

**W**ATERTOWN FAMILY YMCA, INC.

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***FINANCIAL STATEMENTS***  
December 31, 2015

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## **INDEPENDENT AUDITORS' REPORT**

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### **BOARD OF DIRECTORS WATERTOWN FAMILY YMCA, INC.**

We have audited the accompanying financial statements of **WATERTOWN FAMILY YMCA, INC.**, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 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.

#### **Auditors' 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, Inc., as of December 31, 2015, 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**

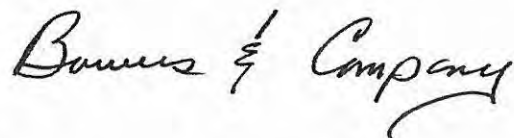
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combining Schedule of Program Services on page 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of 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, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, 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 11, 2016, on our consideration of Watertown Family YMCA, Inc.'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, Inc.'s internal control over financial reporting and compliance.



Watertown, New York  
April 11, 2016

**WATERTOWN FAMILY YMCA, INC.****AUDITED FINANCIAL STATEMENTS****STATEMENT OF FINANCIAL POSITION**

December 31, 2015 with Comparative Totals for 2014

<b>ASSETS</b>		
	<b>2015</b>	<b>2014</b>
Cash and Cash Equivalents	\$ 1,482,129	\$ 889,281
Investments	1,367,041	1,468,085
Accounts Receivable:		
Grants and Contracts	94,322	29,298
Other	41,947	48,431
Prepaid Expenses	34,916	32,329
Unconditional Promises to Give -		
Net of Allowance of \$513 and \$1,050	64,589	78,721
Inventory	2,561	2,932
Property and Equipment, Net	5,806,421	5,882,598
Deferred Loss on Sale/Leaseback	133,512	135,737
<b>TOTAL ASSETS</b>	<b>\$ 9,027,438</b>	<b>\$ 8,567,412</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 123,482	\$ 194,793
Accrued Expenses	69,629	56,692
Notes Payable	-	145,218
Deferred Revenue	443,189	50,301
	<b>636,300</b>	<b>447,004</b>
<b>NET ASSETS</b>		
Unrestricted		
Designated by Board		
Unemployment Reserve	100,007	64,886
Capital Reserve	1,288,718	709,923
Blue Sharks Reserve	30,401	21,186
Undesignated	301,830	588,879
Fixed Assets	5,806,421	5,882,598
Total Unrestricted	<b>7,527,377</b>	<b>7,267,472</b>
Temporarily Restricted	88,063	77,238
Permanently Restricted	775,698	775,698
	<b>8,391,138</b>	<b>8,120,408</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,027,438</b>	<b>\$ 8,567,412</b>

See notes to financial statements.

# WATERTOWN FAMILY YMCA, INC.

## STATEMENT OF ACTIVITIES

Year Ended December 31, 2015 with Summarized Totals for December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2015	Totals 2014 (Summarized)
Revenue and Other Support:					
Membership Dues and Program Income	\$ 3,949,667	\$ -	\$ -	\$ 3,949,667	\$ 3,823,956
Contributions	110,974	-	-	110,974	612,735
Federated Fundraising	23,255	37,302	-	60,557	54,518
Government and Other Contracts	712,358	-	-	712,358	712,936
Rental Income	132,859	-	-	132,859	132,313
Sales and Commissions	21,701	-	-	21,701	17,884
Investment Income	24,302	5	-	24,307	17,958
Realized and Unrealized Gain (Loss) on Investments	(55,173)	-	-	(55,173)	22,058
Miscellaneous Revenue	63,831	-	-	63,831	32,452
Net Assets Released from Restrictions	26,482	(26,482)	-	-	-
Total Revenue and Other Support	5,010,256	10,825	-	5,021,081	5,426,810
Expenses and Losses:					
Program Services					
Health and Wellness Branch	2,516,831	-	-	2,516,831	2,308,039
Youth Development Branch	1,892,629	-	-	1,892,629	1,946,113
Social Responsibility	17,960	-	-	17,960	-
Supporting Services					
Administrative	322,931	-	-	322,931	308,123
Total Expenses and Losses	4,750,351	-	-	4,750,351	4,562,275
Change in Net Assets	259,905	10,825	-	270,730	864,535
Net Assets, Beginning of Year as Previously Reported	7,767,472	77,238	275,698	8,120,408	7,255,873
Prior Period Adjustment	(500,000)	-	500,000	-	-
Net Assets, Beginning of Year as Restated	7,267,472	77,238	775,698	8,120,408	7,255,873
Net Assets, End of Year	\$ 7,527,377	\$ 88,063	\$ 775,698	\$ 8,391,138	\$ 8,120,408

See notes to financial statements.

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2015 with Summarized Totals for December 31, 2014

	Program Services			Supporting Services	Totals	
	Health and Wellness Branch	Youth Development Branch	Social Responsibility Branch	Administrative	2015	2014 (Summarized)
Salaries and Wages	\$ 1,230,639	\$ 1,286,061	\$ 17,960	\$ 177,623	\$ 2,712,283	\$ 2,615,203
Employee Benefits	160,447	163,368	-	37,521	361,336	368,503
Total Salary and Related Expenses	1,391,086	1,449,429	17,960	215,144	3,073,619	2,983,706
Conferences and Conventions	4,577	3,210	-	2,002	9,789	7,061
Contractual Services	31,286	12,910	-	29,232	73,428	59,448
Dues	50,058	25,266	-	6,024	81,348	82,620
Financing	48,170	9,796	-	-	57,966	67,276
Fundraising Expense	639	1,433	-	187	2,259	2,618
Occupancy	231,828	39,961	-	3,000	274,789	305,534
Insurance	57,625	6,596	-	25,054	89,275	88,396
Postage and Shipping	7,044	2,956	-	-	10,000	10,802
Printing, Publications and Promotion	31,528	5,295	-	8,578	45,401	44,433
Supplies and Other Program Expense	285,204	256,400	-	-	541,604	476,048
Telephone	11,488	5,268	-	-	16,756	16,485
Travel and Employee Expense	16,050	16,993	-	3,816	36,859	31,727
Administration	31,739	22,154	-	21,677	75,570	70,182
Bad Debt Expense (Recovery)	-	-	-	5,992	5,992	(1,950)
Total Operating Expenses before Depreciation and Amortization	2,198,322	1,857,667	17,960	320,706	4,394,655	4,244,386
Depreciation and Amortization Expense	318,509	34,962	-	2,225	355,696	317,889
<b>TOTAL EXPENSES</b>	<b>\$ 2,516,831</b>	<b>\$ 1,892,629</b>	<b>\$ 17,960</b>	<b>\$ 322,931</b>	<b>\$ 4,750,351</b>	<b>\$ 4,562,275</b>

See notes to financial statements.



**WATERTOWN FAMILY YMCA, INC.****STATEMENT OF CASH FLOWS**

Years Ended December 31, 2015 with Comparative Totals for 2014

	2015	2014
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 270,730	\$ 864,535
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	353,471	315,664
Amortization of Deferred Loss	2,225	2,225
Bad Debt Expense (Recovery)	5,992	(1,950)
Realized (Gain) on Investments	(8,541)	(9,517)
Unrealized (Gain) Loss on Investments	63,714	(12,541)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(58,540)	(28,362)
Prepaid Expenses	(2,587)	70,978
Unconditional Promises to Give	8,140	103,863
Inventory	371	(386)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(71,311)	1,801
Accrued Expenses	12,937	8,019
Deferred Revenue	392,888	(22)
Net Cash Provided by Operating Activities	<u>969,489</u>	<u>1,314,307</u>
Cash Flows from Investing Activities:		
Net Purchases of Investments	45,871	(406,418)
Purchase of Property and Equipment	<u>(277,294)</u>	<u>(623,198)</u>
Net Cash Used by Investing Activities	<u>(231,423)</u>	<u>(1,029,616)</u>
Cash Flows from Financing Activities		
Repayment of Principal Note	<u>(145,218)</u>	<u>(377,760)</u>
Net Cash Used by Financing Activities	<u>(145,218)</u>	<u>(377,760)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	592,848	(93,069)
Cash and Cash Equivalents - Beginning of Year	<u>889,281</u>	<u>982,350</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,482,129</u>	<u>\$ 889,281</u>

See notes to financial statements.



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 1 – NATURE OF ACTIVITIES**

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**Organization**

The Watertown Family YMCA, Inc. (YMCA) is a non-profit organization, which originated in 1855 and was chartered in 1870. The Organization operates a recreational/athletic facility and also offers various childcare services and health education programs to the general public. Most of the YMCA's funding is received from membership and special program fees. During 2004, the Organization opened a recreational/athletic 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 organization 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.

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 at the three facilities, Youth Development, which includes all youth and childcare programs, and Social Responsibility which focuses on providing resources based on the most critical community needs.

**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 environment open to all. Programs are designed to promote healthy lifestyles, develop specific skills, teach strong character values and encourage the development of friendships.

This branch operates out of three 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 3,000 members and thousands of program participants.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 1 – NATURE OF ACTIVITIES - Continued**

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**Health and Wellness Branch - Continued**

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 6,000 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, and an aerobics studio. With 1,000 members this neighborhood Y is an important part of the fabric of the Carthage and area community.

**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, 2015 with Comparative Totals for 2014

**NOTE 1 – NATURE OF ACTIVITIES – Continued**

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**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 and Togetherness are examples of programs that the YMCA offers to address these community needs.

**Other 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 146 children and daycare fees for 21 children. The program was also used to assist 1,575 individuals including 385 families involving 750 children to become a part of the YMCA membership and for 499 children to participate in programs like soccer leagues, gymnastics, dance, swim lessons and art. The value of the YMCA assistance for childcare is \$157,449, for membership it is \$127,156 and for programs it is \$43,510, for a total of \$328,115. This program is funded through fundraising efforts of the YMCA Board of Directors and strong community support through United Way of Northern New York.

**Volunteers**

The YMCA could not operate without the support and guidance of its volunteers. The YMCA receives over 320 hours of policy and committee support from 21 volunteers, 1,508 hours of assistance with special events from 166 volunteers, another 4,620 hours of support from over 225 sports team coaches, and 600 hours from 268 quilters throughout New York State for the Operation Kid Comfort program. In total, the YMCA received approximately 8,750 volunteer hours from 757 volunteers.



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Accounting**

The financial statements of Watertown Family YMCA, Inc. have been prepared on the accrual basis in accordance with generally accepted accounting principles.

**Pledges**

Pledges, including unconditional promises to give, are recorded when received. All pledges are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

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

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

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**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.

**Cash and Cash Equivalents**

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Contributions and Net Assets**

Contributions received as well as collectible unconditional promises to give (pledges receivable) are recognized in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence and/or nature of any donor restriction. Net assets of the Organization and changes therein are classified and reported as follows:

**Permanently Restricted** – permanently restricted net assets represent bequests or donations with donor imposed restrictions that can never be removed. Earnings on the YMCA permanently restricted funds have been specified by the donors to be used for operational purposes.

**Temporarily Restricted** – temporarily restricted net assets have donor-imposed restrictions that end with either the passage of time or when a purpose restriction is accomplished. At the time the restriction ends, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

**Unrestricted** – unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**Tax Status**

The Organization 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 Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization 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 Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2015, 2014, 2013, and 2012 are subject to examination by the IRS, generally for 3 years after they were filed. Based on its analysis, the Organization determined that there were no uncertain tax positions and that the Organization should prevail upon examination by the taxing authorities.

**Fixed Assets**

Fixed assets 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. 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 fixed asset balances have been recorded as a separate component in unrestricted net assets.

**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.

**Inventories**

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued**

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**Donated Services, Materials and Facilities**

The Organization 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 effort do not meet the criteria for recognition.

**Concentration of Credit Risk**

The Organization maintains cash in demand deposits with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. At December 31, 2015 and 2014, the Organization's deposits in excess of federally insured limits totaled approximately \$139,000 and \$149,000, respectively.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable – grants and contracts and unconditional promises to give (pledges) and other receivables to be received in less than one year approximate fair value because of the short maturity of those financial instruments. Pledges that are receivable in more than one year approximate fair value because they have been discounted at an appropriate interest rate. See Note 3. The net carrying amounts of investments are fair value.

**Statement of Cash Flows**

	2015	2014
Cash Paid During the Year For:		
Interest on Borrowed Funds	<u>\$ 1,206</u>	<u>\$ 17,357</u>

There were no noncash investing and financing activities during 2015 and 2014.

**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 Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

**Date of Management's Review**

Management has evaluated subsequent events through April 11, 2016, the date which the financial statements were available to be issued.

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 3 – PROMISES TO GIVE**

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Unconditional promises to give consist of the following:

	<b>2015</b>	<b>2014</b>
United Way Services	\$ 37,302	\$ 26,482
Restricted for Capital Campaign	<u>27,800</u>	<u>55,423</u>
Gross Unconditional Promises to Give	65,102	81,905
Less: Unamortized Discount	-	(2,134)
Less: Allowance for Uncollectible Promises	<u>(513)</u>	<u>(1,050)</u>
Net Unconditional Promises to Give	<u>\$ 64,589</u>	<u>\$ 78,721</u>
Amounts Due in:		
Less than One Year	<u>\$ 65,102</u>	<u>\$ 81,905</u>

The amount due from United Way Services consists of the following:

	<b>2015</b>	<b>2014</b>
Allocation for the next fiscal year:		
General Allocation	<u>\$ 37,302</u>	<u>\$ 26,482</u>

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**WATERTOWN FAMILY YMCA, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 4 – INVESTMENTS**

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The following investments were held by the YMCA at December 31 and are recorded at fair-market value.

	2015		2014	
	Cost	Market	Cost	Market
Operating Funds:				
Corporate Stock	\$ 20,819	\$ 31,543	\$ 26,886	\$ 31,750
Certificates of Deposit	600,000	601,507	700,000	699,054
Total Operating Funds	<u>620,819</u>	<u>633,050</u>	<u>726,886</u>	<u>730,804</u>
Non-Operating Funds:				
Mutual Funds	60,378	52,317	58,729	54,232
Corporate Stock	473,719	490,399	390,629	470,647
Certificates of Deposit	145,024	145,087	160,369	160,354
Franklin Income-Series - Mixed	50,397	46,188	48,794	52,048
Total Non-Operating Funds	<u>729,518</u>	<u>733,991</u>	<u>658,521</u>	<u>737,281</u>
Total Operating and Non-Operating Funds	<u>\$ 1,350,337</u>	<u>\$ 1,367,041</u>	<u>\$ 1,385,407</u>	<u>\$ 1,468,085</u>

The following depicts the availability of non-operating funds:

	2015			2014		
	Cash	Invest- ments	Total	Cash	Invest- ments	Total
Non-Operating Funds	\$ 100,012	\$ 733,991	\$ 834,003	\$ 157,166	\$ 737,281	\$ 894,447
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>\$ 100,012</u>	<u>\$ (41,707)</u>	<u>\$ 58,305</u>	<u>\$ 157,166</u>	<u>\$ (38,417)</u>	<u>\$ 118,749</u>



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<b>2015</b>	<b>2014</b>
Land	\$ 131,000	\$ 131,000
Building and Improvements	5,822,950	5,727,914
Leasehold Improvements	2,851,364	2,761,917
Furniture, Fixtures and Equipment	979,078	1,044,846
Total Property and Equipment	9,784,392	9,665,677
Less: Accumulated Depreciation	(3,977,971)	(3,783,079)
Net Property and Equipment	<u>\$ 5,806,421</u>	<u>\$ 5,882,598</u>

Depreciation expense was \$353,471 and \$315,664 for the years ending December 31, 2015 and 2014, respectively.

**NOTE 6 – 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.

Amortization expense was \$2,225 for both years ending December 31, 2015 and 2014.

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

	<b>2015</b>	<b>2014</b>
Deferred Loss on Sale/Leaseback	\$ 386,714	\$ 386,714
Less: Accumulated Amortization	(253,202)	(250,977)
Net Deferred Loss on Sale/Leaseback	<u>\$ 133,512</u>	<u>\$ 135,737</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 7 – NOTES PAYABLE**

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Notes payable consisted of the following:

	2015	2014
Watertown Local Development Corp., monthly payments of \$3,163 through November 2014 and monthly payments of \$1,581 effective December 2014, including interest currently at 5%, maturing August 1, 2024. Loan was paid in full as of January 2015.	<u>\$ -</u>	<u>\$ 145,218</u>

**NOTE 8 – DEFERRED REVENUE**

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Unexpended grant money at December 31 was composed of the following:

	2015	2014
AYPYN	\$ 371,840	\$ 30,650
UPK Program	28,000	-
Food Outreach Program	18,750	-
JUMP Program	10,500	-
Gift Certificates	4,231	3,683
Other	<u>9,868</u>	<u>15,968</u>
Total Deferred Revenue	<u>\$ 443,189</u>	<u>\$ 50,301</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS**

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Temporarily restricted net assets are available for the following purposes or periods:

	<b>2015</b>	<b>2014</b>
United Way of NNY - Subsequent Year Allocation	\$ 37,302	\$ 26,482
Tennis Account	<u>50,761</u>	<u>50,756</u>
	<u>\$ 88,063</u>	<u>\$ 77,238</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<b>2015</b>	<b>2014</b>
Expiration of Time Restrictions - United Way Services	\$ 26,482	\$ 37,046
Purpose Restriction Accomplished	<u>-</u>	<u>37,230</u>
	<u>\$ 26,482</u>	<u>\$ 74,276</u>

**NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS**

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

	<b>2015</b>	<b>2014</b>
Endowments	<u>\$ 775,698</u>	<u>\$ 775,698</u>



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 11 – RETIREMENT PLAN**

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The Organization maintains a deferred contribution pension plan, qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. At present, the Organization matches employee contributions up to a maximum of 6% of employee gross earnings. Contributions to the Plan for the years ended December 31, 2015 and 2014 were \$30,625 and \$30,598, respectively.

**NOTE 12 – RENTAL INCOME**

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The Organization receives rental income from different parties on a short-term basis.

**NOTE 13 – OPERATING LEASES**

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**Ground lease**

The Organization 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 for the years ended December 31, 2015 and 2014 were \$25,800 and \$25,800, respectively.

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

2016	\$	25,800
2017		25,800
2018		25,800
2019		27,735
2020		27,735
Thereafter		<u>392,537</u>
Total	\$	<u>525,407</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 13 – OPERATING LEASES - Continued**

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**Parking Lot**

The Organization 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, 2015 and 2014 were \$7,591 and \$7,334, respectively.

Future minimum payments under this lease are as follows:

2016	\$	7,862
2017		8,138
2018		8,424
2019		8,712
2020		9,020
Thereafter		<u>1,512</u>
Total	\$	<u>43,668</u>

**Copier Lease**

The Organization has several operating leases for copiers that expire at various dates through 2019. Rental expenses for those leases consisted of \$4,123 and \$3,843 for the year ending December 31, 2015 and 2014, respectively.

Future minimum lease payments under these leases are as follows:

2016	\$	4,122
2017		4,122
2018		4,122
2019		<u>871</u>
Total	\$	<u>13,237</u>

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 14 – ENDOWMENTS**

The Organization'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 Organization 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 Organization 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 Organization 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 Organization 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 Organization, it has 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.

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

<b>2015</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-Restricted Endowment Funds				
Deline	\$ 13,348	\$ -	\$ 515,000	\$ 528,348
Other	44,957	50,761	260,698	356,416
Endowment Net Assets, December 31, 2015	<u>\$ 58,305</u>	<u>\$ 50,761</u>	<u>\$ 775,698</u>	<u>\$ 884,764</u>
<b>2014</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-Restricted Endowment Funds				
Deline	\$ 14,224	\$ -	\$ 515,000	\$ 529,224
Other	104,525	50,756	260,698	415,979
Endowment Net Assets, December 31, 2014	<u>\$ 118,749</u>	<u>\$ 50,756</u>	<u>\$ 775,698</u>	<u>\$ 945,203</u>



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 14 – ENDOWMENTS - Continued**

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

<b>2015</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, January 1, 2015	\$ 118,749	\$ 50,756	\$ 775,698	\$ 945,203
Investment Income	21,633	5	-	21,638
Net Appreciation (Depreciation)	(67,077)	-	-	(67,077)
Transfer to Unrestricted Cash Accounts	(15,000)	-	-	(15,000)
Endowment Net Assets, December 31, 2015	<u>\$ 58,305</u>	<u>\$ 50,761</u>	<u>\$ 775,698</u>	<u>\$ 884,764</u>
<b>2014</b>				
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment Net Assets, January 1, 2014	\$ 107,700	\$ 50,401	\$ 275,698	\$ 433,799
Contributions	-	-	500,000	500,000
Investment Income	17,868	355	-	18,223
Net Appreciation (Depreciation)	8,181	-	-	8,181
Transfer to Unrestricted Cash Accounts	(15,000)	-	-	(15,000)
Endowment Net Assets, December 31, 2014	<u>\$ 118,749</u>	<u>\$ 50,756</u>	<u>\$ 775,698</u>	<u>\$ 945,203</u>

**NOTE 15 – FAIR VALUE MEASUREMENTS**

The Organization 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 Organization 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 Organization has the ability to access.



**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 with Comparative Totals for 2014

**NOTE 15 – FAIR VALUE MEASUREMENTS - Continued**

- 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 Organization's investments at December 31, 2015 and 2014 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.

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
December 31, 2015				
Investments	<u>\$ 1,367,041</u>	<u>\$ 1,367,041</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2014				
Investments	<u>\$ 1,468,085</u>	<u>\$ 1,468,085</u>	<u>\$ -</u>	<u>\$ -</u>

Fair value of investments is determined by reference to quoted market prices and other relevant information generated by market transactions.

**NOTE 16 – PRIOR PERIOD ADJUSTMENT**

During the year ended December 31, 2015, the Organization became aware that an unrestricted contribution received in the prior year should have been recorded as a permanently restricted contribution. The adjustment had no effect on net assets in total, but reclassified \$500,000 from unrestricted net assets to permanently restricted net assets as of December 31, 2014.

## SUPPLEMENTARY INFORMATION

## COMBINING SCHEDULE OF PROGRAM SERVICES

December 31, 2015

	Program Services							
	Health and Wellness				Youth Development			
	Downtown YMCA Activities	Carthage YMCA Activities	Fairgrounds YMCA Activities	2015 Total	Child Care	Day Care Center	Youth	2015 Total
Salaries and Wages	\$ 495,497	\$ 106,924	\$ 628,218	\$ 1,230,639	\$ 659,274	\$ 418,006	\$ 208,781	\$ 1,286,061
Employee Benefits	64,247	11,770	84,430	160,447	83,497	52,083	27,788	163,368
Total Salary and Related Expenses	559,744	118,694	712,648	1,391,086	742,771	470,089	236,569	1,449,429
Conferences and Conventions	3,556	48	973	4,577	2,493	173	544	3,210
Contractual Services	20,951	7,053	3,282	31,286	-	12,910	-	12,910
Dues	22,811	3,163	24,084	50,058	15,496	9,179	591	25,266
Financing	16,828	4,390	26,952	48,170	5,873	3,702	221	9,796
Fundraising Expense	639	-	-	639	1,433	-	-	1,433
Occupancy	98,111	13,604	120,113	231,828	23,622	13,314	3,025	39,961
Insurance	12,928	6,699	37,998	57,625	2,361	3,415	820	6,596
Postage and Shipping	6,102	162	780	7,044	2,414	64	478	2,956
Printing, Publications and Promotion	12,555	2,770	16,203	31,528	4,099	-	1,196	5,295
Supplies and Other Program Expense	117,416	16,381	151,407	285,204	140,357	86,213	29,830	256,400
Telephone	4,834	1,823	4,831	11,488	1,899	2,292	1,077	5,268
Travel and Employee Expense	12,733	654	2,663	16,050	11,649	2,184	3,160	16,993
Administration	12,683	4,224	14,832	31,739	13,646	4,572	3,936	22,154
Total Operating Expenses before Depreciation and Amortization	901,891	179,665	1,116,766	2,198,322	968,113	608,107	281,447	1,857,667
Depreciation and Amortization Expense	191,453	18,441	108,615	318,509	-	34,962	-	34,962
<b>TOTAL EXPENSES</b>	<b>\$ 1,093,344</b>	<b>\$ 198,106</b>	<b>\$ 1,225,381</b>	<b>\$ 2,516,831</b>	<b>\$ 968,113</b>	<b>\$ 643,069</b>	<b>\$ 281,447</b>	<b>\$ 1,892,629</b>

See paragraph on supplementary information included in independent auditors' report.





**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' 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**

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**BOARD OF DIRECTORS  
WATERTOWN FAMILY YMCA, INC.**

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, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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 11, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Watertown Family YMCA, Inc.'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, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Watertown Family YMCA, Inc.'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.



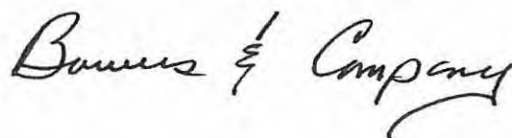
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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, Inc.'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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Watertown, New York  
April 11, 2016



**BOWERS & COMPANY  
CPAs PLLC**

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

To the Board of Directors of  
Watertown Family YMCA, Inc.

In planning and performing our audit of the financial statements of Watertown Family YMCA, Inc. for the year ended December 31, 2015, we considered the Organization'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 matters involving the internal control structure and other operational matters which are presented for your consideration. This letter does not affect our report dated April 11, 2016 on the financial statements of Watertown Family YMCA, Inc..

We will review the status of these comments during our next engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation. Our comments are summarized as follows:

**Develop a Written Capitalization Policy**

During our audit, we noted that although the current capitalization policy was Board approved several years ago, there is currently no formal written capitalization policy. We recommend that the Organization develop a written capitalization policy to help ensure consistent treatment of similar items in the accounting records and records. The policy should include procedures for monitoring capital expenditures and reserves as well as treatment of the depreciation provision for both internal and external financial reporting.

### **Tracking of Program Enrollment Numbers**

During our testing of program revenues, it was noted that enrollment numbers for programs are not consistently tracked and available. Analytics and recalculation of program revenues are important tools to for testing the accuracy, existence and completeness of program revenues for both internal and external review purposes. We recommend that enrollment numbers be tracked internally as a basis for supporting that revenues are being recorded accurately among various programs.

### **Update Investment Policy to Include NYPMIFA Guidance**

On September 22, 2010, New York State enacted the Prudent Management of Institutional Funds Act. This law made significant changes to the rules governing how New York non-profit organizations may manage, invest and spend their endowment funds. We believe that the current investment policy should be updated to specifically address the provisions of the NYPMIFA guidance.

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

*Banner & Company*

Watertown, New York  
April 11, 2016





April 11, 2016

To the Board of Directors  
Watertown Family YMCA, Inc.

We have audited the financial statements of Watertown Family YMCA, Inc. for the year ended December 31, 2015, and have issued our report thereon dated April 11, 2016. 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 January 8, 2016. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *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, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. 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 11, 2016.

*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, Inc.  
April 11, 2016  
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, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Bowers & Company*



Client: 00771.1000 - Watertown Family YMCA, Inc.  
Engagement: 2015 - Watertown Family YMCA, Inc.  
Trial Balance: RP 02.01 - TB Database  
Workpaper: RP 03.01 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 13</b>		6.1		
To record current year depreciation and disposals				
13916	LOSS ON DISPOSAL OF FIXED ASSETS		3,672.00	
14010	DEPRECIATION EXPENSE		353,471.00	
6922	A/D-FFE-CARTHAGE		1,200.00	
6939	A/D-FFE-WATERTOWN		157,378.00	
6911	A/D - BUILDING - FAIRGROUNDS			103,894.00
6916	A/D - BUILDING - CHILDCARE			26,916.00
6920	A/D-FFE-Daycare			8,046.00
6921	FURN, FIXTURE, EQUIP-CARTH			1,200.00
6922	A/D-FFE-CARTHAGE			6,494.00
6924	A/D-LEASEHOLD IMPR-CARTH			7,929.00
6926	A/D-BUILDING-CARTHAGE			3,846.00
6931	FURN, FIXTURE, EQUIP-WATN			161,050.00
6932	A/D-BUILDINGS-WATERTOWN			42,830.00
6939	A/D-FFE-WATERTOWN			62,103.00
6959	A/D-LEASEHOLD IMPR - WATN			89,092.00
6963	A/D - SIGNAGE			2,321.00
<b>Total</b>			<b>515,721.00</b>	<b>515,721.00</b>