YMCA OF GREATER ROCHESTER

Financial Statements as of
March 31, 2016
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

August 22, 2016

To the Board of Directors of
YMCA of Greater Rochester:

Report on the Financial Statements
We have audited the accompanying financial statements of YMCA of Greater Rochester (a New York not-for-profit corporation) (the Association), which comprise the balance sheet as of March 31, 2016, and the related statements of activities and change in net assets, functional operating expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of March 31, 2016, 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.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

Report on Summarized Comparative Information
We have previously audited the Association's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bonadio & Co., LLP

YMCA OF GREATER ROCHESTER

BALANCE SHEET
MARCH 31, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Cash and equivalents	$ 898,934	$ 295,566
Accounts receivable, net of allowance for doubtful accounts of approximately $112,000 and $103,000 at March 31, 2016 and 2015, respectively	1,153,758	826,303
Prepaid expenses and other assets	1,229,781	1,228,992
Limited use assets	524,178	538,333
Investments	20,005,433	20,011,099
Land, buildings and equipment, net	48,985,272	49,578,103
Bond financing costs, net	383,535	628,763
Total assets	$ 73,180,891	$ 73,107,159
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Line-of-credit	$ 1,269,968	$ 4,824,860
Accounts payable	2,298,629	3,825,700
Accrued expenses	1,290,453	1,561,432
Deferred revenue	1,769,630	1,469,754
Capital lease obligations	537,494	665,757
Long-term debt	22,236,138	17,725,198
Interest rate swap liability	-	30,790
Total liabilities	29,402,312	30,103,491
NET ASSETS:		
Unrestricted	36,214,816	36,063,869
Temporarily restricted	5,060,038	4,436,074
Permanently restricted	2,503,725	2,503,725
Total net assets	43,778,579	43,003,668
	$ 73,180,891	$ 73,107,159

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2016
(With Comparative Totals for 2015)

	2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2015 Total
OPERATING ACTIVITIES:					
Operating revenues and support -					
Membership dues and joining fees, net	$ 19,562,285	$ -	$ -	$ 19,562,285	$ 18,088,906
Program fees, net	15,412,768	-	-	15,412,768	14,628,061
Governmental sources	2,489,495	-	-	2,489,495	2,150,157
Other fees and grants	2,774,972	-	-	2,774,972	2,137,176
Gifts and donations	2,649,889	-	-	2,649,889	2,234,923
Investment income and gains allocated for operating purposes	780,981	-	-	780,981	754,863
United Way of Greater Rochester	481,602	-	-	481,602	694,294
Member supplies and services	183,075	-	-	183,075	161,455
Interest income	35,647	1,136	-	36,783	35,790
Other revenues, net	388,225	-	-	388,225	117,159
Total operating revenues and support	44,758,939	1,136	-	44,760,075	41,002,784
OPERATING EXPENSES:					
Program -					
Youth development	18,873,420	-	-	18,873,420	16,460,219
Healthy living	11,985,763	-	-	11,985,763	13,878,128
Social responsibility	9,337,375	-	-	9,337,375	7,682,031
Total program	40,196,558	-	-	40,196,558	38,020,378
Supporting services -					
Administrative	4,730,876	-	-	4,730,876	3,814,400
Fundraising	1,079,350	-	-	1,079,350	1,048,062
Total supporting services	5,810,226	-	-	5,810,226	4,862,462
Total operating expenses	46,006,784	-	-	46,006,784	42,882,840
Change in net assets from operating activities	(1,247,845)	1,136	-	(1,246,709)	(1,880,056)
NON-OPERATING ACTIVITIES:					
Interest and dividends	335,466	-	-	335,466	255,030
Realized and unrealized gains (losses) on investments, net	(838,696)	(22,910)	-	(861,606)	857,286
Investment income allocated for operations	(655,795)	(125,186)	-	(780,981)	(754,863)
Reclassification of net assets	(169,826)	169,826	-	-	-
Gifts and donations	92,692	591,187	-	683,879	937,990
Net assets released from restriction - capital	14,444	(14,444)	-	-	-
Loss on disposal of buildings and equipment	(38,683)	-	-	(38,683)	(2,077)
Write-off of bond acquisition costs	(598,450)	-	-	(598,450)	-
Change in value of interest rate swap contracts	30,790	-	-	30,790	358,619
Change in net assets from non-operating activities	(1,828,058)	598,473	-	(1,229,585)	1,651,985
CHANGE IN NET ASSETS	(3,075,903)	599,609	-	(2,476,294)	(228,071)
NET ASSETS - beginning of year	36,063,869	4,436,074	2,503,725	43,003,668	43,231,739
NET ASSETS, net - acquired	3,226,850	24,355	-	3,251,205	-
NET ASSETS - end of year	$ 36,214,816	$ 5,060,038	$ 2,503,725	$ 43,778,579	$ 43,003,668

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF FUNCTIONAL OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2016
(With Comparative Totals for 2015)

	2016							
	Program				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Administrative	Fundraising	Total	2015 Total
Salaries	$ 9,796,713	$ 4,910,348	$ 3,952,636	$ 18,659,697	$ 2,210,397	$ 572,796	$ 21,442,890	$ 19,692,381
Employee benefits and taxes	2,012,159	1,066,106	907,891	3,986,156	698,869	162,939	4,847,964	4,474,918
Facility occupancy	1,631,820	1,248,805	1,266,183	4,146,808	45,569	8,669	4,201,046	3,703,875
Supplies	1,643,250	388,477	298,116	2,329,843	142,665	27,771	2,500,279	2,513,107
Equipment	359,527	990,445	469,440	1,819,412	157,810	12,749	1,989,971	1,878,672
Professional fees	463,013	313,424	324,788	1,101,225	376,939	47,988	1,526,152	1,462,703
Printing and publications	195,368	236,698	143,291	575,357	191,960	9,863	777,180	745,600
Insurance	175,158	156,158	157,358	488,674	132,166	32,992	653,832	607,000
Training and meetings	145,521	97,242	193,772	436,535	134,886	33,684	605,105	547,900
Bank service fees	45,228	43,898	43,898	133,024	92,344	-	225,368	470,605
Interest	157,765	153,125	153,125	464,015	-	-	464,015	471,208
Membership dues	103,394	98,459	105,888	307,741	106,932	34,039	448,712	449,659
Transportation	223,762	60,036	54,967	338,765	63,083	10,119	411,967	379,258
Program expense	207,466	22,504	146,249	376,219	6,259	1,393	383,871	294,212
Telephone	110,458	71,078	69,634	251,170	90,273	16,160	357,603	309,496
Merchant fees	30,821	184,927	92,463	308,211	-	-	308,211	278,803
Annual campaign	52,489	53,683	53,188	159,360	43,349	64,017	266,726	320,311
Postage	29,663	29,087	29,014	87,764	44,642	9,645	142,051	153,366
Letter of credit fees	30,218	29,328	29,328	88,874	-	-	88,874	211,130
Bad debt expense	8,045	64,358	8,045	80,448	-	-	80,448	71,244
Other	394,309	5,456	133,253	533,018	192,733	34,526	760,277	322,798
Total expenses before depreciation and amortization	17,816,147	10,223,642	8,632,527	36,672,316	4,730,876	1,079,350	42,482,542	39,358,246
Depreciation and amortization	1,057,273	1,762,121	704,848	3,524,242	-	-	3,524,242	3,524,594
Total expenses	$ 18,873,420	$ 11,985,763	$ 9,337,375	$ 40,196,558	$ 4,730,876	$ 1,079,350	$ 46,006,784	$ 42,882,840

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016
(With Comparative Totals for 2015)

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ (2,476,294)	$ (228,071)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Contributions temporarily restricted for capital expenditures	(591,187)	(721)
Depreciation and amortization	3,524,242	3,524,594
Provision for doubtful accounts	111,823	102,945
Realized and unrealized (gains) losses on investments, net	861,606	(857,286)
Change in interest rate swap contracts	(30,790)	(358,619)
Write-off of bond issuance costs	598,450	-
Loss on disposal of buildings and equipment	38,683	2,077
Changes in:		
Accounts receivable	(438,555)	(107,447)
Prepaid expenses and other assets	18,762	100,466
Accounts payable	(1,295,876)	1,223,455
Accrued expenses	(315,566)	33,514
Deferred revenue	177,140	59,002
Net cash flow from operating activities	182,438	3,493,909
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,319,330)	(31,594,512)
Proceeds from the sale of investments	2,896,428	32,315,063
Cash and equivalents received as part of merger (Note 3)	382,454	-
Purchases of buildings and equipment	(1,115,071)	(6,841,933)
Net cash flow from investing activities	(155,519)	(6,121,382)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net repayments and borrowings on line-of-credit	(3,554,892)	3,480,000
Principal repayments of capital lease obligations	(128,263)	(122,739)
Principal repayments of long-term debt	(18,675,897)	(683,452)
Borrowings on long-term debt	22,680,000	-
Payments on bond issuance costs	(349,841)	-
Change in limited use assets	14,155	(11,767)
Contributions received for capital expenditures	591,187	721
Net cash flow from financing activities	576,449	2,662,763
CHANGE IN CASH AND EQUIVALENTS	603,368	35,290
CASH AND EQUIVALENTS - beginning of year	295,566	260,276
CASH AND EQUIVALENTS - end of year	$ 898,934	$ 295,566

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

YMCA of Greater Rochester (the Association) is a not-for-profit corporation founded in 1854 as a charitable association of members and included 13 operating units at March 31, 2016. The Association provides quality programs focusing on youth development, healthy living and social responsibility. The Association's program areas include Health Enhancement, Childcare, Youth & Teen Development, Overnight Camping, and Membership Services. These programs emphasize caring, respect, honesty, responsibility, character building, fun and friendship. The Association is a charitable organization that creates a sense of community in the Greater Rochester area by involving individuals and families of all ages, genders, abilities, incomes and races. Programs are funded primarily through membership dues and program fees. Financial assistance is provided, within available resources, for individuals who do not have the ability to pay. Such assistance is funded primarily through donations to the Association's Annual Invest in Youth Campaign.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Association have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Financial Reporting
The Association classifies its activities into the following net asset categories:

- **Unrestricted**
  Unrestricted net assets include resources that are available for support of the Association's activities. In addition, the Board of Directors, through voluntary resolution, has set aside $10,891,528 and $10,179,527 of unrestricted net assets at March 31, 2016 and 2015, respectively, to function as endowment funds.

- **Temporarily Restricted**
  The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and change in net assets as net assets released from restrictions. When temporarily restricted support, including contributions and investment income and gains, is received and the restrictions expire in the same fiscal year, such support is recorded in the unrestricted net asset category.

- **Permanently Restricted**
  Permanently restricted net assets include resources with donor-imposed restrictions, which stipulate that such resources be maintained in perpetuity. The Association is permitted to expend part or all of the income and gains derived from the donated assets, unless restricted by a donor's wishes, in accordance with the Association's endowment spending policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information
The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional operating expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended March 31, 2015, from which the summarized information was derived.

Cash and Equivalents
Cash and equivalents consist of cash on hand, bank demand deposit, and money market accounts. A portion of the Association's cash and equivalents are maintained in bank accounts that may, at times, exceed federally insured limits. The Association has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk with respect to cash and equivalents.

Accounts Receivable
The Association provides services that are paid for by third-party payers or private pay individuals. The Association does not accrue interest on outstanding receivable balances. The allowance for doubtful accounts is based on the Association's past collection experience and a specific review of outstanding balances. Accounts for which no payment has been received for several months are considered delinquent and when customary collection efforts are exhausted, the account is written-off.

Fair Value of Financial Instruments
Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability.

Investments
The Association invests in various types of investment securities, which are stated at fair value. Cash and equivalents are stated at cost. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is possible that changes in their values could occur and such changes could materially affect the amounts reported in the accompanying financial statements.

Fair Value Measurement
The Association uses various techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Association. Unobservable inputs are inputs that reflect the Association's estimate about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 Inputs - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

- Level 2 Inputs - Valuations are based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

- Level 3 Inputs - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost if purchased or at the fair market value at the date of donation. The Association capitalizes equipment purchases greater than $5,000 with a useful life greater than two years. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from two (2) to forty (40) years. Items acquired under the terms of capital lease arrangements are amortized over their estimated useful lives of fifteen (15) years.

Bond Financing Costs

Bond financing costs represent costs incurred to obtain financing. These costs are amortized, using the straight-line method, over the terms of the related debt. These costs are written off when the related debt is retired in full before its scheduled maturity date.

Revenue Recognition

Membership dues and joining fees are recognized as revenue over the applicable membership period. Program fees are recognized as revenue as the related program service is provided. Revenue from grants and contracts is recognized as earned, or, when qualifying expenses are incurred. Deferred revenue represents cash received in advance of service provision.

Gifts and Donations

Gifts and donations are recorded at their fair value at the date of contribution. All gifts and donations are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as contributions at their estimated net present value based on anticipated future cash flow to reflect the time value of money.

Donated Services

A substantial number of volunteers have donated significant amounts of time and services in support of the Association's program operations and fundraising campaigns. However, the value of this time and service is not reflected in the accompanying financial statements as they do not meet the criteria for recognition under GAAP.

Advertising

Advertising costs are charged to expense as incurred and totaled approximately $241,000 and $265,000 in 2016 and 2015, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Operating Activities
All gifts and donations raised in connection with the Association's capital campaign and permanent endowment gifts as well as all investment income, including gains and losses on investments held for long-term purposes or capital expenditures, except for the amount allocated to operations, are considered non-operating activities in the accompanying statement of activities and change in net assets.

Income Taxes
The Association is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Association has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Estimates
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. MERGER

Corning Community YMCA, Inc.
Effective May 31, 2015, the Association assumed the assets, liabilities, and operations of Corning Community YMCA, Inc. (Corning YMCA) under the terms of a merger agreement. This merger agreement was approved by the affirmative vote of both the Association's Board of Directors and Corning YMCA's Board of Directors, and written communication from the State of New York Office of the Attorney General. On May 31, 2015, Corning YMCA operated one YMCA branch location in Corning, New York. The Association entered into this merger agreement for the primary purpose of expanding the services available to the Corning YMCA's members, furthering the overall mission of the YMCA, and expanding the Association's market presence in the greater Corning, New York area.

3. MERGER (Continued)

Assets, Liabilities, and Equity Acquired

The Association recognized the following assets, liabilities, and equity, at fair value, in its financial statements on June 1, 2015 related to the Corning YMCA merger:

ASSETS:	
Cash	$ 382,454
Investments	1,433,038
Building and equipment	2,189,171
Prepaid expenses and other assets	20,274
Total assets	$ 4,024,937
LIABILITIES:	
Accounts payable and accrued expenses	$ 144,159
Deferred revenue	122,736
Long-term debt	506,837
Total liabilities	773,732
NET ASSETS	
Unrestricted	3,226,850
Temporarily restricted	24,355
Total net assets	3,251,205
Total liabilities and equity	$ 4,024,937

Consideration

There was no consideration provided by the Association related to these transactions, other than the assumption of the acquired branch's liabilities.

4. INVESTMENTS

Composition

Investments, at fair value, consisted of the following at March 31:

	2016	2015
Cash equivalents	$ 679,682	$ 3,231,591
Domestic equity securities	9,316,643	4,118,163
International equity securities	3,231,057	7,995,408
Fixed income securities	5,874,716	4,607,376
Real estate mutual funds	53,335	58,561
Alternative strategies	850,000	-
	$ 20,005,433	$ 20,011,099

4. INVESTMENTS (Continued)

Investment Gain (Loss), Net

The Association's investment gain (loss), net, including amounts derived from cash equivalents, consisted of the following for the years ended March 31:

	2016	2015
Interest and dividends	$ 335,466	$ 255,030
Realized gains (losses), net	(844,755)	2,633,447
Unrealized (losses), net	(16,851)	(1,776,161)
	$ (526,140)	$ 1,112,316

Investment management fees were approximately $73,000 and $54,000 for the years ended March 31, 2016 and 2015, respectively, and are included in bank service fees in the accompanying statement of functional operating expenses.

Alternative Strategies

Alternative strategies consist of the Association's investments in a limited liability company (LLC). The strategy of the LLC is to seek attractive long-term capital appreciation by investing in a globally diversified portfolio of private equity investments. Liquidity is not a guarantee and is subject to the LLC's Board approval. The LLC's Board meets quarterly and votes to repurchase up to 5% of the LLC's assets.

5. LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at March 31:

	2016	2015
Land	$ 6,076,902	$ 6,076,902
Buildings and improvements	70,317,696	67,825,307
Furnishings and equipment	8,355,456	8,158,113
Land improvements	9,170,785	9,032,185
Construction-in-progress	-	19,172
	93,920,839	91,111,679
Less: Accumulated depreciation and amortization	(44,935,567)	(41,533,576)
	$ 48,985,272	$ 49,578,103

Assets Acquired Under Capital Leases

Buildings and equipment include HVAC, air handling equipment, and vehicles acquired under capital lease obligations with a cost of $1,287,056 at March 31, 2016 and 2015, respectively. Accumulated amortization related to these assets was $525,027 and $482,534 at March 31, 2016 and 2015, respectively.

6. ENDOWMENT FUNDS

The Association's endowment funds consisted of the following at March 31:

	2016	2015
Board designated	$ 10,891,528	$ 10,179,527
Temporarily restricted	4,157,526	4,305,622
Permanently restricted	2,503,725	2,503,725
	$ 17,552,779	$ 16,988,874

Changes in the Association's endowment consisted of the following during the years ended March 31, 2016 and 2015:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - April 1, 2014	$ 10,038,281	$ 4,348,799	$ 2,503,725	$ 16,890,805
Investment return (loss)	653,398	82,009	-	735,407
Contributions	117,525	-	-	117,525
Spending policy distributions	(629,677)	(125,186)	-	(754,863)
Endowment net assets - March 31, 2015	10,179,527	4,305,622	2,503,725	16,988,874
Investment return (loss)	(132,542)	(22,910)	-	(155,452)
Contributions	67,300	-	-	67,300
Corning YMCA addition	1,433,038	-	-	1,433,038
Spending policy distributions	(655,795)	(125,186)	-	(780,981)
Endowment net assets - March 31, 2016	$ 10,891,528	$ 4,157,526	$ 2,503,725	$ 17,552,779

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends, realized and unrealized gains) and income is classified as temporarily restricted until appropriated by the Board for expenditure.

New York State Law allows the Board of Directors to expend net appreciation of endowment investments, and in certain circumstances, the principal of the gift. The Board of Directors must consider the long and short-term needs of the Association in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions when determining the amount to expend.

Board Designated Endowment Funds

Income (interest and dividends, realized and unrealized gains), on board designated endowment funds is recorded as an addition to the board designated endowment as a component of unrestricted net assets. When appropriated for expenditure, amounts are shown as long-term investment income and gains allocated for operations in the statement of activities and change in net assets.

6. ENDOWMENT FUNDS (Continued)

Return Objectives, Risk Parameters

The Association has adopted investment and spending policies for its 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. The goal is to provide an investment return that exceeds the unmanaged market return while reducing market risk through diversification.

Strategies Employed for Achieving Objectives

The Association's strategy is to invest its endowment assets in a portfolio of selected investment vehicles that cover a broad allocation of common stocks, fixed income securities, mutual funds and alternative investments. This allows for diversity and risk management.

Spending Policy and Related Investment Objectives

The Association has adopted a spending formula for utilizing income from permanently restricted net assets and net assets designated by the Board of Directors for long-term investment based on a total return concept. Under this policy, the Association may utilize an amount not to exceed 5.0% of the average quarterly fair value of its pooled investments for the preceding five years to support operations. Such long-term investment income and gains utilized for operations are considered operating income in the accompanying statement of activities and change in net assets. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the Association utilizes accumulated appreciation of the funds. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the Association reinvests the excess income.

Funds with Deficiencies

From time to time, the fair value of assets association with individual donor-restricted endowment funds may fall below the level required by New York Not-for Profit Corporation Law. There were no such deficiencies as of March 31, 2016 and 2015.

Prior Year Reclassification of Net Assets

In the current year the Association re-analyzed its investment allocation methodology for the endowment, resulting in a reclassification of net assets.

7. NET ASSETS

Temporarily restricted net assets are expendable for the following purposes at March 31:

	2016	2015
Time restricted shared interest arrangement	$ 300,278	$ 300,278
Restricted for capital	602,234	-
Accumulated unappropriated earnings on permanently restricted endowment funds	4,157,526	4,135,796
	$ 5,060,038	$ 4,436,074

Net assets released from restrictions in 2016 and 2015 were related to capital expenditures and other operating purposes.

7. NET ASSETS (Continued)

Permanently restricted net assets represent the original principal of endowment gifts, which are to be invested in perpetuity, the income and gains from which are expendable for the following purposes at March 31:

	2016	2015
Activities of the Association	$ 1,455,869	$ 1,455,869
Camp Gorham	935,607	935,607
Camp Cory	100,746	100,746
Other	11,503	11,503
	$ 2,503,725	$ 2,503,725

8. FINANCING ARRANGEMENTS

Long-term Debt

Long-term debt consisted of the following at March 31:

	2016	2015
Series 2015A fixed rate demand Civic Facility Revenue bonds maturing in October 2020, requiring monthly principal payments ranging from $115,000 to $135,000, plus interest paid monthly at 2.27%.	$ 6,845,000	$ -
Series 2015B fixed rate demand Civic Facility Revenue bonds maturing in October 2025, requiring monthly principal payments ranging from $115,000 to $135,000, plus interest paid monthly at 2.75%.	7,560,000	-
Series 2015C fixed rate demand Civic Facility Revenue bonds maturing in October 2031, requiring monthly principal payments ranging from $95,000 to $115,000, plus interest paid monthly at 3.00%.	7,378,659	-
Note payable to a financial institution with interest at 3.75%, due in monthly installments of $8,512, including interest, through November 2020. Collateralized by a first lien leasehold mortgage together with a first security interest in all fixtures located on the property.	436,415	-
Series 2004 variable rate demand Civic Facility Revenue bonds maturing in February 2029, requiring annual principal payments ranging from $170,000 to $565,000, plus interest paid monthly based on an interest rate adjusted weekly, which averaged .10% in 2016 and was .07% on March 31, 2016. Required interest payments were hedged by an interest rate swap contract, as described below.	-	6,120,000

8. FINANCING ARRANGEMENTS (Continued)

Long-term Debt (Continued)

Series 2005 variable rate demand Civic Facility Revenue bonds maturing in April 2031, requiring annual principal payments ranging from $300,000 to $985,000, plus interest paid monthly based on an interest rate adjusted weekly, which averaged .10% in 2016 and was .07% on March 31, 2016. Required interest payments were hedged by an interest rate swap contract, as described below.	-	11,580,000
Notes payable of term loans payable, which require monthly payments totaling $1,493 and maturing at various dates through August 2016. These notes are secured by vehicles.	16,064	25,198
	$ 22,236,138	$ 17,725,198

Future minimum principal payments due on long-term debt are as follows for the years ending March 31:

2017	$ 1,558,323
2018	1,590,588
2019	1,624,044
2020	1,657,632
2021	1,581,892
Thereafter	14,223,659
	$ 22,236,138

Lines-of-Credit

The Association has a $1,000,000 annually renewable, unsecured operating line-of-credit agreement with a financial institution. Amounts borrowed bear interest at the financial institution's prime rate (3.25% at March 31, 2016). At March 31, 2016 and 2015, $500,000 and $100,000 respectively, was outstanding under the terms of this agreement

The Association has a $7,500,000 annually renewable line-of-credit agreement for renovations and expansions with a financial institution. Interest is charged on each advance at one of three optional interest rates: the financial institution's prime rate, LIBOR base rate plus 50 basis points, or a fixed rate determined at the date of the advance. The agreement is collateralized by certain securities included in unrestricted net assets designated by the Association's Board of Directors for long-term investment. The line-of-credit is subject to renewal on October 31, 2016. At March 31, 2016 and 2015, $769,968 and $4,724,860 respectively, was outstanding under the terms of this agreement, all of which was borrowed using the LIBOR base rate interest option (1.51% at March 31, 2016).

Bonds Payable

In 2004, Series 2004 Civic Facility Revenue bonds were issued by the County of Monroe Industrial Development Association (COMIDA) (the Issuer) and were collateralized under provisions of the indenture and loan agreements among the Association, M&T Bank, Bank of New York (the Trustee) and the Issuer. The proceeds of the bond issue were used to finance construction of the Association's Westside branch facility, which began operations in October 2004.

8. FINANCING ARRANGEMENTS (Continued)

Bonds Payable (Continued)

In 2006, Series 2005 Civic Facility Revenue bonds were issued by COMIDA (the Issuer) and were collateralized under provisions of the indenture and loan agreements among the Association, M&T Bank, Bank of New York (the Trustee) and the Issuer. The proceeds of the bond issue were used to finance construction of the Association's Eastside branch facility, which began operations in October 2006.

In 2015, Series 2015A, 2015B and 2015C Civic Facility Revenue bonds were issued by the County of Monroe Industrial Development Association (COMIDA) (the Issuer) and were collateralized under provisions of the indenture and loan agreements among the Association, Premier National Investment Company, Inc. (a wholly-owned subsidiary of M&T Bank) (the Trustee) and the Issuer. The proceeds of the bond issue were used to repay the Series 2004 and Series 2005 bonds as well as to repay a portion of the Association's existing bank line of credit.

Letters-of-Credit

The bond agreement related to the Westside branch facility required the Association to provide an irrevocable direct pay letter-of-credit issued by a bank to the Trustee in an amount equal to the principal amount of the bonds plus 45 days' interest computed at a rate of 12% per annum (approximately $6,195,000 at March 31, 2015). The letter-of-credit required an annual fee of 1% of the notional amount of the Westside bonds, and expired on May 4, 2015 with an extension, with the same terms through November 4, 2015.

The bond agreement related to the Eastside branch facility required the Association to provide an irrevocable direct pay letter-of-credit issued by a bank to the Trustee in an amount equal to the principal amount of the bonds plus 45 days' interest computed at a rate of 12% per annum (approximately $11,751,000 at March 31, 2015). The letter-of-credit required an annual fee of 1.25% of the notional amount of the Eastside bonds, and expired on May 4, 2015 with an extension, with the same terms through November 4, 2015.

The two letters-of-credit related to the Westside and Eastside branch facilities were secured by a first mortgage on the related facilities, a negative pledge on one other existing facility, a first priority security interest in all assets of the Association, exclusive of its endowment funds, and a pledge of the Repayment Fund, which is included in limited use assets. The letters of credit related to the Westside and Eastside branches were not renewed due to the retirement of the related bond obligations.

Interest Rate Swap Contracts

In May 2010, the Association entered into an interest rate swap contract related to the 2004 Series COMIDA Bond associated with the Westside branch facility to swap its floating rate for a fixed rate of 2.14%. The purpose of this swap was to reduce the Association's exposure to changes in interest rates on this variable rate obligation. The notional amount of this swap was approximately $6,105,000 at March 31, 2015. This agreement expired in May 2015.

In May 2010, the Association entered into an interest rate swap contract related to the 2005 Series COMIDA Bond associated with the Eastside branch facility to swap its floating rate for a fixed rate of 2.14%. The purpose of this swap was to reduce the Association's exposure to changes in interest rates on this variable rate obligation. The notional amount of this swap was approximately $11,580,000 at March 31, 2015. This agreement expired in May 2015.

8. FINANCING ARRANGEMENTS (Continued)

Interest Rate Swap Contracts (Continued)
The approximate fair value of the interest rate swap contracts was as follows at March 31, 2015:

Swap Related to	Location on Balance Sheet		
Westside 2004 bonds	Interest rate swap liability	$	10,895
Eastside 2005 bonds	Interest rate swap liability	$	19,895

The effect of derivative instruments on the statement of activities and change in net assets was as follows for the year ended March 31, 2016:

	Location of Gain (Loss) Recognized (Effective Portion)	Amount of Gain (Loss) Recognized (Effective Portion)			
			2016		2015
Increase (decrease) in value of interest rate swap contracts	Non-operating activities	$	30,790	$	358,619

The Association was exposed to credit loss in the event of nonperformance by the other party to the interest rate swap contracts. However, the Association did not experience nonperformance by the counterparty.

Limited Use Assets
Under the terms of its Series 2015 bond agreements, the Association is required to maintain investments accounts for interest and costs of insurance. Under the terms of its Series 2004 and Series 2005 bond agreements, the Association was required to maintain investment accounts for interest and costs of issuance. These assets are reflected as “limited use assets” in the accompanying balance sheet.

Limited use assets are invested primarily in money market accounts and government securities. Limited use assets are shown at fair value in the accompanying balance sheet.

Bond Financing Costs
Costs incurred in connection with the 2004 and 2005 bond issuance have been written off in the current year due to the retirement of the related bond obligations. Amortization expense recorded related to these costs was $17,088 and $41,752 for the years ended March 31, 2016 and 2015.

Costs incurred in connection with the 2015 bond issuance have been capitalized and amortized using the straight-line basis over the term of the related bonds. Amortization expense recorded related to these costs was $13,605 for the year ended March 31, 2016 and is expected to be approximately $23,000 annually through 2031.

8. FINANCING ARRANGEMENTS (Continued)

Covenant Compliance

The Association's bond agreement requires the Association to meet certain financial covenants consisting of a days cash on hand calculation requiring days cash on hand no less than 60 days and a debt service coverage ratio of at least 1.25 to 1. The Association was in compliance with the days cash on hand covenant, but not with the debt service coverage ratio covenant as of March 31, 2016. The Association has obtained a waiver from the bond trustee related to this covenant non-compliance.

The Association's line-of-credit agreement requires the Association to meet certain financial covenants consisting of a leverage ratio of no more than 2.5 to 1. The Association was in compliance with this covenant as of March 31, 2016.

Cash Paid for Interest

Interest paid on all financing arrangements totaled approximately $464,000 and $471,000 for the years ended March 31, 2016 and 2015, respectively.

Capital Lease Obligations

In 2010, the Association entered into a capital lease agreement related to the acquisition of HVAC and air handling equipment. The lease requires monthly payments of $12,965 and expires in 2019. The lease bears interest at a rate of 4.51%.

Future minimum payments, including interest, due on capital lease obligations are as follows for the years ending March 31:

2017	$ 155,579
2018	155,579
2019	155,579
2020	114,117
	580,854
Less: Amounts representing interest	(43,360)
	$ 537,494

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association's investments, excluding its cash equivalents, are measured at fair value on a recurring basis utilizing the following input levels at March 31, 2016:

	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	$ 9,316,643	$ -	$ -	$ 9,316,643
International equity securities	3,231,057	-	-	3,231,057
Fixed income securities	5,874,716	-	-	5,874,716
Alternative investments	-	-	850,000	850,000
Real estate mutual funds	53,335	-	-	53,335
Investments	$18,475,751	$ -	$ 850,000	$19,325,751
Limited use assets:				
Money market funds	$ 524,178	$ -	$ -	$ 524,178

The Association's investments, excluding its cash equivalents, and interest rate swap are measured at fair value on a recurring basis utilizing the following input levels at March 31, 2015:

	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	$ 4,118,163	$ -	$ -	$ 4,118,163
International equity securities	7,995,408	-	-	7,995,408
Fixed income securities	4,607,376	-	-	4,607,376
Real estate mutual funds	58,561	-	-	58,561
Investments	$16,779,508	$ -	$ -	$16,779,508
Limited use assets:				
Money market funds	$ 538,333	$ -	$ -	$ 538,333
Interest rate swap liability	$ -	$ 30,790	$ -	$ 30,790

Fair value of the Association's domestic equity securities, international equity securities, fixed income securities, and real estate mutual funds is determined based on quoted market prices. Fair value of the Association's interest rate swap liability is determined by entering standard inputs into a pricing model. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, and industry and economic events, as well as specifics about the terms of the swaps themselves.

Fair value of the Association's interest in alternative investments is determined by the LLC's calculation of net assets per investment unit. The net asset value of the LLC's investment units is determined on the close of business on the last business day of each calendar month, each date that a unit is offered or repurchased, as of the date of any distribution, and at such other times the Board of the LLC shall determine a determination date. Net asset value is calculated as the value of the total assets of the LLC, less of all of the respective liabilities, including accrued fees and expenses, each determined as of the relevant determination date.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a reconciliation of the beginning and ending balances for the Association's investments measured at fair value using significant unobservable inputs (Level 3) during the years ended March 31, 2016:

Level 3 holdings at April 1, 2015	$ -
Level 3 assets acquired	850,000
Level 3 holdings at March 31, 2016	$ 850,000

10. NET MEMBERSHIP DUES, JOINING FEES, AND PROGRAM FEES

The Association provides financial assistance to help defray the costs of membership dues, joining fees and program fees to individuals who do not have the ability to pay. Membership dues, joining fees and program fees revenue are recorded net of such assistance in the accompanying statement of activities and change in net assets. Such amounts were as follows for the years ended March 31:

	2016	2015
Membership dues and joining fees	$ 21,370,965	$ 19,817,873
Less: Financial assistance provided	(1,808,680)	(1,728,967)
Membership dues and joining fees, net	$ 19,562,285	$ 18,088,906
Program fees	$ 16,894,715	$ 16,098,591
Less: Financial assistance provided	(1,481,947)	(1,470,530)
Program fees, net	$ 15,412,768	$ 14,628,061

11. RETIREMENT PLAN

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

The YMCA Retirement Fund is operated as a church pension plan and is a tax-exempt New York State not-for-profit Corporation. Participation is available to all duly organized and reorganized YMCAs in the United States.

In accordance with its agreement with the YMCA Retirement Fund, the Association's contributions are determined based on a percentage of the participating employee's salary, paid by the Association, and are remitted to the YMCA Retirement Fund on a monthly basis.

Total retirement expense for the years ended March 31, 2016 and 2015 was approximately $1,330,000 and $1,183,000, respectively.

12. CONCENTRATION

At March 31, 2016 and 2015, approximately 22% and 27%, respectively, of accounts receivable were due to the Association from the New York State Department of Social Services.

13. COMMITMENTS AND CONTINGENCIES

Rent

The Association leases certain office equipment, fitness equipment and operating space from third-parties under the terms of noncancellable operating lease arrangements that expire at various dates through 2021. Required monthly payments range from $90 to $32,045. Future minimum lease payments due under the terms of these agreements are as follows for the years ending March 31:

2017	$ 1,344,496
2018	871,188
2019	330,379
2020	72,936
2021	66,858
	$ 2,685,857

Total lease expense for the years ended March 31, 2016 and 2015 was approximately $1,447,000 and $1,301,000, respectively.

National Support

In accordance with its affiliation agreement, the Association is required to pay an annual assessment to the YMCA of the USA. This assessment is based on the Association's annual revenue, less certain excludable items. The expense associated with this agreement was approximately $357,000 and $350,000 for the years ended March 31, 2016 and 2015, respectively.

Conditional Asset Retirement Obligations

The Association's conditional asset retirement obligations relate to asbestos contained in some of its facilities. Environmental regulations exist that require the Association to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. If such work were to be planned, an estimate of the cost of asbestos removal would be recorded as a liability. The Association has not recorded any liability in connection with this obligation as it cannot estimate the fair value of its obligation due to a lack of sufficient information about the timetable over which this obligation may be settled through renovation, demolition, or sale/transfer of any affected facilities.

14. BRANCH OPERATIONS

The Association began major facility improvements at Camp Cory during fiscal 2016 and incurred approximately $75,000 one-time costs related to the engineering and renovations that are recorded as operating expenses in the statement of activities and change in net assets as of March 31, 2016.

The Association purchased property in 2013 and 2014 to be used as a future building site for a full facility branch. The Association incurred approximately $352,000 of one-time expenses related to the legal, design and engineering activities that are recorded as operating expenses in the statement of activities and change in net assets as of March 31, 2016

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 22, 2016, which is the date the financial statements were issued.