

THE YOUNG MEN'S CHRISTIAN
ASSOCIATION OF WATERTOWN,
NY INC.
D.B.A. WATERTOWN FAMILY YMCA

FINANCIAL STATEMENTS

December 31, 2018

Table of Contents

WATERTOWN FAMILY YMCA

INDEPENDENT AUDITOR’S REPORT	1
AUDITED FINANCIAL STATEMENTS	4
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF FUNCTIONAL EXPENSES	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	33
COMBINING SCHEDULE OF PROGRAM SERVICES	33
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	34



BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

BOARD OF DIRECTORS WATERTOWN FAMILY YMCA

Report on the Financial Statements

We have audited the accompanying financial statements of **WATERTOWN FAMILY YMCA**, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Family YMCA, as of December 31, 2018, 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.

Emphasis Matter

As discussed in Note 2 to the financial statements, in 2018, Watertown Family YMCA adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

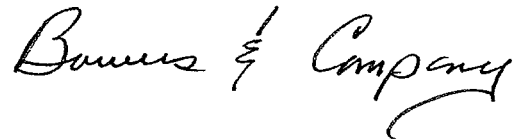
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Schedule of Program Services on page 33 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Watertown Family YMCA's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2019, on our consideration of Watertown Family YMCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Watertown Family YMCA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Watertown Family YMCA's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bowers & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
April 3, 2019

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

December 31, 2018 with Comparative Totals for 2017

ASSETS		
	2018	2017
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 743,279	\$ 869,736
Investments - Operating	1,465,919	1,509,201
Grants and Contracts Receivable	118,067	59,333
Other Receivables	52,410	69,874
Prepaid Expenses	36,097	41,751
Unconditional Promises to Give - Net	-	11,487
Inventory	4,140	4,052
Total Current Assets	<u>2,419,912</u>	<u>2,565,434</u>
NON-CURRENT ASSETS		
Cash and Cash Equivalents - Endowment	102,133	135,180
Investments - Endowment	307,776	880,174
Investments Held by Community Foundation	515,382	-
Property and Equipment - Net	5,893,571	5,863,799
Deferred Loss on Sale/Leaseback - Net	126,837	129,062
Total Non-Current Assets	<u>6,945,699</u>	<u>7,008,215</u>
TOTAL ASSETS	<u><u>\$ 9,365,611</u></u>	<u><u>\$ 9,573,649</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 170,146	\$ 138,681
Accrued Expenses	130,729	119,858
Lease Deposit	1,214	5,337
Deferred Revenue	183,496	183,408
Total Current Liabilities	<u>485,585</u>	<u>447,284</u>
NET ASSETS		
Net Assets Without Donor Restrictions	7,954,735	8,111,011
Net Assets With Donor Restrictions	925,291	1,015,354
Total Net Assets	<u>8,880,026</u>	<u>9,126,365</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,365,611</u></u>	<u><u>\$ 9,573,649</u></u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018 with Summarized Totals for December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals 2018	2017 (Summarized)
SUPPORT AND REVENUE				
Membership Dues and Program Income	\$ 4,053,582	\$ -	\$ 4,053,582	\$ 3,949,147
Contributions	108,530	-	108,530	109,347
Non-Cash Contribution	-	-	-	378,575
Federated Fundraising	41,601	-	41,601	37,096
Government and Other Contracts	1,054,298	-	1,054,298	930,463
Rental Income	114,377	-	114,377	105,413
Sales and Commissions	10,799	-	10,799	11,287
Interest and Dividends - Net of Fees	6,435	46,671	53,106	40,570
Net Realized and Unrealized Gains (Losses)				
on Investments	11,904	(96,734)	(84,830)	68,623
Bad Debt Recovery	-	-	-	12,000
Miscellaneous Revenue	40,314	-	40,314	25,906
Release of Appropriated Endowment Funds	40,000	(40,000)	-	-
	<u>5,481,840</u>	<u>(90,063)</u>	<u>5,391,777</u>	<u>5,668,427</u>
Total Support and Revenue				
EXPENSES				
Program Services				
Health and Wellness Branch	2,837,000	-	2,837,000	2,702,801
Youth Development Branch	2,349,286	-	2,349,286	2,157,413
Supporting Services				
Administrative	451,830	-	451,830	379,197
	<u>5,638,116</u>	<u>-</u>	<u>5,638,116</u>	<u>5,239,411</u>
Total Expenses				
CHANGE IN NET ASSETS	(156,276)	(90,063)	(246,339)	429,016
NET ASSETS, BEGINNING OF YEAR	<u>8,111,011</u>	<u>1,015,354</u>	<u>9,126,365</u>	<u>8,697,349</u>
NET ASSETS, END OF YEAR	<u>\$ 7,954,735</u>	<u>\$ 925,291</u>	<u>\$ 8,880,026</u>	<u>\$ 9,126,365</u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018 with Summarized Totals for December 31, 2017

	Program Services		Supporting Services	Totals	
	Health and Wellness Branch	Youth Development Branch	Administrative	2018	2017 (Summarized)
Salaries and Wages	\$ 1,437,176	\$ 1,667,983	\$ 245,493	\$ 3,350,652	\$ 3,039,052
Employee Benefits	216,801	268,032	53,664	538,497	475,385
Total Salaries, Wages, and Employee Benefits	1,653,977	1,936,015	299,157	3,889,149	3,514,437
Conferences and Conventions	5,224	1,183	6,965	13,372	8,170
Contractual Services	45,741	10,386	38,599	94,726	89,682
Dues	50,516	37,535	6,552	94,603	95,059
Financing	51,191	19,591	11	70,793	67,119
Fundraising Expense	875	7,242	736	8,853	6,101
Occupancy	225,631	38,423	3,600	267,654	273,057
Insurance	55,978	13,420	27,631	97,029	96,378
Postage and Shipping	5,830	3,540	-	9,370	8,164
Printing, Publications and Promotion	18,825	975	6,890	26,690	18,795
Supplies and Other Program Expense	247,645	192,127	13	439,785	505,681
Telephone	15,088	6,664	-	21,752	19,471
Travel and Employee Expense	30,111	17,574	11,869	59,554	39,682
Administration	42,855	31,541	29,445	103,841	84,167
Bad Debt Expense	-	-	11,487	11,487	10,150
Total Operating Expenses Before Depreciation and Amortization	2,449,487	2,316,216	442,955	5,208,658	4,836,113
Depreciation and Amortization Expense	387,513	33,070	8,875	429,458	403,298
TOTAL EXPENSES	\$ 2,837,000	\$ 2,349,286	\$ 451,830	\$ 5,638,116	\$ 5,239,411

See notes to financial statements.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2018 with Comparative Totals for 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (246,339)	\$ 429,016
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	420,583	400,552
Amortization Expense	8,875	2,746
Bad Debt Expense	11,487	10,150
Bad Debt Recovery	-	(12,000)
Realized Gain on Investments	(27,629)	(7,957)
Unrealized (Gain) Loss on Investments	112,459	(60,666)
Non-Cash Contribution	-	(378,575)
(Increase) Decrease in Operating Assets		
Grants and Contracts Receivable	(61,244)	(33,160)
Other Receivables	19,974	(29,732)
Prepaid Expenses	5,654	1,532
Unconditional Promises to Give - Net	-	15,850
Inventory	(88)	1,838
Increase (Decrease) in Operating Liabilities		
Accounts Payable	31,465	8,434
Accrued Expenses	10,871	25,616
Lease Deposit	(4,123)	(4,122)
Deferred Revenue	88	(141,172)
Net Cash Provided By Operating Activities	<u>\$ 282,033</u>	<u>\$ 228,350</u>

See notes to financial statements.

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2018 with Comparative Totals for 2017

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	\$ (889,841)	\$ (596,898)
Proceeds from Sale of Investments	905,309	538,529
Purchase of Property and Equipment	(457,005)	(224,912)
Net Cash Used In Investing Activities	<u>(441,537)</u>	<u>(283,281)</u>
Net Decrease in Cash and Cash Equivalents	(159,504)	(54,931)
Cash and Cash Equivalents, Beginning of Year	<u>1,004,916</u>	<u>1,059,847</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 845,412</u></u>	<u><u>\$ 1,004,916</u></u>
 Reconciliation of Cash and Cash Equivalents:		
Amounts Reported Within the Statement of Financial Position that Sum to the Total Above:		
Cash and Cash Equivalents	\$ 743,279	\$ 869,736
Cash and Cash Equivalents - Endowment	<u>102,133</u>	<u>135,180</u>
Total Cash and Cash Equivalents	<u><u>\$ 845,412</u></u>	<u><u>\$ 1,004,916</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 1 – NATURE OF ACTIVITIES

Organization

The Young Men's Christian Association of Watertown, NY Inc., currently doing business as Watertown Family YMCA, (the "YMCA") is a non-profit organization, which originated in 1855 and was chartered in 1870. The YMCA's cause is to strengthen the community through healthy living, youth development and social responsibility. The YMCA operates health and wellness facilities and also offers various childcare services and health education programs to the general public. Most of the YMCA's funding is received from membership dues, special program fees and government contracts and grants.

During 2004, the YMCA opened a health and wellness facility in Carthage, NY. The Carthage Youth Club conveyed the property to the YMCA under an agreement dated June 28, 2004.

In May of 2006, the YMCA entered into a two-year lease arrangement for a facility located at 585 Rand Drive in Watertown, then known as Ultimate Goal. The lease was extended for a third year while the YMCA awaited approval from New York State related to a ground lease as the facility is located on New York State parkland. During 2009, this ground lease was approved by the State and the City of Watertown and the YMCA completed the purchase of the facility from the previous owner, the Watertown Savings Bank. The facility, renamed the Fairgrounds YMCA, includes two indoor playing fields for lacrosse, soccer and football, a gymnasium, two racquetball courts, a fitness center, a dance studio and a gymnastics center.

In June of 2009, the YMCA purchased the building and property at 514 Washington Street in Watertown. The YMCA ran a capital campaign in 2010 which supplied the funds necessary to eliminate the debt created by the purchase and allowed for the facility to be converted into a day care for 70 – 80 children. This facility was renovated during 2010 and opened in January 2011.

During 2017, the YMCA opened a health and wellness facility in Sackets Harbor, NY. The YMCA leases approximately 3,000 square feet, including the main floor area and the lower basement, of the former Health Club building located at 119 Pike Road at Madison Barracks in the Village of Sackets Harbor.

By motion of the Board of Directors the Watertown YMCA now operates programs through three branches named Health and Wellness, which includes all membership and wellness programs and youth and adult team sports and character-building at the four facilities, Youth Development, which includes all youth afterschool, grant-funded and licensed childcare programs, and Social Responsibility which focuses on facilitating community service and providing resources based on critical community needs that are not being addressed though health and wellness and youth programs.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 1 – NATURE OF ACTIVITIES - Continued

Health and Wellness Branch

The focus of the Health and Wellness branch is to offer opportunities for everyone in the family to be active in a safe inclusive environment open to all ages, abilities, incomes, races, ethnicities and religions. Programs are designed to promote healthy lifestyles, develop specific skills, teach strong character values and encourage the development of friendships leading to a stronger community.

This branch operates out of four facilities:

The Fairgrounds Y is a large facility (75,000 sq. ft.) which includes two indoor soccer fields, a gymnasium, two racquet courts, an aerobics studio, a fitness center, an arts center, and a gymnastics center. Programming includes soccer, lacrosse, basketball, football, art classes, gymnastics, childwatch center, aerobic classes and dance. There are about 3,100 members and thousands of program participants.

The Downtown Y is a traditional Y with a fitness center, aerobics studio, spinning studio, gymnasium, childwatch center and two pools. Most programming is designed to support the over 5,100 members. This facility in addition to member programming offers swim lessons and administers the activities of the YMCA Blue Sharks swim team with over 100 members.

The Carthage Y is a non-traditional Y in a small community with a different rate structure to ensure accessibility within that community. Facilities include a fitness center, childwatch, gymnasium, access to aquatics through partnership with the Carthage school district and an aerobics studio. With 1,000 members, this neighborhood Y is an important part of the fabric of the Carthage area community.

The Sackets Y is a non-traditional Y in a small community with a different rate structure to ensure accessibility within that community. Facilities include a fitness center, childwatch, gymnasium, and an aerobics studio. With over 300 start-up members in 2017 this neighborhood Y is rapidly becoming an important part of the fabric of the Sackets Harbor area community.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 1 – NATURE OF ACTIVITIES - Continued

Youth Development Branch

The focus of the Youth Development branch is the offering of licensed childcare programming for youth ages three months to 12 years old and development programming for youth ages 10-17. Programming is developed to ensure a safe environment, character and self esteem building, active play and academic upgrading. Most programs are state licensed with the Office of Family and Children's Services. Funding support for programming is received from Armed Services YMCA of the USA, the Department of Defense, Youth Bureau of Jefferson County and the United Way.

The branch operates under three units:

School Age Childcare – SACC is a licensed before and after school care program offered in 16 area schools. There are 600-800 children registered with 350-400 attending daily. Programming includes full day for summer and school breaks. Programming focuses on active play character development and academic support. This unit also offers administrative and staffing for a preschool offered at the Fairgrounds Y.

The Daycare is located at 514 Washington Street and offers licensed full day care from 7:00 am to 6:00 pm for up to 14 infants, 22 toddlers, and 44 preschoolers. Capacity is 80 children. Healthy nutrition, active play, and a safe environment are the areas of concentration for the 20 staff who care for the children.

Youth Development unit has a strong relationship with the Carthage School District for its youth development programming through activities like MAP, CASE and Sneaks and Snacks. Active play, special interest programming and academic upgrading are focus areas. This unit also includes Armed Services programming including HERO programming for youth with self esteem issues, Kid Comfort which makes children's quilts for deploying families and respite care for military families.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 1 – NATURE OF ACTIVITIES - Continued

Social Responsibility Branch

The YMCA is focused on bringing about meaningful change by providing resources based on the most critical community needs. Some of the most pressing social issues include: child welfare, education, employment, housing and substance abuse. The YMCA works to make sure that every child, family and community has what they need to achieve their best. Programs such as Feed our Vets, Coat and Mitten Trees, Dollar Dinners and Togetherness are examples of programs that the YMCA offers to address these community needs. For the years ended December 31, 2018 and 2017, the work of Social Responsibility has been spread throughout all departments and branches of the YMCA.

Other Giving Programs

Gateway Financial Assistance Program

The YMCA Gateway Assistance Program's goal is to remove financial barriers impacting accessibility to YMCA membership programs and YMCA SACC services. The Program was able to assist with the payment of SACC fees for 106 children and daycare fees for 17 children. The program was also used to assist 818 children, seniors and adults to become a part of the YMCA membership and for 685 children to participate in programs like soccer leagues, gymnastics, dance, swim lessons and art. In addition, in 2018 the gateway program provided assistance for 42 individuals to participate in the Chronic Disease Prevention Program, Diabetes Prevention Program and 11 cancer survivors to participate in LiveStrong. During the years ended December 31, 2018 and 2017, the value of the YMCA assistance for childcare was approximately \$111,000 and \$88,000, respectively; membership was approximately \$188,000 and \$170,000, respectively; programs were approximately \$35,000 and \$38,000, respectively; and DPP and LiveStrong was approximately \$18,000 and \$4,000, respectively, for a total of approximately \$352,000 and \$301,000, respectively. The Gateway Assistance Program is funded through fundraising efforts of the YMCA Board of Directors and strong community support through United Way of Northern New York.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 1 – NATURE OF ACTIVITIES – Continued

Other Giving Programs - Continued

Volunteers

The YMCA could not operate without the support and guidance of its volunteers. The YMCA receives over 420 hours of policy and committee support from 32 volunteers, 1,500 hours of assistance with special events from over 170 volunteers, another 4,830 hours of support from over 225 sports team coaches, and 400 hours from 203 quilters throughout New York State for the Operation Kid Comfort program. In total, the YMCA received approximately 7,150 volunteer hours from 630 volunteers.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the YMCA have been prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The YMCA reports information regarding its financial position and activities according to two classes: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions: Are currently available for operating purposes subject only to the broad limits resulting from the nature of the YMCA or invested in property and equipment, net of accumulated depreciation. Net assets without donor restrictions generally result from receiving contributions that have no donor restrictions, providing services, government grants and contracts, and receiving interest from operating investments, less expenses incurred in providing program-related services and performing administrative functions.

Net Assets With Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the YMCA's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the YMCA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, unless the investments are held for meeting restrictions for purchase of property and equipment, or endowment.

Investments

Investments are composed of certificates of deposit, investments held by the Northern New York Community Foundation, debt securities, and equity securities. Investments in marketable securities with readily determinable fair values and all investments are valued at fair value.

Grants and Contracts Receivable

Grants and contracts receivable represent amounts that have been billed under grant agreements and contracts but not collected as of the date of the financial statements. Grants and contracts receivable are stated at the amount management expects to be collected from the outstanding balance. As of December 31, 2018 and 2017, management has determined based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Other Receivables

At December 31, 2018 and 2017, management considered all other receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded. Accounts receivable are charged to expense when they are determined to be uncollectible.

Prepaid Expenses

Prepaid expenses are amortized over the period of benefit on a straight-line basis.

Inventory

Inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

Property and Equipment

Property and Equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings and Improvements	15-40
Leasehold Improvements	7-40
Furniture, Fixtures, and Equipment	5-7
Software	7

Additions and betterments of \$2,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Deferred Revenue

Income from certain grants and program services are deferred and recognized over the periods to which the expenses relate.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, certificates of deposit, grants and contracts receivable, other receivables, and unconditional promises to give to be received in less than one-year approximate fair value because of the short maturity of those financial instruments. The net carrying amounts of investments are recorded at fair value.

All investments of the YMCA are valued using Level 1 inputs. The valuation methodologies used by the YMCA may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the YMCA's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of financial instruments could result in a different fair value measurement at the reporting date. Refer to Note 15 for additional information on fair value measurements.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net asset with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets released from restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Donor restricted endowment contributions and investments are permanently restricted by the donor. Generally, the donors of these assets permit the YMCA to use all or part of the income earned on related investments for general or specific purposes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Tax Status

The YMCA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the YMCA's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the YMCA qualifies for charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Open Tax Years

The YMCA's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended, 2017, 2016, and 2015 are subject to examination by the IRS, generally for three years after they were filed. Based on its analysis, the YMCA determined that there were no uncertain tax positions and that the YMCA should prevail upon examination by the taxing authorities.

Functional Allocation of Expenses

Expenses consists of costs related to providing program services and administrative functions. The YMCA's operating costs have been allocated based on direct identification when possible, and allocation if a single expenditure benefits more than one function. Compensation and benefits are allocated based on estimates of time and effort.

Donated Services and In-Kind Support

The YMCA receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer efforts do not meet the criteria for recognition.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Statement of Cash Flows

Schedule of noncash investing activities at December 31:

	2018	2017
In-Kind Leasehold Improvements and Renovations	\$ -	\$ 378,575

There were no noncash financing activities during 2018 and 2017.

New Accounting Pronouncement

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No.2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The YMCA adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

The accompanying information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

Date of Management's Review

Management has evaluated subsequent events through April 3, 2019, the date which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 3 – CASH AND CASH EQUIVALENTS

Concentration of Credit Risk from Deposits in Excess of Insured Limits

The YMCA maintains cash in demand deposits and time deposits with federally insured banks. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (“FDIC”). At times, the balances in these accounts may be in excess of these limits. At December 31, 2018 and 2017, the YMCA’s deposits in excess of federally insured limits totaled approximately \$165,000 and \$87,000, respectively.

Concentration of Credit Risk from Cash Deposits and Investments Held in Brokerage Accounts

RBC Wealth Management – Securities in accounts are protected up to \$500,000 by the Securities Investor Protection Corporation (“SIPC”). RBC Capital Markets Corporation has purchased additional coverage per SIPC qualified account. Cash deposits in RBC Wealth Management are deposited in Program Banks on the business day following the statement date and are covered by SIPC until such time as they are deposited in Program Banks. Deposits at Program Banks are covered up to \$250,000 at each Program Bank. At December 31, 2018 and 2017, there were no deposits in Program Banks in excess of FDIC insurance.

Cash and cash equivalents at December 31, consist of the following:

	2018	2017
Cash on Hand	\$ 1,180	\$ 1,180
Checking Accounts	436,173	201,333
Savings Accounts	41,024	160,135
Money Market Funds - Board Designated	264,902	507,088
Money Market Funds - Endowment	<u>102,133</u>	<u>135,180</u>
Total Cash and Cash Equivalents	<u><u>\$ 845,412</u></u>	<u><u>\$ 1,004,916</u></u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 4 – INVESTMENTS

The YMCA invests in certificates of deposit, U.S. and International equity securities, fixed income funds, as well as other investments. Investments are recorded at fair value.

Investments as of December 31, are summarized as follows:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Operating Funds:				
U.S. Equities	\$ 8,359	\$ 13,097	\$ 6,749	\$ 12,587
Certificates of Deposit	200,000	200,000	-	-
Fixed Income Funds	1,272,743	1,252,822	1,500,000	1,496,614
Total Operating Funds	<u>1,481,102</u>	<u>1,465,919</u>	<u>1,506,749</u>	<u>1,509,201</u>
Non-Operating Funds:				
U.S. and International Equities	250,113	286,904	510,139	588,655
Fixed Income Funds	13,845	12,652	244,604	239,269
Investments Held by the				
Community Foundation	568,460	515,382	-	-
Other Investments	8,523	8,220	47,801	52,250
Total Non-Operating Funds	<u>840,941</u>	<u>823,158</u>	<u>802,544</u>	<u>880,174</u>
Total Operating and Non-Operating Funds	<u>\$ 2,322,043</u>	<u>\$ 2,289,077</u>	<u>\$ 2,309,293</u>	<u>\$ 2,389,375</u>

Northern New York Community Foundation

The YMCA has transferred assets to the Northern New York Community Foundation (the “Community Foundation”), which is holding them as an agency fund (the “Fund”) for the benefit of the YMCA. The YMCA has granted the Community Foundation variance power which gives the Community Foundation’s governing board the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the YMCA’s investment and spending policies which currently result in a distribution to the YMCA not to exceed 5% based on the quarterly rolling average of the Fund; provided that the Community Foundation shall consider on a timely basis requests for additional funding as the YMCA may make from time to time. The YMCA reports its interest in the Fund at fair value on the Statement of Financial Position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses on the Statement of Activities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 4 – INVESTMENTS - Continued

The following depicts the availability of non-operating funds as of December 31:

	2018		
	Cash and Cash Equivalents	Investments	Total
Non-Operating Funds	\$ 102,133	\$ 823,158	\$ 925,291
Less: Unexpendable -			
Subject to Expenditure for a Specific Purpose	(50,917)	-	(50,917)
Restricted in Perpetuity	(51,216)	(724,482)	(775,698)
Donor Restricted - Accumulated Gains	<u>\$ -</u>	<u>\$ 98,676</u>	<u>\$ 98,676</u>
	2017		
	Cash and Cash Equivalents	Investments	Total
Non-Operating Funds	\$ 135,180	\$ 880,174	\$ 1,015,354
Less: Unexpendable-			
Subject to Expenditure for a Specific Purpose	(50,771)	-	(50,771)
Restricted in Perpetuity	(84,409)	(691,289)	(775,698)
Donor Restricted - Accumulated Gains	<u>\$ -</u>	<u>\$ 188,885</u>	<u>\$ 188,885</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 4 – INVESTMENTS - Continued

The following schedule summarizes the investment return, net of related fees at December 31, and their classification in the Statement of Activities for the years then ended:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends, Net of Fees	\$ 6,435	\$ 46,671	\$ 53,106
Net Realized and Unrealized Losses on Investments	11,904	(96,734)	(84,830)
Total Investment Return	<u>\$ 18,339</u>	<u>\$ (50,063)</u>	<u>\$ (31,724)</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends, Net of Fees	\$ 18,852	\$ 21,718	\$ 40,570
Net Realized and Unrealized Gains on Investments	449	68,174	68,623
Total Investment Return	<u>\$ 19,301</u>	<u>\$ 89,892</u>	<u>\$ 109,193</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of December 31, are as follows:

	2018	2017
Restricted for Capital Campaign	\$ -	\$ 12,000
Less: Allowance for Uncollectible Promises	-	(513)
Unconditional Promises to Give - Net	<u>\$ -</u>	<u>\$ 11,487</u>
Amounts Due in:		
Less than One Year	<u>\$ -</u>	<u>\$ 12,000</u>

NOTE 6 – PROPERTY AND EQUIPMENT

The major categories of property and equipment as of December 31, are summarized as follows:

	2018	2017
Land	\$ 131,000	\$ 131,000
Buildings and Improvements	6,248,965	5,998,356
Leasehold Improvements	3,369,094	3,300,352
Furniture, Fixtures and Equipment	1,221,957	1,164,627
Software	23,116	23,116
Work in Progress - Aquatic Center	<u>73,756</u>	<u>-</u>
Total Property and Equipment	11,067,888	10,617,451
Less: Accumulated Depreciation and Amortization	<u>(5,174,317)</u>	<u>(4,753,652)</u>
Property and Equipment - Net	<u>\$ 5,893,571</u>	<u>\$ 5,863,799</u>

Depreciation expense was \$420,583 and \$400,552 for the years ending December 31, 2018 and 2017, respectively. Amortization expense for property and equipment was \$6,650 and \$521 for the years ended December 31, 2018 and 2017, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 7 – DEFERRED LOSS ON SALE/LEASEBACK

In 1985, the YMCA gave title to their building to Bugbee Housing Development Fund Company so that it could obtain financing through HUD for the construction of low-income housing. The YMCA leases the building back from Bugbee Housing for \$1 per year. The deferred loss associated with this leaseback began being amortized at \$9,668 per year for a 40-year period in 1985. As of January 1, 2011, the leaseback period was extended through 2075. The remainder of the leaseback is being amortized at \$2,225 per year for the remaining 65 years. Upon termination of the agreement, title to the building reverts back to the YMCA.

Related amortization expense was \$2,225 for both years ending December 31, 2018 and 2017.

The following shows the net deferred loss on sale/leaseback:

	2018	2017
Deferred Loss on Sale/Leaseback	\$ 386,714	\$ 386,714
Less: Accumulated Amortization	<u>(259,877)</u>	<u>(257,652)</u>
Deferred Loss on Sale/Leaseback - Net	<u><u>\$ 126,837</u></u>	<u><u>\$ 129,062</u></u>

NOTE 8 – DEFERRED REVENUE

Unexpended grant and program monies at December 31 were composed of the following:

	2018	2017
Army Youth Programs in Your Neighborhood ("AYPYN")	\$ 120,427	\$ 120,000
School Age Child Care ("SACC")	24,000	24,000
Food Outreach Program	10,000	23,000
Wellness Program	-	10,000
Character Development Grant	10,000	-
Healthy Weight and Your Child ("HWYC") Grant	9,000	-
Gift Certificates	4,766	3,225
Other	<u>5,303</u>	<u>3,183</u>
Total Deferred Revenue	<u><u>\$ 183,496</u></u>	<u><u>\$ 183,408</u></u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 9 – BOARD DESIGNATED NET ASSETS

The Board of Directors has designated net assets of the YMCA for particular purposes. In accordance with generally accepted accounting principles, net assets associated with these board-designated amounts are classified as net assets without donor restrictions. A portion of the YMCA's cash and cash equivalents and investments (Note 3 and 4, respectively) are set aside to fund these designations. Income on those investments support the YMCA's budget without restriction or designation.

During the years ended December 31, 2018 and 2017, there were three board designated amounts, as follows:

	Unemployment Reserve	Capital Reserve	Blue Sharks Reserve
Designated Net Assets at December 31, 2016	\$ 100,017	\$ 1,941,041	\$ 27,435
Additional Amounts Added	10	136,822	2,762
Change in Value of Priced Securities	-	(10,668)	-
AYPYN Payment - Carthage CSD	-	(85,000)	-
Amounts Appropriated for Spending	-	(98,581)	-
Designated Net Assets at December 31, 2017	100,027	1,883,614	30,197
Additional Amounts Added	193	199,775	87
Change in Value of Priced Securities	-	(17,634)	-
Transfer to Purchase Certificates of Deposit	-	(200,000)	-
AYPYN Payment - Carthage CSD	-	(85,000)	-
Amounts Appropriated for Spending	-	(365,254)	-
Designated Net Assets at December 31, 2018	<u>\$ 100,220</u>	<u>\$ 1,415,501</u>	<u>\$ 30,284</u>

In addition to the board-designated reserves, a portion of the YMCA's net assets without donor restrictions has been classified as designated for property and equipment. The net assets designated for property and equipment represents amounts expended for property and equipment used in the operations of the YMCA, net of accumulated depreciation. As of December 31, 2018 and 2017, net assets designated for property and equipment amounted to \$5,893,571 and \$5,863,799, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 10 - NET ASSETS

Net assets are available for the following purposes as of December 31:

	2018	2017
Net Assets Without Donor Restrictions		
Undesignated	\$ 515,159	\$ 233,374
Board-Designated Reserves	1,546,005	2,013,838
Net Investment in Property and Equipment	<u>5,893,571</u>	<u>5,863,799</u>
Total Net Assets Without Donor Restrictions	<u>7,954,735</u>	<u>8,111,011</u>
Net Assets With Donor Restrictions		
Subject to Expenditure for a Specific Purpose:		
Support for Investment in Property and Equipment	<u>50,917</u>	<u>50,771</u>
Subject to Restriction in Perpetuity:		
Perpetual Endowments	775,698	775,698
Accumulated Gains	<u>98,676</u>	<u>188,885</u>
Total Net Assets Subject to Restriction in Perpetuity	<u>874,374</u>	<u>964,583</u>
Total Net Assets With Donor Restrictions	<u>925,291</u>	<u>1,015,354</u>
Total Net Assets	<u>\$ 8,880,026</u>	<u>\$ 9,126,365</u>

NOTE 11 – RETIREMENT PLAN

The YMCA maintains a defined-contribution plan (the “Plan”), qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. At present, the YMCA matches employee contributions up to a maximum of 6% of employee gross earnings. Contributions to the Plan for the years ended December 31, 2018 and 2017 were \$49,524 and \$46,397, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 12 – NON-CASH CONTRIBUTION

During the year ended December 31, 2017, the YMCA received a non-cash contribution of approximately \$379,000. The non-cash contribution was for Leasehold Improvements and Renovations to the Downtown YMCA Facility. The contribution was recorded at fair value at the date of donation and is reflected in the accompanying Statement of Activities. The related addition to Leasehold Improvements was capitalized and is being depreciated over the useful life of the asset.

NOTE 13 – OPERATING LEASES

Ground Lease

The YMCA has an operating lease with the City of Watertown for the property in which the Fairgrounds facility is located. This lease commenced on July 9, 2009 and will expire on December 31, 2034. It has an option to renew for an additional 15 years upon approval by the State Legislature. For the first year, monthly lease expense is \$2,000 and is payable in quarterly installments. For each of the next four calendar years, semi-annual lease payments are required in the aggregate of \$12,000. Commencing in 2014 and every five years there-after, the lease payments will increase by 7.5%. Rent expense was \$25,800 for each of the years ended December 31, 2018 and 2017.

Future minimum payments under this lease at December 31 are as follows:

2019	\$	27,735
2020		27,735
2021		27,735
2022		27,735
2023		27,735
Thereafter		<u>341,383</u>
Total	\$	<u>480,058</u>

Sackets Harbor Facility

The YMCA entered into a lease agreement for the Sackets Harbor facility on August 15, 2016. The lease commenced on January 1, 2018 and expired on December 31, 2018. The lease may be renewed for additional terms with approval from both parties and rent is set to increase annually by 3% upon renewal. Rent expense for the years ended December 31, 2018 and 2017 were \$2,600 and \$2,200, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 13 – OPERATING LEASES - Continued

Parking Lot

The YMCA entered into a lease for parking spaces at the Downtown location which began on April 1, 2008 and expired on April 1, 2011. The lease was amended on April 1, 2011 and extended for an additional ten years. The lease calls for a 3.5% annual increase. Rent expense for the years ended December 31, 2018 and 2017 were \$8,416 and \$8,131, respectively.

Future minimum payments under this lease are as follows:

2019	\$	8,712
2020		9,020
2021		<u>1,512</u>
Total	\$	<u>19,244</u>

Copier Leases

The YMCA has several operating leases for copiers that expire at various dates through 2021. Rental expenses for those leases consisted of \$11,305 and \$11,107 for the year ending December 31, 2018 and 2017, respectively.

Future minimum lease payments under these leases are as follows:

2019	\$	12,747
2020		11,373
2021		<u>3,791</u>
Total	\$	<u>27,911</u>

NOTE 14 – ENDOWMENTS

The YMCA's endowments consist of various donor-specified funds and are subject to donor restrictions. The Deline endowment stipulates that the original principal of the gift is to be held and invested indefinitely and income from the fund is to be expended for membership scholarships. The purpose and history of the remaining endowment balance is unknown.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 14 – ENDOWMENTS - Continued

The YMCA is subject to the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) which sets forth certain specifically mandated procedures and standards for managing endowed funds. The YMCA adheres to these procedures and standards in the investment and expenditure of endowment funds. Absent explicit donor stipulations to the contrary, the YMCA has interpreted the NYPMIFA as allowing the YMCA to appropriate for expenditure or accumulate as much of an endowment fund as the YMCA determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are net assets with donor restrictions until appropriated by the YMCA. Although NYPMIFA does not preclude the YMCA from spending below the original gift value of donor-restricted endowments, the YMCA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the donor’s direction expressed in the gift agreement. In accordance with that standard, the YMCA considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and appreciation of investments, (6) other resources of the YMCA, and (7) the YMCA’s investment policy.

Investment Return Objectives, Risk Parameters and Strategies

The YMCA has adopted investment and spending policies for endowment funds 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 funds. Under this policy, as approved by the Board, the endowment funds are invested in a manner that is intended to produce a minimum rate of return of 5% per year after taking into account inflation costs and fees, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the YMCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The YMCA targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 14 – ENDOWMENTS - Continued

Spending Policy

Like the endowment itself, the spending policy of the YMCA is subject to the NYPMIFA. All the elements set forth in the NYPMIFA are considered when allocating or spending endowment funds. In order to achieve the long-term objective of the YMCA, the annual spending from all endowment funds is restricted to between 4 and 5.5 percent of a three-year average of the fair market value of the funds. In establishing this policy, the YMCA considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, most of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. From time-to-time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the YMCA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature should be reported in net assets with donor restrictions. The aggregate amount of the deficiencies at December 31, 2018 and 2017 was \$-0- in both years.

The changes in endowment net assets for the year ended December 31, 2018 are as follows:

	With Donor Restrictions		
	Original Gift Amount	Accumulated Gains	Total with Donor Restrictions
Endowment Net Assets, Beginning of Year	\$ 826,421	\$ 188,933	\$ 1,015,354
Investment Income, Net of Fees	-	46,671	46,671
Appropriated for Expenditure	-	(40,000)	(40,000)
Net Depreciation	-	(96,734)	(96,734)
Endowment Net Assets, End of Year	<u>\$ 826,421</u>	<u>\$ 98,870</u>	<u>\$ 925,291</u>

The changes in endowment net assets for the year ended December 31, 2017 are as follows:

	With Donor Restrictions		
	Original Gift Amount	Accumulated Gains	Total with Donor Restrictions
Endowment Net Assets, Beginning of Year	\$ 826,421	\$ 99,041	\$ 925,462
Investment Income, Net of Fees	-	21,718	21,718
Net Appreciation	-	68,174	68,174
Endowment Net Assets, End of Year	<u>\$ 826,421</u>	<u>\$ 188,933</u>	<u>\$ 1,015,354</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 15 – FAIR VALUE MEASUREMENTS

The YMCA utilizes fair value measurements to determine fair value disclosures. Fair value is 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. Fair value is best determined based on quoted market prices. In cases where quoted market prices are not readily available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. The YMCA uses a three-tier value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value, as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the YMCA has the ability to access.
- Level 2 Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active and other inputs that are observable or can be corroborated by observable market data.
- Level 3 Significant unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

The following table presents the YMCA's investments at December 31, 2018 and 2017 that are measured at fair value on a recurring basis. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. There were no transfers between the levels during each year.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
December 31, 2018				
Investments	\$ 1,773,695	\$ 1,773,695	\$ -	\$ -
Investments Held by the Community Foundation	<u>515,382</u>	<u>515,382</u>	<u>-</u>	<u>-</u>
Total Financial Assets	<u>\$ 2,289,077</u>	<u>\$ 2,289,077</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2017				
Investments	<u>\$ 2,389,375</u>	<u>\$ 2,389,375</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 with Comparative Totals for 2017

NOTE 16 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The YMCA monitors its liquidity so that it is able to meet the operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The following table reflects the YMCA's financial assets as of December 31, 2018 and 2017, reduced by amounts that are not available to meet general expenditures within one year. The Board designations can be drawn upon if the Board approves the action.

	2018	2017
Financial Assets:		
Cash and Cash Equivalents	\$ 743,279	\$ 869,736
Investments - Operating	1,465,919	1,509,201
Grants and Contracts Receivable	118,067	59,333
Other Receivables	52,410	69,874
Cash and Cash Equivalents - Endowment	102,133	135,180
Investments - Endowment	307,776	880,174
Investments Held by the Community Foundation	515,382	-
Financial Assets, at Year-End	<u>\$ 3,304,966</u>	<u>\$ 3,523,498</u>
Less those unavailable for general expenditure within one year, due to:		
Purpose Restrictions	(50,917)	(50,771)
Perpetual Endowments	(775,698)	(775,698)
Board Designated Reserves	<u>(1,546,005)</u>	<u>(2,013,838)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 932,346</u></u>	<u><u>\$ 683,191</u></u>

In addition to financial assets available to meet general expenditures over the year, the YMCA operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient membership dues, program income, and revenue from government grants and contracts. The Statement of Cash Flows identifies the sources and uses of the Organization's cash and shows positive cash generated by operations of \$282,033 and \$228,350 for fiscal years ending December 31, 2018 and 2017, respectively.

SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF PROGRAM SERVICES

December 31, 2018

	Program Services									
	Health and Wellness					Youth Development				
	Downtown YMCA Activities	Carthage YMCA Activities	Sackets Harbor YMCA Activities	Fairgrounds YMCA Activities	2018 Total	Child Care	Day Care Center	Youth	2018 Total	
Salaries and Wages	\$ 574,145	\$ 119,464	\$ 64,651	\$ 678,916	\$ 1,437,176	\$ 808,510	\$ 626,611	\$ 232,862	\$ 1,667,983	
Employee Benefits	74,719	21,860	8,941	111,281	216,801	115,727	106,997	45,308	268,032	
Total Salaries, Wages, and Employee Benefits	648,864	141,324	73,592	790,197	1,653,977	924,237	733,608	278,170	1,936,015	
Conferences and Conventions	2,988	24	404	1,808	5,224	264	785	134	1,183	
Contractual Services	31,379	3,048	5,003	6,311	45,741	-	10,386	-	10,386	
Dues	19,389	3,983	-	27,144	50,516	20,299	14,673	2,563	37,535	
Financing	17,399	3,551	1,823	28,418	51,191	15,619	3,939	33	19,591	
Fundraising Expense	875	-	-	-	875	3,487	3,755	-	7,242	
Occupancy	90,495	13,484	10,336	111,316	225,631	22,623	12,800	3,000	38,423	
Insurance	14,068	3,198	-	38,712	55,978	3,059	9,781	580	13,420	
Postage and Shipping	4,924	295	55	556	5,830	2,461	113	966	3,540	
Printing, Publications and Promotion	5,259	1,245	1,569	10,752	18,825	975	-	-	975	
Supplies and Other										
Program Expense	82,106	16,079	5,962	143,498	247,645	107,072	67,251	17,804	192,127	
Telephone	5,098	2,134	1,507	6,349	15,088	2,348	3,453	863	6,664	
Travel and Employee Expense	15,984	301	430	13,396	30,111	13,274	3,549	751	17,574	
Administration	15,545	2,650	4,569	20,091	42,855	18,397	10,167	2,977	31,541	
Total Operating Expenses before Depreciation and Amortization	954,373	191,316	105,250	1,198,548	2,449,487	1,134,115	874,260	307,841	2,316,216	
Depreciation and Amortization Expense	223,037	24,030	2,063	138,383	387,513	-	33,070	-	33,070	
TOTAL EXPENSES	\$ 1,177,410	\$ 215,346	\$ 107,313	\$ 1,336,931	\$ 2,837,000	\$ 1,134,115	\$ 907,330	\$ 307,841	\$ 2,349,286	

See paragraph on supplementary information included in independent auditor's report.



BOWERS & COMPANY CPAs PLLC

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

BOARD OF DIRECTORS WATERTOWN FAMILY YMCA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Watertown Family YMCA, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Watertown Family YMCA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Watertown Family YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of Watertown Family YMCA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

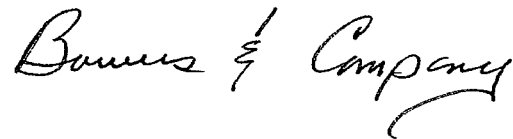
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watertown Family YMCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Watertown Family YMCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Watertown Family YMCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Banner & Company". The signature is written in black ink and is positioned to the right of the main text block.

Watertown, New York
April 3, 2019



**BOWERS & COMPANY
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

Board of Directors and Management
Watertown Family YMCA
119 Washington Street
Watertown, NY 13601

In planning and performing our audit of the financial statements of Watertown Family YMCA for the year ended December 31, 2018, we considered Watertown Family YMCA's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we noted a matter involving operational matters which is presented for your consideration. This letter does not affect our report dated March 28, 2019 on the financial statements of Watertown Family YMCA. Our comment is summarized as follows:

Incorporate Depreciation Expense into Annual Budget

We noted that the Organization does not include depreciation expense with the annual budget and the entry to record depreciation was not recorded until the end of the fiscal year. We recommend preparing an annual budget that incorporates depreciation expense and posting the depreciation expense monthly. This will enable management to plan the actions necessary for achieving desired or anticipated results.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Organization, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads 'Bowers & Company' in a cursive, flowing script.

Watertown, New York
April 3, 2019



April 3, 2019

To the Board of Directors
Watertown Family YMCA

We have audited the financial statements of Watertown Family YMCA for the year ended December 31, 2018, and we will issue our report thereon dated April 3, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 29, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Watertown Family YMCA are described in Note 2 to the financial statements. As described in Note 2, the Organization changed accounting policies related to functional expenses and liquidity disclosures by adopting FASB Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, in 2018. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy has always been used. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the depreciation is based on economic useful lives of capital asset classes. We evaluated the key factors and assumptions used to develop the depreciation calculations in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 3, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Directors
Watertown Family YMCA
April 3, 2019
Page 3

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Watertown Family YMCA and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bowers & Company

Schedule of Material Adjusting Journal Entries Corrected by Management

Fund 1:

Adjusting Journal Entries JE # 105		B 04.02		
To record investment activity from fund 3				
✓ 11513	UNREALIZED GAIN/LOSS		110,471.00	
✓ 06151	UNREALIZED LOSS/GAIN			30,367.00
✓ 06816	TO/FROM ENDOWMENT FUND			33,579.00
✓ 11511	Investment Income			18,896.00
✓ 11515	REALIZED GAIN/LOSS			27,629.00
Total			110,471.00	110,471.00
Adjusting Journal Entries JE # 110		X07 1.0		
To record intercompany revenue to correct account so amounts net to \$0/BRO				
✓ 06810	To/From Capital Reserves		116,578.00	
✓ 11700	Grant Reserves			116,578.00
Total			116,578.00	116,578.00