

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

FINANCIAL STATEMENTS
December 31, 2017

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WATERTOWN FAMILY YMCA

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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, 2017 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, 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.

Other Matter

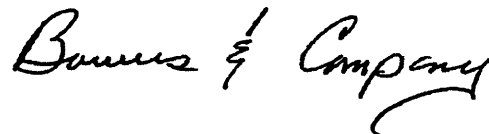
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Schedule of Program Services on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 March 28, 2018, 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 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 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.



Watertown, New York
March 28, 2018

WATERTOWN FAMILY YMCA**AUDITED FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

December 31, 2017 with Comparative Totals for 2016

ASSETS

	2017	2016
Cash and Cash Equivalents	\$ 1,004,916	\$ 1,059,847
Investments	2,389,375	2,262,383
Grants and Contracts Receivable	59,333	26,173
Other Receivables	69,874	40,142
Prepaid Expenses	41,751	43,283
Unconditional Promises to Give - Net	11,487	25,487
Inventory	4,052	5,890
Property and Equipment - Net	5,863,799	5,661,385
Deferred Loss on Sale/Leaseback - Net	129,062	131,287
TOTAL ASSETS	\$ 9,573,649	\$ 9,255,877

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts Payable	\$ 138,681	\$ 130,247
Accrued Expenses	119,858	94,242
Lease Deposit	5,337	9,459
Deferred Revenue	183,408	324,580
Total Liabilities	447,284	558,528

NET ASSETS

Unrestricted:

Board Designated:

Unemployment Reserve	100,027	100,017
Capital Reserve	1,883,614	1,941,041
Blue Sharks Reserve	30,197	27,435
Undesignated	422,259	141,007
Designated for Property and Equipment	5,863,799	5,661,385
Total Unrestricted	8,299,896	7,870,885
Temporarily Restricted	50,771	50,766
Permanently Restricted	775,698	775,698
Total Net Assets	9,126,365	8,697,349
TOTAL LIABILITIES AND NET ASSETS	\$ 9,573,649	\$ 9,255,877

See notes to financial statements.

WATERTOWN FAMILY YMCA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017 with Summarized Totals for December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016 (Summarized)
SUPPORT AND REVENUE					
Membership Dues and Program Income	\$ 3,949,147	\$ -	\$ -	\$ 3,949,147	\$ 3,928,292
Contributions	109,347	-	-	109,347	91,883
Non-Cash Contribution	378,575	-	-	378,575	-
Federated Fundraising	37,096	-	-	37,096	10,642
Government and Other Contracts	930,463	-	-	930,463	836,510
Rental Income	105,413	-	-	105,413	106,145
Sales and Commissions	11,287	-	-	11,287	15,610
Interest and Dividends - Net of Fees	40,565	5	-	40,570	25,714
Net Realized and Unrealized Gains on Investments	68,623	-	-	68,623	69,629
Bad Debt Recovery	12,000	-	-	12,000	-
Miscellaneous Revenue	25,906	-	-	25,906	25,871
Total Support and Revenue	5,668,422	5	-	5,668,427	5,110,296
EXPENSES					
Program Services					
Health and Wellness Branch	2,702,801	-	-	2,702,801	2,437,077
Youth Development Branch	2,157,413	-	-	2,157,413	2,024,687
Social Responsibility	-	-	-	-	8,504
Supporting Services					
Administrative	379,197	-	-	379,197	333,817
Total Expenses	5,239,411	-	-	5,239,411	4,804,085
CHANGE IN NET ASSETS	429,011	5	-	429,016	306,211
NET ASSETS, BEGINNING OF YEAR	7,870,885	50,766	775,698	8,697,349	8,391,138
NET ASSETS, END OF YEAR	\$ 8,299,896	\$ 50,771	\$ 775,698	\$ 9,126,365	\$ 8,697,349

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017 with Summarized Totals for December 31, 2016

	Program Services		Supporting Services	Totals	
	Health and Wellness Branch	Youth Development Branch	Administrative	2017	2016 (Summarized)
Salaries and Wages	\$ 1,361,932	\$ 1,465,855	\$ 211,265	\$ 3,039,052	\$ 2,804,932
Employee Benefits	201,831	228,104	45,450	475,385	425,176
Total Salaries, Wages, and Employee Benefits	1,563,763	1,693,959	256,715	3,514,437	3,230,108
Conferences and Conventions	3,875	1,995	2,300	8,170	5,208
Contractual Services	40,371	14,301	35,010	89,682	75,748
Dues	53,063	35,400	6,596	95,059	86,645
Financing	53,904	12,829	386	67,119	63,386
Fundraising Expense	-	1,691	4,410	6,101	4,195
Occupancy	229,474	42,083	1,500	273,057	258,528
Insurance	55,650	13,722	27,006	96,378	95,434
Postage and Shipping	5,457	2,707	-	8,164	9,698
Printing, Publications and Promotion	12,375	1,351	5,069	18,795	27,533
Supplies and Other Program Expense	253,252	252,145	284	505,681	452,294
Telephone	13,847	5,624	-	19,471	17,767
Travel and Employee Expense	14,516	17,261	7,905	39,682	37,047
Administration	40,259	24,788	19,120	84,167	63,661
Bad Debt Expense	-	-	10,150	10,150	-
Total Operating Expenses before Depreciation and Amortization	2,339,806	2,119,856	376,451	4,836,113	4,427,252
Depreciation and Amortization Expense	362,995	37,557	2,746	403,298	376,833
TOTAL EXPENSES	\$ 2,702,801	\$ 2,157,413	\$ 379,197	\$ 5,239,411	\$ 4,804,085

See notes to financial statements.

WATERTOWN FAMILY YMCA**STATEMENT OF CASH FLOWS**

Years Ended December 31, 2017 with Comparative Totals for 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 429,016	\$ 306,211
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	400,552	374,608
Amortization Expense	2,746	2,225
Bad Debt Expense	10,150	-
Bad Debt Recovery	(12,000)	-
Realized Gain on Investments	(7,957)	(68,451)
Unrealized Gain on Investments	(60,666)	(1,178)
Non-Cash Contribution	(378,575)	-
(Increase) Decrease in Operating Assets		
Grants and Contracts Receivable	(33,160)	68,149
Other Receivables	(29,732)	1,805
Prepaid Expenses	1,532	(8,367)
Unconditional Promises to Give - Net Inventory	15,850	39,102
	1,838	(3,329)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	8,434	6,765
Accrued Expenses	25,616	24,613
Lease Deposit	(4,122)	9,459
Deferred Revenue	(141,172)	(118,609)
Net Cash Provided By Operating Activities	<u>228,350</u>	<u>633,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(596,898)	(1,654,899)
Proceeds from Sale of Investments	538,529	829,186
Purchase of Property and Equipment	(224,912)	(229,572)
Net Cash Used By Investing Activities	<u>(283,281)</u>	<u>(1,055,285)</u>
Net Decrease in Cash and Cash Equivalents	(54,931)	(422,282)
Cash and Cash Equivalents, Beginning of Year	<u>1,059,847</u>	<u>1,482,129</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,004,916</u>	<u>\$ 1,059,847</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

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, 2017 with Comparative Totals for 2016

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 2 indoor soccer fields, a gymnasium, 2 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 2 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, 2017 with Comparative Totals for 2016

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 3 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, 2017 with Comparative Totals for 2016

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 Togetherhood are examples of programs that the YMCA offers to address these community needs. In 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 114 children and daycare fees for 20 children. The program was also used to assist 708 children, seniors and adults to become a part of the YMCA membership and for 658 children to participate in programs like soccer leagues, gymnastics, dance, swim lessons and art. In addition, in 2016 the gateway program provided assistance for 23 individuals to participate in the Chronic Disease Prevention Program, Diabetes Prevention Program and 37 cancer survivors to participate in LiveStrong. During the years ended December 31, 2017 and 2016, the value of the YMCA assistance for childcare was approximately \$88,000 and \$79,000, respectively; membership was approximately \$170,000 and \$169,000, respectively; programs were approximately \$38,000 and \$44,000, respectively; and DPP and LiveStrong was approximately \$4,000 and \$4,700, respectively. For a total of approximately \$301,000 and \$296,000. 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, 2017 with Comparative Totals for 2016

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 380 hours of policy and committee support from 21 volunteers, 1,518 hours of assistance with special events from over 170 volunteers, another 4,720 hours of support from over 225 sports team coaches, and 600 hours from 203 quilters throughout New York State for the Operation Kid Comfort program. In total, the YMCA received approximately 7,148 volunteer hours from 618 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 three classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors. Accordingly, net assets of the YMCA and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be met, either by actions of the YMCA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the YMCA. 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, 2017 with Comparative Totals for 2016

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, 2016, 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 debt 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, 2017 and 2016, management has determined based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Other Receivables

At December 31, 2017 and 2016, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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 market 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.

The net property and equipment balances have been recorded as a separate component in unrestricted net assets.

Deferred Revenue

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

Investment Income and Gains

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, 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. Promises to give receivable in more than one year approximate fair value because they have been discounted at an appropriate interest rate. See Note 5. The net carrying amounts of investments are recorded at fair value.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

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.

Conditional promises to give are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable.

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, 2016, 2015, and 2014 are subject to examination by the IRS, generally for 3 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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.

Statement of Cash Flows

Schedule of noncash investing activities at December 31:

	2017	2016
In-Kind Leasehold Improvements and Renovations	<u>\$ 378,575</u>	<u>\$ -</u>

There were no noncash financing activities during 2017 and 2016.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Date of Management's Review

Management has evaluated subsequent events through March 28, 2018, the date which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 3 – CASH AND CASH EQUIVALENTS

Concentration of Credit Risk from Deposits in Excess of Insured Limits

The YMCA maintains cash in demand 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, 2017 and 2016, the YMCA’s deposits in excess of federally insured limits totaled approximately \$87,000 and \$0, 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, 2017 and 2016, there were no deposits in Program Banks in excess of FDIC insurance.

Cash and cash equivalents at December 31, 2017 and 2016 consist of the following:

	2017	2016
Cash on Hand	\$ 1,180	\$ 960
Checking Accounts	196,153	221,460
Savings Accounts	165,315	92,685
Money Market Funds - Restricted	557,859	645,744
Money Market Funds - Unrestricted	84,409	98,998
	<u>\$ 1,004,916</u>	<u>\$ 1,059,847</u>

WATERTOWN FAMILY YMCA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 4 – INVESTMENTS

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

Investment as of December 31, 2017 and 2016 are summarized as follows:

	<u>2017</u>		<u>2016</u>	
	Cost	Fair Value	Cost	Fair Value
Operating Funds:				
U.S. Equities	\$ 6,749	\$ 12,587	\$ 20,788	\$ 24,641
Fixed Income Funds	<u>1,500,000</u>	<u>1,496,614</u>	<u>1,500,000</u>	<u>1,509,317</u>
Total Operating Funds	<u>1,506,749</u>	<u>1,509,201</u>	<u>1,520,788</u>	<u>1,533,958</u>
Non-Operating Funds:				
U.S. and International Equities	510,139	588,655	512,634	522,840
Fixed Income Funds	244,604	239,269	156,926	151,220
Other Investments	<u>47,801</u>	<u>52,250</u>	<u>53,030</u>	<u>54,365</u>
Total Non-Operating Funds	<u>802,544</u>	<u>880,174</u>	<u>722,590</u>	<u>728,425</u>
Total Operating and Non-Operating Funds	<u>\$ 2,309,293</u>	<u>\$ 2,389,375</u>	<u>\$ 2,243,378</u>	<u>\$ 2,262,383</u>

The following depicts the availability of non-operating funds:

	<u>2017</u>			<u>2016</u>		
	Cash	Invest- ments	Total	Cash	Invest- ments	Total
Non-Operating Funds	\$ 84,409	\$ 880,174	\$ 964,583	\$ 146,271	\$ 728,425	\$ 874,696
Less: Unexpendable- Permanent Endowments	<u>-</u>	<u>(775,698)</u>	<u>(775,698)</u>	<u>-</u>	<u>(775,698)</u>	<u>(775,698)</u>
Unrestricted Expendable Funds	<u>\$ 84,409</u>	<u>\$ 104,476</u>	<u>\$ 188,885</u>	<u>\$ 146,271</u>	<u>\$ (47,273)</u>	<u>\$ 98,998</u>

WATERTOWN FAMILY YMCA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 4 – INVESTMENTS - Continued

The following schedule summarized the investment return, which is net of related expenses of approximately \$9,200 and \$8,700 at December 31, 2017 and 2016, respectively, and their classification in the Statement of Activities for the years then ended:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and Dividends, Net of Fees	\$ 40,565	\$ 5	\$ -	\$ 40,570
Net Realized and Unrealized				
Gains on Investments	<u>68,623</u>	<u>-</u>	<u>-</u>	<u>68,623</u>
Total Investment Return	<u><u>\$ 109,188</u></u>	<u><u>\$ 5</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 109,193</u></u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and Dividends, Net of Fees	\$ 25,709	\$ 5	\$ -	\$ 25,714
Net Realized and Unrealized				
Gains on Investments	<u>69,629</u>	<u>-</u>	<u>-</u>	<u>69,629</u>
Total Investment Return	<u><u>\$ 95,338</u></u>	<u><u>\$ 5</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 95,343</u></u>

NOTE 5 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give, as of December 31, 2017 and 2016 are as follows:

	2017	2016
Restricted for Capital Campaign	\$ 12,000	\$ 26,000
Less: Allowance for Uncollectible Promises	<u>(513)</u>	<u>(513)</u>
Unconditional Promises to Give - Net	<u><u>\$ 11,487</u></u>	<u><u>\$ 25,487</u></u>
Amounts Due in:		
Less than One Year	<u><u>\$ 12,000</u></u>	<u><u>\$ 26,000</u></u>

WATERTOWN FAMILY YMCA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2017	2016
Land	\$ 131,000	\$ 131,000
Buildings and Improvements	5,998,356	5,929,246
Leasehold Improvements	3,300,352	2,888,834
Furniture, Fixtures and Equipment	1,164,627	1,064,886
Software	23,116	-
Total Property and Equipment	<u>10,617,451</u>	<u>10,013,966</u>
Less: Accumulated Depreciation and Amortization	<u>(4,753,652)</u>	<u>(4,352,581)</u>
Property and Equipment - Net	<u>\$ 5,863,799</u>	<u>\$ 5,661,385</u>

Depreciation expense was \$400,552 and \$374,608 for the years ending December 31, 2017 and 2016, respectively. Amortization expense for property and equipment was \$521 and \$-0- for the years ended December 31, 2017 and 2016, respectively.

NOTE 7 – DEFERRED LOSS

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, 2017 and 2016.

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

	2017	2016
Deferred Loss on Sale/Leaseback	\$ 386,714	\$ 386,714
Less: Accumulated Amortization	<u>(257,652)</u>	<u>(255,427)</u>
Deferred Loss on Sale/Leaseback - Net	<u>\$ 129,062</u>	<u>\$ 131,287</u>

WATERTOWN FAMILY YMCA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 8 – DEFERRED REVENUE

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

	2017	2016
Army Youth Programs in Your Neighborhood ("AYPYN")	\$ 120,000	\$ 282,820
School Age Child Care ("SACC")	24,000	-
Food Outreach Program	23,000	23,000
Wellness Program	10,000	-
Gift Certificates	3,225	3,855
Other	3,183	14,905
	<hr/>	<hr/>
Total Deferred Revenue	<u>\$ 183,408</u>	<u>\$ 324,580</u>

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	2017	2016
Tennis Account	<u>\$ 50,771</u>	<u>\$ 50,766</u>

During the years ended December 31, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2017	2016
Expiration of Time Restrictions - United Way Services	<u>\$ -</u>	<u>\$ 37,302</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at December 31:

	2017	2016
Endowments	<u>\$ 775,698</u>	<u>\$ 775,698</u>

NOTE 11 – RETIREMENT PLAN

The YMCA maintains a deferred contribution pension 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, 2017 and 2016 were \$46,397 and \$30,629, respectively.

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, 2017 and 2016.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 13 – OPERATING LEASES - Continued

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

2018	\$	25,800
2019		27,735
2020		27,735
2021		27,735
2022		27,735
Thereafter		<u>353,093</u>
Total	\$	<u>489,833</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, 2017 and expired on December 31, 2017. 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, 2017 and 2016 were \$2,200 and \$0, respectively.

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, 2017 and 2016 were \$8,131 and \$7,856, respectively.

Future minimum payments under this lease are as follows:

2018	\$	8,424
2019		8,712
2020		9,020
2021		<u>1,512</u>
Total	\$	<u>27,668</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 \$11,107 and \$7,995 for the year ending December 31, 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 13 – OPERATING LEASES - Continued

Copier Leases - Continued

Future minimum lease payments under these leases are as follows:

2018	\$	15,294
2019		15,294
2020		12,546
2021		<u>3,724</u>
Total	\$	<u>46,858</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 by the YMCA indefinitely and income from the fund is to be expended for membership scholarships. The purpose and history of the remaining endowment balance is unknown.

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets 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.

In order to achieve the long-term objective of the YMCA, it was recommended that the annual spending from all endowment funds be restricted to between 4 and 5.5 percent of a three-year average of the fair market value of the funds.

WATERTOWN FAMILY YMCA

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

NOTE 14 – ENDOWMENTS - Continued

The composition of endowment net assets as of December 31 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds				
Deline	\$ 16,322	\$ -	\$ 515,000	\$ 531,322
Other	172,203	50,771	260,698	483,672
Endowment Net Assets, December 31, 2017	<u>\$ 188,525</u>	<u>\$ 50,771</u>	<u>\$ 775,698</u>	<u>\$ 1,014,994</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds				
Deline	\$ 15,170	\$ -	\$ 515,000	\$ 530,170
Other	83,828	50,766	260,698	395,292
Endowment Net Assets, December 31, 2016	<u>\$ 98,998</u>	<u>\$ 50,766</u>	<u>\$ 775,698</u>	<u>\$ 925,462</u>

The changes in endowment net assets as of December 31 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2017	\$ 98,998	\$ 50,766	\$ 775,698	\$ 925,462
Investment Income, Net of Fees	21,713	5	-	21,718
Net Appreciation	67,814	-	-	67,814
Endowment Net Assets, December 31, 2017	<u>\$ 188,525</u>	<u>\$ 50,771</u>	<u>\$ 775,698</u>	<u>\$ 1,014,994</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2016	\$ 58,305	\$ 50,761	\$ 775,698	\$ 884,764
Investment Income, Net of Fees	70,428	5	-	70,433
Net Appreciation	1,265	-	-	1,265
Transfer to Unrestricted Cash Accounts	(31,000)	-	-	(31,000)
Endowment Net Assets, December 31, 2016	<u>\$ 98,998</u>	<u>\$ 50,766</u>	<u>\$ 775,698</u>	<u>\$ 925,462</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 with Comparative Totals for 2016

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, 2017 and 2016 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.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2017				
Investments	<u>\$ 2,389,375</u>	<u>\$ 2,389,375</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2016				
Investments	<u>\$ 2,262,383</u>	<u>\$ 2,262,383</u>	<u>\$ -</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

COMBINING SCHEDULE OF PROGRAM SERVICES

December 31, 2017

	Program Services								
	Health and Wellness				Youth Development				
	Downtown YMCA Activities	Carthage YMCA Activities	Sackets Harbor YMCA Activities	Fairgrounds YMCA Activities	2017 Total	Child Care	Day Care Center	Youth	2017 Total
Salaries and Wages	\$ 512,876	\$ 101,552	\$ 81,984	\$ 665,520	\$ 1,361,932	\$ 691,373	\$ 563,777	\$ 210,705	\$ 1,465,855
Employee Benefits	65,898	20,490	8,981	106,462	201,831	98,473	91,552	38,079	228,104
Total Salaries, Wages, and Employee Benefits	578,774	122,042	90,965	771,982	1,563,763	789,846	655,329	248,784	1,693,959
Conferences and Conventions	890	105	-	2,880	3,875	1,225	430	340	1,995
Contractual Services	21,108	4,213	7,582	7,468	40,371	-	14,301	-	14,301
Dues	23,363	3,800	-	25,900	53,063	19,000	14,000	2,400	35,400
Financing	17,997	4,650	1,363	29,894	53,904	8,342	4,442	45	12,829
Fundraising Expense	-	-	-	-	-	1,691	-	-	1,691
Occupancy	87,394	13,146	9,282	119,652	229,474	26,463	12,620	3,000	42,083
Insurance	13,655	3,104	-	38,891	55,650	2,888	10,251	583	13,722
Postage and Shipping	4,089	291	42	1,035	5,457	2,262	42	403	2,707
Printing, Publications and Promotion Supplies and Other Program Expense	5,220	486	730	5,939	12,375	372	-	979	1,351
Telephone	91,495	17,250	32,161	112,346	253,252	126,757	102,345	23,043	252,145
Travel and Employee Expense	4,696	1,645	1,311	6,195	13,847	2,214	2,672	738	5,624
Administration	8,880	372	591	4,673	14,516	11,371	4,791	1,099	17,261
Administration	15,294	2,105	7,610	15,250	40,259	15,488	7,901	1,399	24,788
Total Operating Expenses before Depreciation and Amortization	872,855	173,209	151,637	1,142,105	2,339,806	1,007,919	829,124	282,813	2,119,856
Depreciation and Amortization Expense	209,650	23,504	1,903	127,938	362,995	-	37,557	-	37,557
TOTAL EXPENSES	\$ 1,082,505	\$ 196,713	\$ 153,540	\$1,270,043	\$ 2,702,801	\$ 1,007,919	\$ 866,681	\$ 282,813	\$ 2,157,413

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



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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, 2017, 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 March 28, 2018.

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.

Bowers & Company

Watertown, New York
March 28, 2018