

SUMMIT AREA YMCA

**Financial Statements
December 31, 2013 and 2012
(with summarized comparative information)**

The report accompanying these financial statements was issued by Spire Group, PC, a New Jersey Professional Corporation.

SUMMIT AREA YMCA

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INDEPENDENT AUDITORS' 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 statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Summit Area YMCA's 2012 financial statements, and our report dated May 2, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Spire Group, PC

April 24, 2014
Clark, New Jersey

SUMMIT AREA YMCA

Statements of Financial Position December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 2,152,781	\$ 1,778,748
Pledges receivable - net	185,449	247,712
Prepaid expenses	50,058	45,205
Investments	6,487,867	6,048,250
Land, buildings and equipment - net	13,299,720	13,043,026
Deposits	<u>16,161</u>	<u>16,150</u>
Total Assets	<u>\$ 22,192,036</u>	<u>\$ 21,179,091</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued liabilities	\$ 613,721	\$ 510,226
Deferred revenue	194,461	207,758
Notes payable	1,964,004	2,111,446
Capital lease obligations	<u>506,918</u>	<u>431,559</u>
Total Liabilities	<u>3,279,104</u>	<u>3,260,989</u>
Net Assets		
Unrestricted	13,894,707	12,914,997
Temporarily restricted	29,100	44,681
Permanently restricted for investment	<u>4,989,125</u>	<u>4,958,424</u>
Total Net Assets	<u>18,912,932</u>	<u>17,918,102</u>
Total Liabilities and Net Assets	<u>\$ 22,192,036</u>	<u>\$ 21,179,091</u>

See accompanying notes.

SUMMIT AREA YMCA

Statement of Activities (With Summarized Comparative Information For December 31, 2012) For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Revenue, Gains and Other Support					
Contributions	\$ 905,728	\$ 15,000	\$ 30,701	\$ 951,429	\$ 735,464
Membership dues	3,870,207	-	-	3,870,207	3,852,207
Program service fees	7,731,415	-	-	7,731,415	7,457,990
Investment income	572,167	-	-	572,167	657,462
Other income	268,966	-	-	268,966	227,170
Net assets released from restrictions expiration of time or purpose restrictions	30,581	(30,581)	-	-	-
Total Revenue, Gains and Other Support	13,379,064	(15,581)	30,701	13,394,184	12,930,293
Expenses					
Program Services					
Youth development day camp	802,063	-	-	802,063	682,326
Youth development child care	4,675,637	-	-	4,675,637	4,564,816
Healthy living	4,115,199	-	-	4,115,199	4,075,468
Social responsibility	904,847	-	-	904,847	613,029
Total Program Services	10,497,746	-	-	10,497,746	9,935,639
Supporting services					
Management and general	1,698,526	-	-	1,698,526	1,659,215
Fundraising	203,082	-	-	203,082	185,943
Total Supporting Services	1,901,608	-	-	1,901,608	1,845,158
Total Expenses	12,399,354	-	-	12,399,354	11,780,797
Change in Net Assets	979,710	(15,581)	30,701	994,830	1,149,496
Net Assets at Beginning of Year, as Previously Reported	12,914,997	44,681	4,958,424	17,918,102	17,085,016
Accounting Principle Change Adjustment	-	-	-	-	(316,410)
Net Assets, Beginning of Years, Restated	12,914,997	44,681	4,958,424	17,918,102	16,768,606
Net Assets, End of Years	\$ 13,894,707	\$ 29,100	\$ 4,989,125	\$ 18,912,932	\$ 17,918,102

See accompanying notes.

SUMMIT AREA YMCA

Statement of Functional Expenses For the Year Ended December 31, 2013

	Program Services					Supporting Services		
	Youth Development Day Camp	Youth Development Child Care	Healthy Living	Social Responsibility	Total	Management and General	Fundraising	Total
Salaries	\$ 331,573	\$ 2,433,737	\$ 2,214,549	\$ 371,952	\$ 5,351,811	\$ 890,628	\$ 125,755	\$ 6,368,194
Employee benefits and payroll taxes	75,228	753,921	447,612	121,498	1,398,259	247,132	27,343	1,672,734
Total Salaries, Benefits and Payroll Taxes	406,801	3,187,658	2,662,161	493,450	6,750,070	1,137,760	153,098	8,040,928
Professional fees	14,434	73,442	96,139	28,868	212,883	110,435	11,222	334,540
Program supplies	134,599	94,591	207,576	209,709	646,475	90,215	13,337	750,027
Telephone	2,047	14,672	12,966	4,094	33,779	12,137	341	46,257
Postage and shipping	896	6,423	5,676	1,793	14,788	7,813	903	23,504
Occupancy	80,046	565,549	473,623	80,091	1,199,309	156,806	-	1,356,115
Equipment repair and maintenance	4,584	37,707	55,784	9,167	107,242	36,045	-	143,287
Printing and publications	2,530	18,131	16,022	3,060	39,743	9,752	14,148	63,643
Travel	59,097	57,323	8,413	3,287	128,120	3,067	347	131,534
Conference, convention and meetings	2,982	21,491	19,621	2,259	46,353	36,216	6,770	89,339
Interest expense	5,148	31,625	29,947	6,826	73,546	1,012	-	74,558
Dues and subscriptions	7,431	2,476	2,188	691	12,786	15,806	2,916	31,508
Liability insurance	6,131	46,942	40,832	7,263	101,168	5,050	-	106,218
National YMCA dues	7,344	53,856	58,512	2,688	122,400	6,043	-	128,443
Miscellaneous	11,655	93,530	95,759	3,311	204,255	70,369	-	274,624
Total Expenses Before Depreciation	745,725	4,305,416	3,785,219	856,557	9,692,917	1,698,526	203,082	11,594,525
Depreciation	56,338	370,221	329,980	48,290	804,829	-	-	804,829
Total Expenses	\$ 802,063	\$ 4,675,637	\$ 4,115,199	\$ 904,847	\$ 10,497,746	\$ 1,698,526	\$ 203,082	\$ 12,399,354

See accompanying notes.

SUMMIT AREA YMCA

Statement of Functional Expenses For the Year Ended December 31, 2012

	Program Services					Supporting Services		
	Youth Development Day Camp	Youth Development Child Care	Healthy Living	Social Responsibility	Total	Management and General	Fundraising	Total
Salaries	\$ 260,705	\$ 2,308,843	\$ 2,204,681	\$ 259,218	\$ 5,033,447	\$ 956,184	\$ 104,632	\$ 6,094,263
Employee 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	\$ 682,326	\$ 4,564,816	\$ 4,075,468	\$ 613,029	\$ 9,935,639	\$ 1,659,215	\$ 185,943	\$ 11,780,797

See accompanying notes.

SUMMIT AREA YMCA

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 994,830	\$ 1,149,496
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	804,829	732,257
Realized and unrealized gain on investments	(357,467)	(492,845)
(Increase) decrease in:		
Pledges receivable	62,263	142,774
Prepaid expenses	(4,854)	(3,943)
Deposits	(11)	(13)
Increase (decrease) in:		
Accounts payable and accrued liabilities	103,496	(27,272)
Deferred revenue	(13,297)	(2,902)
Net Cash Provided by Operating Activities	<u>1,589,789</u>	<u>1,497,552</u>
Cash Flows from Investing Activities		
Capital expenditures	(739,759)	(710,331)
Purchase of investments	(2,187,740)	(4,610,246)
Proceeds from sales of investments	2,105,590	4,179,467
Net Cash (Used) by Investing Activities	<u>(821,909)</u>	<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	(199,886)	(1,745,843)
Principal repayment on capital lease obligations	(193,961)	(209,905)
Net Cash (Used) Provided by Financing Activities	<u>(393,847)</u>	<u>144,252</u>
Net Changes in Cash and Cash Equivalents	374,033	500,694
Cash and Cash Equivalents, Beginning of Years	<u>1,778,748</u>	<u>1,278,054</u>
Cash and Cash Equivalents, End of Years	<u>\$ 2,152,781</u>	<u>\$ 1,778,748</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	\$ <u>91,587</u>	\$ <u>85,786</u>
Supplemental Disclosures of Non-Cash Activity		
Equipment purchased under capital lease	\$ <u>269,320</u>	\$ <u>178,339</u>
Equipment purchased under note payable	\$ <u>52,444</u>	\$ <u>52,675</u>

See accompanying notes.

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

Note 1 – 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 or is satisfied, temporarily restricted net assets are then reclassified to unrestricted net assets.

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.

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.

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

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. Certain commercial services are provided to the YMCA gratis or at a reduced cost. 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.

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.

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

Note 2 – Summary of Significant Accounting Policies (Continued)

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs for the years ended December 31, 2013 and 2012 amounted to \$24,353 and \$37,045, respectively.

Income Taxes

The YMCA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. 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 2013. The YMCA's exemption from federal income tax returns are no longer subject to examination by federal taxing authorities for years before 2010.

Subsequent Events

The Association has evaluated subsequent events through April 24, 2014, the date these financial statements were available to be issued.

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 Trustees 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 Association 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

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

Note 3 – Endowment (Continued)

Endowment net assets composition by type of fund as of December 31, 2013 and 2012:

	Permanently Restricted	
	2013	2012
Donor-restricted endowment funds	\$ 4,989,125	\$ 4,958,424

Changes in endowment net assets for the years ended December 31, 2013 and 2012:

	2013	2012
Endowment net assets, beginning of years	\$ 4,958,424	\$ 4,506,111
Contributions	30,701	61,827
Accounting principle adjustment to record pledge receivable	-	390,486
Endowment net assets, end of years	\$ 4,989,125	\$ 4,958,424

Endowment net assets include the following at December 31, 2013 and 2012:

	2013	2012
Cash	\$ 480,343	\$ 222,028
Investments	4,323,333	4,488,684
Pledges receivable - net	185,449	247,712
Total	\$ 4,989,125	\$ 4,958,424

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, 2013.

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 Trustees, 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.

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

Note 3 – Endowment (Continued)

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.

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, 2013 and 2012 are summarized as follows:

	<u>2013</u>	<u>2012</u>
Pledges receivable in one to five years	\$ 255,349	\$ 361,640
Less unamortized discount	<u>(9,845)</u>	<u>(17,428)</u>
Subtotal	245,504	344,212
Less allowance for uncollectible pledges	<u>(60,055)</u>	<u>(96,500)</u>
Net	<u><u>\$ 185,449</u></u>	<u><u>\$ 247,712</u></u>

Note 5 - Investments

The following summarizes the investments at December 31, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Equities	\$ 3,640,958	\$ 4,891,441	\$ 3,579,758	\$ 4,199,785
Corporate and government bonds	1,353,440	1,391,168	1,299,851	1,385,569
Fixed income	140,180	153,801	373,891	411,607
Certificate of deposit	<u>51,230</u>	<u>51,457</u>	<u>51,230</u>	<u>51,289</u>
Total	<u><u>\$ 5,185,808</u></u>	<u><u>\$ 6,487,867</u></u>	<u><u>\$ 5,304,730</u></u>	<u><u>\$ 6,048,250</u></u>

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Notes to Financial Statements December 31, 2013 and 2012

Note 5 – Investments (Continued)

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

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 214,700	\$ 164,617
Realized gain	149,301	105,660
Unrealized gain	<u>208,166</u>	<u>387,185</u>
Total	\$ <u>572,167</u>	\$ <u>657,462</u>

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.

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Notes to Financial Statements December 31, 2013 and 2012

Note 6 – Fair Value Measurements (Continued)

	December 31, 2013	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
Equities				
Foreign large blend	\$ 734,624	\$ 734,624	\$ -	\$ -
Large value	592,181	592,181	-	-
Emerging markets	589,005	589,005	-	-
Large growth	445,142	445,142	-	-
Alternative	340,649	-	340,649	-
Small growth	331,593	331,593	-	-
Small value	282,381	282,381	-	-
World stock	182,722	182,722	-	-
Global real estate	178,587	178,587	-	-
Large blend	150,308	150,308	-	-
Commodities	141,378	141,378	-	-
Moderate allocation	129,341	129,341	-	-
Long/Short equity	112,310	112,310	-	-
Pacific/Asia stock	101,258	101,258	-	-
Multialternative	100,576	100,576	-	-
Mid-Cap blend	30,219	30,219	-	-
Unknown	21,067	21,067	-	-
Financial	3,747	3,747	-	-
Technology	2,474	2,474	-	-
Total equities	<u>4,469,562</u>	<u>4,128,913</u>	<u>340,649</u>	<u>-</u>
Corporate and government bonds				
Rated AA+	1,076,984	1,076,984	-	-
Rated AAA	157,212	157,212	-	-
Rated A-	102,702	102,702	-	-
Rated A	31,688	31,688	-	-
Rated A+	22,582	22,582	-	-
Total corporate and government bonds	<u>1,391,168</u>	<u>1,391,168</u>	<u>-</u>	<u>-</u>
Fixed income				
Bank loan	120,000	120,000	-	-
High yield	110,502	110,502	-	-
World bond	301,879	301,879	-	-
Multi-Sector	43,299	43,299	-	-
Total fixed income	<u>575,680</u>	<u>575,680</u>	<u>-</u>	<u>-</u>
Certificate of deposit	<u>51,457</u>	<u>-</u>	<u>51,457</u>	<u>-</u>
Total assets	<u><u>\$ 6,487,867</u></u>	<u><u>\$ 6,095,761</u></u>	<u><u>\$ 392,106</u></u>	<u><u>\$ -</u></u>

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

Note 6 – Fair Value Measurements (Continued)

	December 31, 2012	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(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	-	-
Technology	68,166	68,166	-	-
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>4,052,777</u>	<u>3,788,199</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				
Government	67,868	67,868	-	-
High yield	79,140	79,140	-	-
Multi-Sector	182,857	182,857	-	-
Intermediate	144,805	144,805	-	-
High yield	83,945	83,945	-	-
Total fixed income	<u>558,615</u>	<u>558,615</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, 2013 and 2012

Note 7 – Land, Building and Equipment

Land, building and equipment as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 1,138,200	\$ 1,138,200
Building	16,682,935	16,012,269
Building improvements	1,809,140	1,774,436
Furniture and equipment	3,855,372	3,552,662
Vehicles	<u>397,730</u>	<u>344,287</u>
Total	23,883,377	22,821,854
Less: Accumulated depreciation	<u>10,583,657</u>	<u>9,778,828</u>
Net property and equipment	<u><u>\$ 13,299,720</u></u>	<u><u>\$ 13,043,026</u></u>

Depreciation expense for the years ended December 31, 2013 and 2012 amounted to \$804,829 and \$732,257, respectively.

Note 8 – Line of Credit

The YMCA has a line of credit with Haven Savings Bank in the amount of \$700,000, expiring August 2014. The interest rate is prime minus .25% with a floor of 3.75%. The interest rate at December 31, 2013 was 3.75%. There was no outstanding balance on the line of credit at December 31, 2013 and 2012.

The YMCA has a line of credit with Affinity Federal Credit Union in the amount of \$237,000, expiring June 2014. The interest rate is the 12 month certificate of deposit rate plus 2.25%. The interest rate at December 31, 2013 was 2.65%. There was no outstanding balance on the line of credit at December 31, 2013 and 2012.

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

Note 9 – Long-Term Debt

	<u>2013</u>	<u>2012</u>
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.	\$ 1,863,904	\$ 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.	16,794	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.	31,635	41,672
Note payable to bank for purchase of vehicle with an original principal balance of \$52,444 which requires monthly payments of \$970 including principal and interest at 4.125%. The note matures in November 2018 and is secured by the related vehicle.	<u>51,671</u>	<u>-</u>
Total	1,964,004	2,111,446
Less: Current maturities	<u>211,580</u>	<u>195,013</u>
Total long-term debt	<u><u>\$ 1,752,424</u></u>	<u><u>\$ 1,916,433</u></u>

Principal repayment for long-term debt is as follows:

<u>Year</u>	
2014	\$ 211,580
2015	220,603
2016	221,572
2017	220,394
Thereafter	<u>1,089,855</u>
Total	<u><u>\$ 1,964,004</u></u>

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 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. Amortization expense for the years ended December 31, 2013 and 2012 amounted to \$197,941 and \$138,495, respectively. Amortization expenses is included in depreciation expense.

Property and equipment held under capital lease:

	<u>2013</u>	<u>2012</u>
Fitness equipment	\$ 891,120	\$ 621,800
Less accumulated amortization	<u>384,202</u>	<u>186,261</u>
Net	<u><u>\$ 506,918</u></u>	<u><u>\$ 435,539</u></u>

Minimum future lease payments under capital lease as of December 31, 2013 for each of the next four years in the aggregate are:

<u>Year</u>	
2014	\$ 255,540
2015	173,904
2016	<u>111,000</u>
Net minimum lease payment	540,444
Less: Amount representing interest	<u>33,526</u>
Present value of net minimum lease payments	506,918
Less: Current portion	<u>239,948</u>
Long-term portion	<u><u>\$ 266,970</u></u>

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 years ended December 31, 2013 and 2012 amounted to \$396,084 and \$373,815, respectively. Employees, at their option, may also contribute to tax deferred annuities through the YMCA retirement fund or other commercial sources. The Summit Area YMCA does not match these contributions.

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

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, 2013 are as follows:

<u>Year</u>	
2014	\$ 415,768
2015	374,052
2016	<u>204,480</u>
Total	\$ <u><u>994,300</u></u>

Total rent expense for the years ended December 31, 2013 and 2012 amounted to \$451,847 and \$447,320, respectively.

Note 13 – Concentration of Credit Risks

The vast majority of contributions and receivables are due from payers 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, 2013 and 2012, the YMCA had cash and investments which exceeded federally insured limits by \$7,159,545 and \$6,785,705, respectively.

SUMMIT AREA YMCA

Notes to Financial Statements December 31, 2013 and 2012

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:

	Increase (decrease) in net assets
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	(17,187)
Total accounting principle change adjustment	\$ (316,410)

Note 15 – Related Party Transactions

The YMCA is affiliated by agreement with the YMCA of the USA. Under this agreement, the YMCA is obligated to pay a percentage of its revenues to the national Association. Dues paid to the YMCA of the USA for the years ended December 31, 2013 and 2012 amounted to \$128,443 and \$130,250, respectively.

Note 16 – Litigation

The YMCA is subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the Association.