FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

ADDING UP

Combined Financial Statements and Independent Auditors' Report

Metropolitan YMCA of the Oranges

CHARITY NAVIGATOR
Four Star Charity
3 CONSECUTIVE YEARS

metroymcas.org

OUR MISSION:

STRENGTHEN COMMUNITY THROUGH YOUTH DEVELOPMENT, HEALTHY LIVING AND SOCIAL RESPONSIBILITY

We believe the Y can do so much more.

IMPACT STATEMENT

People we serve will be stronger, healthier and feel supported. They will be more connected and more responsible to each other and to the community. Youth will feel safe and empowered to achieve their highest potential. As a result, our communities will thrive and people will grow closer together.

INTRODUCTION

What follows are the Metro YMCAs of the Oranges' 2013 and 2012 combined financial statements and report of independent auditors, R.A. Fredericks and Company, LLP, which were prepared in March 2014. Please refer questions to the Metro YMCAs of the Oranges' finance department at 973 758 9622.

METROPOLITAN YMCA OF THE ORANGES

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

WITH INDEPENDENT AUDITORS' REPORT

R.A. FREDERICKS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS

METROPOLITAN YMCA OF THE ORANGES

COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

CONTENTS

R.A. FREDERICKS & COMPANY, LLP

Certified Public Accountants

Ralph A. Fredericks, CPA
Ellen T. O'Donnell, CPA
Theodore T. Clausen, CPA, CFE, CGMA
Alan H. Fisvitz, CPA (retired)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Metropolitan YMCA of the Oranges
139 East McClellan Avenue
Livingston, New Jersey 07039

We have audited the accompanying combined financial statements of the Metropolitan YMCA of the Oranges which comprise the statement of financial position as of December 31, 2013, and the related combined statements of activities, cash flows and functional expenses for the year then ended and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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.

Auditors' 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 combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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.

170 Changebridge Road, Unit B-4, Montville, New Jersey 07045
Tel: (973) 575-6200 Fax: (973) 575-5444

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan YMCA of the Oranges as of December 31, 2013 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.

Report on Summarized Comparative Information

We have previously audited the Metropolitan YMCA of the Oranges's 2012 financial statements, and our report dated March 21, 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.

R.A. Fredericks & Company, LLP

R.A. FREDERICKS & COMPANY, LLP

Montville, New Jersey
March 6, 2014

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents (Notes 3 and 13)	$ 6,144,742	$ 4,692,071
Accounts and other receivables - net	174,968	273,357
Short-term Investments (Notes 8 and 9)	1,529,652	1,528,889
Inventories	62,665	56,392
Prepaid expenses and other assets	233,764	252,459
Total current assets	8,145,791	6,803,168
LONG-TERM ASSETS		
Assets designated by Board for future projects	563,226	348,713
Investments (Note 8 and 9)	9,891,500	8,241,884
Deferred mortgage costs (Note 2m)	31,361	34,169
Security deposits and other assets	107,877	105,250
Intangible assets - net (Note 2m)	371,340	510,593
Land, buildings, and equipment-net (Notes 4 and 10)	14,965,809	15,029,437
Total long-term assets	25,931,113	24,270,046
TOTAL ASSETS	**$ 34,076,904**	**$ 31,073,214**

The accompanying notes are an integral part of the financial statements.

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable, accrued expenses and other liabilities	$ 2,042,734	$ 2,085,048
Deferred program revenue	771,392	556,975
Current portion of long-term debt (Note 10)	381,514	362,911
Grant funds subject to resolution	23,248	84,486
Current portion of lease obligations payable	-	9,502
Net insurance proceeds on open claim (Note 18)	-	16,002
Total current liabilities	3,218,888	3,114,924
LONG-TERM LIABILITIES		
Long-term debt - net of current portion (Note 10)	3,543,901	3,925,416
Total long term liabilities	3,543,901	3,925,416
TOTAL LIABILITIES	6,762,789	7,040,340
NET ASSETS		
Unrestricted (Note 5)	23,233,746	20,540,207
Temporarily restricted (Note 6)	1,302,193	1,144,205
Permanently restricted (Note 7)	2,778,176	2,348,462
TOTAL NET ASSETS	27,314,115	24,032,874
TOTAL LIABILITIES AND NET ASSETS	**$ 34,076,904**	**$ 31,073,214**

The accompanying notes are an integral part of the financial statements.

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012)

	Unrestricted						
	General Operating	Designated	Total	Temporarily Restricted	Permanently Restricted	2013	2012
REVENUES, GAINS AND SUPPORT							
Program Receipts:							
Community Groups	$ 2,129,204	$ -	$ 2,129,204	$ -	$ -	$ 2,129,204	1,952,320
Camp	4,754,997	-	4,754,997	-	-	4,754,997	4,447,539
Youth activity	2,240,985	-	2,240,985	-	-	2,240,985	1,862,665
Child Care	9,585,544	-	9,585,544	-	-	9,585,544	8,866,675
Administrative rentals and sales	491,551	-	491,551	-	-	491,551	455,007
Total program receipts	19,202,281	-	19,202,281	-	-	19,202,281	17,584,206
Contributions	1,657,837	36	1,657,873	452,277	1,500	2,111,650	1,913,825
Government grants, contracts and other grants	-	-	-	820,305	-	820,305	876,833
Membership dues	4,701,410	-	4,701,410	-	-	4,701,410	4,355,071
Special events and projects	253,131	-	253,131	-	-	253,131	203,870
Investment income	8,788	429,839	438,627	184,216	-	622,843	405,966
Other revenue	202,949	-	202,949	-	-	202,949	245,534
Net assets released from restrictions for program activities (Note 6)	1,220,953	77,857	1,298,810	(1,298,810)	-	-	-
Net unrealized gains on long-term investments (Note 8)	3,488	999,168	1,002,656	-	428,214	1,430,870	475,823
Gain (loss) on disposal of property and equipment	-	1,625	1,625	-	-	1,625	(13,685)
Gain from insurance proceeds for hurricane sandy	-	31,386	31,386	-	-	31,386	-
Total revenue, gains and support	27,250,837	1,539,911	28,790,748	157,988	429,714	29,378,450	26,047,443
EXPENSES							
Program services	22,856,724	1,810,121	24,666,845	-	-	24,666,845	23,197,313
Supporting services	2,337,895	-	2,337,895	-	-	2,337,895	2,179,851
Total expenses	25,194,619	1,810,121	27,004,740	-	-	27,004,740	25,377,164
Change in net assets before transfers and extraordinary items	2,056,218	(270,210)	1,786,008	157,988	429,714	2,373,710	670,279
Gain on involuntary conversion and insurance reimbursement (Note 18)		907,531	907,531			907,531	-
Change in net assets before transfers	2,056,218	637,321	2,693,539	157,988	429,714	3,281,241	670,279
Transfers	(1,433,705)	1,433,705	-	-	-	-	-
Change in net assets	**622,513**	**2,071,026**	**2,693,539**	**157,988**	**429,714**	**3,281,241**	**670,279**
Net assets beginning of year	11,136,813	9,403,394	20,540,207	1,144,205	2,348,462	24,032,874	23,362,595
Net assets end of year	**$ 11,759,326**	**$ 11,474,420**	**$ 23,233,746**	**$ 1,302,193**	**$ 2,778,176**	**$ 27,314,115**	**$ 24,032,874**

The accompanying notes are an integral part of the financial statements.

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,281,241	$ 670,279
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,121,679	1,059,419
Gain on disposal of property and equipment	(1,625)	13,685
Write off of prior capital items as part of insurance claim/extraordinary item	-	44,824
Gain on involuntary conversion of property and equipment	(907,531)	-
Net unrealized gains on long-term investments	(1,430,870)	(475,823)
Gain from insurance proceeds for hurricane sandy	(31,386)	-
Net realized gains on sales of long-term investments	(418,863)	(172,786)
Changes in assets and liabilities:		
Accounts receivable	98,389	(74,804)
Prepaid expenses	18,695	(74,758)
Inventories	(6,273)	7,895
Deferred revenue	214,417	81,804
Accounts payable and accrued expenses	(42,314)	159,030
Net deferral on open insurance claim	(16,002)	16,002
Liability for unexpended grant	(61,238)	84,486
Net cash provided by operating activities	1,818,319	1,339,253
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in security deposits and other assets	(2,627)	(63,970)
Proceeds from sales of investments	1,875,309	2,775,651
Proceeds from insurance claims - fire	907,531	-
Proceeds from insurance claims - hurricane Sandy (roof)	31,386	-
Disposition of fixed assets	3,900	18,000
Assets designated by board for future projects	(214,513)	35,437
Purchase of investments	(1,675,955)	(2,866,008)
Payments on intangible asset	-	(19,473)
Acquisition of property and equipment	(918,265)	(1,378,251)
Net cash provided by (used in) investing activities	6,766	(1,498,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(9,502)	(20,442)
Payments on long-term debt	(362,912)	(345,740)
Net cash used in financing activities	(372,414)	(366,182)
Net increase (decrease) in cash and cash equivalents	1,452,671	(525,543)
Cash and cash equivalents at beginning of year	4,692,071	5,217,614
Cash and cash equivalents at end of year	$ 6,144,742	$ 4,692,071
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 154,172	$ 190,219

The accompanying notes are an integral part of the financial statements.

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2012)

	Program services							Supporting Services				
	Membership Activities	Community Groups	Camp	Youth Activities	Child Care	Property Management	Total program services	General Administration	Fundraising	Total Supporting Activities	2013	2012
Salaries and wages	$ 1,600,643	$ 548,356	$ 1,790,616	$ 1,733,925	$ 6,218,380	$ 1,102,384	$ 12,994,304	$ 1,115,689	$ 100,287	$ 1,215,976	$ 14,210,280	$ 13,324,054
Employee benefits	100,591	81,747	188,845	114,677	954,743	150,926	1,591,529	180,041	905	180,946	1,772,475	1,560,844
Payroll taxes	178,200	59,088	194,379	192,618	660,496	118,612	1,403,393	111,009	11,145	122,154	1,525,547	1,494,320
Contractual services	29,241	67,620	355,748	146,743	389,084	115,424	1,103,860	478,194	22,871	501,065	1,604,925	1,434,727
Supplies	43,194	30,308	538,612	126,073	381,676	226,627	1,346,490	107,276	4,953	112,229	1,458,719	1,359,670
Telephone	15,202	3,714	20,736	6,363	57,764	42,430	146,209	45,538	172	45,710	191,919	200,860
Postage and shipping	16,948	1,820	10,868	3,108	13,994	6,911	53,649	13,076	598	13,674	67,323	82,856
Occupancy/space costs	4,954	1,739	131,079	10,319	417,311	2,271,511	2,836,913	(10,783)	-	(10,783)	2,826,130	2,705,822
Equipment costs	43,865	7,724	27,360	10,718	34,955	116,038	240,660	11,992	-	11,992	252,652	270,912
Insurance	1,350	899	2,597	1,538	6,836	274,719	287,939	3,536	-	3,536	291,475	271,193
Printing/publications	134,495	6,878	101,597	7,200	49,024	16,066	315,260	37,471	8,057	45,528	360,788	326,445
Travel and employee expense	11,160	6,337	89,855	54,583	47,535	42,534	252,004	28,797	11,500	40,297	292,301	296,627
Conference, meetings and dues	37,722	18,101	116,561	35,432	137,472	64,741	410,029	17,096	35,795	52,891	462,920	418,994
Miscellaneous	5,689	2,961	20,523	15,912	72,084	445,759	562,928	2,680	-	2,680	565,608	570,421
Subtotal	2,223,254	837,292	3,589,376	2,459,209	9,441,354	4,994,682	23,545,167	2,141,612	196,283	2,337,895	25,883,062	24,317,745
Depreciation	-	-	-	-	-	1,121,678	1,121,678	-	-	-	1,121,678	1,059,419
TOTAL EXPENSES 2013	$ 2,223,254	$ 837,292	$ 3,589,376	$ 2,459,209	$ 9,441,354	$ 6,116,360	$ 24,666,845	$ 2,141,612	$ 196,283	$ 2,337,895	$ 27,004,740	$ 25,377,164
TOTAL EXPENSES 2012	$ 2,103,707	$ 787,201	$ 3,395,784	$ 2,337,258	$ 8,967,680	$ 5,605,683	$ 23,197,313	$ 1,996,767	$ 183,084	$ 2,179,851	$ 25,377,164	

The accompanying notes are an integral part of the financial statements.

NOTE 1. DESCRIPTION OF ORGANIZATION

The Metropolitan YMCA of the Oranges (YMCA) is a New Jersey not-for-profit corporation operating seven branches. Revenue is generated in numerous ways, including program activities, memberships, and grants from governmental and private sources, fees and donations.

The YMCA entered into an agreement with The Young Men's and Young Women's Hebrew Association of North Jersey (YM-YWHA). The agreement provides that all facilities of the YM-YWHA are leased to and operated by the YMCA. The agreement also provides for the transfer of all cash, investments and equipment to the YMCA as well as the assumption of all operating liabilities excluding mortgages and other long-term obligations of the YM-YWHA as of the effective date. The YMCA does not control the separate YM-YWHA not-for-profit entity and therefore, the interest in the YM-YWHA is not included in the combined financial statements.

Mission Statement

The YMCA's mission is to strengthen community through youth development, healthy living, and social responsibility.

Program Activities

The major program activities are described as follows:

a. **Membership Activities**

Members use the YMCA facilities and the many programs for personal activities.

b. **Community and Youth Development**

Extensive programs are sponsored daily for children between ages of 3 through 17 throughout our community to engage youth in healthy, safe, recreational and enrichment activities.

c. **Camp**

Children between the ages of 8 and 15 spend up to 8 weeks at Fairview Lake YMCA Camps, enjoying sponsored outdoor activities. Children between the ages of 3 and 17 spend up to 10 weeks at our various day camps.

d. **Child Care**

Child care centers have been established for infants, toddlers and pre-schoolers during the normal working day. School age child care is provided before and after school.

NOTE 1. DESCRIPTION OF ORGANIZATION (CONTINUED)

e. Property Management

Property management is to operate and maintain all facilities, including but not limited to, pools, gymnasiums, cabins, buildings, dining halls and kitchens.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting and include accounts representing all Branches as follows: Association Services, East Orange, Fairview Lake YMCA Camps, South Mountain, Sussex County, West Essex and Wayne. All significant inter-branch and inter-association transactions and balances have been eliminated in combination.

b. Financial Statement Presentation

The YMCA's financial statements are prepared in accordance with the provisions of ASC 958 "Financial Statements of Not-for-Profit Organizations." ASC 958 establishes standards for general purpose, external financial statements of financial position, activities, cash flows and functional expenses. It also requires that an organization's net assets and its revenues, expenses, gains and losses be classified based on the existence or absence of donor imposed restrictions.

The financial statements include certain prior year summarized comparative information in total not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the YMCA's financial statements for the year ended December 31, 2012.

c. Cash and cash equivalents

For purposes of the statement of cash flows, the YMCA considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d. Allowance for doubtful accounts

Accounts receivable are uncollateralized customer obligations due under normal terms requiring payment in accordance with the customer's respective agreements established by the YMCA. The YMCA does not accrue interest on unpaid accounts receivable.

Accounts receivables are stated at the amount management expect to collect from outstanding balances. Customer account balances with invoices dated over 60 days old are considered delinquent. Management provides for uncollectible accounts through a provision for bad debt expense based on all customer account balances over 60 days old. In accordance with the YMCA's policies, the carrying amount of accounts receivable is reduced by a valuation allowance that reflects these delinquent accounts. The allowance for uncollectible accounts was $98,433 and $75,668 at December 31, 2013 and 2012, respectively. Bad debt expense in 2013 and 2012 was $24,613 and $15,119, respectively.

e. Inventories

Inventories consisting of merchandise, supplies and food are carried at the lower of cost or market on a first in first out basis.

f. Investments

The YMCA follows ASC 958-320 Accounting for Certain Investments Held by Not-For-Profit Organizations. Investments in equity securities with readily determinable fair values and all debt securities are measured at fair value on the basis of closing market prices or bid quotations.

g. Deferred Charges and Intangible Assets

It is the policy of the YMCA to charge costs associated with the acquisition of long - term debt to expense over the term of the loan. Included in deferred charges at December 31, are loan closing costs of $56,168, net of amortization of $24,807 and $21,999 in 2013 and 2012, respectively.

As a part of the agreement with the YM-YWHA, an intangible asset for the territorial rights was created and is being amortized on a straight-line basis over 5 years which is the term of the agreement. At December 31, 2013 and 2012, the amount of the intangible asset representing the territorial properties was $694,871 net of amortization of $323,531 and $184,278, respectively. Anticipated amortization of intangibles over the remaining years is as follows: 2014 - $139,253, 2015 – $139,253, and 2016 - $92,834.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g. Deferred Charges and Intangible Assets (Continued)

Also, in accordance with ASC, the Company tests intangible assets for impairment at least annually and more frequently under certain circumstances. The Company conducts this review during the fourth quarter of each year absent any triggering events. No impairment was indicated in 2013.

h. Land, buildings and equipment

Land, buildings and equipment are recorded at cost. Depreciation is provided to distribute the cost of capital assets over the estimated useful lives of the related assets as follows: buildings and improvements - 10 to 60 years; machinery and equipment, furniture and fixtures and transportation equipment - 5 years. The costs of minor improvements and equipment purchases under $ 5,000, and the cost of all routine recurring computer equipment are directly expensed.

i. Impairment of long lived assets

The YMCA reviews long lived assets for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows of the related assets are less than their carrying values. There is no current indication that the Company's long lived assets are not recoverable.

j. Fair value accounting

The YMCA measures the fair value of its financial assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal market for the asset or liability. In the absence of a principal market, the YMCA would use the most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date.

The YMCA categorizes the financial assets and liabilities, based on the priority of inputs to the valuation technique, into a three tiered hierarchy which maximizes the use of observable inputs, and minimizes the use of unobservable inputs as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities, quoted prices in markets that are not active.

Level 3 - Unobservable inputs developed using estimates and assumptions developed by the YMCA, which reflect those a market participant would use.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Net Assets

All financial transactions have been recorded as, unrestricted, temporarily restricted or permanently restricted net assets:

- Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the YMCA, and include those expendable resources which have been designated for special use by the Board.

- Temporarily restricted net assets represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a 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.

- Permanently restricted net assets result from contributions from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity. This original principal is reported as a permanently restricted net asset, the income from which may be either temporarily restricted or unrestricted, depending on the donor's specifications. Permanently restricted net assets includes unrealized gains on permanently restricted net assets as required by donor stipulation or by law.

l. Revenue

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use and are recorded as unrestricted contributions at their fair market value. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received. Legacies or bequests are not recorded in the accompanying financial statements until such time as the YMCA has an unconditional right to receive benefits under the agreement.

Membership dues and program service fees are recognized as income in the period in which the underlying services are provided. Fees received prior to year end, but which relate to the following year, are deferred and recognized as revenue in the following fiscal year, as services are provided.

m. Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Functional allocation of expenses

The costs of providing various programs and supporting services have been summarized on a functional basis. Accordingly, expenses that can be identified with a specific program or supporting service are charged directly. Other expenses that are common to several functions are allocated based on reasonable methods determined by management

o. Tax status

The YMCA is a tax exempt organization under section 501(c)(3) of the Internal Revenue Code and, except for taxes pertaining to unrelated business income, is exempt from federal and state income taxes. No provision has been made for income taxes as the YMCA has no significant unrelated business taxable income.

In addition, the YMCA has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) (1) of the Code.

Management has reviewed the YMCA's tax positions as of December 31, 2013 and concluded that the YMCA has no assets or liabilities for net unrecognized tax benefits relating to uncertain tax positions. Additionally, the YMCA is unaware of any tax positions for which it would be reasonably possible that the total amounts of unrecognized tax assets or liabilities would change significantly in the next twelve months.

The YMCA's Forms 990, Return of Organization Exempt from Income Tax, for the years ended December 31, 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed. Also, the YMCA's New Jersey Forms CRI-300R for the years ending December 31, 2009, 2010, 2011, and 2012 are subject to examination by the State, generally for four years after they were filed.

p. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

q. Subsequent events

Subsequent events were evaluated through March 6, 2014, which is the date the financial statements were available to be issued.

NOTE 3. CASH AND CASH EQUIVALENTS

	2013	2012
Cash	$3,831,873	$2,635,111
Certificates of deposit and money markets	2,312,869	2,056,960
	$6,144,742	$4,692,071

NOTE 4. LAND, BUILDINGS AND EQUIPMENT

A summary of the cost of such assets is as follows:

	Land	Buildings and Improvements	Machinery and Equipment	Furniture and Fixtures	Assets not placed in service	2013	2012
Association Services	$ 247,851	$ 759,199	$ 109,936	$ 29,598	$ -	$ 1,146,584	$ 1,256,712
East Orange	122,373	1,616,291	32,113	22,817	-	1,793,594	1,843,143
Fairview Lake Camps	259,488	2,709,905	279,111	-	201,214	3,449,718	3,092,159
Sussex County	562,310	7,766,414	411,949	34,278	-	8,774,951	8,669,081
West Essex	40,000	3,680,199	121,781	31,974	47,000	3,920,954	3,932,732
South Mountain	401,579	2,539,881	42,463	-	-	2,983,923	2,986,278
Wayne	-	216,635	336,082	31,835	-	584,552	417,222
	1,633,601	19,288,524	1,333,435	150,502	248,214	22,654,276	22,197,327
Less:Accumulated Depreciation	-	7,021,154	581,695	85,618	-	7,688,467	7,167,890
Totals	$ 1,633,601	$ 12,267,370	$ 751,740	$ 64,884	$ 248,214	$ 14,965,809	$ 15,029,437

Depreciation for 2013 and 2012 amounted to $979,618 and $917,358, respectively.

The following recaps the disposal of land building and equipment for 2013:

Proceeds from sale of equipment		$ 3,900
Cost of fixed assets disposed of/sold	461,316	
Accumulated depreciation on assets disposed of/sold	(459,041)	2,275
Gain on sale of equipment		$ 1,625

NOTE 5. UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of the following:

	2013	2012
General Operating Net Assets	$11,759,326	$11,136,813
Net Assets Designated by Board:		
Future Projects and Periods	7,704,440	6,197,546
Property	3,769,980	3,205,848
	11,474,420	9,403,394
	$23,233,746	$20,540,207

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

	2013	2012
Restricted for Future Projects and programs:		
Camp building improvements	$	$ 77,857
Endowment income for future appropriations	-	990,323
	994,540	
Conference center	20,100	20,100
FVL Minnisink project	216,244	-
Capital projects	11,100	-
Other projects and programs	60,209	55,925
	$1,302,193	$1,144,205

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors, as follows:

	2013	2012
Purpose Restrictions Accomplished:		
Childcare	$ 862,165	$ 866,072
Program support and scholarships	178,788	131,330
Endowment income program support and scholarships	180,000	170,000
Purchase of property and equipment	77,857	66,849
	$1,298,810	$1,234,251

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are as follows:

	2013	2012
Endowments	$2,719,608	$2,289,894
Collins Endowment	24,046	24,046
Crawford Endowment	34,522	34,522
	$2,778,176	$2,348,462

NOTE 8. INVESTMENTS

At December 31, investments are as follows:

	2013		2012	
	Cost	Market Value	Cost	Market Value
Fixed income	$1,787,609	$1,812,607	$1,366,166	$1,451,990
Equities	4,907,308	8,041,167	5,106,174	6,751,825
Pooled funds	31,334	37,726	35,165	38,069
Certificates of deposit	1,529,652	1,529,652	1,528,889	1,528,889
	$8,255,903	$11,421,152	$8,036,394	$9,770,773

NOTE 8. INVESTMENTS (CONTINUED)

	2013			2012		
	Cost	Fair Value	Excess of Fair Value Over Cost	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	$ 8,255,903	$ 11,421,152	$ 3,165,249	$ 8,036,394	$ 9,770,773	$ 1,734,379
Balance at beginning of year	$ 8,036,394	$ 9,770,773	1,734,379	$ 7,773,251	$ 9,031,807	1,258,556
Net increase in unrealized appreciation			1,430,870			475,823
Realized net gain for the year			418,863			172,786
Total net gain for the year			$ 1,849,733			$ 648,609

Merrill Lynch custodial fees incurred during 2013 and 2012 amounted to $4,250 and $2,203, respectively. Bristol & Company, Inc. investment fees incurred during 2013 and 2012 amounted to $48,335 and $42,064, respectively.

NOTE 9. FAIR VALUE MEASUREMENTS

The YMCA's investments are reported at fair value in the accompanying statements of financial position. Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
December 31, 2013		
Short-term investments	$ 1,529,652	$ 1,529,652
Fixed Income Securities	1,812,607	1,812,607
Equity Securities	8,041,167	8,041,167
Pooled Fund Account	37,726	37,726
Total	$ 11,421,152	$ 11,421,152
December 31, 2012		
Short-term investments	$ 1,528,889	$ 1,528,889
Fixed Income Securities	1,451,990	1,451,990
Equity Securities	6,751,825	6,751,825
Pooled Fund Account	38,069	38,069
Total	$ 9,770,773	$ 9,770,773

Level 1 Fair Value Measurements

Fair values for short-term and long term investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

NOTE 10. LONG-TERM DEBT

Borrowing agreement is comprised as follows:

	2013	2012
Mortgage payable to Bank of America in monthly variable principal payments of $8,452 through September and $9,484, starting October plus interest at 5.55% (a)	$ 323,073	$427,598
Mortgage payable to Lakeland Bank in monthly payments of $32,600, including Interest at 3.50% (b)	3,602,342	3,860,729
	3,925,415	4,288,327
Less: Current maturities	(381,514)	(362,911)
Net long-term debt	$3,543,901	$3,925,416

(a) The mortgage payable to Bank of America is collateralized by a first lien on related land and building located at the South Mountain Branch, all property, furniture and fixtures attached to property and all leases or other agreements related to the use or occupancy of the property. The loan was received based on an EDA Bond Financing Agreement which specifies the purpose for the expenditure of the loan proceeds. The significant provisions of the YMCA's borrowing agreement, as included in the EDA Bond Financing Agreement and the lending institution mortgage documents, are as follows: The YMCA will not sell, transfer, dispose of, pledge, mortgage or otherwise encumber any or all of the property. The YMCA shall not do anything which would cause the bonds to lose their tax free status or become arbitrage bonds. The YMCA shall not become contingently liable for debts of others. The YMCA shall meet certain ratios as required by the agreement. The YMCA was in compliance with all debt covenants as of December 31, 2013.

NOTE 10. LONG-TERM DEBT (CONTINUED)

(b) The mortgage payable to Lakeland Bank is collateralized by a first lien on the Sussex County property and all fixtures and tangible personal property therein and all leases or other agreements related to the use or occupancy of the property. The loan was received based on an EDA Bond Financing Agreement which specifies the purpose for the expenditure of the loan proceeds. On June 1, 2012, a loan modification agreement was entered into to reduce the rate to 3.5%. The interest rate will reset in May of 2017. The significant provisions of the YMCA's borrowing agreement, as included in the EDA Bond Financing Agreement and the lending institution mortgage documents, are as follows: The YMCA will not sell, transfer, dispose of, pledge, mortgage or otherwise encumber any or all of the property. The YMCA shall not do anything which would cause the bonds to lose their tax free status or become arbitrage bonds. The YMCA shall not become contingently liable for debts of others. The YMCA shall meet certain financial covenants as required by the agreement. The YMCA was in compliance with all debt covenants as of December 31, 2013.

Aggregate principal amounts of all long-term debt scheduled for repayment during the next five years:

2014	$ 381,514
2015	393,694
2016	379,995
2017	297,719
2018	297,719
	$1,750,641

Interest expense for all obligations amounted to $154,172 in 2013 and $190,219 in 2012.

NOTE 11. COMMITMENTS

(a) Leases

The YMCA entered into various non-cancelable operating lease agreements for program and child care facilities. Certain operating leases contain escalation clauses for the prorate share of operating costs, property taxes, repairs (inclusive of structural repairs) and insurance.

NOTE 11. COMMITMENTS (CONTINUED)

(a) Leases (continued)

In connection with the Integration Agreement with the YM-YWHA, the YMCA entered into a lease agreement with the YM-YWHA commencing September 1, 2011 for a period of five (5) years, with an option to renew for four five (5) year periods. The monthly base rent is equal to the amounts required by the lending institution to routinely liquidate the landlord's mortgage and credit line indebtedness. Once the mortgage and credit line are paid in full, the annual base rent through the remainder of the term shall be $300,000 per annum, payable in monthly installments of $25,000.

On June 25, 2012, the YMCA revised its operating lease for a facility to be used for one of its child care programs. The terms of the lease provide for rental payments of $12,116 a month starting December 1, 2012. The lease is for 5 years and expires on November 30, 2017.

In 2013, future minimum lease commitments under these operating leases are presented for future years as follows:

2014	$ 427,721
2015	311,721
2016	256,278
2017	133,276
	$1,128,996

Rent expense amounted to $738,274 and $713,714 for 2013 and 2012, respectively. Rental income amounted to $7,800 and $7,800 for 2013 and 2012, respectively.

(b) Letter of Credit

The YMCA has an irrevocable letter of credit for a security deposit in the amount of $8,456, secured by the unrestricted net assets.

NOTE 12. RETIREMENT PLAN

The YMCA participates in the YMCA Retirement Fund 403(B) which is a mandatory national contributory defined contribution plan for the benefit of all eligible professional and support staff employees who qualify under applicable participation requirements. The YMCA contributes 12% of compensation for eligible employees. Employees may choose to contribute an additional 13% up to a maximum established by the IRS. Under the plan all contributions are remitted monthly to a trustee based upon a percentage of the participants' annual salaries. Upon retirement, participants' vested benefit will generally be used to purchase a retirement annuity contract. Forfeitures are used to offset future contributions. Contributions made by the YMCA to the plan amounted to $986,540 in 2013 and $859,978 in 2012.

NOTE 13. CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the YMCA to significant concentrations of credit risk consist principally of cash and money market funds.

Deposits held in non-interest bearing transaction accounts are aggregated with any interest bearing deposits and the combined total is insured up to at least $250,000. The YMCA maintains its cash balances at various financial institutions. From time to time the YMCA maintains balances in excess of amounts insured by FDIC. Management monitors its credit risk with financial institutions and believes the risk to be minimal.

NOTE 14. CONTRIBUTED SERVICES

The Organization receives donated services from a variety of unpaid volunteers. The YMCA reviewed the rate at which the services were valued and updated the rate based on published rate data. Contributed services from unpaid volunteers in the amount of $492,433 and $476,649 have been recognized in the accompanying 2013 and 2012 combined statement of activities, respectively, because the criteria for recognition of such volunteer efforts has been satisfied. In addition, during 2013 and 2012, in-kind donations were received in the amount of $57,999 and $81,903, respectively.

NOTE 15. SCHOLARSHIPS AND FINANCIAL ASSISTANCE PROGRAMS

The YMCA's financial assistance programs during 2013 and 2012 were made possible through the YMCA's Strong Kids Campaign and awarded or supported more than 4,268 and 5,358 children and families, respectively, who received approximately $1,194,000 in 2013 and $1,067,000 in 2012 in financial assistance and program subsidies.

NOTE 16. ENDOWMENTS

The YMCA follows Endowment of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to the Uniform Prudent Management of Institutional Funds Act, which among other things, provides guidance on the net asset classification of donor-restricted endowment funds that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") and other disclosures about an organization's endowment funds. The State of New Jersey adopted UPMIFA on June 10, 2009, which requires a reclassification of net assets from unrestricted to temporarily restricted in the year of enactment. The YMCA's endowment consists of funds established to sustain the YMCA's stated mission in the community. The endowments include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The YMCA has interpreted UPMIFA as requiring the preservation of the original gifts as of the date the donor-restricted endowment funds were received absent explicit donor stipulations to the contrary. The YMCA classifies as permanently restricted net assets, the original value of gifts donated to the permanent endowment, the original value of subsequent gifts donated to the permanent endowment and accumulations to the permanent endowment made in accordance with the applicable donor gift instruments at the time the accumulation is added to the fund. The 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 YMCA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization 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 YMCA and (7) The investment policies of the YMCA.

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 organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a return on investments that should at least equal the inflation rate plus the spending rate. To satisfy its long-term rate-of-return objectives, the YMCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NOTE 16. ENDOWMENTS (CONTINUED)

At December 31, 2013, the endowment net assets composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 994,540	$ 2,778,176	$ 3,772,716
Board-designated endowment funds	6,704,441	-	-	6,704,441
Total funds	$ 6,704,441	$ 994,540	$ 2,778,176	$ 10,477,157

Changes in endowment net assets for the year ended December 31, 2013 under UPMIFA:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,197,541	$ 1,068,181	$ 2,348,462	$ 8,614,184
Investment return:				
Investment income	429,839	184,216	-	614,055
Net unrealized gains on investments	999,168		428,214	1,427,382
Total Investment Returns	1,429,007	184,216	428,214	2,041,437
Contributions	36	-	1,500	1,536
Appropriations-used for donor	-			-
restricted purpose	77,857	(77,857)		-
Appropriations	-	(180,000)	-	(180,000)
Endowment net assets, end of year	$ 6,704,441	$ 994,540	$ 2,778,176	$ 10,477,157

NOTE 16. ENDOWMENTS (CONTINUED)

At December 31, 2012, the endowment net assets composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,068,181	$ 2,348,462	$ 3,416,643
Board-designated endowment funds	5,197,541	-	-	5,197,541
Total funds	$ 5,197,541	$ 1,068,181	$ 2,348,462	$ 8,614,184

Changes in endowment net assets for the year ended December 31, 2012 under UPMIFA:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,530,316	$ 1,178,186	$ 2,205,119	$ 7,913,621
Investment return:				
Investment income	277,378	118,876	-	396,254
Net unrealized gains on investments	330,966		141,843	472,809
Total Investment Returns	608,344	118,876	141,843	869,063
Contributions	58,881	(58,881)	1,500	1,500
Appropriations	-	(170,000)	-	(170,000)
Endowment net assets, end of year	$ 5,197,541	$ 1,068,181	$ 2,348,462	$ 8,614,184

The YMCA has a policy of appropriating for distribution each year its endowment fund's average interest and dividend income over the prior 3 years through the calendar year-end preceding the year in which the distribution is planned. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 17. RECLASSIFICATION OF PRIOR YEAR AMOUNTS

Certain reclassifications have been made to the 2012 amounts shown for comparative purposes. These conform to the classifications used in 2013.

NOTE 18. EXTRAORDINARY ITEM

In July 2012, The Minnisink building at Fairview Lake Camp and Conference Center was completely destroyed by fire as the result of a lightning strike. This event resulted in an involuntary conversion and the following related events:

The Minnisink Building had a net book value of $44,826 along with 2012 improvements valued at $34,349 at the time of the loss. Subsequent to the fire, the YMCA expended $304,823, replacing supplies and equipment as well as providing temporary accommodations to continue program operations.

In lieu of filing a business interruption claim, the insurance underwriter agreed to renovate an existing building (the Kittitanny building) to enable the YMCA to continue operations until the Minnisink building has been replaced. Total costs incurred for the Kittitanny renovation amounted to $464,835.

During 2013, initial work began on the Minnisink replacement project. Total costs incurred for the Minnisink building amounted to $174,671.

Total reimbursement by the insurance company through December 31, 2013, amounted to $1,291,529. Total cumulative expenditures through December 31, 2013 amounted to $944,329. A substantial portion of the related claim for the replacement of the Minnisink building remains to be settled. Management is confident that all claims outstanding and yet to be filed will be settled satisfactorily.

NOTE 18. EXTRAORDINARY ITEM (CONTINUED)

The following represents the extraordinary gain recognized in the statement of changes for 2013:

INSURANCE PROCEEDS	
Receipt of insurance proceeds through December 31, 2013	$ 1,291,529
CUMULATIVE COSTS INCURRED THROUGH DECEMBER 31, 2013:	
Replacing supplies and equipment	304,823
Kittitanny renovation	464,835
Minnisink construction costs	174,671
	944,329
Net book value of Minnisink at time of fire	79,175
	1,023,504
Less: Kittitanny and Minnisink costs capitalized	(639,506)
	383,998
GAIN ON INVOLUNTARY CONVERSION	$ 907,531

A Strong Y

Means a Strong Community

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