YMCA OF GREATER ROCHESTER

Financial Statements as of
March 31, 2019
Together with
Independent Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

July 26, 2019

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, 2019, 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, 2019, 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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(Continued)

Change in Accounting Principle

As described in Note 2 to the financial statements, the Association implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Association's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, 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, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Cash and equivalents	$ 4,853,068	$ 2,900,552
Accounts receivable, net of allowance for doubtful accounts of approximately $133,000 and $122,000 at March 31, 2019 and 2018, respectively	1,179,993	963,555
Pledges receivable, net	7,361,119	4,771,562
Prepaid expenses and other assets	849,898	1,135,350
Limited use assets	6,521,854	24,146,849
Investments	20,213,944	19,938,791
Land, buildings and equipment, net	67,473,547	45,502,180
Total assets	$ 108,453,423	$ 99,358,839
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Lines-of-credit	$ 1,726,576	$ 702,576
Accounts payable	7,978,246	3,926,247
Accrued expenses	1,660,175	1,494,117
Deferred revenue	2,504,185	2,320,023
Capital lease obligations	116,149	262,960
Long-term debt	37,493,929	39,062,341
Total liabilities	51,479,260	47,768,264
NET ASSETS:		
Without donor restriction:		
Board designated as endowment	13,292,534	13,233,993
Undesignated	26,722,990	24,654,482
With donor restriction	16,958,639	13,702,100
Total net assets	56,974,163	51,590,575
	$ 108,453,423	$ 99,358,839

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, 2019
(With Comparative Totals for 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
OPERATING ACTIVITIES:				
Operating revenues and support -				
Membership dues and joining fees, net	$ 21,541,232	$ -	$ 21,541,232	$ 20,680,747
Program fees, net	16,948,188	-	16,948,188	16,215,396
Governmental sources	2,070,664	-	2,070,664	2,525,467
Other fees and grants	2,777,908	-	2,777,908	3,138,829
Gifts and donations	2,751,684	-	2,751,684	2,656,685
Investment income and gains allocated for operating purposes	916,000	-	916,000	852,000
United Way of Greater Rochester	561,600	-	561,600	576,625
Member supplies and services	159,779	-	159,779	157,806
Interest income	68,614	-	68,614	25,579
Other revenues, net	291,016	-	291,016	286,174
Total operating revenues and support	48,086,685	-	48,086,685	47,115,308
OPERATING EXPENSES:				
Program -				
Youth development	18,236,401	-	18,236,401	19,641,513
Healthy living	12,651,979	-	12,651,979	11,922,853
Social responsibility	10,970,599	-	10,970,599	9,664,639
Total program	41,858,979	-	41,858,979	41,229,005
Supporting services -				
Administrative	5,599,837	-	5,599,837	5,622,595
Fundraising	1,095,387	-	1,095,387	1,060,139
Total supporting services	6,695,224	-	6,695,224	6,682,734
Total operating expenses	48,554,203	-	48,554,203	47,911,739
Change in net assets from operating activities	(467,518)	-	(467,518)	(796,431)
NON-OPERATING ACTIVITIES:				
Interest and dividends	405,973	-	405,973	398,521
Realized and unrealized gains on investments, net	294,021	148,419	442,440	1,828,162
Investment income allocated for operations	(790,814)	(125,186)	(916,000)	(852,000)
Gifts and donations	17,186	6,136,285	6,153,471	5,866,458
Net assets released from restriction - capital	2,667,701	(2,667,701)	-	-
Reduction in value of shared interest agreement	-	(235,278)	(235,278)	-
Gain on disposal of buildings and equipment	500	-	500	-
Change in net assets from non-operating activities	2,594,567	3,256,539	5,851,106	7,241,141
CHANGE IN NET ASSETS	2,127,049	3,256,539	5,383,588	6,444,710
NET ASSETS - beginning of year	37,888,475	13,702,100	51,590,575	45,145,865
NET ASSETS - end of year	$ 40,015,524	$ 16,958,639	$ 56,974,163	$ 51,590,575

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, 2019
(With Comparative Totals for 2018)

	2019							
	Program				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Administrative	Fundraising	Total	2018 Total
Salaries	$ 9,505,145	$ 5,469,883	$ 5,286,064	$ 20,261,092	$ 2,296,448	$ 469,136	$ 23,026,676	$ 22,117,054
Employee benefits and taxes	1,842,954	1,109,781	1,084,527	4,037,262	708,351	154,473	4,900,086	4,829,763
Facility occupancy	1,630,379	1,272,008	1,306,145	4,208,532	59,590	6,996	4,275,118	4,261,778
Supplies	1,711,006	446,841	428,796	2,586,643	142,848	24,240	2,753,731	2,823,901
Professional fees	641,977	383,334	419,741	1,445,052	695,957	163,271	2,304,280	2,142,767
Equipment	157,134	829,372	430,768	1,417,274	169,553	3,758	1,590,585	1,777,642
Merchant fees	244,177	244,177	244,177	732,531	195,342	48,835	976,708	334,473
Insurance	159,240	143,161	154,709	457,110	151,639	36,551	645,300	644,565
Printing and publications	162,960	160,075	116,547	439,582	144,121	13,503	597,206	794,412
Interest	198,631	198,631	198,637	595,899	-	-	595,899	751,258
Membership dues	119,989	115,313	124,291	359,593	122,698	31,430	513,721	501,046
Transportation	256,641	72,593	74,236	403,470	75,303	7,199	485,972	410,259
Training and meetings	107,836	92,738	113,248	313,822	110,738	21,616	446,176	545,463
Telephone	110,914	70,726	72,459	254,099	84,553	15,469	354,121	372,413
Program expense	101,606	40,350	72,808	214,764	(2,919)	660	212,505	201,394
Bank service fees	-	-	-	-	198,372	-	198,372	665,729
Annual campaign	27,094	27,170	28,041	82,305	23,414	82,876	188,595	201,386
Postage	12,098	10,510	10,571	33,179	18,111	7,416	58,706	71,112
Other	153,908	144,130	149,207	447,245	332,871	7,958	788,074	705,614
Total expenses before depreciation	17,143,689	10,830,793	10,314,972	38,289,454	5,526,990	1,095,387	44,911,831	44,152,029
Depreciation	1,092,712	1,821,186	655,627	3,569,525	72,847	-	3,642,372	3,759,710
Total expenses	$ 18,236,401	$ 12,651,979	$ 10,970,599	$ 41,858,979	$ 5,599,837	$ 1,095,387	$ 48,554,203	$ 47,911,739

The accompanying notes are an integral part of these statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019
(With Comparative Totals for 2018)

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 5,383,588	$ 6,444,710
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Contributions donor restricted for capital expenditures	(3,421,536)	(1,575,197)
Depreciation	3,642,372	3,759,710
Increase in allowance for doubtful accounts receivable	11,250	11,790
Change in discount for pledges receivable	125,192	373,154
Realized and unrealized gains on investments, net	(442,440)	(1,828,162)
Reduction in value of shared interest agreements	235,278	-
Amortization of bond issuance costs	69,134	34,804
Changes in:		
Accounts receivable	(227,688)	91,798
Pledges receivable	(2,714,749)	(4,393,416)
Prepaid expenses and other assets	50,174	60,369
Accounts payable	197,584	509,272
Accrued expenses	166,058	266,719
Deferred revenue	184,162	475,581
Net cash flow from operating activities	3,258,379	4,231,132
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,526,646)	(1,345,374)
Proceeds from the sale of investments	2,693,933	4,558,800
Purchases of buildings and equipment	(21,759,324)	(1,841,045)
Net cash flow from investing activities	(21,592,037)	1,372,381
CASH FLOW FROM FINANCING ACTIVITIES:		
Net repayments and borrowings on lines-of-credit	1,024,000	(326,000)
Principal repayments of capital lease obligations	(146,811)	(140,355)
Principal repayments of long-term debt	(1,637,546)	(1,653,445)
Borrowings on long-term debt	-	21,020,261
Payment of debt issuance costs	-	(686,595)
Change in limited use assets	17,624,995	(23,622,149)
Contributions received for capital expenditures	3,421,536	1,575,197
Net cash flow from financing activities	20,286,174	(3,833,086)
CHANGE IN CASH AND EQUIVALENTS	1,952,516	1,770,427
CASH AND EQUIVALENTS - beginning of year	2,900,552	1,130,125
CASH AND EQUIVALENTS - end of year	$ 4,853,068	$ 2,900,552

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, 2019. 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).

Change in Accounting Principle
In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 includes many changes affecting the presentation and accounting for the Association's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);

- Requiring the presentation of expenses in both natural and functional classifications;

- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses; and

- Requiring qualitative and quantitative disclosure regarding the Association's liquidity and availability of resources (Note 3).

ASU 2016-14 is effective for the Association's year ended March 31, 2019, and was applied retrospectively with the exception of the disclosures regarding liquidity and availability of resources, which are presented for the current year only. The effects of this ASU have been included in these financial statements. There was no effect on total net assets or changes in net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting

The Association reports its net assets and changes therein in the following classifications:

- Net Assets Without Donor Restrictions are net assets that are not subject to donor imposed stipulations. The Board of Directors, through voluntary resolutions, has set aside portions of the Association's net assets without donor restrictions to be used exclusively to function as endowment to support future operating initiatives.

- Net Assets With Donor Restrictions are net assets whose use by the Association is limited by donor imposed stipulations. This includes stipulations that can be fulfilled or removed by actions of the Association pursuant to the stipulations, as well as donor-imposed stipulations that do not expire. In cases where the donor-imposed stipulation does not expire, generally the donor of these net assets permits the Association to use all or part of the investment return on the related assets to support program activities.

Operations

The statements of activities and change in net assets present the changes in net assets of the Association from operating activities and from non-operating activities. Operating revenues and expenses relate primarily to membership dues and program fees related to providing services to members focused on youth development, healthy living, and social responsibility. Additional operating revenue is received from donor contributions and government sources in support of services provided by the Association. Appropriation of investment income under the Association's endowment spending policy is considered operating revenue.

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.

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, 2018, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

During the year ended March 31, 2019, the Association continued with the public phase of a capital campaign (the Campaign) in support of the Schottland Branch, 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 2% in 2019 and 3% in 2018. 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 held as part of the investment portfolio 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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 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.

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 flows 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 $239,000 and $306,000 in 2019 and 2018, respectively.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allocation of Certain Expenses

The statement of functional expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting functions, and these expenses are allocated to the reported functional columns. The Association utilizes a multi-faceted allocation methodology that considers direct expenses as well as allocations based on personnel time spent and square feet of space utilized in each of the Association's over 50 operating departments. The methodology further considers the overall operational purpose of each department and how that relates to each functional area reported on the statement of functional expenses. Data on the functional allocation of expenses on a departmental basis is accumulated to arrive at the amounts reported in the statement of functional expenses. The Association believes that the allocation methodology results in a reasonable allocation of expenses.

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.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the current year presentation.

3. LIQUIDITY

The Association is substantially supported by dues and program fees from members. In addition, support is received from donors and governmental sources. Some donor support is restricted by the donor for a specific purpose. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. In addition, the Association holds financial assets for specific programmatic, capital addition, or endowment purposes. Thus, financial assets reported on the accompanying balance sheet may not be available for general expenditure within one year.

The Association's financial assets available to meet cash needs for general expenditures within one year are:

Financial assets at March 31, 2019	$ 40,129,978
Less: Financial assets unavailable for general expenditures within one year, due to:	
Limited use assets	(6,521,854)
Restricted by donor perpetually	(2,671,401)
Subject to Board designation as endowment	(13,292,534)
Subject to satisfaction of donor restrictions	(14,287.238)
Financial assets available to meet cash needs for general expenditures within one year	$ 3,356,951

3. LIQUIDITY (Continued)

The Association's ability to meet its cash needs is supported by consistent member dues and program fee revenue. The Association employs specific tactics to maintain and grow membership at a level to provide cash flow to support operating expenditures. Program fees are established at a level that supports the related programmatic expenditures. In addition, the Association maintains regular contact with its broad base of donors to support both annual operating contributions as well as restricted gifts for capital improvements on an on-going basis.

From time to time, the Association utilizes its lines-of-credit for operating and capital project purposes (Note 7). Additional draws can be made on these lines-of-credit should the need arise. In addition, the Association's Board could release Board designated endowment funds in the event the Association experienced an unusual cash need in the short term. The Association believes its cash position and expected cash flows are adequate to meet cash needs for general expenditures within one year.

4. INVESTMENTS

Composition
Investments, at fair value, consisted of the following at March 31:

	2019	2018
Cash equivalents	$ 809,169	$ 404,230
Domestic equity securities	10,299,038	11,117,838
International equity securities	2,784,972	2,496,564
Fixed income securities	5,034,094	4,709,063
Alternative strategies	1,286,671	1,211,096
	$ 20,213,944	$ 19,938,791

Alternative Strategies
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.

5. LAND, BUILDINGS AND EQUIPMENT

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

	2019	2018
Land	$ 6,135,831	$ 6,135,831
Buildings and improvements	74,940,238	73,297,414
Furnishings and equipment	7,904,039	8,204,457
Land improvements	9,445,405	9,445,405
Construction-in-progress	23,689,141	-
	122,114,654	97,083,107
Less: Accumulated depreciation and amortization	(54,641,107)	(51,580,927)
	$ 67,473,547	$ 45,502,180

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, 2019 and 2018. Accumulated amortization related to these assets was $767,347 and $686,573 at March 31, 2019 and 2018, respectively.

6. ENDOWMENT FUNDS

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

	2019	2018
Board designated	$ 13,292,534	$ 13,233,993
Unappropriated appreciation of donor restricted gifts	4,466,077	4,442,844
Donor restricted historical gift corpus	2,671,401	2,503,725
	$ 20,430,012	$ 20,180,562

Changes in the Association's endowment consisted of the following during the years ended March 31, 2019 and 2018:

	Board Designated	Unappropriated Appreciation	Donor Corpus	Total
Endowment net assets - April 1, 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
Investment return	816,495	148,419	-	964,914
Contributions	32,860	-	167,676	200,536
Spending policy distributions	(790,814)	(125,186)	-	(916,000)
Endowment net assets - March 31, 2019	$ 13,292,534	$ 4,466,077	$ 2,671,401	$ 20,430,012

6. ENDOWMENT FUNDS (Continued)

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 donor 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, net of related investment management expenses) and income is classified as unappropriated 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.

Board Designated Endowment Funds

Income (interest and dividends, realized and unrealized gains, net of investment management expenses) on board designated endowment funds is recorded as an addition to the board designated endowment as a component of net assets without donor restrictions. When appropriated for expenditure, amounts are shown as 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 donor 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, 2019 and 2018.

7. NATURE, PURPOSE, AND AMOUNT OF RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are restricted for the following purposes at March 31:

	2019	2018
Net assets with donor restrictions that can be satisfied by action of the Association or the passage of time:		
Time restricted shared interest arrangement	$ 35,000	$ 300,278
Restricted for capital	9,786,161	6,455,253
Accumulated unappropriated earnings on donor restricted endowment funds	4,466,077	4,442,844
Subtotal expendable funds	14,287,238	11,198,375
Funds to be held in perpetuity with income expendable for:		
Activities of the Association	1,455,869	1,455,869
Camp Gorham	935,607	935,607
Camp Cory	268,422	100,746
Other	11,503	11,503
Subtotal funds to be held in perpetuity	2,671,401	2,503,725
	$ 16,958,639	$ 13,702,100

Net assets released from restrictions in 2019 and 2018 were related to capital expenditures and other operating purposes.

8. FINANCING ARRANGEMENTS

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

	2019	2018
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	$ 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%.	2,360,000	3,890,000
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

8. FINANCING ARRANGEMENTS (Continued)

Long-term Debt (Continued)

	2019	2018
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.	164,689	258,747
Term loans payable, which require monthly payments totaling $1,211 and maturing at various dates through April 2023. These notes are secured by vehicles.	23,412	36,900
	38,436,760	40,074,306
Less: Unamortized portion of debt issuance costs	(942,831)	(1,011,965)
	$ 37,493,929	$ 39,062,341

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

2020	$ 1,666,551
2021	1,690,325
2022	2,056,932
2023	2,128,349
2024	2,186,446
Thereafter	28,708,157
	$ 38,436,760

8. FINANCING ARRANGEMENTS (Continued)

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 (5.50% at March 31, 2019). At March 31, 2019 and 2018, $- and $200,000 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, 2019 and 2018, $1,726,576 and $502,576 respectively, was outstanding under the terms of this agreement, all of which was borrowed using the LIBOR base rate interest option (3.65% at March 31, 2019).

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.

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 Schottland Branch. 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. The total amount of these assets were $6,486,439 and $20,560,357 as of March 31, 2019 and 2018, respectively, and they are included on the balance sheet 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 amounts pledged by donors for the project be directly deposited into a segregated account at the Bank, to a cumulative total of at least $13,000,000. As of March 31, 2019 the balance in this account amounted to $33,915 and is included on the balance sheet in limited use assets.

8. FINANCING ARRANGEMENTS (Continued)

Bonds Payable – Series 2017 (Continued)
The Association also established Project Funds, which represented 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, 2019 the remaining balance in these accounts was $1,500 and is included on the balance sheet in limited use assets.

Summary of Limited Use Assets
The following represents a summary of limited use assets as of March 31:

	2019	2018
Series 2015 Bond Fund	$ -	$ 350,176
Series 2017 Project Funds	1,500	2,612,753
Series 2017 Bond Proceeds	6,486,439	20,560,357
Series 2017 Capital Campaign Fund pledge of accounts	33,915	623,563
	$ 6,521,854	$ 24,146,849

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 obligations. Amortization expense of $69,134 and $34,804 was recorded in the years ended March 31, 2019 and 2018, respectively, and was 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, 2019.

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, 2019.

Cash Paid for Interest
Interest paid on all financing arrangements totaled approximately $1,305,000 and $716,000 for the years ended March 31, 2019 and 2018, respectively. For the year ended March 31, 2019, approximately $778,000 of interest was capitalized as part of construction-in-progress. No interest was capitalized during the year ended March 31, 2018.

8. FINANCING ARRANGEMENTS (Continued)

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:

2020	$ 118,310
Less: Amounts representing interest	(2,161)
	$ 116,149

9. 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, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Domestic equity securities	$ 10,299,038	$ -	$ -	$ 10,299,038
International equity securities	2,784,972	-	-	2,784,972
Fixed income securities	5,034,094	-	-	5,034,094
Investments at fair value	$ 18,118,104	$ -	$ -	18,118,104
Investments, measured using net asset value as practical expedient				1,286,671
Total investments				$ 19,404,775
Limited use assets:				
Money market funds	$ 510,293	$ -	$ -	$ 510,293
Fixed income securities	6,011,561	-	-	6,011,561
	$ 6,521,854	$ -	$ -	$ 6,521,854

9. 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, 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
Investments at fair value	$ 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

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.

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.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The nature and risk of alternative investments are as follows for the year ended March 31, 2019:

	Net Asset Value	Unfunded Commitments
American Tower Corp	$ 30,544	$ -
Equity Residential	100,327	-
Partners Group Private Equity Master Fund LLC Class A	1,155,800	-
	$ 1,286,671	$ -

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

10. PLEDGES RECEIVABLE

Outstanding pledges related to the following projects as of March 31:

	2019	2018
Schottland Branch	$ 6,352,435	$ 3,810,877
Camp Cory	1,529,454	1,356,263
Maplewood	14,000	14,000
	7,895,889	5,181,140
Less:		
Allowance for uncollectible pledges	(2,000)	(2,000)
Discount on pledges receivable	(532,770)	(407,578)
	$ 7,361,119	$ 4,771,562

Payments are expected on pledges receivable as follows for the years ending March 31:

2020	$ 2,547,704
2021	2,608,462
2022	677,223
2023	312,500
2024	310,000
Thereafter	1,440,000
	$ 7,895,889

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:

	2019	2018
Membership dues and joining fees	$ 23,349,216	$ 22,398,541
Less: Financial assistance provided	(1,807,984)	(1,717,794)
Membership dues and joining fees, net	$ 21,541,232	$ 20,680,747
Program fees	$ 18,197,929	$ 17,612,509
Less: Financial assistance provided	(1,249,741)	(1,397,113)
Program fees, net	$ 16,948,188	$ 16,215,396

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.

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, 2019 and 2018 was approximately $1,309,000 and $1,302,000, respectively.

12. CONCENTRATION

At March 31, 2019 and 2018, approximately 17% and 21%, 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:

2020	$	788,253
2021		373,580
2022		100,611
2023		42,924
	$	1,305,368

Total lease expense for the years ended March 31, 2019 and 2018 was approximately $1,400,000 and $1,494,000, respectively.

Construction Activities

The Association has contracted with a construction contractor for the construction of the Schottland Branch. The Association's total commitment under the terms of this contract is approximately $36,500,000. As of March 31, 2019, approximately $16,200,000 remained to be paid related to this contract. The Association expects to pay this amount as construction is completed in its fiscal year ending March 31, 2020.

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 $432,000 and $400,000 for the years ended March 31, 2019 and 2018, 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. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 26, 2019, which is the date the financial statements were issued.