YMCA OF GREATER ROCHESTER

Financial Statements as of
March 31, 2018
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 15, 2018

To the Board of Directors of
YMCA of Greater Rochester:

Report on the Financial Statements
We have audited the accompanying financial statements of YMCA of Greater Rochester (a New York not-for-profit corporation) (the Association), which comprise the balance sheet as of March 31, 2018, and the related statements of activities and change in net assets, functional operating expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of March 31, 2018, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Bonadio & Co., LLP

YMCA OF GREATER ROCHESTER

BALANCE SHEET
MARCH 31, 2018
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Cash and equivalents	$ 2,900,552	$ 1,130,125
Accounts receivable, net of allowance for doubtful accounts of approximately $133,000 and $122,000 at March 31, 2018 and 2017, respectively	963,555	1,067,143
Pledges receivable, net	4,771,562	751,300
Prepaid expenses and other assets	1,135,350	1,195,719
Limited use assets	24,146,849	524,700
Investments	19,938,791	21,324,055
Land, buildings and equipment, net	45,502,180	46,590,402
Total assets	$ 99,358,839	$ 72,583,444
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Lines-of-credit	$ 702,576	$ 1,028,576
Accounts payable	3,926,247	2,586,532
Accrued expenses	1,494,117	1,227,398
Deferred revenue	2,320,023	1,844,442
Capital lease obligations	262,960	403,315
Long-term debt, net	39,062,341	20,347,316
Total liabilities	47,768,264	27,437,579
NET ASSETS:		
Unrestricted	37,888,475	36,425,573
Temporarily restricted	11,198,375	6,216,567
Permanently restricted	2,503,725	2,503,725
Total net assets	51,590,575	45,145,865
	$ 99,358,839	$ 72,583,444

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2018
(With Comparative Totals for 2017)

	2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017 Total
OPERATING ACTIVITIES:					
Operating revenues and support -					
Membership dues and joining fees, net	$ 20,680,747	$ -	$ -	$ 20,680,747	$ 19,818,481
Program fees, net	16,215,396	-	-	16,215,396	15,957,925
Governmental sources	2,525,467	-	-	2,525,467	2,394,657
Other fees and grants	3,138,829	-	-	3,138,829	2,712,734
Gifts and donations	2,656,685	-	-	2,656,685	2,687,845
Investment income and gains allocated for operating purposes	852,000	-	-	852,000	842,379
United Way of Greater Rochester	576,625	-	-	576,625	614,650
Member supplies and services	157,806	-	-	157,806	168,030
Interest income	23,459	2,120	-	25,579	21,189
Other revenues, net	286,174	-	-	286,174	273,218
Total operating revenues and support	47,113,188	2,120	-	47,115,308	45,491,108
OPERATING EXPENSES:					
Program -					
Youth development	19,641,513	-	-	19,641,513	19,091,425
Healthy living	11,922,853	-	-	11,922,853	11,838,886
Social responsibility	9,664,639	-	-	9,664,639	9,585,400
Total program	41,229,005	-	-	41,229,005	40,515,711
Supporting services -					
Administrative	5,622,595	-	-	5,622,595	5,586,265
Fundraising	1,060,139	-	-	1,060,139	1,031,065
Total supporting services	6,682,734	-	-	6,682,734	6,617,330
Total operating expenses	47,911,739	-	-	47,911,739	47,133,041
Change in net assets from operating activities	(798,551)	2,120	-	(796,431)	(1,641,933)
NON-OPERATING ACTIVITIES:					
Interest and dividends	398,521	-	-	398,521	401,159
Realized and unrealized gains on investments, net	1,550,996	277,166	-	1,828,162	1,586,141
Investment income allocated for operations	(726,814)	(125,186)	-	(852,000)	(842,379)
Gifts and donations	97,500	5,768,958	-	5,866,458	1,864,298
Net assets released from restriction - capital	941,250	(941,250)	-	-	-
Change in net assets from non-operating activities	2,261,453	4,979,688	-	7,241,141	3,009,219
CHANGE IN NET ASSETS	1,462,902	4,981,808	-	6,444,710	1,367,286
NET ASSETS - beginning of year	36,425,573	6,216,567	2,503,725	45,145,865	43,778,579
NET ASSETS - end of year	$ 37,888,475	$ 11,198,375	$ 2,503,725	$ 51,590,575	$ 45,145,865

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF FUNCTIONAL OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018
(With Comparative Totals for 2017)

	2018							
	Program				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Administrative	Fundraising	Total	2017 Total
Salaries	$ 10,263,030	$ 4,873,229	$ 4,205,009	$ 19,341,268	$ 2,314,552	$ 461,234	$ 22,117,054	$ 21,734,559
Employee benefits and taxes	2,039,316	1,012,623	915,668	3,967,607	713,168	148,988	4,829,763	4,903,727
Facility occupancy	1,686,983	1,248,931	1,271,230	4,207,144	45,947	8,687	4,261,778	4,180,311
Supplies	1,880,797	420,308	358,485	2,659,590	138,647	25,664	2,823,901	2,726,837
Professional fees	564,199	335,250	361,583	1,261,032	725,723	156,012	2,142,767	1,699,562
Equipment	270,657	916,738	423,308	1,610,703	161,135	5,804	1,777,642	1,770,833
Printing and publications	218,894	179,390	158,602	556,886	214,780	22,746	794,412	807,057
Interest	255,428	247,915	247,915	751,258	-	-	751,258	639,205
Bank service fees	65,118	63,203	63,203	191,524	474,205	-	665,729	603,361
Insurance	176,416	155,674	154,716	486,806	126,106	31,653	644,565	673,003
Training and meetings	158,386	107,263	178,024	443,673	77,758	24,032	545,463	583,120
Membership dues	117,301	109,349	119,328	345,978	121,923	33,145	501,046	504,564
Transportation	226,055	61,759	56,625	344,439	60,367	5,453	410,259	381,772
Telephone	119,085	71,932	72,985	264,002	92,778	15,633	372,413	367,369
Merchant fees	83,618	83,618	83,618	250,854	66,895	16,724	334,473	321,956
Program expense	96,264	35,635	65,975	197,874	2,825	695	201,394	267,602
Annual campaign	27,972	28,092	28,844	84,908	24,409	92,069	201,386	309,539
Postage	14,479	13,199	13,163	40,841	21,235	9,036	71,112	87,526
Bad debt expense	-	-	-	-	-	-	-	38,559
Other	249,602	78,890	134,416	462,908	240,142	2,564	705,614	829,569
Total expenses before depreciation	18,513,600	10,042,998	8,912,697	37,469,295	5,622,595	1,060,139	44,152,029	43,430,031
Depreciation	1,127,913	1,879,855	751,942	3,759,710	-	-	3,759,710	3,703,010
Total expenses	$ 19,641,513	$ 11,922,853	$ 9,664,639	$ 41,229,005	$ 5,622,595	$ 1,060,139	$ 47,911,739	$ 47,133,041

The accompanying notes are an integral part of these statements.

YMCA OF GREATER ROCHESTER

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2018
(With Comparative Totals for 2017)

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 6,444,710	$ 1,367,286
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Contributions temporarily restricted for capital expenditures	(1,575,197)	(1,488,644)
Depreciation	3,759,710	3,703,010
Bad debt expense	-	38,559
Discount for pledges receivable	373,154	34,424
Realized and unrealized gains on investments, net	(1,828,162)	(1,586,141)
Amortization of bond issuance costs	34,804	23,361
Changes in:		
Accounts receivable	103,588	48,056
Pledges receivable	(4,393,416)	(773,724)
Prepaid expenses and other assets	60,369	22,062
Accounts payable	661,667	244,886
Accrued expenses	266,719	(63,055)
Deferred revenue	475,581	74,812
Net cash flow from operating activities	4,383,527	1,644,892
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,345,374)	(1,485,995)
Proceeds from the sale of investments	4,558,800	1,753,514
Purchases of buildings and equipment	(1,993,440)	(1,265,123)
Net cash flow from investing activities	1,219,986	(997,604)
CASH FLOW FROM FINANCING ACTIVITIES:		
Net repayments and borrowings on lines-of-credit	(326,000)	(241,392)
Principal repayments of capital lease obligations	(140,355)	(134,179)
Principal repayments of long-term debt	(1,653,445)	(1,553,641)
Borrowings on long-term debt	21,020,261	24,993
Payment of debt issuance costs	(686,595)	-
Change in limited use assets	(23,622,149)	(522)
Contributions received for capital expenditures	1,575,197	1,488,644
Net cash flow from financing activities	(3,833,086)	(416,097)
CHANGE IN CASH AND EQUIVALENTS	1,770,427	231,191
CASH AND EQUIVALENTS - beginning of year	1,130,125	898,934
CASH AND EQUIVALENTS - end of year	$ 2,900,552	$ 1,130,125
NONCASH INVESTING ACTIVITIES:		
Property and equipment purchases in accounts payable	$ 678,048	$ 43,017

The accompanying notes are an integral part of these statements.

1. THE ORGANIZATION

YMCA of Greater Rochester (the Association) is a not-for-profit corporation founded in 1854 as a charitable association of members and included 14 operating units at March 31, 2018. The Association provides quality programs focusing on youth development, healthy living and social responsibility. The Association's program areas include Health Enhancement, Childcare, Youth & Teen Development, Overnight Camping, and Membership Services. These programs emphasize caring, respect, honesty, responsibility, character building, fun and friendship. The Association is a charitable organization that creates a sense of community in the Greater Rochester area by involving individuals and families of all ages, genders, abilities, incomes and races. Programs are funded primarily through membership dues and program fees. Financial assistance is provided, within available resources, for individuals who do not have the ability to pay. Such assistance is funded primarily through donations to the Association's Annual Invest in Youth Campaign.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Association have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Financial Reporting
The Association classifies its activities into the following net asset categories:

- **Unrestricted**
  Unrestricted net assets include resources that are available for support of the Association's activities. In addition, the Board of Directors, through voluntary resolution, has set aside $13,233,993 and $11,999,406 of unrestricted net assets at March 31, 2018 and 2017, respectively, to function as endowment funds.

- **Temporarily Restricted**
  The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and change in net assets as net assets released from restrictions. When temporarily restricted support, including contributions and investment income and gains, is received and the restrictions expire in the same fiscal year, such support is recorded in the unrestricted net asset category.

- **Permanently Restricted**
  Permanently restricted net assets include resources with donor-imposed restrictions, which stipulate that such resources be maintained in perpetuity. The Association is permitted to expend part or all of the income and gains derived from the donated assets, unless restricted by a donor's wishes, in accordance with the Association's endowment spending policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional operating expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended March 31, 2017, from which the summarized information was derived.

Cash and Equivalents

Cash and equivalents consist of cash on hand, bank demand deposit, and money market accounts. A portion of the Association's cash and equivalents are maintained in bank accounts that may, at times, exceed federally insured limits. The Association has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk with respect to cash and equivalents.

Accounts Receivable

The Association provides services that are paid for by third-party payers or private pay individuals. The Association does not accrue interest on outstanding receivable balances. The allowance for doubtful accounts is established based on the Association's past collection experience and a specific review of outstanding balances. Accounts for which no payment has been received for several months are considered delinquent and when customary collection efforts are exhausted, the account is written-off.

Pledges Receivable

During the year ended March 31, 2018, the Association continued with the public phase of a capital campaign (the Campaign) in support of the Regional Campus for Healthy Living, Camp Cory and the Urban Mission. The goal of the Campaign is to raise funds in support of an innovative and state-of-the-art YMCA that inspires and promotes health and well-being, and the numerous benefits that come with healthy living, for more people in an extensive area of Monroe County, the expansion of Camp Cory to accommodate growth and various projects within the urban branches to support the changing community.

The Association records pledges receivable when an unconditional donor commitment is received. Pledges receivable to be received more than twelve months from the reporting date are recorded at net present value of future expected cash flows utilizing a discount rate of approximately 3% in 2018 and 2% in 2017. In addition, the Association records an allowance for doubtful pledges receivable based on experience and a review of specific accounts. Accounts are written-off when reasonable collection efforts have been exhausted.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or, in the absence of a principal market, the most advantageous market for the asset or liability.

Investments

The Association invests in various types of investment securities, which are stated at fair value. Cash and equivalents are stated at cost. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is possible that changes in their values could occur and such changes could materially affect the amounts reported in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Limited use assets
Assets limited to use include resources that have been designated by Board of Directors for specific purposes. These resources originate from the Series 2015 and 2017 Bonds. Additionally, as part of the bond offering in 2017, there are $20,560,537 of unspent bond proceeds noted on the balance sheet in assets limited as to use as of March 31, 2018.

Fair Value Measurement
The Association uses various techniques in determining fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Association. Unobservable inputs are inputs that reflect the Association's estimate about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 Inputs - Valuations are based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.

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

- Level 3 Inputs - Valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Land, Buildings and Equipment
Land, buildings and equipment are stated at cost if purchased or at the fair market value at the date of donation. The Association capitalizes equipment purchases greater than $5,000 with a useful life greater than two years. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from two (2) to forty (40) years. Items acquired under the terms of capital lease arrangements are amortized over their estimated useful lives of fifteen (15) years.

Bond Financing Costs
Bond financing costs represent costs incurred to obtain long-term financing. These costs are reported as a net of the related debt and recognized as interest expense on a straight-line basis over the term of the related debt. These costs are written off if the related debt is retired in full before its scheduled maturity date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition
Membership dues and joining fees are recognized as revenue over the applicable membership period. Program fees are recognized as revenue as the related program service is provided. Revenue from grants and contracts is recognized as earned, or, when qualifying expenses are incurred. Deferred revenue represents cash received in advance of service provision.

Gifts and Donations
Gifts and donations are recorded at their fair value at the date of contribution. All gifts and donations are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as contributions at their estimated net present value based on anticipated future cash flow to reflect the time value of money.

Donated Services
A substantial number of volunteers have donated significant amounts of time and services in support of the Association's program operations and fundraising campaigns. However, the value of this time and service is not reflected in the accompanying financial statements as they do not meet the criteria for recognition under GAAP.

Advertising
Advertising costs are charged to expense as incurred and totaled approximately $306,000 and $231,000 in 2018 and 2017, respectively.

Non-Operating Activities
All gifts and donations raised in connection with the Association's capital campaign and permanent endowment gifts as well as all investment income, including gains and losses on investments held for long-term purposes or capital expenditures, except for the amount allocated to operations, are considered non-operating activities in the accompanying statement of activities and change in net assets.

Income Taxes
The Association is a not-for-profit corporation exempt from income taxes as an organization qualified under Section 501(c)(3) of the Internal Revenue Code. The Association has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

Estimates
The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. INVESTMENTS

Composition

Investments consisted of the following at March 31:

	2018	2017
Cash equivalents	$ 404,230	$ 893,048
Domestic equity securities	11,117,838	10,331,723
International equity securities	2,496,564	3,100,748
Fixed income securities	4,709,063	5,929,658
Alternative strategies	1,211,096	1,068,878
	$ 19,938,791	$ 21,324,055

Investment Gain

The Association's investment gain, net, consisted of the following for the years ended March 31:

	2018	2017
Interest and dividends	$ 398,521	$ 401,159
Realized gains, net	1,141,949	80,031
Unrealized gains, net	686,213	1,506,110
	$ 2,226,683	$ 1,987,300

Investment Management Fees

Investment management fees totaled $163,850 and $162,629 for the years ended March 31, 2018 and 2017, respectively, and are included in professional fees in the accompanying statement of functional operating expenses.

4. LAND, BUILDINGS AND EQUIPMENT

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

	2018	2017
Land	$ 6,135,831	$ 6,135,831
Buildings and improvements	73,297,414	71,056,870
Furnishings and equipment	8,204,457	8,334,140
Land improvements	9,445,405	9,170,785
	97,083,107	94,697,626
Less: Accumulated depreciation and amortization	(51,580,927)	(48,107,224)
	$ 45,502,180	$ 46,590,402

4. LAND, BUILDINGS AND EQUIPMENT (Continued)

Assets Acquired Under Capital Leases

Buildings and equipment include HVAC acquired under capital lease obligations with a cost of $1,211,600 at March 31, 2018 and 2017. Accumulated amortization related to these assets was $686,573 and $605,800 at March 31, 2018 and 2017, respectively.

5. ENDOWMENT FUNDS

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

	2018	2017
Board designated	$ 13,233,993	$ 11,999,406
Temporarily restricted	4,442,844	4,290,864
Permanently restricted	2,503,725	2,503,725
	$ 20,180,562	$ 18,793,995

Changes in the Association's endowment consisted of the following during the years ended March 31, 2018 and 2017:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - April 1, 2016	10,891,528	4,157,526	2,503,725	17,552,779
Investment	1,553,903	258,524	-	1,812,427
Contributions	271,168	-	-	271,168
Spending policy distributions	(717,193)	(125,186)	-	(842,379)
Endowment net assets - March 31, 2017	11,999,406	4,290,864	2,503,725	18,793,995
Investment return	1,863,901	277,166	-	2,141,067
Contributions	97,500	-	-	97,500
Spending policy distributions	(726,814)	(125,186)	-	(852,000)
Endowment net assets - March 31, 2018	$ 13,233,993	$ 4,442,844	$ 2,503,725	$ 20,180,562

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restrictions on the use of the related income (interest and dividends, realized and unrealized gains) and income is classified as temporarily restricted until appropriated by the Board for expenditure.

New York State Law allows the Board of Directors to expend net appreciation of endowment investments, and in certain circumstances, the principal of the gift. The Board of Directors must consider the long and short-term needs of the Association in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions when determining the amount to expend.

5. ENDOWMENT FUNDS (Continued)

Board Designated Endowment Funds

Income (interest and dividends, realized and unrealized gains), on board designated endowment funds is recorded as an addition to the board designated endowment as a component of unrestricted net assets. When appropriated for expenditure, amounts are shown as long-term investment income and gains allocated for operations in the statement of activities and change in net assets.

Return Objectives, Risk Parameters

The Association has adopted investment and spending policies for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The goal is to provide an investment return that exceeds the unmanaged market return while reducing market risk through diversification.

Strategies Employed for Achieving Objectives

The Association's strategy is to invest its endowment assets in a portfolio of selected investment vehicles that cover a broad allocation of common stocks, fixed income securities, mutual funds and alternative strategies. This allows for diversity and risk management.

Spending Policy and Related Investment Objectives

The Association has adopted a spending formula for utilizing income from permanently restricted net assets and net assets designated by the Board of Directors for long-term investment based on a total return concept. Under this policy, the Association may utilize an amount not to exceed 5.0% of the average quarterly fair value of its pooled investments for the preceding five years to support operations. Such long-term investment income and gains utilized for operations are considered operating income in the accompanying statement of activities and change in net assets. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the Association utilizes accumulated appreciation of the funds. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the Association reinvests the excess income.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by New York Not-for Profit Corporation Law. There were no such deficiencies as of March 31, 2018 and 2017.

6. NET ASSETS

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

	2018	2017
Time restricted shared interest arrangement	$ 300,278	$ 300,278
Restricted for capital	6,455,253	1,625,425
Accumulated unappropriated earnings on permanently restricted endowment funds	4,442,844	4,290,864
	$ 11,198,375	$ 6,216,567

Net assets released from restrictions in 2018 and 2017 were related to capital expenditures and other operating purposes.

Permanently restricted net assets represent the original principal of endowment gifts, which are to be invested in perpetuity, the income and gains from which are expendable for the following purposes at March 31:

	2018	2017
Activities of the Association	$ 1,455,869	$ 1,455,869
Camp Gorham	935,607	935,607
Camp Cory	100,746	100,746
Other	11,503	11,503
	$ 2,503,725	$ 2,503,725

7. FINANCING ARRANGEMENTS

Long-term Debt

Long-term debt consisted of the following at March 31:

	2018	2017
Series 2017A fixed rate Tax Exempt Revenue bond maturing in January 2043, requiring monthly principal payments starting February 2021 ranging from $48,000 to $120,000 plus interest paid monthly at 3.99%	$ 20,950,000	$ -
Series 2015A fixed rate demand Civic Facility Revenue bonds maturing in September 2020, requiring monthly principal payments ranging from $115,000 to $135,000, plus interest paid monthly at 2.27%.	3,890,000	5,390,000
Series 2015B fixed rate demand Civic Facility Revenue bonds maturing in September 2025, requiring monthly principal payments starting October 2020 ranging from $115,000 to $135,000, plus interest paid monthly at 2.75%.	7,560,000	7,560,000

7. FINANCING ARRANGEMENTS (Continued)

Long-term Debt (Continued)

	2018	2017
Long-term debt consisted of the following at March 31:		
Series 2015C fixed rate demand Civic Facility Revenue bonds maturing in September 2031, requiring monthly principal payments starting October 2025 ranging from $95,000 to $115,000, plus interest paid monthly at 3.00%.	7,378,659	7,378,659
Note payable to a financial institution with interest at 3.75%, due in monthly installments of $8,512, including interest, through November 2020. Collateralized by a first lien leasehold mortgage together with a first security interest in all fixtures located on the property.	258,747	349,166
Term loans payable, which require monthly payments totaling $1,211 and maturing at various dates through April 2023. These notes are secured by vehicles.	36,900	29,665
	40,074,306	20,707,490
Less: Unamortized portion of debt issuance costs	(1,011,965)	(360,174)
	$ 39,062,341	$ 20,347,316

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

2019	$ 1,637,839
2020	1,666,551
2021	1,694,339
2022	2,056,932
2023	2,128,042
Thereafter	30,890,603
	$ 40,074,306

Lines-of-Credit

The Association has a $1,000,000 annually renewable, unsecured operating line-of-credit agreement with a financial institution. Amounts borrowed bear interest at the financial institution's prime rate (4.75% at March 31, 2018). At March 31, 2018 and 2017, $200,000 and $400,000 respectively, was outstanding under the terms of this agreement

The Association has a $5,000,000 annually renewable line-of-credit agreement for renovations and expansions with a financial institution. Interest is charged on each advance at one of three optional interest rates: the financial institution's prime rate, LIBOR base rate plus 50 basis points, or a fixed rate determined at the date of the advance. The agreement is collateralized by certain securities included in unrestricted net assets designated by the Association's Board of Directors for long-term investment. At March 31, 2018 and 2017, $502,576 and $628,576 respectively, was outstanding under the terms of this agreement, all of which was borrowed using the LIBOR base rate interest option (2.88% at March 31, 2018).

7. FINANCING ARRANGEMENTS (Continued)

Bonds Payable – Series 2015

In 2015, Series 2015A, 2015B and 2015C Civic Facility Revenue bonds were issued by the County of Monroe Industrial Development Association (COMIDA) (the Issuer) and were collateralized under provisions of the indenture and loan agreements among the Association, Premier National Investment Company, Inc. (a wholly-owned subsidiary of M&T Bank) (the Trustee) and the Issuer.

Under the terms of its Series 2015 bond agreement, the Association is required to maintain a separate investment account for interest and costs of insurance. The total amount of these assets were $350,176 and $524,700 the years ended March 31, 2018 and 2017, respectively, and they are included on the balance sheet in limited use assets.

Bonds Payable – Series 2017

In December 2017, Tax Exempt Revenue bonds were issued by COMIDA (the Issuer) up to $33,600,000 in aggregate Tax Exempt Revenue Bonds, consisting of up to $20,950,000 Series 2017A and up to $12,650,000 Series 2017B (collectively, the “2017 Bonds”) for the benefit of the Association and for the purpose of assisting in financing the construction of the new Regional Campus for Healthy Living Project (RCHL). The 2017 Bonds were collateralized under provisions of the bond purchase and building loan agreements among the Association, 233 Genesee Street Corporation (a wholly-owned subsidiary of M&T Bank) (the Bank) and the Issuer. The Association has granted to the Issuer a first priority mortgage lien on and security interest in the facility, assignment of leases and rents, and a security agreement, which they in turn have assigned to the Bank.

The 2017 bonds are “draw down bonds,” and interest accrues only on amounts drawn. As of March 31, 2018, the entire Series 2017A bonds have been drawn less bond closing costs, and are being held in an investment account at the Bank. As of March 31, 2018 the balance in this account amounted to $20,560,357 and is included on the balance sheets in limited use assets.

The Series 2017B Tax Exempt Revenue Bond has $12,650,000 of available lending under the bond which bears interest at 72% of the one-month LIBOR rate plus 1.26%. The outstanding balance on Series 2017B requires interest only payments through maturity on January 1, 2028. Any draws on Series 2017B are repayable quarterly to the extent of funds held in and collateralized by the Capital Campaign Funds account.

The Capital Campaign Funds Pledge of Account agreement requires that all pledge monies relative to the project be directly deposited into a segregated account at the Bank in an amount of at least $13,000,000. As of March 31, 2018 the balance in this account amounted to $623,563 and is included on the balance sheets in limited use assets.

The Association also established a $3,932,041 Project Fund, which represents the Association’s required equity funding of the project which must to be spent prior to usage of any of the bond proceeds. As of March 31, 2018 the balance in this account amounted to $2,612,753 and is included on the balance sheets in limited use assets.

7. FINANCING ARRANGEMENTS (Continued)

Summary of Limited Use Assets

The following represents a summary of limited use assets as of March 31:

	2018	2017
Series 2015 Bond Fund	$ 350,176	$ 524,700
Series 2017 Project Fund RCHL – Equity	2,612,753	-
Series 2017 Bond proceeds RCHL	20,560,357	-
Series 2017 Capital Campaign Fund pledge of accounts	623,563	-
	$ 24,146,849	$ 524,700

Limited use assets are invested primarily in money market accounts and fixed income securities. Limited use assets are shown at fair value in the accompanying balance sheet.

Bond Financing Costs

In conjunction with the Series 2015 and 2017 bond issuances, bond issuance costs of $1,083,736 were incurred and are being amortized over the term of the related bond issuance. Amortization expense of $34,804 and $23,361 was recorded in the years ended March 31, 2018 and 2017, respectively, and are included in interest expense in the accompanying statement of functional operating expenses.

Covenant Compliance

The Association's 2015 and 2017 bond agreements call for the Association to meet certain financial covenants consisting of a days cash on hand calculation requiring days cash on hand of no less than 60 days and a debt service coverage ratio of at least 1.25 to 1. In addition, the 2017 bond agreement also requires the Association to meet a leverage ratio of no more than 1.5 to 1. The Association was in compliance with these covenants as of March 31, 2018.

The Association's line-of-credit agreement also requires the Association to meet certain financial covenants consisting of a leverage ratio of no more than 2.5 to 1. The Association was in compliance with this covenant as of March 31, 2018.

Cash Paid for Interest

Interest paid on all financing arrangements totaled approximately $716,000 and $616,000 for the years ended March 31, 2018 and 2017, respectively.

Capital Lease Obligations

In 2010, the Association entered into a capital lease agreement related to the acquisition of HVAC and air handling equipment. The lease requires monthly payments of $12,965 and expires in 2020. The lease bears interest at a rate of 4.51%.

Future minimum payments, including interest, due on capital lease obligations are as follows for the years ending March 31:

2019	$ 155,578
2020	118,310
	273,888
Less: Amounts representing interest	(10,928)
	$ 262,960

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Association's investments and limited use assets are measured at fair value on a recurring basis utilizing the following input levels at March 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	$11,117,838	$ -	$ -	$11,117,838
International equity securities	2,496,564	-	-	2,496,564
Fixed income securities	4,709,063	-	-	4,709,063
	$18,323,465	$ -	$ -	$18,323,465
Investments, measured using net asset value as practical expedient				1,211,096
Total investments				$ 19,534,561
Limited use assets:				
Equity securities	$ 7,766	$ -	$ -	$ 7,766
Money market funds	4,290,283	-	-	4,290,283
Fixed income securities	19,848,800	-	-	19,848,800
	$ 24,146,849	$ -	$ -	$ 24,146,849

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The Association's investments and limited use assets are measured at fair value on a recurring basis utilizing the following input levels at March 31, 2017:

	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	$10,331,723	$ -	$ -	$10,331,723
International equity securities	3,100,748	-	-	3,100,748
Fixed income securities	5,929,658	-	-	5,929,658
Investments at fair value	$19,362,129	$ -	$ -	$19,362,129
Investments, measured using net asset value as Practical expedient				1,068,878
Total investments				$ 20,431,007
Limited use assets:				
Money market funds	$ 524,700	$ -	$ -	$ 524,700

Fair value of the Association's domestic equity securities, international equity securities, fixed income securities, and real estate mutual funds is determined based on quoted market prices.

Alternative strategies consist of the Association's investments in a limited liability company (LLC). The strategy of the LLC is to seek attractive long-term capital appreciation by investing in a globally diversified portfolio of private equity investments. Liquidity is not a guarantee and is subject to the LLC's Board approval.

Fair value of the Association's interest in alternative strategies is determined by the LLC's calculation of net assets per investment unit. The net asset value of the LLC's investment units is determined on the close of business on the last business day of each calendar month, each date that a unit is offered or repurchased, as of the date of any distribution, and at such other times the Board of the LLC shall determine a determination date. Net asset value is calculated as the value of the total assets of the LLC, less of all of the respective liabilities, including accrued fees and expenses, each determined as of the relevant determination date.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The nature and risk of alternative investments are as follows for the year ended March 31, 2018:

	Net Asset Value	Unfunded Commitments
American Tower Corp	$ 51,886	$ -
Equity Residential	91,815	-
Partners Group Private Equity Master Fund LLC Class A	1,067,395	-
	$ 1,211,096	$ -

Redemptions are allowed on a monthly, quarterly, or annual basis depending on the investment. Required notice of redemption varies from 30 - 180 days.

9. PLEDGES AND COLLABORATION AGREEMENT

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

	2018	2017
Campus for Healthy Living	$ 3,810,877	$ 762,774
Camp Cory	1,356,263	10,950
Maplewood	14,000	14,000
	5,181,140	787,724
Less:		
Allowance for uncollectible pledges	(2,000)	(2,000)
Discount on pledges receivable	(407,578)	(34,424)
	$ 4,771,562	$ 751,300

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

2019	$ 723,535
2020	692,116
2021	2,141,181
2022	374,308
2023	1,050,000
Thereafter	100,000
	$ 5,181,140

In addition to the pledges receivable for the Campus for Healthy Living, in fiscal 2019, the Association entered into a Community-Wide Collaboration Agreement with the University of Rochester Medical Center (the “URMC”) with the intent to provide funding for the construction of the new facility.

9. PLEDGES AND COLLABORATION AGREEMENT (Continued)

In connection with the agreement, URMC gained exclusive naming rights to the wellness center at the Regional Campus for Healthy Living along with additional ongoing rights and benefits that accrue over the term of the agreement. In consideration of these items, URMC has agreed to pay the Association $4,000,000, in 11 annual installments of $363,636, beginning July 1, 2018.

A summary of the expected future payments under the terms of this agreement are as follows:

2019	$ 363,636
2020	363,636
2021	363,636
2022	363,636
2023	363,636
Thereafter	2,181,820
	$ 4,000,000

10. NET MEMBERSHIP DUES, JOINING FEES, AND PROGRAM FEES

The Association provides financial assistance to help defray the costs of membership dues, joining fees and program fees to individuals who do not have the ability to pay. Membership dues, joining fees and program fees revenue are recorded net of such assistance in the accompanying statement of activities and change in net assets. Such amounts were as follows for the years ended March 31:

	2018	2017
Membership dues and joining fees	$ 22,398,541	$ 21,529,012
Less: Financial assistance provided	(1,717,794)	(1,710,531)
Membership dues and joining fees, net	$ 20,680,747	$ 19,818,481
Program fees	$ 17,612,509	$ 17,503,206
Less: Financial assistance provided	(1,397,113)	(1,545,281)
Program fees, net	$ 16,215,396	$ 15,957,925

11. RETIREMENT PLAN

The Association participates in a multiple-employer defined contribution, individual account and money purchase retirement plan that is administered by the YMCA Retirement Fund (a separate corporation). This plan is for the benefit of all eligible staff of the Association who qualify under applicable participation requirements.

The YMCA Retirement Fund is operated as a church pension plan and is a tax-exempt New York State not-for-profit Corporation. Participation is available to all duly organized and reorganized YMCAs in the United States.

11. RETIREMENT PLAN (continued)

In accordance with its agreement with the YMCA Retirement Fund, the Association's contributions are determined based on a percentage of the participating employee's salary, paid by the Association, and are remitted to the YMCA Retirement Fund on a monthly basis.

Total retirement expense for the years ended March 31, 2018 and 2017 was approximately $1,302,000 and $1,316,000, respectively.

12. CONCENTRATION

At March 31, 2018 and 2017, approximately 21% and 16%, respectively, of accounts receivable were due to the Association from the New York State Department of Social Services.

13. COMMITMENTS AND CONTINGENCIES

Rent

The Association leases certain office equipment, fitness equipment and operating space from third-parties under the terms of noncancellable operating lease arrangements that expire at various dates through 2023. Required monthly payments range from $90 to $36,409. Future minimum lease payments due under the terms of these agreements are as follows for the years ending March 31:

2019	$ 1,154,924
2020	788,253
2021	373,580
2022	100,611
2023	42,924
	$ 2,460,292

Total lease expense for the years ended March 31, 2018 and 2017 was approximately $1,494,000 and $1,483,000, respectively.

National Support

In accordance with its affiliation agreement, the Association is required to pay an annual assessment to the YMCA of the USA. This assessment is based on the Association's annual revenue, less certain excludable items. The expense associated with this agreement was approximately $400,000 and $386,000 for the years ended March 31, 2018 and 2017, respectively.

Conditional Asset Retirement Obligations

The Association's conditional asset retirement obligations relate to asbestos contained in some of its facilities. Environmental regulations exist that require the Association to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. If such work were to be planned, an estimate of the cost of asbestos removal would be recorded as a liability. The Association has not recorded any liability in connection with this obligation as it cannot estimate the fair value of its obligation due to a lack of sufficient information about the timetable over which this obligation may be settled through renovation, demolition, or sale/transfer of any affected facilities.

14. BRANCH OPERATIONS

The Association began major facility improvements at Camp Cory during fiscal 2016 and incurred approximately $- and $66,000 in one-time costs related to the engineering and renovations that are recorded as operating expenses in the statement of activities and change in net assets for the years ending March 31, 2018 and 2017, respectively.

The Association purchased property in 2013 and 2014 to be used as a future building site for a full facility branch. The Association incurred approximately $440,000 and $393,000 of one-time expenses related to the legal, design and engineering activities that are recorded as operating expenses in the statement of activities and change in net assets for the years ending March 31, 2018 and 2017, respectively.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 15, 2018, which is the date the financial statements were available to be issued.