THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF WATERTOWN, NY INC.

D.B.A. WATERTOWN FAMILY YMCA

FINANCIAL STATEMENTS

December 31, 2016

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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS
WATERTOWN FAMILY YMCA

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, 2016 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 auditors' 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.

120 Madison Street, 1700 AXA Tower II, Syracuse, NY 13202 Phone: 315.234.1100 • Fax: 315.234.1111
1120 Commerce Park Drive East, Watertown, NY 13601 Phone: 315.788.7690 • Fax: 315.788.0966
www.bcpllc.com

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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 19, 2017, 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.

Bowers & Company

Watertown, New York
April 19, 2017

STATEMENT OF FINANCIAL POSITION
December 31, 2016 with Comparative Totals for 2015

ASSETS

	2016	2015
Cash and Cash Equivalents	$ 1,059,847	$ 1,482,129
Investments	2,262,383	1,367,041
Accounts Receivable:		
Grants and Contracts	26,173	94,322
Other	40,142	41,947
Prepaid Expenses	43,283	34,916
Unconditional Promises to Give, Net	25,487	64,589
Inventory	5,890	2,561
Property and Equipment, Net	5,661,385	5,806,421
Deferred Loss on Sale/Leaseback	131,287	133,512
TOTAL ASSETS	$ 9,255,877	$ 9,027,438

LIABILITIES

	2016	2015
Accounts Payable	$ 130,247	$ 123,482
Accrued Expenses	94,242	69,629
Lease Deposit	9,459	-
Deferred Revenue	324,580	443,189
Total Liabilities	558,528	636,300

NET ASSETS

	2016	2015
Unrestricted		
Designated by Board		
Unemployment Reserve	100,017	100,007
Capital Reserve	1,941,041	1,288,718
Blue Sharks Reserve	27,435	30,401
Undesignated	141,007	301,830
Fixed Assets	5,661,385	5,806,421
Total Unrestricted	7,870,885	7,527,377
Temporarily Restricted	50,766	88,063
Permanently Restricted	775,698	775,698
Total Net Assets	8,697,349	8,391,138
TOTAL LIABILITIES AND NET ASSETS	$ 9,255,877	$ 9,027,438

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016 with Summarized Totals for December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2016	Totals 2015 (Summarized)
SUPPORT AND REVENUE					
Membership Dues and Program Income	$ 3,928,292	$ -	$ -	$ 3,928,292	$ 3,949,667
Contributions	91,883	-	-	91,883	110,974
Federated Fundraising	10,642	-	-	10,642	60,557
Government and Other Contracts	836,510	-	-	836,510	712,358
Rental Income	106,145	-	-	106,145	132,859
Sales and Commissions	15,610	-	-	15,610	21,701
Investment Income	25,709	5	-	25,714	24,307
Realized and Unrealized Gain (Loss) on Investments	69,629	-	-	69,629	(55,173)
Miscellaneous Revenue	25,871	-	-	25,871	63,831
Net Assets Released from Restrictions	37,302	(37,302)	-	-	-
Total Support and Revenue	5,147,593	(37,297)	-	5,110,296	5,021,081
EXPENSES					
Program Services					
Health and Wellness Branch	2,437,077	-	-	2,437,077	2,516,831
Youth Development Branch	2,024,687	-	-	2,024,687	1,892,629
Social Responsibility	8,504	-	-	8,504	17,960
Supporting Services					
Administrative	333,817	-	-	333,817	322,931
Total Expenses	4,804,085	-	-	4,804,085	4,750,351
Change in Net Assets	343,508	(37,297)	-	306,211	270,730
Net Assets, Beginning of Year	7,527,377	88,063	775,698	8,391,138	8,120,408
Net Assets, End of Year	$ 7,870,885	$ 50,766	$ 775,698	$ 8,697,349	$ 8,391,138

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016 with Summarized Totals for December 31, 2015

	Program Services			Supporting Services	Totals	
	Health and Wellness Branch	Youth Development Branch	Social Responsibility Branch	Administrative	2016	2015 (Summarized)
Salaries and Wages	$ 1,208,131	$ 1,403,214	$ 7,967	$ 185,620	$ 2,804,932	$ 2,712,283
Employee Benefits	174,388	208,832	-	41,956	425,176	361,336
Total Salary and Related Expenses	1,382,519	1,612,046	7,967	227,576	3,230,108	3,073,619
Conferences and Conventions	2,169	2,609	-	430	5,208	9,789
Contractual Services	25,667	10,702	-	39,379	75,748	73,428
Dues	52,272	28,125	-	6,248	86,645	81,348
Financing	51,342	11,962	-	82	63,386	57,966
Fundraising Expense	830	3,004	-	361	4,195	2,259
Occupancy	215,470	40,058	-	3,000	258,528	274,789
Insurance	60,393	7,058	-	27,983	95,434	89,275
Postage and Shipping	6,352	3,346	-	-	9,698	10,000
Printing, Publications and Promotion	22,208	4,054	-	1,271	27,533	45,401
Supplies and Other Program Expense	223,827	227,810	537	120	452,294	541,604
Telephone	12,203	5,564	-	-	17,767	16,756
Travel and Employee Expense	16,358	16,604	-	4,085	37,047	36,859
Administration	26,507	16,097	-	21,057	63,661	75,570
Bad Debt Expense	-	-	-	-	-	5,992
Total Operating Expenses before Depreciation and Amortization	2,098,117	1,989,039	8,504	331,592	4,427,252	4,394,655
Depreciation and Amortization Expense	338,960	35,648	-	2,225	376,833	355,696
TOTAL EXPENSES	$ 2,437,077	$ 2,024,687	$ 8,504	$ 333,817	$ 4,804,085	$ 4,750,351

See notes to financial statements.

STATEMENT OF CASH FLOWS
Years Ended December 31, 2016 with Comparative Totals for 2015

	2016	2015
Cash Flows from Operating Activities:		
Changes in Net Assets	$ 306,211	$ 270,730
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	374,608	353,471
Amortization of Deferred Loss	2,225	2,225
Bad Debt Expense	-	5,992
Realized Gain on Investments	(68,451)	(8,541)
Unrealized (Gain) Loss on Investments	(1,178)	63,714
(Increase) Decrease in Operating Assets		
Accounts Receivable	107,256	(58,540)
Prepaid Expenses	(8,367)	(2,587)
Unconditional Promises to Give	1,800	8,140
Inventory	(3,329)	371
Increase (Decrease) in Operating Liabilities		
Accounts Payable	6,765	(71,311)
Accrued Expenses	24,613	12,937
Lease Deposit	9,459	-
Deferred Revenue	(118,609)	392,888
Net Cash Provided by Operating Activities	633,003	969,489
Cash Flows from Investing Activities:		
Net Purchases of Investments	(825,713)	45,871
Purchase of Property and Equipment	(229,572)	(277,294)
Net Cash Used by Investing Activities	(1,055,285)	(231,423)
Cash Flows from Financing Activities		
Repayment of Principal Note	-	(145,218)
Net Cash Used by Financing Activities	-	(145,218)
Net Increase (Decrease) in Cash and Cash Equivalents	(422,282)	592,848
Cash and Cash Equivalents, Beginning of Year	1,482,129	889,281
Cash and Cash Equivalents, End of Year	$ 1,059,847	$ 1,482,129

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

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 Organization's cause is to strengthen the community through healthy living, youth development and social responsibility. The Organization 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, special program fees and government contracts and grants. During 2004, the Organization 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 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 locations named Health and Wellness, which includes all membership and wellness programs and youth and adult team sports and character-building at the three 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.

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 1 – NATURE OF ACTIVITIES - Continued

Health and Wellness Branch - Continued

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 3,100 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 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 1 – NATURE OF ACTIVITIES – Continued

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.

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.

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 103 children and daycare fees for 20 children. The program was also used to assist 702 children, seniors and adults to become a part of the YMCA membership and for 675 children to participate in programs like soccer leagues, gymnastics, dance, swim lessons and art. In addition, in 2016 the gateway program provided assistance for 14 individuals to participate in the Diabetes Prevention Program and 37 cancer survivors to participate in LiveStrong. The value of the YMCA assistance for childcare is $78,602, for membership it is $169,019, for programs it is $44,159, and for DPP and LiveStrong is $4,718 for a total of $296,498. 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, 2016 with Comparative Totals for 2015

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 320 hours of policy and committee support from 21 volunteers, 1,508 hours of assistance with special events from over 170 volunteers, another 4,620 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 7,048 volunteer hours from 619 volunteers.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Watertown Family 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, 2016 with Comparative Totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Other Receivables

At December 31, 2016 and 2015, 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.

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.

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.

Deferred Revenue

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

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after that date. The YMCA uses the allowance method to determine the uncollectible amounts for unconditional promises to give.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

Inventory

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

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).

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Open Tax Years

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2016, 2015, 2014, and 2013 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.

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:

	Years
Buildings and Improvements	15-40
Leasehold Improvements	7-15
Furniture, Fixtures, and Equipment	5-7

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.

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, 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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2016 and 2015, the Organization's deposits in excess of federally insured limits totaled approximately $-0- and $139,000, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable – grants and contracts and unconditional promises to give and other receivables to be received in less than one year approximate fair value because of the short maturity of those financial instruments. Promises to give to be received in more than one year approximate fair value because they have been discounted at an appropriate interest rate. See Note 4. The net carrying amounts of investments are fair value.

Statement of Cash Flows

	2016	2015
Cash Paid During the Year For:		
Interest on Borrowed Funds	$ -	$ 1,206

There were no noncash investing and financing activities during 2016 and 2015.

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, 2015, from which the summarized information was derived.

Date of Management's Review

Management has evaluated subsequent events through April 19, 2017, the date which the financial statements were available to be issued. In March 2017, the Watertown Family YMCA opened a fourth location in Sackets Harbor, NY.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2016 and 2015 consists of the following:

	2016	2015
Cash on Hand	$ 960	$ 1,360
Checking Accounts	221,460	419,801
Savings Accounts	92,685	111,888
Money Market Funds - Restricted	645,744	890,775
Money Market Funds - Unrestricted	98,998	58,305
	$ 1,059,847	$ 1,482,129

NOTE 4 – PROMISES TO GIVE

Unconditional promises to give, as of December 31, 2016 and 2015 are as follows:

	2016	2015
United Way Services	$ -	$ 37,302
Restricted for Capital Campaign	26,000	27,800
Gross Unconditional Promises to Give	26,000	65,102
Less: Allowance for Uncollectible Promises	(513)	(513)
Net Unconditional Promises to Give	$ 25,487	$ 64,589
Amounts Due in:		
Less than One Year	$ 26,000	$ 65,102

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

Allocation for the next fiscal year:		
General Allocation	$ -	$ 37,302

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 5 – INVESTMENTS

The following investments were held by the YMCA at December 31, 2016 and 2015 and are recorded at fair-market value.

	2016		2015	
	Cost	Market	Cost	Market
Operating Funds:				
Corporate Stock	$ 20,788	$ 24,641	$ 20,819	$ 31,543
Certificates of Deposit	1,500,000	1,509,317	600,000	601,507
Total Operating Funds	1,520,788	1,533,958	620,819	633,050
Non-Operating Funds:				
Mutual Funds	156,926	151,220	60,378	52,317
Corporate Stock	512,634	522,840	473,719	490,399
Certificates of Deposit	-	-	145,024	145,087
Franklin Income-Series - Mixed	53,030	54,365	50,397	46,188
Total Non-Operating Funds	722,590	728,425	729,518	733,991
Total Operating and Non-Operating Funds	$ 2,243,378	$ 2,262,383	$ 1,350,337	$ 1,367,041

The following depicts the availability of non-operating funds:

	2016			2015		
	Cash	Invest-ments	Total	Cash	Invest-ments	Total
Non-Operating Funds	$ 146,271	$ 728,425	$ 874,696	$ 100,012	$ 733,991	$ 834,003
Less:						
Unexpendable-						
Permanent Endowments	-	(775,698)	(775,698)	-	(775,698)	(775,698)
Unrestricted Expendable Funds	$ 146,271	$ (47,273)	$ 98,998	$ 100,012	$ (41,707)	$ 58,305

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 6 – PROPERTY AND EQUIPMENT

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

	2016	2015
Land	$ 131,000	$ 131,000
Building and Improvements	5,929,246	5,822,950
Leasehold Improvements	2,888,834	2,851,364
Furniture, Fixtures and Equipment	1,064,886	979,078
Total Property and Equipment	10,013,966	9,784,392
Less: Accumulated Depreciation	(4,352,581)	(3,977,971)
Property and Equipment, Net	$ 5,661,385	$ 5,806,421

Depreciation expense was $374,608 and $353,471 for the years ending December 31, 2016 and 2015, 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.

Amortization expense was $2,225 for both years ending December 31, 2016 and 2015.

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

	2016	2015
Deferred Loss on Sale/Leaseback	$ 386,714	$ 386,714
Less: Accumulated Amortization	(255,427)	(253,202)
Net Deferred Loss on Sale/Leaseback	$ 131,287	$ 133,512

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 8 – DEFERRED REVENUE

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

	2016	2015
AYPYN	$ 282,820	$ 371,840
UPK Program	-	28,000
Food Outreach Program	23,000	18,750
JUMP Program	-	10,500
Gift Certificates	3,855	4,231
Other	14,905	9,868
Total Deferred Revenue	$ 324,580	$ 443,189

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
United Way of NNY - Subsequent Year Allocation	$ -	$ 37,302
Tennis Account	50,766	50,761
	$ 50,766	$ 88,063

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

	2016	2015
Expiration of Time Restrictions - United Way Services	$ 37,302	$ 26,482
	$ 37,302	$ 26,482

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

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

	2016	2015
Endowments	$ 775,698	$ 775,698

NOTE 11 – RETIREMENT PLAN

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, 2016 and 2015 were $30,629 and $30,625, respectively.

NOTE 12 – RENTAL INCOME

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

NOTE 13 – OPERATING LEASES

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, 2016 and 2015 were $25,800 and $25,800, respectively.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 13 – OPERATING LEASES - Continued

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

2017	$	25,800
2018		25,800
2019		27,735
2020		27,735
2021		27,735
Thereafter		364,802
Total	$	499,607

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, 2016 and 2015 were $7,856 and $7,591, respectively.

Future minimum payments under this lease are as follows:

2017	$	8,138
2018		8,424
2019		8,712
2020		9,020
2021		1,512
Total	$	35,806

Copier Lease

The Organization has several operating leases for copiers that expire at various dates through 2021. Rental expenses for those leases consisted of $7,995 and $4,123 for the year ending December 31, 2016 and 2015, respectively.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 13 – OPERATING LEASES - Continued

Copier Lease - continued

Future minimum lease payments under these leases are as follows:

2017	$	15,102
2018		15,102
2019		12,354
2020		10,980
2021		3,660
Total	$	57,198

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.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

NOTE 14 – ENDOWMENTS - Continued

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

	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	$ 98,998	$ 50,766	$ 775,698	$ 925,462

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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	$ 58,305	$ 50,761	$ 775,698	$ 884,764

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

	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	54,428	5	-	54,433
Net Appreciation	1,265	-	-	1,265
Transfer to Unrestricted Cash Accounts	(15,000)	-	-	(15,000)
Endowment Net Assets, December 31, 2016	$ 98,998	$ 50,766	$ 775,698	$ 925,462

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2015	$ 118,749	$ 50,756	$ 775,698	$ 945,203
Investment Income, Net of Fees	21,633	5	-	21,638
Net (Depreciation)	(67,077)	-	-	(67,077)
Transfer to Unrestricted Cash Accounts	(15,000)	-	-	(15,000)
Endowment Net Assets, December 31, 2015	$ 58,305	$ 50,761	$ 775,698	$ 884,764

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 with Comparative Totals for 2015

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.

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, 2016 and 2015 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	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2016				
Investments	$ 2,262,383	$ 2,262,383	$ -	$ -
December 31, 2015				
Investments	$ 1,367,041	$ 1,367,041	$ -	$ -

COMBINING SCHEDULE OF PROGRAM SERVICES
December 31, 2016

	Program Services							
	Health and Wellness				Youth Development			
	Downtown YMCA Activities	Carthage YMCA Activities	Fairgrounds YMCA Activities	2016 Total	Child Care	Day Care Center	Youth	2016 Total
Salaries and Wages	$ 480,131	$ 105,039	$ 622,961	$ 1,208,131	$ 692,192	$ 496,533	$ 214,489	$ 1,403,214
Employee Benefits	65,622	12,229	96,537	174,388	97,396	80,136	31,300	208,832
Total Salary and Related Expenses	545,753	117,268	719,498	1,382,519	789,588	576,669	245,789	1,612,046
Conferences and Conventions	1,669	650	(150)	2,169	1,834	605	170	2,609
Contractual Services	17,763	2,033	5,871	25,667	-	10,702	-	10,702
Dues	22,626	3,801	25,845	52,272	19,003	8,362	760	28,125
Financing	17,770	4,888	28,684	51,342	6,624	5,277	61	11,962
Fundraising Expense	830	-	-	830	3,004	-	-	3,004
Occupancy	92,664	11,982	110,824	215,470	23,991	13,042	3,025	40,058
Insurance	13,603	6,999	39,791	60,393	2,500	3,658	900	7,058
Postage and Shipping	4,695	475	1,182	6,352	2,960	42	344	3,346
Printing, Publications and Promotion	8,566	1,991	11,651	22,208	3,074	-	980	4,054
Supplies and Other Program Expense	96,247	11,904	115,676	223,827	123,367	79,607	24,836	227,810
Telephone	4,791	1,602	5,810	12,203	2,095	2,830	639	5,564
Travel and Employee Expense	11,705	675	3,978	16,358	12,226	2,500	1,878	16,604
Administration	13,072	2,924	10,511	26,507	11,276	2,884	1,937	16,097
Total Operating Expenses before Depreciation and Amortization	851,754	167,192	1,079,171	2,098,117	1,001,542	706,178	281,319	1,989,039
Depreciation and Amortization Expense	197,904	22,657	118,399	338,960	-	35,648	-	35,648
TOTAL EXPENSES	$ 1,049,658	$ 189,849	$ 1,197,570	$ 2,437,077	$ 1,001,542	$ 741,826	$ 281,319	$ 2,024,687

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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*

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, 2016, 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 19, 2017.

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.

120 Madison Street, 1700 AXA Tower II, Syracuse, NY 13202 Phone: 315.234.1100 • Fax: 315.234.1111
1120 Commerce Park Drive East, Watertown, NY 13601 Phone: 315.788.7690 • Fax: 315.788.0966
www.bcpllc.com

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 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.

Bowers & Company

Watertown, New York
April 19, 2017

BOWERS & COMPANY
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April 19, 2017

To the Board of Directors
Watertown Family YMCA

We have audited the financial statements of Watertown Family YMCA for the year ended December 31, 2016, and have issued our report thereon dated April 19, 2017. 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 February 1, 2017. 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 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 2016. 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.

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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 misstatement detected as a result of audit procedures was 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 19, 2017.

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.

Other Matters

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

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

Very truly yours,

Bowers & Company

Client: *00771.1000 - Watertown Family YMCA*
Engagement: *2016 - Watertown Family YMCA*
Trial Balance: *RP 02.01 - TB Database*
Workpaper:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 203			
To Book Investment Activity from Fund 3			
06151	UNREALIZED LOSS/GAIN	243.00	
06816	TO/FROM ENDOWMENT FUND	11,937.00	
06816	TO/FROM ENDOWMENT FUND	59,326.00	
11511	INVESTMENT INCOME		11,937.00
11513	UNREALIZED GAIN/LOSS		243.00
11515	REALIZED GAIN/LOSS		59,326.00
Total		**71,506.00**	**71,506.00**