YMCA OF GREATER ROCHESTER

**Financial Statements as of
March 31, 2017
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

July 28, 2017

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2016, 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, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash and equivalents	$ 1,130,125	$ 898,934
Accounts receivable, net of allowance for doubtful accounts of approximately $122,000 and $112,000 at March 31, 2017 and 2016, respectively	1,067,143	1,153,758
Pledges receivable, net	751,300	12,000
Prepaid expenses and other assets	1,195,719	1,217,781
Limited use assets	524,700	524,178
Investments	21,324,055	20,005,433
Land, buildings and equipment, net	46,590,402	48,985,272
Total assets	$ 72,583,444	$ 72,797,356
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Lines-of-credit	$ 1,028,576	$ 1,269,968
Accounts payable	2,586,532	2,298,629
Accrued expenses	1,227,398	1,290,453
Deferred revenue	1,844,442	1,769,630
Capital lease obligations	403,315	537,494
Long-term debt	20,347,316	21,852,603
Total liabilities	27,437,579	29,018,777
NET ASSETS:		
Unrestricted	36,425,573	36,214,816
Temporarily restricted	6,216,567	5,060,038
Permanently restricted	2,503,725	2,503,725
Total net assets	45,145,865	43,778,579
	$ 72,583,444	$ 72,797,356

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, 2017
(With Comparative Totals for 2016)

	2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
OPERATING ACTIVITIES:					
Operating revenues and support -					
Membership dues and joining fees, net	$ 19,818,481	$ -	$ -	$ 19,818,481	$ 19,562,285
Program fees, net	15,957,925	-	-	15,957,925	15,412,768
Governmental sources	2,394,657	-	-	2,394,657	2,489,495
Other fees and grants	2,712,734	-	-	2,712,734	2,774,972
Gifts and donations	2,687,845	-	-	2,687,845	2,649,889
Investment income and gains allocated for operating purposes	842,379	-	-	842,379	780,981
United Way of Greater Rochester	614,650	-	-	614,650	481,602
Member supplies and services	168,030	-	-	168,030	183,075
Interest income	21,103	86	-	21,189	36,783
Other revenues, net	273,218	-	-	273,218	388,225
Total operating revenues and support	45,491,022	86	-	45,491,108	44,760,075
OPERATING EXPENSES:					
Program -					
Youth development	19,091,425	-	-	19,091,425	18,873,420
Healthy living	11,838,886	-	-	11,838,886	11,985,763
Social responsibility	9,585,400	-	-	9,585,400	9,337,375
Total program	40,515,711	-	-	40,515,711	40,196,558
Supporting services -					
Administrative	5,586,265	-	-	5,586,265	4,730,876
Fundraising	1,031,065	-	-	1,031,065	1,079,350
Total supporting services	6,617,330	-	-	6,617,330	5,810,226
Total operating expenses	47,133,041	-	-	47,133,041	46,006,784
Change in net assets from operating activities	(1,642,019)	86	-	(1,641,933)	(1,246,709)
NON-OPERATING ACTIVITIES:					
Interest and dividends	401,159	-	-	401,159	335,466
Realized and unrealized gains (losses) on investments, net	1,327,617	258,524	-	1,586,141	(861,606)
Investment income allocated for operations	(717,193)	(125,186)	-	(842,379)	(780,981)
Gifts and donations	375,654	1,488,644	-	1,864,298	683,879
Net assets released from restriction - capital	465,539	(465,539)	-	-	-
Loss on disposal of buildings and equipment	-	-	-	-	(38,683)
Write-off of bond acquisition costs	-	-	-	-	(598,450)
Change in value of interest rate swap contracts	-	-	-	-	30,790
Change in net assets from non-operating activities	1,852,776	1,156,443	-	3,009,219	(1,229,585)
CHANGE IN NET ASSETS	210,757	1,156,529	-	1,367,286	(2,476,294)
NET ASSETS - beginning of year	36,214,816	5,060,038	2,503,725	43,778,579	43,003,668
NET ASSETS, net - acquired	-	-	-	-	3,251,205
NET ASSETS - end of year	$ 36,425,573	$ 6,216,567	$ 2,503,725	$ 45,145,865	$ 43,778,579

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, 2017
(With Comparative Totals for 2016)

	2017							
	Program				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Administrative	Fundraising	Total	2016 Total
Salaries	$ 9,994,342	$ 4,801,194	$ 4,167,444	$ 18,962,980	$ 2,333,110	$ 438,469	$ 21,734,559	$21,442,890
Employee benefits and taxes	2,050,269	1,050,194	942,359	4,042,822	723,450	137,455	4,903,727	4,847,964
Facility occupancy	1,627,731	1,238,234	1,258,391	4,124,356	47,323	8,632	4,180,311	4,201,046
Supplies	1,841,970	398,505	329,925	2,570,400	130,709	25,728	2,726,837	2,500,279
Equipment	255,038	956,193	416,962	1,628,193	136,516	6,124	1,770,833	1,989,971
Professional fees	418,647	280,231	316,543	1,015,421	544,893	139,248	1,699,562	1,526,152
Printing and publications	211,700	186,893	161,675	560,268	227,098	19,691	807,057	777,180
Insurance	180,654	160,899	161,850	503,403	135,700	33,900	673,003	653,832
Interest	215,989	209,746	209,746	635,481	2,979	745	639,205	494,708
Bank service fees	58,409	56,692	56,692	171,793	431,565	3	603,361	533,578
Training and meetings	151,021	115,553	175,168	441,742	118,039	23,339	583,120	605,105
Membership dues	115,614	107,934	120,310	343,858	126,118	34,588	504,564	448,712
Transportation	192,578	63,146	60,392	316,116	60,204	5,452	381,772	411,967
Telephone	115,164	71,697	72,606	259,467	92,491	15,411	367,369	357,603
Merchant fees	80,489	80,489	80,489	241,467	64,391	16,098	321,956	308,211
Annual campaign	37,725	38,206	53,438	129,369	68,725	111,445	309,539	266,726
Program expense	124,790	51,864	84,823	261,477	4,885	1,240	267,602	383,871
Postage	17,633	17,244	17,251	52,128	26,077	9,321	87,526	142,051
Bad debt expense	3,856	30,847	3,856	38,559	-	-	38,559	80,448
Letter of credit fees	-	-	-	-	-	-	-	88,874
Other	286,903	71,620	154,878	513,401	311,992	4,176	829,569	452,067
Total expenses before depreciation	17,980,522	9,987,381	8,844,798	36,812,701	5,586,265	1,031,065	43,430,031	42,513,235
Depreciation	1,110,903	1,851,505	740,602	3,703,010	-	-	3,703,010	3,493,549
Total expenses	$ 19,091,425	$ 11,838,886	$ 9,585,400	$ 40,515,711	$ 5,586,265	$ 1,031,065	$ 47,133,041	$ 46,006,784

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017
(With Comparative Totals for 2016)

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,367,286	$ (2,476,294)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Contributions temporarily restricted for capital expenditures	(1,488,644)	(591,187)
Depreciation	3,703,010	3,493,549
Bad debt expense	38,559	111,823
Discount for pledges receivable	34,424	-
Realized and unrealized (gains) losses on investments, net	(1,586,141)	861,606
Change in interest rate swap contracts	-	(30,790)
Amortization of bond issuance costs	23,361	30,693
Write-off of bond issuance costs	-	598,450
Loss on disposal of buildings and equipment	-	38,683
Changes in:		
Accounts receivable	48,056	(438,555)
Pledges receivable	(773,724)	-
Prepaid expenses and other assets	22,062	18,762
Accounts payable	287,903	(1,295,876)
Accrued expenses	(63,055)	(315,566)
Deferred revenue	74,812	177,140
Net cash flow from operating activities	1,687,909	182,438
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,485,995)	(2,319,330)
Proceeds from the sale of investments	1,753,514	2,896,428
Cash and equivalents received as part of merger (Note 3)	-	382,454
Purchases of buildings and equipment	(1,308,140)	(1,115,071)
Net cash flow from investing activities	(1,040,621)	(155,519)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net repayments and borrowings on lines-of-credit	(241,392)	(3,554,892)
Principal repayments of capital lease obligations	(134,179)	(128,263)
Principal repayments of long-term debt	(1,553,641)	(18,675,897)
Borrowings on long-term debt	24,993	22,680,000
Payments of bond issuance costs	-	(349,841)
Change in limited use assets	(522)	14,155
Contributions received for capital expenditures	1,488,644	591,187
Net cash flow from financing activities	(416,097)	576,449
CHANGE IN CASH AND EQUIVALENTS	231,191	603,368
CASH AND EQUIVALENTS - beginning of year	898,934	295,566
CASH AND EQUIVALENTS - end of year	$ 1,130,125	$ 898,934

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, 2017. 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 $11,999,406 and $10,891,528 of unrestricted net assets at March 31, 2017 and 2016, 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, 2016, 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 established 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.

Pledges Receivable

During the year ended March 31, 2017, the Association started the public phase of a capital campaign (the Campaign) in support of the Regional Campus for Healthy Living, Camp Cory and the Urban Mission. The goal of the Campaign is to raise funds in support of an innovative and state-of-the-art YMCA that inspires and promotes health and well-being, and the numerous benefits that come with healthy living, for more people in an extensive area of Monroe County, the expansion of Camp Cory to accommodate growth and various projects within the urban branches to support the changing community.

The Association records pledges receivable when an unconditional donor commitment is received. Pledges receivable to be received more than twelve months from the reporting date are recorded at net present value of future expected cash flows utilizing a discount rate of approximately 2%. In addition, the Association records an allowance for doubtful pledges receivable based on experience and a review of specific accounts. Accounts are written-off when reasonable collection efforts have been exhausted.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- Level 2 Inputs -Valuations based on the net asset value of interests in limited partnerships, trusts, and limited liability corporations (collectively referred to as alternative strategies); or based on significant inputs that are observable, directly or indirectly; or based on quoted prices in markets that are not active.

- 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 long-term financing. These costs are recognized as interest expense on a straight-line basis over the term of the related debt. These costs are written off if 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $231,000 and $241,000 in 2017 and 2016, respectively.

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.

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the current year presentation.

Change in Accounting Principle

In the year ended March 31, 2017, the Association adopted new Financial Accounting Standards Board (FASB) guidance regarding the presentation on the balance sheet of debt placement fees as well as the related amortization expense in the statements of activities and change in net assets and functional operating expenses. The new guidance requires presenting the unamortized balance of debt placement fees as a direct deduction from the face amount of the related debt and classification of periodic amortization as interest expense.

Previously, the Association reflected unamortized debt placement fees as an asset in the balance sheet. The March 31, 2016 balance has been retro-actively reclassified. The reclassification reduced total assets and debt at March 31, 2016 by $383,535 with no effect on net assets.

Similarly, interest expense for the year ended March 31, 2016 has been increased and amortization expense has been decreased by $30,693, with no effect on previously reported net assets.

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.

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:

	2017	2016
Cash equivalents	$ 893,048	$ 679,682
Domestic equity securities	10,331,723	9,316,643
International equity securities	3,100,748	3,231,057
Fixed income securities	5,929,658	5,874,716
Real estate mutual funds	-	53,335
Alternative strategies	1,068,878	850,000
	$ 21,324,055	$ 20,005,433

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:

	2017	2016
Interest and dividends	$ 401,159	$ 335,466
Realized gains (losses), net	80,031	(844,755)
Unrealized gains (losses), net	1,506,110	(16,851)
	$ 1,987,300	$ (526,140)

Investment Management Fees

Investment management fees totaled $162,629 and $173,873 for the years ended March 31, 2017 and 2016, respectively, and are included in professional 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.

5. LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Land	$ 6,135,831	$ 6,076,902
Buildings and improvements	71,056,870	70,317,696
Furnishings and equipment	8,334,140	8,355,456
Land improvements	9,170,785	9,170,785
	94,697,626	93,920,839
Less: Accumulated depreciation and amortization	(48,107,224)	(44,935,567)
	$ 46,590,402	$ 48,985,272

5. LAND, BUILDINGS AND EQUIPMENT (Continued)

Assets Acquired Under Capital Leases

Buildings and equipment include HVAC acquired under capital lease obligations with a cost of $1,211,600 at March 31, 2017 and 2016. Accumulated amortization related to these assets was $605,800 and $525,027 at March 31, 2017 and 2016, respectively.

6. ENDOWMENT FUNDS

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

	2017	2016
Board designated	$ 11,999,406	$ 10,891,528
Temporarily restricted	4,290,864	4,157,526
Permanently restricted	2,503,725	2,503,725
	$ 18,793,995	$ 17,552,779

Changes in the Association's endowment consisted of the following during the years ended March 31, 2017 and 2016:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - April 1, 2015	$ 10,179,527	$ 4,305,622	$ 2,503,725	$ 16,988,874
Investment (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
Investment return	1,553,903	258,524	-	1,812,427
Contributions	271,168	-	-	271,168
Spending policy distributions	(717,193)	(125,186)	-	(842,379)
Endowment net assets - March 31, 2017	$ 11,999,406	$ 4,290,864	$ 2,503,725	$ 18,793,995

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.

6. ENDOWMENT FUNDS (Continued)

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.

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 strategies. 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 associated 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, 2017 and 2016.

7. NET ASSETS

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

	2017	2016
Time restricted shared interest arrangement	$ 300,278	$ 300,278
Restricted for capital	1,625,425	602,234
Accumulated unappropriated earnings on permanently restricted endowment funds	4,290,864	4,157,526
	$ 6,216,567	$ 5,060,038

Net assets released from restrictions in 2017 and 2016 were related to capital expenditures and other operating purposes.

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:

	2017	2016
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:

	2017	2016
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%.	$ 5,390,000	$ 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	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	7,378,659

8. FINANCING ARRANGEMENTS (Continued)

Long-term Debt (Continued)

	2017	2016
Long-term debt consisted of the following at March 31:		
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.	349,166	436,415
Term loans payable, which require monthly payments totaling $828 and maturing at various dates through April 2021. These notes are secured by vehicles.	29,665	16,064
	20,707,490	22,236,138
Less: Unamortized portion of debt issuance costs	(360,174)	(383,535)
	$ 20,347,316	$ 21,852,603

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

2018	$ 1,600,134
2019	1,634,125
2020	1,662,617
2021	1,586,887
2022	1,445,068
Thereafter	12,778,659
	$ 20,707,490

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 (4.00% at March 31, 2017). At March 31, 2017 and 2016, $400,000 and $500,000 respectively, was outstanding under the terms of this agreement

The Association has a $5,000,000 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. At March 31, 2017 and 2016, $628,576 and $769,968 respectively, was outstanding under the terms of this agreement, all of which was borrowed using the LIBOR base rate interest option (1.85% at March 31, 2017).

8. FINANCING ARRANGEMENTS (Continued)

Bonds Payable
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 Association's previously outstanding Series 2004 and Series 2005 bonds as well as to repay a portion of the Association's existing bank line of credit.

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. 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 were been written off in the year ended March 31, 2016 due to the retirement of the related bond obligations.

In conjunction with the Series 2015 bond issuances, bond issuance costs of $397,140 were incurred and are being amortized over the term of the related bond issuance. Amortization expense of $23,361 and $30,693 was recorded in the years ended March 31, 2017 and 2016, respectively, and are included in interest expense in the accompanying statement of functional operating expenses.

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 these covenants as of March 31, 2017.

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, 2017.

Cash Paid for Interest
Interest paid on all financing arrangements totaled approximately $616,000 and $479,000 for the years ended March 31, 2017 and 2016, respectively.

8. FINANCING ARRANGEMENTS (Continued)

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:

2018	$ 155,578
2019	155,578
2020	118,310
	429,466
Less: Amounts representing interest	(26,151)
	$ 403,315

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, 2017:

	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	$10,331,723	$ -	$ -	$10,331,723
International equity securities	3,100,748	-	-	3,100,748
Fixed income securities	5,929,658	-	-	5,929,658
Alternative strategies	-	-	1,068,878	1,068,878
Investments	$19,362,129	$ -	$ 1,068,878	$20,431,007
Limited use assets:				
Money market funds	$ 524,700	$ -	$ -	$ 524,700

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 strategies	-	-	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

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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 in alternative strategies 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.

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):

Level 3 holdings at April 01, 2015	$ -
Level 3 assets acquired	850,000
Level 3 holdings at March 31, 2016	850,000
Unrealized gain, net	100,043
Level 3 assets acquired	118,835
Level 3 holdings at March 31, 2017	$ 1,068,878

10. PLEDGES RECEIVABLE

Outstanding pledges are due as follows for the year March 31:

	2017	2016
Campus for Healthy Living	$ 762,774	$ -
Camp Cory	10,950	-
Maplewood	14,000	14,000
	787,724	14,000
Less:		
Allowance for uncollectible pledges	(2,000)	(2,000)
Discount on pledges receivable	(34,424)	-
	$ 751,300	$ 12,000

Pledges receivable are due as follows for the years ending March 31:

2018	$ 350,582
2019	86,586
2020	65,918
2021	274,638
2022	10,000
	$ 787,724

11. 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:

	2017	2016
Membership dues and joining fees	$ 21,529,012	$ 21,370,965
Less: Financial assistance provided	(1,710,531)	(1,808,680)
Membership dues and joining fees, net	$ 19,818,481	$ 19,562,285
Program fees	$ 17,503,206	$ 16,894,715
Less: Financial assistance provided	(1,545,281)	(1,481,947)
Program fees, net	$ 15,957,925	$ 15,412,768

12. 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, 2017 and 2016 was approximately $1,316,000 and $1,330,000, respectively.

13. CONCENTRATION

At March 31, 2017 and 2016, approximately 16% and 22%, respectively, of accounts receivable were due to the Association from the New York State Department of Social Services.

14. 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 $36,409. Future minimum lease payments due under the terms of these agreements are as follows for the years ending March 31:

2018	$ 1,353,028
2019	826,343
2020	459,672
2021	125,910
2022	14,763
	$ 2,779,716

Total lease expense for the years ended March 31, 2017 and 2016 was approximately $1,483,000 and $1,447,000, 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 $386,000 and $357,000 for the years ended March 31, 2017 and 2016, 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.

15. BRANCH OPERATIONS

The Association began major facility improvements at Camp Cory during fiscal 2016 and incurred approximately $66,000 and $75,000 in 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 for the years ending March 31, 2017 and 2016, respectively.

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 $393,000 and $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 for the years ending March 31, 2017 and 2016, respectively.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 28, 2017, which is the date the financial statements were issued.