

**SUMMIT AREA YMCA**  
**(A Non-Profit Organization)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

## **SUMMIT AREA YMCA**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees of  
Summit Area YMCA  
Summit, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Summit Area YMCA (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 of 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 Summit Area YMCA as of December 31, 2012, 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.

*Spire Group, PC*

Clark, New Jersey  
May 2, 2013

**SUMMIT AREA YMCA**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2012**

	<u>Total</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,778,748
Pledge receivables, net	247,712
Prepaid expenses	45,205
Investments	6,048,250
Land, buildings and equipment, net	13,043,026
Deposits	<u>16,150</u>
 Total assets	 <u><u>\$ 21,179,091</u></u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 510,226
Deferred revenue	207,758
Notes payable	2,111,446
Capital lease obligations	<u>431,559</u>
 Total liabilities	 <u>3,260,989</u>
<b>Net Assets</b>	
Unrestricted	12,914,997
Temporarily restricted	44,681
Permanently restricted	<u>4,958,424</u>
 Total net assets	 <u>17,918,102</u>
 Total liabilities and net assets	 <u><u>\$ 21,179,091</u></u>

See independent auditor's report and notes to financial statements.

**SUMMIT AREA YMCA**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2012**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, Gains and Other Support</b>				
Contributions	\$ 616,137	\$ 57,500	\$ 61,827	\$ 735,464
Membership dues	3,852,207	--	--	3,852,207
Program service fees	7,457,990	--	--	7,457,990
Investment income	652,519	--	--	652,519
Other income	232,113	--	--	232,113
Net assets released from restrictions expiration of time or purpose restrictions	14,319	(14,319)	--	--
Total revenue, gains and other support	12,825,285	43,181	61,827	12,930,293
<b>Expenses</b>				
<b>Program Services</b>				
Day camp	682,326	--	--	682,326
Child care	4,564,816	--	--	4,564,816
Physical fitness	4,075,468	--	--	4,075,468
Other programs	613,029	--	--	613,029
Total program services	9,935,639	--	--	9,935,639
<b>Supporting Services</b>				
Management and general	1,659,215	--	--	1,659,215
Fundraising	185,943	--	--	185,943
Total supporting services	1,845,158	--	--	1,845,158
Total expenses	11,780,797	--	--	11,780,797
Change in net assets	1,044,488	43,181	61,827	1,149,496
Net assets at beginning of year, as previously reported	12,577,405	1,500	4,506,111	17,085,016
Accounting principle change adjustment	(706,896)	--	390,486	(316,410)
Net assets at beginning of year, restated	11,870,509	1,500	4,896,597	16,768,606
Net assets at end of year	\$ 12,914,997	\$ 44,681	\$ 4,958,424	\$ 17,918,102

See independent auditor's report and notes to financial statements.

**SUMMIT AREA YMCA**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2012**

	<u>Day Camp</u>	<u>Child Care</u>	<u>Physical Fitness</u>	<u>Other Program</u>	<u>Total</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 260,705	\$ 2,308,843	\$ 2,204,681	\$ 259,218	\$ 5,033,447	\$ 956,184	\$ 104,632	\$ 6,094,263
Employment benefits and payroll taxes	50,055	753,823	468,822	68,735	1,341,435	164,167	20,917	1,526,519
Total salaries, benefits and payroll taxes	310,760	3,062,666	2,673,503	327,953	6,374,882	1,120,351	125,549	7,620,782
Professional fees	9,152	61,119	53,731	8,451	132,453	122,993	24,948	280,394
Program supplies	138,142	151,112	234,461	130,966	654,681	79,532	9,861	744,074
Telephone	2,957	19,745	17,359	2,730	42,791	23,854	--	66,645
Postage and shipping	882	5,892	5,179	815	12,768	4,876	1,825	19,469
Occupancy	76,873	551,587	465,913	70,981	1,165,354	153,435	--	1,318,789
Equipment repair and maintenance	3,869	30,230	29,517	3,572	67,188	47,027	--	114,215
Printing and publications	2,893	19,318	16,982	2,671	41,864	8,408	15,321	65,593
Travel	49,323	69,604	12,577	482	131,986	847	--	132,833
Conference, convention and meetings	2,752	18,377	19,470	2,541	43,140	34,586	6,767	84,493
Interest expense	4,838	32,307	28,402	4,467	70,014	1,022	--	71,036
Dues and subscriptions	475	3,169	2,786	438	6,868	13,183	1,672	21,723
Liability insurance	6,506	43,445	38,194	6,007	94,152	4,262	--	98,414
National YMCA dues	7,773	55,183	62,794	1,482	127,232	3,018	--	130,250
Miscellaneous	14,532	103,170	117,554	2,753	238,009	41,821	--	279,830
Total expenses before depreciation	631,727	4,226,924	3,778,422	566,309	9,203,382	1,659,215	185,943	11,048,540
Depreciation	50,599	337,892	297,046	46,720	732,257	--	--	732,257
Total expenses	<u>\$ 682,326</u>	<u>\$ 4,564,816</u>	<u>\$ 4,075,468</u>	<u>\$ 613,029</u>	<u>\$ 9,935,639</u>	<u>\$ 1,659,215</u>	<u>\$ 185,943</u>	<u>\$ 11,780,797</u>

See independent auditor's report and notes to financial statements.

**SUMMIT AREA YMCA**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2012**

**Cash flows from operating activities**

Change in net assets	\$ 1,149,496
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	732,257
Realized and unrealized gain on investments	(492,845)
 (Increase) decrease in:	
Pledge receivables	142,774
Prepaid expenses	(3,943)
Deposits	(13)
Increase (decrease) in:	
Accounts payable and accrued expenses	(27,272)
Deferred revenue	(2,902)
Net cash provided by operating activities	<u>1,497,552</u>

**Cash flows from investing activities**

Capital expenditures	(710,331)
Purchase of investments	(4,610,246)
Proceeds from sale of investments	4,179,467
Net cash used in investing activities	<u>(1,141,110)</u>

**Cash flows from financing activities**

Proceeds from line of credit	100,000
Principal repayment on line of credit	(100,000)
Proceeds from notes payable	2,100,000
Principal repayment on notes payable	(1,745,843)
Principal repayment on capital lease obligations	(209,905)
Net cash provided by financing activities	<u>144,252</u>

Net change in cash and cash equivalents	500,694
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Cash and cash equivalents, beginning of year	<u>1,278,054</u>
--	------------------

Cash and cash equivalents, end of year	<u><u>\$ 1,778,748</u></u>
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**Supplemental disclosures of cash flow information:**

Cash paid during the year for:	
Interest	<u>\$ 85,786</u>

**Supplemental disclosures of non-cash activity:**

Equipment purchased under capital lease	<u>\$ 178,339</u>
Equipment purchased under note payable	<u>\$ 52,675</u>

See independent auditor's report and notes to financial statements.

**SUMMIT AREA YMCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 1**      **Nature of Business**

Nature of Business - The Summit Area YMCA (the "YMCA" or "Association") is a not-for-profit organization incorporated on June 18, 1889. It utilizes two fully-equipped buildings that provide year-round recreational facilities, meeting rooms, and child care facilities. In addition, it maintains another location where it operates a year round day care center.

**Note 2**      **Summary of Significant Accounting Policies**

Basis of Presentation - Financial statement presentation follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The YMCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are then reclassified to unrestricted net assets upon expiration of the time restriction.

Revenue and Support Recognition – Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

Memberships are recognized as revenue in the applicable membership period.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated 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 reported in the statement of activities as net assets released from restrictions.

Endowment Fund contributions and investments are permanently restricted by the donor. Investment earnings available for use are recorded in unrestricted net assets.

**SUMMIT AREA YMCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 2**     **Summary of Significant Accounting Policies (Continued)**

Revenue and Support Recognition (Continued) - Contributions of donated noncash assets are recorded at their fair values in the period received as unrestricted revenue. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - The YMCA considers all highly liquid investing instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments – Investments are recorded at fair market value. Donated investments are recorded as contributions at their fair market values on the date of receipt.

Property and Equipment - Property and equipment purchases are recorded at cost, except for contributed property which is recorded at fair value on the date of donation. When donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The principal rates for computing depreciation by major asset categories are as follows:

<u>Description</u>	<u>Asset Life (Years)</u>
Building and renovations	7 - 40
Office equipment	3 - 10
Transportation equipment	3 - 5

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs and minor renewals are charged to operations as incurred.

**SUMMIT AREA YMCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 2**     **Summary of Significant Accounting Policies (Continued)**

Long-Lived Assets – In accordance with GAAP, long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

Donated Services - The YMCA receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied. Certain commercial services provided to the YMCA gratis or at a reduced cost are not reflected in the financial statements.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Advertising Expenses - Advertising costs are expensed when incurred. Advertising costs were \$37,045 for the year ended December 31, 2012.

Income Taxes - The YMCA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue. Accordingly, no provision or liability for income taxes has been recorded in the financial statements.

The Association accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2012. The YMCA's exempt from federal income tax returns are no longer subject to examination by federal taxing authorities for years before 2009.

Subsequent events - The Association has evaluated subsequent events through May 2, 2013, the date these financial statements were available to be issued.

**SUMMIT AREA YMCA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**Note 3**      **Endowment**

The YMCA's endowment consists of only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the YMCA has interpreted the State Prudent Management of Institutional Funds Act "SPMIFA" as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Association

**Endowment net assets composition by type of fund as of December 31, 2012:**

	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ <u>4,958,424</u>

**SUMMIT AREA YMCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 3**     **Endowment (Continued)**

**Changes in Endowment Net Assets for the Year Ended December 31, 2012:**

Endowment net assets, beginning of year	\$ 4,506,111
Contributions	61,827
Accounting principle adjustment to record pledge receivable	<u>390,486</u>
Endowment net assets, end of year	<u><u>\$ 4,958,424</u></u>

**Endowment Net Assets Include the Following at December 31, 2012:**

Cash	\$ 222,028
Investments	4,488,684
Pledges receivable, net	<u>247,712</u>
Total	<u><u>\$ 4,958,424</u></u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the YMCA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2012.

**Return Objectives and Risk Parameters**

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that produce expected earnings while assuming a moderate level of investment risk. The YMCA expects its endowment funds, over time, to provide an average rate of return of approximately 5 percent. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its objective of moderate risk, the YMCA's target benchmark is approximately 50% - 65% equities, 30% - 35% bonds and 5% cash and cash equivalents.

**SUMMIT AREA YMCA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**Note 4**     **Pledges Receivable**

The YMCA received unconditional promises to give with payments due in future periods. Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows utilizing a 3% discount rate.

Promises to give at December 31, 2012 are summarized as follows:

Pledges receivable in one to five years	\$ 361,640
Pledges receivable in more than five years	--
Less unamortized discount	<u>(17,428)</u>
Subtotal	344,212
Less allowance for uncollectible pledges	<u>(96,500)</u>
Net	<u><u>\$ 247,712</u></u>

**Note 5**     **Investments**

The following summarizes the investments at December 31, 2012:

	<u>Cost</u>	<u>Market</u>
Equities	\$ 3,579,758	\$ 4,199,785
Corporate and Government Bonds	1,299,851	1,385,569
Fixed Income	373,891	411,607
Certificate of Deposit	<u>51,230</u>	<u>51,289</u>
Total	<u><u>\$ 5,304,730</u></u>	<u><u>\$ 6,048,250</u></u>

The following schedule summarizes the investment return in the statement of activities:

Interest and dividends	\$ 159,674
Realized gain	105,660
Unrealized gain	<u>387,185</u>
Total	<u><u>\$ 652,519</u></u>

**SUMMIT AREA YMCA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**Note 6**     **Fair Value Measurements**

For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while observable inputs reflect our market assumptions. Preference is given to observable inputs. These three types of inputs create the following fair value hierarchy:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement dates.

Level 2 – unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 – unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The following table presents the assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

# SUMMIT AREA YMCA

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

### Note 6 Fair Value Measurements (Continued)

	December 31, 2012	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
Large Value	\$ 1,147,528	\$ 1,147,528	\$ --	\$ --
Large Growth	705,351	705,351	--	--
Large Blend	442,054	442,054	--	--
Emerging Markets	314,940	314,940	--	--
Alternative	264,578	--	264,578	--
Mid-Cap Growth	234,684	234,684	--	--
Global Real Estate	129,102	129,102	--	--
Moderate Allocation	114,939	114,939	--	--
World Stock	113,964	113,964	--	--
Broad Basket	104,584	104,584	--	--
World Bond	104,022	104,022	--	--
High Yield	79,140	79,140	--	--
Technology	68,166	68,166	--	--
Government	67,868	67,868	--	--
Mid-Cap Value	56,369	56,369	--	--
Services	49,871	49,871	--	--
Basic Materials	43,195	43,195	--	--
Healthcare	41,816	41,816	--	--
Financial	38,040	38,040	--	--
Small Cap	34,399	34,399	--	--
Industrial Goods	17,190	17,190	--	--
Precious Metals	13,837	13,837	--	--
Consumer Goods	12,589	12,589	--	--
Oil	1,559	1,559	--	--
Total Equities	<u>4,199,785</u>	<u>3,935,207</u>	<u>264,578</u>	<u>--</u>
Corporate and Government Bonds				
Rated AA+	1,125,599	1,125,599	--	--
Rated AA	95,621	95,621	--	--
Rated A-	74,632	74,632	--	--
Rated A	65,786	65,786	--	--
Rated A+	23,931	23,931	--	--
Total Corporate and Government Bonds	<u>1,385,569</u>	<u>1,385,569</u>	<u>--</u>	<u>--</u>
Fixed Income				
Multi-sector	182,857	182,857	--	--
Intermediate	144,805	144,805	--	--
High Yield	83,945	83,945	--	--
Total Fixed Income	<u>411,607</u>	<u>411,607</u>	<u>--</u>	<u>--</u>
Certificate of Deposit	<u>51,289</u>	<u>--</u>	<u>51,289</u>	<u>--</u>
Total Assets	<u>\$ 6,048,250</u>	<u>\$ 5,732,383</u>	<u>\$ 315,867</u>	<u>\$ --</u>

# SUMMIT AREA YMCA

## **NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

### **Note 7**    **Land, Building and Equipment**

Land, building and equipment as of December 31, 2012:

Land	\$ 1,138,200
Building	16,012,269
Building improvements	1,774,436
Furniture and equipment	3,552,662
Vehicles	344,287
Total	<u>22,821,854</u>
Less: accumulated depreciation	<u>(9,778,828)</u>
Net property and equipment	<u>\$ 13,043,026</u>

Depreciation expense for the year ended December 31, 2012 is \$732,257.

### **Note 8**    **Line of Credit**

The YMCA has a line of credit with Hilltop Community Bank in the amount of \$700,000, expiring August 2013. The interest rate is prime minus .25% with a floor of 5%. The interest rate at December 31, 2012 was 5%. There was no outstanding balance on the line of credit at December 31, 2012.

The YMCA has a line of credit with Affinity Federal Credit Union in the amount of \$237,000, expiring June 2013. The interest rate is the 12 month certificate of deposit rate plus 2.25%. The interest rate at December 31, 2012 was 3%. There was no outstanding balance on the line of credit at December 31, 2012.

**SUMMIT AREA YMCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 9**      **Long-Term Debt**

Note payable to bank with an original principal balance of \$2,100,000 which requires monthly payments of \$21,067 including principal and interest at 3.75%. The note matures in August 2022 and is secured by all assets of the YMCA. \$    2,042,145

Note payable to bank for purchase of vehicle with an original principal balance of \$48,784 which requires monthly payments of \$927 including principal and interest at 5.25%. The note matures in August 2015 and is secured by the related vehicle. 27,629

Note payable to bank for purchase of vehicle with an original principal balance of \$52,675 which requires monthly payments of \$989 including principal and interest at 4.75%. The note matures in February 2017 and is secured by the related vehicle. 41,672

Total	\$    2,111,446
Less current maturities	195,013

Total long-term debt	\$    1,916,433
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Principal repayment for long term debt are as follows:

<u>Year</u>	
2013	\$    195,013
2014	206,011
2015	210,522
2016	211,065
2017	209,435
Thereafter	1,079,400
Total	\$ 2,111,446

**SUMMIT AREA YMCA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 10**    **Capital Leases**

The YMCA has entered into several capital leases for office and exercise equipment which expire through 2016 with implied interest rates ranging from 5.82% to 12.63%. The assets and liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive life. For the year ended December 31, 2012, amortization expense amounted to \$138,495 and is included in depreciation expense.

Property and equipment held under capital lease:

	<u>2012</u>
Fitness equipment	\$ 621,800
Less accumulated amortization	<u>(186,261)</u>
Net	<u>\$ 435,539</u>

Minimum future lease payments under capital lease as of December 31, 2012 for each of the next four years in the aggregate are:

<u>Year</u>	
2013	\$ 207,728
2014	160,296
2015	78,660
2016	<u>15,756</u>
Net minimum lease payment	462,440
Less amount representing interest	<u>30,881</u>
Present value of net minimum lease payments	431,559
Less current portion	<u>193,960</u>
Long-term portion	<u>\$ 237,599</u>

**SUMMIT AREA YMCA**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2012**

**Note 11**    **Retirement Plan**

The YMCA participates in a contributory, defined-contribution retirement plan that is administered by an independent board of trustees. This plan covers all employees who have attained twenty-one years of age and performed at least 1,000 hours of service in each of two years. Vesting is immediate upon entry to the plan. The YMCA's policy is to fully fund retirement plan costs as accrued at 10% of compensation. The expense for the year ended December 31, 2012 was \$373,815. Employees, at their option, may also contribute to tax deferred annuities through the YMCA retirement fund or other commercial sources. The Summit YMCA does not match these contributions.

**Note 12**    **Operating Leases**

On July 1, 1995 the YMCA entered into a lease agreement for the Berkeley Heights branch facility for a term of five years with three additional five-year options of extension. In August 2012, the lease was extended to August 31, 2014. The facility comprised of 22,846 square feet has an annual rental of approximately \$275,000 not including its proportionate share of common area maintenance charges, real estate tax and other sundry charges.

In April 2006, the YMCA entered into a lease agreement for office space located at 490 Morris Avenue in Summit. During August 2012 the lease was extended to July 2015. The annual rental is approximately \$105,960 not including its proportionate share of common area maintenance charges, real estate tax, and other sundry charges.

The YMCA has a non-cancellable operating lease for office equipment that expires July 2015.

The minimum future rental payments of these leases as of December 31, 2012 are as follows:

<u>Year</u>	
2013	\$ 403,768
2014	317,312
2015	<u>66,070</u>
Total	<u>\$ 787,150</u>

Total rent expense for the year ended December 31, 2012 amounted to \$447,320.

**SUMMIT AREA YMCA**  
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**Note 13**    **Concentration of Credit Risks**

The vast majority of contributions and receivables are located in the Summit area and its surrounding suburbs.

The YMCA's cash and investments are exposed to concentration of credit risk. The YMCA's cash and investments are placed with a wide array of institutions that have high credit ratings. The balances at the financial institutions are insured by Federal Insurance Corporation "FDIC" up to \$250,000. As of December 31, 2012, the YMCA had cash and investments which exceeded federally insured limits by \$6,785,705.

**Note 14**    **Change in Accounting Principle**

Adjustments have been recorded to opening net assets to reflect the accounting principle change from modified cash basis which is another comprehensive basis of accounting to the accrual basis which is accounting principles generally accepted in the United States of America.

Net assets for the year ended December 31, 2011 have been decreased by \$316,410. The following table quantifies the adjustments:

	<u>Increase (decrease) to net assets</u>
Record pledge receivables	\$ 510,075
Record prepaid expenses	41,262
Record flex spending account	6,755
Record payroll and payroll tax accrual	(396,532)
Record deferred revenue	(210,660)
Record compensated absences accrual	(101,229)
Record allowance for doubtful pledges	(96,500)
Record accounts payable	(29,305)
Record discount on pledge receivables	(23,089)
Record unemployment accrual	<u>(17,187)</u>
Total accounting principle change adjustment	<u><u>\$ (316,410)</u></u>