REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

YMCA OF GREATER SEATTLE

December 31, 2019

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MOSSADAMS

Report of Independent Auditors

The Board of Directors
YMCA of Greater Seattle

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of YMCA of Greater Seattle (the "Y"), which comprise the consolidated statement of financial position as of December 31, 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of YMCA of Greater Seattle as December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Principle

As discussed in Note 1 to the consolidated financial statements, in the year ending December 31, 2019, the Y adopted ASU No. 2014-09, *Revenue from Contracts with Customers.* Our opinion is not modified with respect to this matter.

Other Matter

Report on Summarized Comparative Information

We have previously audited YMCA of Greater Seattle's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The management report included in this document and the information on communities served and donated goods and services included in Note 1 of the consolidated financial statements are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Moss Adams LLP

Seattle, Washington
June 3, 2020

YMCA of Greater Seattle
Consolidated Statements of Financial Position – Assets
December 31, 2019

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 3,471,135	$ 3,805,185
Accounts receivable, net	2,749,782	2,456,065
Pledges receivable, net	1,478,847	1,300,278
Prepaid expenses and other current assets	831,575	865,742
Total current assets	8,531,339	8,427,270
LONG-TERM ASSETS		
Restricted cash	1,315,000	705,000
Pledges receivable, noncurrent, net	3,667,507	8,679,514
Note receivable	8,551,621	4,238,000
Long-term investments	61,407,995	52,847,785
Investment in New Arcadia	1,622,324	-
Split-interest agreements	1,091,637	959,123
Land, buildings, and equipment, net	167,380,889	153,131,365
Other long-term assets	646,301	656,242
Total long-term assets	245,683,274	221,217,029
Total assets	$ 254,214,613	$ 229,644,299

See accompanying notes.

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 4,100,453	$ 4,260,021
Accrued expenses	4,314,437	3,623,924
Deferred program revenue	3,966,726	3,996,144
Bonds payable, current	1,094,369	1,095,622
Term loan	8,308,913	-
Other current liabilities	1,914,584	1,311,305
Total current liabilities	23,699,482	14,287,016
LONG-TERM LIABILITIES		
Liabilities under split-interest agreements	258,026	242,158
Interest rate swap agreements	775,300	10,751
Deferred program revenue, noncurrent	871,916	1,105,928
Capital leases	3,007,531	1,492,607
Line of credit	6,000,000	12,000,000
Bonds payable, noncurrent	32,007,182	25,148,410
Total long-term liabilities	42,919,955	39,999,854
Total liabilities	66,619,437	54,286,870
NET ASSETS		
Net assets without donor restrictions		
General and designated reserves	34,602,168	28,440,962
Debt service sinking fund	9,483,824	7,989,181
Invested in net fixed assets	94,513,124	83,479,590
Total net assets without donor restrictions	138,599,116	119,909,733
Net assets with donor restrictions	48,996,060	55,447,696
Total net assets	187,595,176	175,357,429
Total liabilities and net assets	$ 254,214,613	$ 229,644,299

See accompanying notes.

YMCA of Greater Seattle
Consolidated Statement of Activities
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
PUBLIC SUPPORT AND REVENUE				
Public support				
Contributions	$ 6,529,077	$ 6,569,503	$ 13,098,580	$ 10,075,376
Contributed assets	-	-	-	650,000
United Way	179,489	-	179,489	598,856
Total public support	6,708,566	6,569,503	13,278,069	11,324,232
Revenue				
Program, net	35,351,877	-	35,351,877	34,460,876
Membership, net	41,209,922	-	41,209,922	38,275,721
Government	15,369,791	4,833,954	20,203,745	13,367,833
Other	489,158	-	489,158	490,669
Total earned revenue	92,420,748	4,833,954	97,254,702	86,595,099
Net assets released from restrictions	20,089,597	(20,089,597)	-	-
Total public support, revenue, and releases	119,218,911	(8,686,140)	110,532,771	97,919,331
EXPENSES				
Program services	90,261,393	-	90,261,393	83,115,311
Management and general	16,476,828	-	16,476,828	13,603,844
Fundraising	2,197,136	-	2,197,136	2,766,576
Total expenses	108,935,357	-	108,935,357	99,485,731
PUBLIC SUPPORT AND REVENUE IN EXCESS OF EXPENSES BEFORE OTHER INCOME AND LOSSES	10,283,554	(8,686,140)	1,597,414	(1,566,400)
OTHER INCOME AND LOSSES				
Investment return (loss), net	9,066,791	2,236,306	11,303,097	(3,412,046)
Gain (Loss) on sale of assets	(14,862)	-	(14,862)	4,000
Change in value of split-interest agreements	118,449	(1,802)	116,647	(32,620)
Change in value of interest rate swap agreements	(764,549)	-	(764,549)	181,924
Total other income and losses	8,405,829	2,234,504	10,640,333	(3,258,742)
CHANGE IN NET ASSETS	18,689,383	(6,451,636)	12,237,747	(4,825,142)
NET ASSETS				
Beginning of year	119,909,733	55,447,696	175,357,429	180,182,571
End of year	$ 138,599,116	$ 48,996,060	$ 187,595,176	$ 175,357,429

 See accompanying notes.

YMCA of Greater Seattle
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Program Services				Support Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries	$ 15,486,526	$ 21,626,917	$ 8,226,102	$ 45,339,545	$ 7,672,654	$ 1,253,232	$ 54,265,431	$ 48,934,413
Employee health and retirement benefits	2,027,180	2,597,590	1,521,952	6,146,722	1,264,304	254,546	7,665,572	7,212,564
Payroll taxes	1,485,193	2,094,499	775,398	4,355,090	500,897	108,248	4,964,235	4,575,984
Subtotal	18,998,899	26,319,006	10,523,452	55,841,357	9,437,855	1,616,026	66,895,238	60,722,961
Supplies	3,191,579	2,802,751	1,400,165	7,394,495	1,298,147	96,942	8,789,584	8,109,114
Occupancy	2,408,261	3,746,156	1,050,574	7,204,991	244,728	10,775	7,460,494	7,284,892
Depreciation and amortization	1,995,372	4,657,153	659,165	7,311,690	1,314,499	-	8,626,189	7,824,707
Professional fees and contract services	1,749,805	2,125,309	868,152	4,743,266	1,084,866	47,027	5,875,159	5,196,195
Public relations	105,773	269,954	21,669	397,396	839,933	345,575	1,582,904	1,839,067
Transportation and travel	1,227,051	358,901	296,994	1,882,946	218,463	37,803	2,139,212	2,115,577
Equipment rental and maintenance	284,836	432,204	77,507	794,547	594,027	2,978	1,391,552	1,450,410
Interest	354,759	828,699	117,293	1,300,751	58,988	-	1,359,739	911,249
Conferences and training	148,195	128,746	89,740	366,681	445,544	32,106	844,331	935,634
Telephone	101,352	119,469	150,262	371,083	512,576	1,657	885,316	842,145
Agency dues	166,319	362,222	55,693	584,234	50,421	5,723	640,378	647,946
Other	159,731	343,255	91,746	594,732	344,713	524	939,969	528,639
Specific assistance	2,535	6,277	1,464,412	1,473,224	32,068	-	1,505,292	1,077,195
Total expenses	$ 30,894,467	$ 42,500,102	$ 16,866,824	$ 90,261,393	$ 16,476,828	$ 2,197,136	$ 108,935,357	$ 99,485,731
Allocation Percentage	28.36%	39.01%	15.48%	82.86%	15.13%	2.02%	100.00%	

See accompanying notes.

YMCA of Greater Seattle
Consolidated Statements of Cash Flows
Year Ended December 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 12,237,747	$ (4,825,142)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Noncash items included in change in net assets		
Depreciation and amortization	8,626,189	7,824,707
Net realized and unrealized loss (gain) on investments	(9,444,780)	5,131,267
(Gain) Loss on disposal of fixed assets	14,862	(4,000)
Noncash change in value of split-interest agreements	(116,646)	32,618
Change in allowance for doubtful accounts	65,538	75,066
Change in discount and allowance for uncollectible pledges	(293,921)	277,358
Change in value in interest rate swap agreements	764,549	(181,924)
Contribution of land	-	(650,000)
Contributions restricted for long-term purposes	(7,759,558)	(7,837,301)
Change in operating accounts		
Accounts receivable	(359,255)	(872,233)
Pledges receivable	5,127,359	4,555,042
Prepaid expenses and other current assets	34,167	(27,306)
Other long-term assets	9,941	9,944
Accounts payable and accrued expenses	530,945	2,255,119
Other liabilities	(397,088)	423,370
Net cash provided by operating activities	9,040,049	6,186,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	(610,000)	(25,000)
Purchase of assets to be repaid by note receivable	(4,313,621)	(4,238,000)
Purchases of land, buildings and equipment	(20,497,253)	(15,659,711)
Proceeds from lease incentive obligation	678,751	400,000
Purchases of investments	(16,626,737)	(10,982,353)
Investment in New Arcadia	(1,622,324)	-
Proceeds from sale or maturity of investments	17,511,307	9,049,014
Net cash used in investing activities	(25,479,877)	(21,456,050)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on bonds payable and capital leases	(2,153,680)	(1,670,651)
Borrowings on bonds payable and term loan	16,499,900	-
Borrowings on line of credit	18,000,000	15,000,000
Principal payments on line of credit	(24,000,000)	(7,875,000)
Proceeds from contributions restricted for endowment	54,425	283,951
Proceeds from contributions restricted for capital campaign	7,705,133	7,553,350
Net cash provided by financing activities	16,105,778	13,291,650
NET CHANGE IN CASH AND CASH EQUIVALENTS	(334,050)	(1,977,815)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,805,185	5,783,000
End of year	$ 3,471,135	$ 3,805,185
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 1,334,765	$ 833,372
Equipment acquired through capital lease	$ 2,393,322	$ 669,850

 See accompanying notes.

Note 1 – Background and Summary of Significant Accounting Policies

Description of organization – The Young Men's Christian Association of Greater Seattle (the Y), doing business as YMCA of Greater Seattle, is a not-for-profit Washington corporation and an association of men, women, and children of all ages from all walks of life who are joined together by a shared commitment to nurturing the potential of kids, promoting healthy living, and fostering a sense of social responsibility.

Nature of operations – The Y serves residents of King County and south Snohomish County, Washington. The Y derives its revenues from participant fees, membership dues, government contracts and grants, contributions, and miscellaneous sources. The Y's programs focus on Youth Development – nurturing of the potential of every child and teen; Healthy Living – improving the health and well-being of our communities; and Social Responsibility – giving back to our community and supporting our neighbors in need.

Principles of consolidation – The accompanying consolidated financial statements as of December 31, 2019, include the accounts of YMCA of Greater Seattle and its wholly owned subsidiary, the 909 4th YMCA Limited Partnership. All significant intercompany accounts and transactions have been eliminated.

Adoption of new accounting principle – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, to improve the consistency of revenue recognition practices across industries for economically similar transactions. Subsequently, the FASB has issued several amendments and updates to the original standard. The core principle is that an entity recognizes revenue for goods or services to customers in an amount that reflects the consideration it expects to receive in return. The Y has implemented ASU 2014-09 using the modified retrospective approach and has adjusted the recognition of revenue in accordance with the updated accounting principles. There was no impact to the Y's revenue recognition practices or the consolidated financial statements as a result of the adoption.

Communities served (unaudited) – The Y served 206,861 people during 2019 and engaged 2,098 volunteers who contributed 108,971 hours of service.

Basis of presentation – The Y's consolidated financial statements are presented on the accrual basis of accounting. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Y and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.
>
> *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met by action of the Y and/or the passage of time, or in perpetuity. Generally, the donors of these assets permit the Y to use all or part of the income and gains earned on related investment for general or specific purposes.

Note 1 – Background and Summary of Significant Accounting Policies (continued)

Cash and cash equivalents – For reporting purposes, the Y considers all investments in highly liquid debt instruments with a purchased maturity of three months or less, other than those held in the combined investment portfolio, to be cash equivalents.

Restricted cash represents cash restricted for self-insurance purposes and New Arcadia, which totaled $1,315,000 as of December 31, 2019. Restricted cash totaled $705,000 as of December 31, 2018, and was held for self-insurance purposes.

Income tax – The Y is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Y recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Y recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2019 and 2018, the Y is not aware of any uncertain tax positions requiring accrual.

Fair value of financial instruments – Financial instruments reported at fair value on a recurring basis include investments, assets held under split-interest agreements, and interest rate swap agreements. Financial instruments not reported at fair value on a recurring basis include receivables, payables, deferred revenues, and bonds payable. The carrying amounts of these financial instruments approximate fair value.

Investments – All investments are initially recorded at acquisition cost if purchased or fair value if they were received as contributions. Investments in equity securities with readily determinable fair values and investments in debt securities are reported at fair value based on quoted market prices. All other investments, for which quoted market prices are not available, are also reported at estimated fair value based on valuations provided by the external investment managers and the management of the investees. The Y reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

The Y invests its excess cash and its endowment funds in debt instruments and securities with financial institutions and has established guidelines relative to diversification and maturities. Such amounts may be in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance amounts.

Note 1 – Background and Summary of Significant Accounting Policies (continued)

Investment in New Arcadia – In April 2019, the Y executed an agreement with Nexus Youth and Families for the creation of a joint venture, New Arcadia, LLC. The purpose of the joint venture is to develop, manage, operate, and to house an emergency shelter, transitional housing beds, and a drop in center for homeless youth and young adults. The Y is designated as a member of the joint venture and holds 50% of the membership units. The Y was determined it has significant influence over the operations of the joint venture. Accordingly, the equity method of accounting is used. The net losses allocated to the Y are not significant. The total investment by the Y in New Arcadia at December 31, 2019 was $1,622,324.

Capitalization and depreciation – Purchased land, buildings, and equipment are recorded at cost, and those received by donations are capitalized at their estimated fair values on the date received. Depreciation is accounted for on a straight-line method based upon the estimated useful lives of the assets as follows:

	Years
Buildings - new	40
Buildings and improvements	10-20
Leasehold asset	40
Leasehold improvements - lesser of lease term or useful life	Generally, 20
Furniture	7
Equipment	5
Vehicles	5–7
Leased equipment	4

Revenue recognition – Revenue from public support is recognized at the time an unconditional promise to give or transfer of assets is made. Cost reimbursement government grants are recognized as revenue in the period the qualifying allowable expenditures are incurred. Program revenue is recognized at the start of the program or when goods or services are provided by the Y. Membership revenue is recognized over the membership service period. For the year ended December 31, 2019, program and membership revenues were reported on the consolidated statement of activities net of financial aid and discounts, which were $15,453,866 and $4,312,645, respectively. For the year ended December 31, 2018, program and membership revenues were reported on the consolidated statement of activities net of financial aid and discounts, which were $13,369,889 and $3,824,232, respectively.

In certain customer arrangements, the Y records deferred revenue for amounts received from customers in advance of the performance of services. All fees that are billed in advance are recorded as a contract liability, presented in the consolidated statement of financial position as deferred revenue.

Note 1 – Background and Summary of Significant Accounting Policies (continued)

Pledges and accounts receivable – Receivable balances consist primarily of receivables from government agencies and pledged contributions from individuals, foundations, and major corporations. The Y considers all endowment and donor restricted capital pledges as long-term, regardless of due dates. Pledges and accounts receivable are stated at the amount the Y expects to collect from outstanding balances. The Y provides for probable uncollectible amounts through a charge to the statement of activities and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges or accounts receivable. Management has evaluated the balances in pledges and accounts receivable. A reserve has been provided for doubtful accounts sufficient to cover expected losses for uncollectible pledges (see Note 4) and accounts receivable. The reserve for uncollectible receivables was $307,180 and $241,642 as of December 31, 2019 and 2018, respectively.

Donated goods and services (unaudited) – Many volunteers and corporations have donated significant amounts of time and services to the Y's fund-raising campaigns, policy-making boards, and program operations. However, such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, are not reflected in the accompanying consolidated financial statements. While the consolidated financial statements reflect a de minimus value for donated professional services, the Y estimates that 2,098 program and policy volunteers gave over 108,971 hours of policy, program, administrative, and facility support services in 2019. If valued at an average of $31.72 per hour (this hourly amount is suggested by the Independent Sector in Washington D.C., a not-for-profit that promotes volunteerism and philanthropy), this would result in a total value of contributed services of $3,456,560.

Estimates – The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements. Actual results may differ from such estimates.

Allocation of functional expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on the benefits derived.

Vulnerability from certain concentrations – The Y may be vulnerable to loss of funding from various governmental agencies. Government funding accounted for 20.8% and 15.4% of earned revenue in 2019 and 2018, respectively. One contract/program through King County provided approximately $3 million in revenue in 2019 and 2018, and represented 15.8% and 23% of government revenue, respectively. The receipt of governmental funding is subject to audit by various governmental agencies, the outcome of which is not known until the audits are completed. Management is aware of these risks and has contingency plans available.

Summarized information for prior year – The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Y's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Note 1 – Background and Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements – In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (ASU 2016-02). Under ASU 2016-02, lessees will be required to recognize a lease liability and a lease asset for all leases, including operating leases, with a term greater than 12 months on the consolidated balance sheet. The updated guidance also expands the required quantitative and qualitative disclosures surrounding leases. In November 2019, the FASB issued ASU 2019-10, which amended the effective date of the leases standard to fiscal years beginning after December 15, 2020, with early application allowed. The Y is currently evaluating the impact of the standard on the consolidated financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The Y recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Y's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued.

The Y has evaluated subsequent events through June 3, 2020, which is the date the consolidated financial statements were available for issuance. See Note 16 for disclosure of subsequent events.

Note 2 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position, are comprised of the following:

	2019	2018
Cash and cash equivalents	$ 3,471,135	$ 3,805,185
Accounts receivable, net	2,749,782	2,456,065
Pledges receivable, net	1,478,847	1,300,278
Investments (or Endowment), net of donor restrictions	21,877,556	18,599,281
	$ 29,577,320	$ 26,160,809

Investment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor restricted funds is restricted for specific purposes. Donor restricted funds are not available for general expenditure.

The board designated endowment of $21,877,556 is subject to an annual spending rate of 5% as described in Note 14. Although the Y does not intend to spend from the board designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Note 2 – Liquidity and Availability (continued)

As part of the Y's liquidity management plan they invest cash in excess of daily requirements in short term investments, certificate of deposits, and money market funds. The Y also has access to a $12,000,000 line of credit to deal with short term liquidity needs, of which $6,000,000 had been drawn down and is outstanding as of December 31, 2019.

Note 3 – Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Valuation techniques – Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices in active markets for identical assets or liabilities. Financial assets and liabilities valued using Level 2 inputs are based primarily on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities using Level 3 inputs were primarily valued using unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Valuation techniques utilized to determine fair value are consistently applied.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Money market – Money market funds are valued at cost plus accrued interest which approximates fair value.

Mutual funds – Mutual funds are valued at quoted market prices in active markets.

Split-interest agreements and beneficial interest held in trust – The assets held in split-interest agreements are valued based on market prices in active markets if the Y is the trustee, or based on estimates provided by third-party trustees.

Interest rate swap agreements – Interest rate swap agreements' values are derived from proprietary or other pricing models based on assumptions regarding past, present, and future market conditions.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Certain investments that are measured at fair value using the net asset value per share (or the equivalent) have not been classified in the fair value hierarchy leveling. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 3 – Fair Value Measurements (continued)

Fair values measured on a recurring basis – Fair values of assets and liabilities measured on a recurring basis at December 31, 2019, were as follows:

	Fair Value Measurements as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money market	$ 203,321	$ -	$ -	$ 203,321
Mutual funds				
Fixed income	20,968,892	-	-	20,968,892
Large cap	21,452,115	-	-	21,452,115
Small cap	4,372,833	-	-	4,372,833
International	13,484,061	-	-	13,484,061
Exchange traded	6,634	-	-	6,634
Real estate	920,139	-	-	920,139
Split-interest agreements				
Money market	4,185	-	-	4,185
Equity mutual funds	97,701	-	-	97,701
Fixed income mutual funds	23,864	-	-	23,864
Other mutual funds	449,507	-	-	449,507
Beneficial interest held in trust	-	-	516,380	516,380
Total 2019 financial assets	$ 61,983,252	$ -	$ 516,380	$ 62,499,632
2019 financial liabilities				
Interest rate swap agreement	$ -	$ -	$ 775,300	$ 775,300

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs (Level 3) is as follows:

	Split-Interest Agreements	Interest Rate Swap Agreements	Total (Level 3)
Balance at December 31, 2018	$ 439,637	$ (10,751)	$ 428,886
Total gains (loss) realized/ unrealized included in change in net assets	76,743	(764,549)	(687,806)
Balance at December 31, 2019	$ 516,380	$ (775,300)	$ (258,920)

Note 3 – Fair Value Measurements (continued)

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018, were as follows:

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money market	$ 134,465	$ -	$ -	$ 134,465
Mutual funds				
Fixed income	18,104,878	-	-	18,104,878
Large cap	17,212,979	-	-	17,212,979
Small cap	2,777,119	-	-	2,777,119
International	7,461,722	-	-	7,461,722
Exchange traded	1,004	-	-	1,004
Real estate	1,643,480	-	-	1,643,480
Global equity measured at net asset value	-	-	-	5,512,138
Split-interest agreements				
Money market	12,172	-	-	12,172
Equity mutual funds	316,132	-	-	316,132
Fixed income mutual funds	78,710	-	-	78,710
Other mutual funds	112,472	-	-	112,472
Beneficial interest held in trust	-	-	439,637	439,637
Total 2018 financial assets	$ 47,855,133	$ -	$ 439,637	$ 53,806,908
2018 financial liabilities				
Interest rate swap agreement	$ -	$ -	$ 10,751	$ 10,751

A reconciliation of the beginning and ending balances, by each major category of assets and liabilities, for fair value measurements made using significant unobservable inputs (Level 3) is as follows:

	Split-Interest Agreements	Interest Rate Swap Agreements	Total (Level 3)
Balance at December 31, 2017	$ 509,816	$ (192,675)	$ 317,141
Total gains (loss) realized/ unrealized included in change in net assets	(70,179)	181,924	111,745
Balance at December 31, 2018	$ 439,637	$ (10,751)	$ 428,886

Note 4 – Pledges Receivable

Pledges receivable were as follows as of December 31:

	2019	2018
Pledges receivable expected to be collected in		
Less than one year	$ 3,186,074	$ 8,243,418
One to five years	3,476,977	3,546,993
	6,663,051	11,790,411
Less allowance for uncollectible	(1,136,333)	(1,359,606)
Less unamortized discount	(380,364)	(451,013)
Total pledges receivable, net	5,146,354	9,979,792
Less current pledges receivable	(1,478,847)	(1,300,278)
Total long-term pledges receivable	$ 3,667,507	$ 8,679,514

Long-term pledges include those pledges expected to be collected more than one year in the future, as well as those pledges restricted for long-term purposes such as endowments or fixed assets whose restrictions have not been met.

Pledges receivable are recorded as contributions based upon the net present value of the amounts expected to be collected. The five-year U.S. Treasury note rate was used to determine the present value for the long-term pledges receivable.

Note 5 – Long-Term Investments

Long-term investments were as follows as of December 31:

	2019	2018
Money market	$ 203,321	$ 134,465
Mutual funds - equity	39,315,643	32,964,962
Mutual funds - fixed income	20,968,892	18,104,878
Mutual funds - other	920,139	1,643,480
Total long-term investments	$ 61,407,995	$ 52,847,785

Note 5 – Long-Term Investments (continued)

Investment income was as follows for the years ended December 31:

	2019	2018
Dividends and interest	$ 2,073,307	$ 1,931,377
Realized and unrealized gains (losses)	9,444,779	(5,126,817)
Investment fees	(214,989)	(216,606)
Total investment return (loss), net	$ 11,303,097	$ (3,412,046)

Note 6 – Split-Interest Agreements

Perpetual trust – The Y is a one-third beneficiary of one trust held in perpetuity. The trust is administered by a financial institution. The trust provides for annual earnings distributions to the Y. The Y's interest in gains and losses in the value of the trust is recognized in the consolidated statement of activities as with donor restricted activities. The fair value of the Y's beneficial interest in the trust was $493,296 and $416,524 at December 31, 2019 and 2018, respectively.

Charitable remainder trust and charitable lead trust – During 2019 and 2018, the Y held a 100% beneficial interest in one charitable remainder unitrust. The unitrust provides a percentage of the net fair value of the trust, valued on the first day of each year, to be paid in a gift annuity. The annuity provides the donors a percentage of the original gift amount for the life of the donors. Upon the donors' deaths, the remainder goes to the Y. The trust provides for semi-annual payments, calculated as 8% of the net fair market value of the trust assets, valued as of the first day of each taxable year of the trust. The assets for this trust are reported at fair value of $575,257 and $519,486 at December 31, 2019 and 2018, respectively.

The liability to the donor is recorded at the present value of the estimated future payments expected to be distributed, discounted at a rate of 6%, which was $258,026 and $242,158 at December 31, 2019 and 2018, respectively.

The Y is also the beneficiary in an additional charitable remainder unitrust and charitable lead trust, both administered by investment brokerages. The fair value of the Y's beneficial interest in these trusts was $23,084 and $23,114 at December 31, 2019 and 2018, respectively.

Note 7 – Land, Buildings, and Equipment

Land, buildings, and equipment were as follows as of December 31:

	2019	2018
Land	$ 15,421,136	$ 15,142,875
Buildings and leasehold improvements	159,029,853	129,844,052
Leasehold asset	32,597,241	32,597,241
Furniture and equipment	22,958,139	20,479,699
Vehicles	3,279,422	3,106,575
Construction in progress	3,171,700	13,208,329
Total land, buildings and equipment without donor restriction	236,457,491	214,378,771
Less accumulated depreciation	(70,100,996)	(62,365,019)
Land, buildings and equipment without donor restriction, net	166,356,495	152,013,752
Donor-restricted furniture and equipment	206,058	206,058
Donor-restricted real estate - building	1,984,135	1,984,135
Donor-restricted real estate - land	1,353,761	1,348,830
Total donor restricted land, building and equipment	3,543,954	3,539,023
Less accumulated depreciation	(2,519,560)	(2,421,410)
Restricted land, buildings and equipment, net	1,024,394	1,117,613
Total land, buildings and equipment, net	$ 167,380,889	$ 153,131,365

The Y is the beneficiary of a large charitable contribution for the purpose of purchasing and operating group residential homes for former foster care youth. The donor has requested that the real estate purchased be restricted for use with the youth program and kept in perpetuity. Between 2001 and 2005, the Y purchased six homes, selling one in 2006, the proceeds of which were used to fund the same youth program. The homes are classified as with donor restricted real estate and are being depreciated. The land associated with these homes has been classified with donor restriction.

Note 7 – Land, Buildings, and Equipment (continued)

On April 29, 2013, the Y entered into an agreement with the City of Sammamish, whereby it would contribute approximately $5 million toward the cost of construction on a new facility. In exchange, the Y would lease the facility, once complete, from the City at a rate of $1 per year under an original 25-year lease. The lease also contains a provision allowing the Y to renew the lease for an additional 25-year period. At the inception date of the lease, the fair value of the building was estimated to be $32,597,241. This amount, less the $5,404,489, contributed by the Y was recognized in 2016 as a contribution and a leasehold asset. The contribution of the leasehold asset is reflected in the accompanying consolidated statements of financial position as a net asset with donor restrictions and is being released into net assets without donor restrictions over the estimated useful life of the building at 40 years. As of December 31, 2019 and 2018, the contribution that remains in net asset with donor restriction is $24,564,971 and $25,379,902, respectively. Amortization expense for the years ended December 31, 2019 and 2018 was $814,931. The agreement also includes the lease of 7 acres of land, owned by the Y to the City for $1 per year, for 25 years with the option to renew for an additional 25 years.

On June 29, 2018, the Y entered into an agreement with the City of Kent, to fully fund construction of a new $26 million YMCA facility, located on City park land (Morrill Meadows Park). The City donated one park parcel to the Y, appraised at $650,000, subject to a reversionary interest in favor of the City should the Y ever stop operating the facility (once constructed) as a YMCA. This agreement will remain in effect for fifty years from its effective date and will automatically extend for additional five-year periods until the YMCA stops operating the Kent YMCA as a community center.

The Y also entered into an agreement with the City of Kent to construct certain improvements in the park surrounding the new Kent YMCA and a 20-year agreement with the Y to allow the improvements to be used by the City of Kent that includes payment terms that repays the Y for the cost of the improvements. The agreement was for a total of $8,499,900, bearing interest at 3.95%, requires monthly payments that started in September 2019, and allows for full repayment at election of the City. The balance of the note receivable was $8,426,621 as of December 31, 2019.

Note 8 – Deferred Program Revenue

Deferred program revenue was as follows as of December 31:

	2019	2018
Current portion deferred revenue		
City of Auburn	$ 107,460	$ 107,460
City of Newcastle	22,255	22,255
City of SeaTac	51,552	51,552
King County	75,000	75,000
Membership and Program deferred revenue	3,203,835	3,279,274
Other deferred program revenue	506,624	460,603
	3,966,726	3,996,144
Long-term deferred revenue		
City of Auburn	264,502	371,962
City of Newcastle	-	-
City of SeaTac	451,135	502,687
King County	156,279	231,279
	871,916	1,105,928
	$ 4,838,642	$ 5,102,072

In 2003 and 2004, the Y entered into a series of agreements with the City of Auburn to provide specific services and access to its facilities over a 20-year period. The City of Auburn paid $1,429,200 in 2003 and $720,000 in 2004 as part of these agreements. These amounts are considered deferred revenue and will be recognized ratably over the 20-year periods ending in 2023 and 2024.

In 2004, the Y entered into an agreement with the City of Newcastle to provide specific services and access after the construction of a new facility in Newcastle. The City of Newcastle paid $222,551 as part of this agreement. This amount is considered deferred revenue and was recognized ratably over a 10-year period ending in 2019.

In 2006, the Y entered into an agreement with the City of SeaTac to provide specific services and access after the construction of a new facility in SeaTac. Upon completion of the facility in 2009, the City of SeaTac paid $1,031,105 as part of this agreement. This amount is considered deferred revenue and will be recognized ratably over a 20-year period ending in 2029.

In 2007, the Y entered into an agreement with King County to provide specific services after the construction of a new facility in SeaTac. Upon completion of the facility in 2009, King County paid $1,000,000 for Youth and program activities for the community in and around SeaTac. The $250,000 and $750,000 portions of this amount are considered deferred revenue and will be recognized ratably over a 10-year and 15-year period, respectively, ending in 2019 and 2024, respectively.

Other deferred program revenue consisted of funds received for childcare, membership, and other programs by the Y for services to be provided after December 31.

Note 9 – Line of Credit

The Y entered into a line of credit agreement with a financial institution in September 2015 for borrowings up to $6,000,000. In September 2016, the Y modified the agreement, which increased the amount of the line to $12,000,000. The line of credit is unsecured and matures on September 30, 2021. Interest expense for the line of credit was $219,098 in 2019. The agreement also requires the Y to meet certain financial covenants, which the Y was in compliance with as of December 31, 2019 and 2018. At December 31, 2019 and 2018, the balance outstanding under the agreement was $6,000,000 and $12,000,000 respectively.

The Y entered into a non-revolving line of credit with a financial institution in October 2018 for borrowings up to $8,500,000. This is primarily to fund construction of the new Kent YMCA which opened in September 2019. No interest was incurred in 2018 as no borrowings took place until 2019. Monthly principal and interest payments began February 2019, with full principal due October 31, 2020. At December 31, 2019 the outstanding balance was $8,308,913.

Note 10 – Bonds Payable

Bonds payable consisted of the following as of December 31:

	2019	2018
Variable Rate Demand Nonprofit Revenue Bonds, Series 2012, due August 1, 2037, interest payable monthly and principal payable annually in varying amounts, interest rate adjusted weekly but not to exceed a maximum rate of 10% per annum; interest rate averaged 2.12% in 2020 and 2019.	$ 24,945,000	$ 25,780,000
Fixed Rate Demand Nonprofit Revenue Bonds, Series 2013, due July 1, 2020, principal and interest payable monthly at $26,276, interest rate of 2.42%.	156,551	464,032
Fixed Rate Demand Nonprofit Revenue Bonds, Series 2019, due October 1, 2045, interest payable monthly at a rate of 2.48%, principal payments will begin October 1, 2020.	8,000,000	-
	33,101,551	26,244,032
Less bonds payable, current	(1,094,369)	(1,095,622)
Total bonds payable, noncurrent	$ 32,007,182	$ 25,148,410

Note 10 – Bonds Payable (continued)

On September 1, 2007, the Washington State Housing Finance Commission issued Variable Rate Demand Nonprofit Revenue Bonds, Series 2007 of $30,000,000 (the 2007 Bonds) and loaned the proceeds to the Y. The 2007 Bonds were issued with the purpose of providing funding to finance the construction, renovation, expansion, and equipping of program facilities. Effective August 1, 2012, the 2007 Bonds were refinanced with a private lender. As part of the refinance, the Washington State Housing Finance Commission issued Variable Rate Demand Nonprofit Revenue Bonds, Series 2012 (the 2012 Bonds) of $30,000,000. The 2012 Bonds were then sold to a private lender. The 2012 Bonds are collateralized by a deed of trust on real property. The terms of the 2012 Bonds were not significantly changed from the 2007 Bonds. As such, this refinance was accounted for as a debt modification. Under the terms of the 2012 Bond agreement, the private lender has the right to call any remaining outstanding principal balance on September 1, 2022, 2027, and 2032. In April 2017, the Y amended its agreement with the private lender to change the private lender's call dates to May 1, 2024, and each May 1 thereafter. All other terms remained significantly the same.

On July 12, 2013, the Washington State Housing Finance Commission issued Fixed Rate Demand Nonprofit Revenue Bonds, Series 2013 of $2,030,000 (the 2013 Bonds) and loaned the proceeds to the Y, which were used to pay back a $2,000,000 line of credit with a bank. The 2013 Bonds were then sold to a private lender. The 2013 Bonds are collateralized by certain energy efficiency equipment that was purchased originally with the line of credit borrowings.

On October 4, 2019, the Washington State Housing Finance Commission issued Fixed Rate Demand Nonprofit Revenue Bonds, Series 2019 of $8,000,000 (the 2019 bonds) and loaned the proceeds to the Y. The obligations to the Bank under this agreement will be secured by the Mortgage. The funds were used for construction of the new Kent YMCA completed in 2019.

Principal maturities on the bonds are as follows for the year ending December 31:

For the Year Ending December 31,	
2020	$ 1,094,369
2021	1,154,387
2022	1,210,351
2023	1,266,462
2024	1,321,748
Thereafter	27,054,234
	$ 33,101,551

Note 11 – Interest Rate Swap Agreements

To minimize the effect of the change in the variable interest rate of outstanding bonds payable, the Y entered into four swap agreements, two in 2009 and two in 2017. Under the terms of the swap agreements, the Y pays the swap counterparties fixed amounts of interest over the term of the contracts and receives variable interest payments equal to 70% of LIBOR. Additional key terms of the agreements are as follows:

Outstanding Notional	Trade Date	Effective Date	Swap Fixed Rate	Final Maturity Date
$ 5,000,000	6/17/2009	7/1/2009	3.045%	4/1/2019
$ 5,000,000	8/1/2009	8/1/2009	2.780%	4/1/2019
$ 25,780,000	4/28/2017	4/1/2019	2.120%	5/1/2024
$ 15,780,000	4/28/2017	5/1/2017	1.495%	4/1/2019

As of December 31, 2019 and 2018, the net fair value of the swap agreements was a liability of $775,300 and $10,751, respectively, and the related unrealized gain/loss on the value of the swap agreement was included in the consolidated statement of activities.

Note 12 – Leases

In 2015, the Y entered into a master agreement with a financial institution for a $2,000,000 equipment line of credit facility. As of December 31, 2019, the Y had sixteen lease schedules for equipment and buses under the agreement. The leases mature between April 2020 and August 2026, bear interest at rates between 2.27% and 4.64%, and are secured by the underlying equipment and buses. As of December 31, 2019 and 2018, the Y had total capital lease payables of $3,566,961 and $1,992,038, respectively. Amounts due in the next year of the capital lease payable are recorded in other current liabilities in the consolidated statement of financial position.

The future lease payments under all capital leases at December 31, 2019, are as follows:

For the Year Ending December 31,	
2020	$ 1,346,643
2021	1,087,692
2022	826,747
2023	274,537
2024	124,745
Thereafter	148,480
	3,808,844
Less amounts for interest	(241,883)
	$ 3,566,961

Note 12 – Leases (continued)

Certain operations of the Y are conducted in leased space in the Seattle area. The Y also leases copiers and other electronic equipment with future minimum commitments. Future minimum lease payments under all significant noncancelable operating leases at December 31, 2019, are as follows:

For the Year Ending December 31,	
2020	$ 1,133,896
2021	831,168
2022	581,588
2023	464,044
2024	173,977
Thereafter	1,612,405
	$ 4,797,078

The Y also leases several spaces on a month-to-month basis for its programs. Payments on those leases are not included in the future minimum lease payments schedule above.

Note 13 – Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31 are available for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose:		
Program activities		
Camp reserves	$ 226,651	$ 226,651
Transitional houses	1,231,027	574,132
Transitions program support, charitable lead trust	12,043	13,845
Contribution of long-term asset	24,564,971	25,379,902
Buildings	6,208,528	14,601,595
	32,243,220	40,796,125
Subject to the passage of time:		
For periods after year-end	2,442,992	2,098,938
Subject to spending policy and appropriation:		
Endowment earnings for use in Y programming	3,684,944	2,082,933
Not subject to appropriation or expenditure:		
Land required for Transitional houses	698,830	698,830
Land contribution for Kent YMCA	650,000	650,000
Endowment donor restricted funds	9,276,074	9,120,870
	10,624,904	10,469,700
Total net assets with donor restrictions	$ 48,996,060	$ 55,447,696

Note 13 – Net Assets with Donor Restrictions (continued)

Net assets with donor restrictions where restrictions were met by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended December 31:

	2019	2018
Purpose restrictions accomplished:		
Accelerator Program Expenses	$ 1,200,381	$ 531,709
Use of contributed long-term asset	814,931	679,819
Acquisition of buildings	16,620,614	8,855,332
	18,635,926	10,066,860
Time restrictions accomplished		
Passage of specified time	965,891	899,010
Release of appropriated endowment amounts with purpose restrictions	487,780	464,440
Total restrictions released	$ 20,089,597	$ 11,430,310

Note 14 – Endowments

The Y's endowment consists of funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (quasi endowment). As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Y's Board of Directors has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Y classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment.

As of December 31, 2019, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2019			
Board-designated endowment funds	$ 21,912,108	$ -	$ 21,912,108
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	(34,552)	8,087,962	8,053,410
Accumulated investment gains	-	3,826,437	3,826,437
Total Funds	$ 21,877,556	$ 11,914,399	$ 33,791,955

Note 14 – Endowments (continued)

As of December 31, 2018, endowment net assets consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2018			
Board-designated endowment funds	$ 18,807,755	$ -	$ 18,807,755
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	(208,474)	8,045,137	7,836,663
Accumulated investment gains	-	2,264,272	2,264,272
Total Funds	$ 18,599,281	$ 10,309,409	$ 28,908,690

Changes to endowment net assets for the year ended December 31, 2019, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2018	$ 18,599,281	$ 10,309,409	$ 28,908,690
Investment return gain, net	4,238,311	2,194,867	6,433,178
Contributions and recollection of pledges	11,000	42,825	53,825
Unrealized loss of underwater endowment	-	(173,922)	(173,922)
Appropriation of endowment for expenditure	(971,036)	(458,780)	(1,429,816)
Endowment net assets, December 31, 2019	$ 21,877,556	$ 11,914,399	$ 33,791,955

Changes to endowment net assets for the year ended December 31, 2018, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2017	$ 20,857,750	$ 10,951,842	$ 31,809,592
Investment return (loss), net	(1,305,238)	(634,634)	(1,939,872)
Contributions and recollection of pledges	3,000	283,357	286,357
Recovery of underwater endowment	-	147,284	147,284
Appropriation of endowment for expenditure	(956,231)	(438,440)	(1,394,671)
Endowment net assets, December 31, 2018	$ 18,599,281	$ 10,309,409	$ 28,908,690

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Y to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in net assets without donor restrictions were $(34,552) and $(208,474) as of December 31, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations.

Note 14 – Endowments (continued)

Return objectives and risk parameters – The Y 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. Endowment assets include those assets of donor-restricted funds that the Y must hold in perpetuity or for donor-specified periods as well as board designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom Policy Index made up of various indices. Actual returns in any given year may be positive or negative.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Y relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Y targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to the spending policy – The Y has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 36 months through May of the calendar year preceding the year of distribution. In establishing this policy, the Y considered the long-term expected return on its endowment. Accordingly, over the long-term, the Y expects the current spending policy and expected rate of return to allow the endowment to maintain its inflation adjusted value. This is consistent with the Y's objective to maintain 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.

Note 15 – Retirement Plans

The Y participates in YMCA Retirement Fund Retirement Plan (the Retirement Plan) which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code, and YMCA Retirement Fund Tax-Deferred Savings Plan (the Savings Plan) which is a retirement income account plan as defined in section 403(b)(9) of the Internal Revenue Code. Both plans are sponsored by The Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York, organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States.

The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. Employees are eligible to participate in the Retirement Plan, upon attaining the age of 21, and upon completion of 1,000 hours of service during each of any two 12-month periods, beginning with their date of hire. Employees are eligible to participate in the Savings Plan upon their date of hire.

In accordance with the agreement with the Fund, the Y contributions are 12% of the participating employees' eligible salaries, and are remitted to the Fund monthly. Total Y retirement contributions charged to employee benefit expenses were $2,980,263 and $2,544,185 in 2019 and 2018, respectively.

Note 16 – Subsequent Events

Nexus Youth and Families merger – Nexus Youth and Families, formerly Auburn Youth and Families, was founded in 1973 as a nonprofit agency committed to serving the South King County. It offers free and low-cost behavioral healthcare, emergency shelter, and ongoing case management to youth, from birth to twenty-four and their families. The Y determined there was a great mission fit, and Nexus aligns closely with programming currently managed by the Accelerator YMCA. The merger with YMCA occurred on January 1, 2020, with full consolidation planned by the end of fiscal year 2020. In 2019, total assets for Nexus were approximately $5.5 million, total revenues were approximately $5.1 million.

COVID-19 pandemic – On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the economy and the general population. Given the dynamic nature of these circumstances and potential business disruption, the Y could experience a significant short-term impact to operations. The Y will continue to monitor the situation closely, but given the uncertainty about the situation, it is unable to estimate the impact to the consolidated financial statements.

Due to COVID-19 and the Washington state requirement that all athletic facilities close, the YMCA of Greater Seattle has been shut down since March 17, 2020. This has meant a significant reduction in membership and program revenues for the organization. However, since the shut-down, the Y has been able to operate essential childcare at these closed sites (for first responders and healthcare workers). In addition, the Y has maintained social services programs through existing government grant funding sources. As a result of reduced operations, the Y has quickly taken action to manage cash flow. Payroll has been reduced by about 40% and many employees were placed on furlough. Other expenditures are lower as a by-product of reduced capacity and vendor deferrals. Cash flow modeling includes several different projection scenarios into 2021, these include the Y opening again later in 2020 in varying capacities.