance, December 31, 2017	$ 8,533
Change in value	32
Balance, December 31, 2018	8,565
Change in value	209
Balance, December 31, 2019	$ 8,774

Limited Partnerships

Limited partnerships include investments in private equity funds primarily investing in middle market and expansion stage companies. These investments are not redeemable periodically at the discretion of the investor. Instead, for investments in this category, distributions are received through the general partner's liquidation of the underlying assets of the fund. It is estimated that the underlying assets of these funds will be liquidated in seven to 15 years. Limited partnerships also include an investment in a fund of funds with a focus on long/short equities. The fund is invested in securities, private investment companies, and other investments. Limited partnerships are valued using the NAV of the investment.

December 31, 2019 and 2018 (In thousands)

Commingled Funds

Commingled funds include funds with investments in various diversified equity and fixed income securities. These funds are not publicly traded or registered with the Securities and Exchange Commission. Commingled funds are valued using the NAV of the investment fund.

NOTE G - LAND, BUILDING AND EQUIPMENT

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

	2019	2018
Land	$ 346	$ 346
Building	1,419	1,419
Leasehold improvements	7,380	7,314
Furniture, software and equipment	25,856	22,804
Construction in progress	-	1,622
Total land, building and equipment	35,001	33,505
Less depreciation and amortization	(26,986)	(24,982)
Land, building and equipment, net	$ 8,015	$ 8,523

NOTE H - JERUSALEM PROPERTY DEVELOPMENT

In December 1999, Y-USA entered into an agreement with an Israeli developer for the construction of a new sports arena for the Jerusalem International YMCA, residential units, an underground parking structure and retail space. Y-USA's interest, net in the project was $8,232 as of December 31, 2017. On April 2, 2019, Y-USA and the developer entered into an additional agreement for $8,500 to settle all amounts owed by the developer to Y-USA. As a result of the agreement, Y-USA wrote off its interest in the Jerusalem Property Development and recorded a receivable from the developer of $8,500 and a gain of $268. The developer paid $6,500 in June 2019. The remaining amount of $2,000 is expected to be paid during the year ending December 31, 2020, based on specified timing in the agreement.

(In thousands)

NOTE I - NOTES PAYABLE AND OTHER BORROWINGS

Notes payable consisted of the following at December 31:

	2019	2018
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.	$ 6,000	$ 6,500

Principal payments required on the notes payable as of December 31, 2019, are as follows:

2020	$ 500
2021	500
2022	500
2023	4,500
Total notes payable	$ 6,000

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; 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, 2019 and 2018, Y-USA had drawn $0 and $3,000, respectively, on the available line of credit. Interest payments are due monthly, calculated at the London Inter-Bank Offered Rate plus 0.65 percentage points on the outstanding principal.

The line of credit and the outstanding note both have a covenant. Y-USA is in compliance with these covenants as of December 31, 2019.

NOTE J - LETTERS OF CREDIT

At December 31, 2019, 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, 2019 and 2018 consist of the following balances:

	2019	2018
Amounts without donor restrictions		
Board-designated	$ 44,802	$ 49,638
Undesignated	(3,778)	(19,324)
Total net assets without donor restrictions	41,024	30,314
Amounts restricted by time or purpose:		
Amounts restricted by purpose:		
Youth development	26,229	29,117
Healthy living	2,516	9,343
Social responsibility	22,010	15,574
All other	723	610
Net assets restricted by purpose	51,478	54,644
Amounts restricted by time	19,512	16,045
Total net assets restricted by time or purpose	70,990	70,689
Amounts with perpetual donor restrictions:		
Permanent endowment funds, income of which is used for program support and general operations	10,865	11,515
Beneficial interest in perpetual trusts	8,774	8,565
Total net assets with perpetual restrictions	19,639	20,080
Total net assets with donor restrictions	90,629	90,769
Total net assets	$ 131,653	$ 121,083

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes for the years ended December 31.

	2019	2018
Youth development	$ 35,520	$ 40,909
Healthy living	29,295	30,672
Social responsibility	35,290	31,861
All other	4,262	301
Total net assets released from restrictions	$ 103,858	$ 103,743

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 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 ("underwater funds"). Deficiencies of this nature are reported in net assets with donor restrictions of $2 and $20 as of December 31, 2019 and 2018, respectively. At December 31, 2019, the deficiency was from one gift whose principal totaled $19 and whose fair value was $17. At December 31, 2018, the deficiencies were from two gifts whose principal totaled $204 and whose combined fair values were $184. 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 National Board. 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 comprise both investments and cash and cash equivalents on the statements of financial position at December 31, 2019 and 2018.

The National Board has adopted a spending policy calculated as 4.5% 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 the spending policy, the National Board considered the long-term expected return on its endowment. Over the long term, National Board 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 2019, the National Board approved a contribution to a YMCA member association. Investments valued at $17,000 were liquidated and the proceeds reported in cash and cash equivalents at December 31, 2019. The contribution is expected to be paid during the year ending December 31, 2020.

During the year ended December 31, 2019, Y-USA had the following endowment-related activities:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 48,786	$ 38,766	$ 87,552
Investment return, net	10,211	8,037	18,248
Liquidation of investments for transfer to local YMCA	(12,867)	(4,133)	(17,000)
Appropriation of endowment assets for expenditures	(2,227)	(1,693)	(3,920)
Endowment net assets, end of year	$ 43,903	$ 40,977	$ 84,880

(In thousands)

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
Investment return, net	(12,255)	7,207	(5,048)
Appropriation of endowment assets for expenditures	(4,263)	(1,697)	(5,960)
Endowment net assets, end of year	$ 48,786	$ 38,766	$ 87,552

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 $3,650 and $4,885 for the years ended December 31, 2019 and 2018, respectively.

NOTE N - COMMITMENTS AND CONTINGENCIES

Minimum rental commitments for office space and office equipment under operating leases in effect as of December 31, 2019, are as follows:

Payable in years ending December 31,	
2020	$ 2,210
2021	2,273
2022	2,337
2023	2,404
2024	2,472
Thereafter	31,762
Total commitments	$ 43,458

Rental expense related to these operating leases was $2,279 and $2,673 for the years ended December 31, 2019 and 2018, respectively.

During 2019, Y-USA renegotiated the lease for its office space in Chicago. The lease was extended through June 30, 2036 and includes fixed rental payments that increase annually at 3%. Y-USA also makes separate payments to the lessor based on the property taxes assessed on the property, as well as a portion of the common area maintenance associated with the building.

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 responsible for no settlements or judgements. In addition, litigation filed against a former subsidiary of Y-USA is still pending.

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 cost in connection with this plan was $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 were paid during the year ended December 31, 2019.

NOTE P - SUBSEQUENT EVENTS

Y-USA evaluated its December 31, 2019 financial statements for subsequent events through April 8, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. While the disruption is currently expected to be temporary, there is uncertainty around the extent and duration. Therefore, while we expect this matter to negatively impact our results, the related financial impact cannot be reasonably estimated at this time. Due to the current economic volatility, and the amount of time and judgment involved in our valuation processes, it is impractical to quantify the estimated impact on the fair value of our investments. However, management believes the recent volatility in the market has resulted in a material decrease in the fair value of Y-USA's investments since December 31, 2019. Y-USA is closely monitoring its investment portfolio and liquidity and is actively working to minimize the impact of these declines. Y-USA's financial statements do not include adjustments to fair value that have resulted from these declines.

Additionally, a significant portion of Y-USA's revenue is derived from financial support from member YMCAs ("Financial Support"). To the extent that the coronavirus pandemic blunts the member YMCAs' collective abilities to be open to serve their communities, it will also decrease their revenues. As Financial Support is directly tied to the operations of the member YMCAs, this will in turn reduce the Financial Support received by Y-USA. Y-USA is not yet able to satisfactorily forecast the true loss of revenue attributable to the coronavirus pandemic. As Y-USA becomes more certain of this impact, Y-USA will review all expenses and will reduce costs to offset the decrease in revenue to afford the Y-USA its best opportunity to serve the member YMCAs now and into the future.

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, 2019

Federal grantor/pass-through grantor/program title	Federal CFDA number	Pass-through entity identifying number	Provided to recipients	Federal expenditures
U.S. Department of Health and Human Services				
Centers for Disease Control and Prevention				
NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424		$ 249,754	$ 510,737
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421		1,804,770	4,149,325
Chronic Diseases: Research, Control, and Prevention	93.068		99,820	424,194
Passed through				
The General Hospital Corporation				
Childhood Obesity Research Demonstration	93.535	229250	-	43,998
Wake Forest University Health Sciences				
Aging Research	93.866	WFUHS 112485	-	286,293
HCM Strategists, LLC				
Trans-NIH Research Support	93.310	N/A	145,279	176,470
Total U.S. Department of Health and Human Services			2,299,623	5,591,017
U.S. Department of Justice				
Office of Juvenile Justice and Delinquency Prevention				
Juvenile Mentoring Program	16.726		891,087	922,804
U.S. Department of the Interior				
Conservation Activities by Youth Service Organizations	15.931		204,618	300,320
Corporation for National and Community Service				
Volunteers in Service to America	94.013		-	54,328
Total expenditures of federal awards			$ 3,395,328	$ 6,868,469

The accompanying notes to the schedule of expenditures of federal awards should be read in conjunction with this schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019 and 2018

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.

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 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. Y-USA has not elected to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

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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 Association's
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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 8, 2020.

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.

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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
April 8, 2020

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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, 2019. 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.

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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, 2019.

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
April 8, 2020

I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	____ Yes __X__ No
• Significant deficiency(ies) identified 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 weakness(es)?	____ Yes __X__ None reported
Type of auditors' report issued on compliance for major program:	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
93.421	Department of Health and Human Services Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health

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.

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