

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

For The Years Ended December 31, 2017 And 2016

**Lewitz, Balosie, Wollack,
Rayner & Giroux, LLC**
Certified Public Accountants
Old Saybrook, Connecticut 06475

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

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Lewitz, Balosie, Wollack,
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INDEPENDENT AUDITOR'S REPORT

To The Board Of Directors
Valley Shore YMCA, Inc.
Westbrook, Connecticut

Report On The Financial Statements

We have audited the accompanying financial statements of **Valley Shore YMCA, Inc.** (A Nonprofit Organization) which comprise the statements of financial position as of December 31, 2017 and 2016, 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 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 Valley Shore YMCA, Inc. as of December 31, 2017 and 2016, 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.

Sewitz, Babin, Wallace, Ryan & Giroux

June 12, 2018

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statements Of Financial Position

For The Years Ended December 31, 2017 And 2016

	2017	2016
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash	\$ 133,957	\$ 104,665
Cash Held In Reserve For Temporarily Restricted Use	184,129	221,859
Accounts Receivable	19,057	13,585
Pledges Receivable	127,734	27,179
Marketable Securities	2,605	2,401
Deferred Expenses	24,338	21,025
<u>Total Current Assets</u>	491,820	390,714
<u>Property And Equipment, Net</u>	2,902,792	3,070,334
<u>Other Assets</u>	9,551	7,494
<u>TOTAL ASSETS</u>	\$3,404,163	\$3,468,542
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ 42,591	\$ 33,234
Accrued Expenses	74,026	72,037
Deferred Income	97,426	102,814
Custodial Account	24,195	23,516
Line Of Credit	—	10,000
Current Maturities Of Long-Term Debt	145,081	89,850
Current Maturities Of Capital Lease Obligations	4,420	54,668
<u>Total Current Liabilities</u>	387,739	386,119
<u>Long-Term Liabilities</u>		
Long-Term Debt, Net Of Current Portion	1,271,494	1,447,182
Capital Lease Obligations, Net Of Current Portion	—	4,420
<u>Total Long-Term Liabilities</u>	1,271,494	1,451,602
<u>Total Liabilities</u>	1,659,233	1,837,721
<u>Net Assets</u>		
Unrestricted	1,451,685	1,390,525
Temporarily Restricted	293,245	240,296
<u>Total Net Assets</u>	1,744,930	1,630,821
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$3,404,163	\$3,468,542

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statement Of Activities

For The Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Public Support</u>			
Contributions	\$ 71,333	\$ 317,465	\$ 388,798
Special Events, Net	79,959	—	79,959
Net Assets Released From Restrictions	264,516	(264,516)	—
<u>Total Public Support</u>	<u>415,808</u>	<u>52,949</u>	<u>468,757</u>
<u>Revenue</u>			
Government Grants And Contracts	27,366	—	27,366
Membership Fees, Net Of Assistance	1,384,769	—	1,384,769
Program Fees, Net Of Assistance	920,060	—	920,060
Investment Income	180	—	180
Other Revenue	24,161	—	24,161
<u>Total Revenue</u>	<u>2,356,536</u>	<u>—</u>	<u>2,356,536</u>
<u>Total Public Support And Revenue</u>	<u>2,772,344</u>	<u>52,949</u>	<u>2,825,293</u>
<u>Expenses</u>			
<u>Program Services</u>			
Youth Development	786,116	—	786,116
Healthy Living	1,534,145	—	1,534,145
Social Responsibility	35,902	—	35,902
<u>Total Program Services</u>	<u>2,356,163</u>	<u>—</u>	<u>2,356,163</u>
<u>Support Services</u>			
Management And General	156,490	—	156,490
Fundraising	198,531	—	198,531
<u>Total Support Services</u>	<u>355,021</u>	<u>—</u>	<u>355,021</u>
<u>Total Expenses</u>	<u>2,711,184</u>	<u>—</u>	<u>2,711,184</u>
<u>Changes In Net Assets</u>	<u>61,160</u>	<u>52,949</u>	<u>114,109</u>
<u>Net Assets At Beginning Of Year</u>	<u>1,390,525</u>	<u>240,296</u>	<u>1,630,821</u>
<u>Net Assets At End Of Year</u>	<u>\$1,451,685</u>	<u>\$293,245</u>	<u>\$1,744,930</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statement Of Activities

For The Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
<u>Public Support</u>			
Contributions	\$ 95,409	\$ 284,996	\$ 380,405
Special Events, Net	74,696	—	74,696
Net Assets Released From Restrictions	304,073	(304,073)	—
<u>Total Public Support</u>	474,178	(19,077)	455,101
<u>Revenue</u>			
Government Grants And Contracts	14,589	—	14,589
Membership Fees, Net Of Assistance	1,383,891	—	1,383,891
Program Fees, Net Of Assistance	860,605	—	860,605
Investment Income	230	—	230
Other Revenue	31,278	—	31,278
<u>Total Revenue</u>	2,290,593	—	2,290,593
<u>Total Public Support And Revenue</u>	2,764,771	(19,077)	2,745,694
<u>Expenses</u>			
<u>Program Services</u>			
Youth Development	743,621	—	743,621
Healthy Living	1,494,054	—	1,494,054
Social Responsibility	34,965	—	34,965
<u>Total Program Services</u>	2,272,640	—	2,272,640
<u>Support Services</u>			
Management And General	153,629	—	153,629
Fundraising	133,884	—	133,884
<u>Total Support Services</u>	287,513	—	287,513
<u>Total Expenses</u>	2,560,153	—	2,560,153
<u>Changes In Net Assets</u>	204,618	(19,077)	185,541
<u>Net Assets At Beginning Of Year</u>	1,185,907	259,373	1,445,280
<u>Net Assets At End Of Year</u>	\$1,390,525	\$240,296	\$1,630,821

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statement Of Functional Expenses

For The Year Ended December 31, 2017

	Program Services				Support Services		Totals
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management And General	Fundraising	
Personnel Costs							
Salaries And Wages	\$472,715	\$ 657,671	\$10,310	\$1,140,696	\$ 69,054	\$ 86,728	\$1,296,478
Payroll Taxes And Employee Benefits	70,666	94,682	1,081	166,429	36,423	8,233	211,085
Total Personnel Costs	543,381	752,353	11,391	1,307,125	105,477	94,961	1,507,563
Non-Personnel Costs							
Contracted Services	13,141	22,823	371	36,335	13,723	81,666	131,724
Program, Janitorial And Office Supplies	33,855	81,149	8,632	123,636	6,422	3,831	133,889
Telephone	3,831	5,330	84	9,245	560	703	10,508
Postage And Shipping	2,194	2,640	37	4,871	980	416	6,267
Licenses And Permits	5,791	10,067	156	16,014	35	49	16,098
Office Equipment And Maintenance	—	—	—	—	18,520	—	18,520
Printing And Advertising	18,270	26,961	38	45,269	2,818	925	49,012
Travel, Meetings And Training	9,168	3,075	2	12,245	3,785	705	16,735
National YMCA Support And Other Dues	11,213	21,127	421	32,761	37	5,836	38,634
Bank And Credit Card Processing Fees	11,240	21,204	423	32,867	11	5,852	38,730
Insurance	8,072	47,853	1,153	57,078	288	288	57,654
Miscellaneous	—	—	—	—	35	—	35
Bad Debt Expense	6,812	6,872	—	13,684	—	—	13,684
Interest Expense	10,396	61,632	1,485	73,513	667	371	74,551
Rent	10,000	—	—	10,000	—	—	10,000
Repairs And Maintenance	13,792	83,652	1,970	99,414	493	493	100,400
Utilities	27,967	165,804	3,995	197,766	999	999	199,764
Loss On Disposal Of Assets	20,189	3,405	486	24,080	122	122	24,324
Total Non-Personnel Costs	205,931	563,594	19,253	788,778	49,495	102,256	940,529
Depreciation And Amortization	36,804	218,198	5,258	260,260	1,518	1,314	263,092
Total Expenses	\$786,116	\$1,534,145	\$35,902	\$2,356,163	\$156,490	\$198,531	\$2,711,184

See Accompanying Notes.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Statement Of Functional Expenses
For The Year Ended December 31, 2016

	Program Services			Support Services			Totals
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management And General	Fundraising	
Personnel Costs							
Salaries And Wages	\$447,665	\$ 648,914	\$11,609	\$1,108,188	\$ 70,047	\$ 63,168	\$133,215
Payroll Taxes And Employee Benefits	72,771	111,461	1,185	185,417	35,307	6,144	41,451
Total Personnel Costs	<u>520,436</u>	<u>760,375</u>	<u>12,794</u>	<u>1,293,605</u>	<u>105,354</u>	<u>69,312</u>	<u>174,666</u>
Non-Personnel Costs							
Contracted Services	13,364	25,076	509	38,949	13,705	45,489	59,194
Program, Janitorial And Office Supplies	30,782	59,072	6,698	96,552	5,836	1,310	7,146
Telephone	5,392	5,101	91	10,584	551	497	1,048
Postage And Shipping	1,919	2,408	40	4,367	908	280	1,188
Licenses And Permits	2,424	2,353	33	4,810	8	8	16
Office Equipment And Maintenance	—	—	—	—	16,330	—	16,330
Printing And Advertising	10,412	23,387	—	35,799	1,629	109	1,738
Travel, Meetings And Training	4,609	6,434	2	11,045	4,234	58	4,292
National YMCA Support And Other Dues	13,861	27,120	446	41,427	34	7,720	7,754
Bank And Credit Card Processing Fees	10,033	19,658	323	30,014	—	5,589	5,589
Insurance	6,968	41,309	995	49,272	249	249	498
Miscellaneous	—	—	—	—	146	—	146
Bad Debt Expense	3,279	6,037	—	9,316	—	—	—
Interest Expense	11,581	68,665	1,655	81,901	1,596	414	2,010
Repairs And Maintenance	10,357	63,159	1,480	74,996	370	370	740
Utilities	28,048	166,291	4,007	198,346	1,002	1,002	2,004
Loss On Disposal Of Assets	34,778	5,866	838	41,482	209	210	419
Total Non-Personnel Costs	<u>187,807</u>	<u>523,936</u>	<u>17,117</u>	<u>728,860</u>	<u>46,807</u>	<u>63,305</u>	<u>110,112</u>
Depreciation And Amortization	<u>35,378</u>	<u>209,743</u>	<u>5,054</u>	<u>250,175</u>	<u>1,468</u>	<u>1,267</u>	<u>2,735</u>
Total Expenses	<u>\$743,621</u>	<u>\$1,494,054</u>	<u>\$34,965</u>	<u>\$2,272,640</u>	<u>\$153,629</u>	<u>\$133,884</u>	<u>\$287,513</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Statements Of Cash Flows

For The Years Ended December 31, 2017 And 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows From Operating Activities – Source (Use)</u>		
Increase (Decrease) In Net Assets	\$114,109	\$185,541
<u>Adjustments To Reconcile Change In Net Assets To Net Change In Cash From Operating Activities</u>		
Depreciation	262,889	252,703
Amortization Of Other Assets	203	204
Loss (Gain) On Disposal Of Property And Equipment	24,324	41,901
Unrealized Loss (Gain) On Marketable Securities	(179)	(184)
(Increase) Decrease In Operating Assets:		
Accounts Receivable	(5,472)	(2,401)
Pledges Receivable	(100,555)	111,502
Other Assets	(2,260)	(2,023)
Increase (Decrease) in Operating Liabilities:		
Deferred Expenses	(3,313)	(2,753)
Accounts Payable	9,357	(26,509)
Accrued Expenses	1,989	16,293
Deferred Income	(5,388)	(14,848)
Custodial Accounts	679	3,622
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>296,383</u>	<u>563,048</u>
<u>Cash Flows From Investing Activities – Source (Use)</u>		
Purchase Of Property And Equipment	(119,671)	(241,454)
Purchase Of Investments	(30,558)	(6,228)
Proceeds From Sale Of Investments	30,533	6,180
<u>Net Cash Provided (Used) By Investing Activities</u>	<u>(119,696)</u>	<u>(241,502)</u>
<u>Cash Flows From Financing Activities – Source (Use)</u>		
Payments On Lines Of Credit	(10,000)	(38,073)
Proceeds From Borrowings On Long-Term Debt	—	24,329
Payments Of Long-Term Debt	(120,457)	(86,072)
Payments Of Capital Lease Obligations	(54,668)	(57,533)
<u>Net Cash Provided (Used) By Financing Activities</u>	<u>(185,125)</u>	<u>(157,349)</u>
<u>Net Change In Cash And Equivalents</u>	<u>(8,438)</u>	<u>164,197</u>
<u>Cash At Beginning Of Year</u>	<u>326,524</u>	<u>162,327</u>
<u>Cash At End Of Year</u>	<u>\$318,086</u>	<u>\$326,524</u>

See Accompanying Notes.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2017 And 2016

1) **Summary Of Significant Accounting Policies**

Nature Of Activities - The mission of the Valley Shore YMCA, Inc. (YMCA) is to develop and encourage the growth of all individuals in spirit, mind and body in an atmosphere of mutual respect. The YMCA is a charitable community service organization that includes men, women and children of all ages, abilities, income, race and religions. Founded in 1917, our YMCA is dedicated to building strong kids, strong families and strong communities by putting principles into practice through programs that promote healthy living, youth development, and social responsibility.

Our YMCA serves a ten-town region within the Connecticut Valley-Shore area. The principle place of operations serving as headquarters is the facility in Westbrook. Our YMCA serves over 7,000 members and revenue is derived from membership fees, program fees, contributed income, rental income and earnings on investments.

As part of our mission our programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. We provide financial assistance to people who otherwise may not have been able to afford to participate.

Program Activities

- **Youth Development** - Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills and relationships that lead to positive behaviors, better health and educational achievement. Our YMCA programs, such as child care, before and after school care, day and specialty camp programs, youth sports, youth swim programs and other youth programming offer a range of experiences that enrich cognitive, social, physical and emotional growth.
- **Healthy Living** - The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun and shared interests. As a result, people in our community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment. Healthy living programs include group adult classes, cancer recovery program, wellness workshops, swim and fitness programs, weight loss programs, triathlon and running groups, and other recreation activities and social groups.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Year Ended December 31, 2017 And 2016

1) **Summary Of Significant Accounting Policies** (Continued)

Program Activities (Continued)

- **Social Responsibility** - Our YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community's most critical social needs. YMCA programs, such as the YMCA Community Garden, teaching CPR, First Aid and Life Saving Classes, Togetherhood volunteer program, Knit Along, Operation Backpack, Senior Forum and community group access to share our facility are examples of how we deliver training, resources and support that empower our neighbors to effect change, bridge gaps and overcome obstacles. We engage YMCA members, participants and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

Basis Of Accounting - The financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis Of Presentation - The YMCA records resources for accounting and reporting purposes into three net asset categories: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions.

- **Unrestricted** - Net assets not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the YMCA's mission.
- **Temporarily Restricted** - Net assets subject to specific, donor-imposed restrictions that must be met by actions of the YMCA and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as released from restriction.
- **Permanently Restricted** - Net assets subject to donor-imposed restriction requiring they be maintained permanently by the YMCA. Such net assets are normally restricted to long-term investment, with income earned and appreciation available for specific or general YMCA purposes. The Organization does not have any permanently restricted net assets as of December 31, 2017 or 2016.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2017 And 2016

1) **Summary Of Significant Accounting Policies** (Continued)

Operating Activities - Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investment such as contributions for facilities and equipment.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition - Membership dues are recognized as revenue ratably over the period of membership. Program fees are recognized as income at the beginning of the program period.

Contributions And Pledges - The YMCA records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The YMCA recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote.

Contributed Services - The YMCA recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets, (b) require specialized skills, (c) are provided by individuals possessing those skills and, (d) would typically need to be purchased if not contributed. The YMCA did not receive such contributed services for the years ended December 31, 2017 and 2016.

However, the YMCA receives services from a large number of volunteers who give significant amounts of their time to the programs of the YMCA. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services.

Functional Allocation Of Expenses - Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on facility square footage usages and other estimates made by management.

VALLEY SHORE YMCA, INC.

(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2017 And 2016

1) Summary Of Significant Accounting Policies (Continued)

Advertising - The YMCA uses advertising to promote its programs among the communities it serves. Advertising costs are expensed as incurred.

Income Taxes - The YMCA has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income.

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense, however, there is no interest or penalties recognized in the statements of activities.

Cash And Cash Equivalents - The YMCA considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash allocated to the investment portfolio as part of the YMCA's investment strategy is reported as investments.

Deferred Loan Costs - Deferred loan costs are capitalized when paid and are amortized using the straight-line method over the term of the loan. These are included net in other assets.

Accounts Receivable - Accounts receivable consists primarily of receivables from program registrants. An allowance is determined by management based on historical collections, specific participants' circumstances, and economic conditions. Member receivables are written off when management has exhausted collections efforts and deems the accounts uncollectible. The YMCA does not accrue interest on unpaid accounts receivable.

Investments - Investments are reported at fair value and are based primarily on quoted market prices or estimated fair value.

Inventories - Inventories consisting of merchandise for resale are carried at the lower of cost or market on a first-in, first-out basis.

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2017 And 2016

1) Summary Of Significant Accounting Policies (Continued)

Property, Plant And Equipment - Investment in property, plant, and equipment is stated at cost less accumulated depreciation or at fair value if donated. Depreciation is calculated on the straight line basis over the estimated useful lives of the assets, ranging from three to forty years. Assets acquired that are deemed to be of a permanent and lasting nature with a cost exceeding \$1,000 are capitalized at cost. Maintenance or minor additions are expensed as incurred. The cost of the capitalized assets that have been retired, impaired or otherwise disposed are removed from the capital account.

Deferred Revenue - Membership dues and program fees that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which they apply.

2) Pledges Receivable

Unconditional promises to give (pledges receivable) are recorded at the estimated net realizable present value of the expected future cash flows. The amount of unconditional promises to give for 2017 and 2016 was \$127,734 and \$27,179, respectively. 2017 pledges receivable is comprised of \$100,000 grant by a local foundation committed to in 2017 and received in early 2018, \$15,000 in pledges for the Capital Campaign from an individual commitment and \$12,733 from various donors who are paying pledge installments in general support all due within the coming year. 2016 pledges receivable is comprised of \$20,000 in pledges for a Capital Campaign and \$7,179 from various donors who are paying pledge installments in general support all due within the coming year. As of December 31, 2017 and 2016, management believes the amount is fully collectable within one year and thus not discounted.

3) Property, Plant and Equipment

Property, plant, and equipment at December 31, 2017 and 2016, were as follows:

	<u>2017</u>	<u>2016</u>
Land And Improvements	\$ 117,968	\$ 117,968
Buildings And Building Improvements	6,177,734	6,106,151
Equipment And Furnishings	623,920	627,964
Total Investment In Property, Plant, And Equipment	6,919,622	6,852,083
Less Accumulated Depreciation	4,016,830	3,781,749
Net Investment In Property, Plant, And Equipment	<u>\$2,902,792</u>	<u>\$3,070,334</u>

VALLEY SHORE YMCA, INC.
(A Nonprofit Organization)

Notes To The Financial Statements

For The Years Ended December 31, 2017 And 2016

4) Long-Term Debt

Long-term debt as of December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Mortgage payable to bank, with interest at a rate of 5% per annum (interest rate adjusted at 5-year intervals – next adjustment date in 2023) in monthly installments of \$10,454.82 to February 2033; collateralized by land, building and personal property located on Spencer Plains Road in Westbrook, CT.	\$1,325,834	\$1,382,493
Repayment agreement with YMCA of the USA of past due payables in monthly installments of \$962 to January 2019. Agreement is not-interest bearing and unsecured.	8,529	20,074
Unsecured loans from several board members with interest payable annually ranging from 2.5% to 4% and principal repayment due in 2018.	60,000	90,000
Repayment agreement with utility company for financing of energy efficient lighting under 3 separate energy conservation incentive program requiring monthly payments of \$1,712. Agreement is non-interest bearing and unsecured.	22,212	44,465
Total Long-Term Debt	1,416,575	1,537,032
Less: Current Maturities of Long-Term Debt	145,081	89,850
Long-Term Debt Net of Current Portion	<u>\$1,271,494</u>	<u>\$1,447,182</u>

VALLEY SHORE YMCA, INC.
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For The Years Ended December 31, 2017 And 2016

4) Long-Term Debt (Continued)

Future annual maturities of the notes are as follows:

2018	\$ 145,081
2019	69,839
2020	66,894
2021	70,317
2022	73,914
Thereafter	990,530
Total	<u><u>\$1,416,575</u></u>

The secured mortgage loan agreement contains certain restrictive financial and nonfinancial covenants, including limitations on additional indebtedness and timely review of financial statements and tax returns.

5) Revolving Line Of Credit

The YMCA has a \$50,000 line of credit with Webster Bank to be drawn upon as needed, with an interest rate of 5.25%. The amount outstanding at December 31, 2017 and 2016 was \$0 and \$10,000, respectively. The line of credit expires in October 2019 and is renewable at the discretion of the bank.

6) Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 and 2016, consisted of the following:

	2017	2016
Temporarily Restricted Net Assets:		
Restricted For		
Programs		
Youth Development	\$ 6,380	\$ 8,088
Healthy Living	846	
Social Responsibility	3,756	1,400
Capital Expenditure	144,642	122,229
Capital Campaign Development	137,621	108,579
Total Temporarily Restricted Net Assets	\$293,245	\$240,296

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For The Years Ended December 31, 2017 And 2016

6) Temporarily Restricted Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by the occurrence of events specified by the donors, or by a change in the restrictions specified by the donor.

Those amounts released from restrictions during the years ended December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Programs		
Youth Development	\$ 23,116	\$ 25,264
Healthy Living	10,823	9,005
Social Responsibility	6,509	7,226
Capital Expenditure	116,854	199,665
Capital Campaign Development	<u>107,214</u>	<u>62,913</u>
Total Temporarily Restricted Net Assets		
Released From Restrictions	<u>\$264,516</u>	<u>\$304,073</u>

7) Special Events

As part of its fundraising efforts, the YMCA holds periodic special events. Revenue for special events is recognized in the period in which the event is held. Direct expenses associated with special events are netted against such revenue as follows:

	<u>2017</u>	<u>2016</u>
Special Event Revenue	\$106,715	\$99,761
Special Event Direct Expenses	<u>(26,756)</u>	<u>(25,065)</u>
Special Event Revenue, Net	<u>\$ 79,959</u>	<u>\$74,696</u>

VALLEY SHORE YMCA, INC.
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Notes To The Financial Statements

For The Years Ended December 31, 2017 And 2016

8) Financial Assistance Provided

The YMCA provides financial assistance, through contributions and other fundraising, to help defray the costs of membership and program and other fees for individuals with need. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Membership Dues	\$1,484,314	\$1,468,935
Less: Financial Assistance Provided	(99,545)	(85,044)
Membership Dues, Net	<u>\$1,384,769</u>	<u>\$1,383,891</u>
 Program Fees	 \$945,378	 \$ 883,534
Less: Financial Assistance Provided	(25,318)	(22,929)
Program Fees, Net	<u>\$920,060</u>	<u>\$ 860,605</u>

9) Defined Contribution Plans

The YMCA participates in the YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs through-out the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with our agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the YMCA. Total contributions charged to retirement costs aggregated \$48,941 and \$48,662 for the years ended December 31, 2017 and 2016, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution to this plan.

VALLEY SHORE YMCA, INC.
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Notes To The Financial Statements

For The Years Ended December 31, 2017 And 2016

10) Related Parties

The YMCA pays dues to YMCA of the USA. Dues paid to YMCA of the U.S.A. for the year ended December 31, 2017 and 2016, were \$34,602 and \$45,295, respectively.

A company owned by a former board member provided grant writing services in the amount of \$2,794 and \$8,625 for the years ended December 31, 2017 and 2016, respectively.

11) Lease Commitments

Capital Leases - The YMCA has entered into various capital lease agreements for fitness equipment. The outstanding balance of these capital lease obligations at December 31, 2017 and 2016, was \$4,420 and \$59,087, respectively. Future minimum payments required under these agreements are as follows:

Total Minimum Lease Payments Due In 2018	\$4,438
Amount Representing Interest	(18)
Present Value Of Net Minimum Lease Payments	<u>\$4,420</u>

The following is a summary of property held under capital leases:

Equipment	\$190,091
Accumulated Depreciation	(182,129)
Net Equipment Held Under Capital Lease	<u>\$ 7,962</u>

Leased Equipment - YMCA has an operating lease covering copier equipment to April 2020 and an operating lease on a postage meter to April 2023. Future minimum lease obligations under operating leases as of December 31, 2017, are as follows:

2018	\$ 8,513
2019	3,723
2020	653
2021	653
2022	653
Thereafter	163
	<u>\$14,358</u>

Rent expense for equipment under operating leases was approximately \$7,949 and \$9,032 for the years ended December 31, 2017 and 2016, respectively.

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Notes To The Financial Statements

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11) Lease Commitments (Continued)

The Organization leases certain property from the Girl Scouts of Connecticut located in East Lyme to operate a day camp program. The lease was a seasonal lease for specific summer weeks and rent amounts are contingent upon the number of campers using the facility during the summer. Rent expense was \$10,000 during the year ended December 31, 2017. The Organization entered into the agreement to rent the property again in the summer of 2018 under similar terms.

12) Commitments And Contingencies

In the normal course of business, various legal actions and claims are pending or may be instituted or asserted in the future against the YMCA. Management evaluates risks and keeps them to an acceptable level through various methods including the purchase of commercial insurance. Management believes the YMCA does not have any significant claims or other litigation which the ultimate resolution would have a material financial impact.

The YMCA self-insures employee unemployment compensation claims. If an employee becomes entitled to unemployment compensation, the YMCA is obligated to reimburse the State of Connecticut for any benefits paid to such employees. As of December 31, 2017 and 2016, the YMCA had a deposit of \$3,284 and \$2,023, respectively, which is included in deferred expenses.

The Board of Directors agreed to pursue a Capital Campaign to raise contributions in order to substantially renovate its facilities in Westbrook. In 2016 and 2017 funds were being expended as part of the prefunding process and included such items as feasibility studies, fundraising consultants and building schematics considered normal and best practices for undertaking a fundraising campaign of the size and scope envisioned. Funds contributed are recorded as Temporarily Restricted and funds are released from restriction when utilized specifically for the Capital Campaign process.

13) Subsequent Events

Subsequent events were evaluated through June 12, 2018, which is the date the financial statements were available to be issued.

In January 2018, the YMCA entered into a capital lease agreement for new fitness equipment requiring monthly payments of \$518 per month for 36 months.

In March 2018, the unsecured loans to several board members were paid in full.