



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

ADDING UP

Combined Financial Statements and Independent Auditors' Report

Metropolitan YMCA of the Oranges



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' 2014 and 2013 combined financial statements and report of independent auditors, R.A. Fredericks and Company, LLP, which were prepared in March 2015. 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, 2014 AND 2013
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, 2014 AND 2013

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Ralph A. Fredericks, CPA
Ellen T. O'Donnell, CPA
Theodore T. Clausen, CPA, CFE, CGMA

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, 2014, 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.

(Continued)

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R.A. Fredericks & Company, LLP

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

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, 2014 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 2013 financial statements, and our report dated March 6, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "R.A. Fredericks & Company, LLP", written in a cursive style.

R.A. FREDERICKS & COMPANY, LLP

Montville, New Jersey
March 12, 2015

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents (Notes 3 and 13)	\$ 5,959,378	\$ 6,144,742
Accounts and other receivables - net	200,110	174,968
Short-term Investments (Notes 8 and 9)	-	1,529,652
Inventories	54,173	62,665
Prepaid expenses and other assets	298,348	233,764
	<hr/>	<hr/>
Total current assets	6,512,009	8,145,791
LONG-TERM ASSETS		
Assets designated by Board for future projects	725,295	563,226
Investments (Note 8 and 9)	10,286,107	9,891,500
Deferred mortgage costs (Note 2g)	28,552	31,361
Security deposits and other assets	107,877	107,877
Intangible assets - net (Note 2g)	232,087	371,340
Land, buildings, and equipment-net (Notes 4 and 10)	16,876,033	14,965,809
	<hr/>	<hr/>
Total long-term assets	28,255,951	25,931,113
TOTAL ASSETS	<u>\$ 34,767,960</u>	<u>\$ 34,076,904</u>

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

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014 AND 2013

	LIABILITIES AND NET ASSETS	
	2014	2013
CURRENT LIABILITIES		
Accounts payable, accrued expenses and other liabilities	\$ 2,196,809	\$ 2,042,734
Deferred program revenue	694,068	771,392
Current portion of long-term debt (Note 10)	393,694	381,514
Grant funds subject to resolution	-	23,248
Total current liabilities	<u>3,284,571</u>	<u>3,218,888</u>
LONG-TERM LIABILITIES		
Long-term debt - net of current portion (Note 10)	<u>3,150,207</u>	<u>3,543,901</u>
Total long term liabilities	<u>3,150,207</u>	<u>3,543,901</u>
TOTAL LIABILITIES	<u>6,434,778</u>	<u>6,762,789</u>
NET ASSETS		
Unrestricted (Note 5)	24,559,095	23,233,746
Temporarily restricted (Note 6)	991,356	1,302,193
Permanently restricted (Note 7)	<u>2,782,731</u>	<u>2,778,176</u>
TOTAL NET ASSETS	<u>28,333,182</u>	<u>27,314,115</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,767,960</u>	<u>\$ 34,076,904</u>

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

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2014 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013)

	Unrestricted				2013
	General Operating	Designated	Total	Temporarily Restricted	
REVENUES, GAINS AND SUPPORT					
Program Receipts:					
Community Groups	\$ 2,203,863	\$ -	\$ 2,203,863	\$ -	\$ 2,203,863
Camp	4,923,561	-	4,923,561	-	4,923,561
Youth activity	2,341,480	-	2,341,480	-	2,341,480
Child Care	10,347,117	-	10,347,117	-	10,347,117
Administrative rentals and sales	485,221	-	485,221	-	485,221
	20,301,242	-	20,301,242	-	19,202,281
Total program receipts	1,847,125	6,010	1,853,135	2,000	2,111,650
Contributions	-	-	-	271,400	2,126,535
Government grants, contracts and other grants	-	-	-	856,450	820,305
Membership dues	4,820,797	-	4,820,797	-	4,701,410
Special events and projects	262,044	-	262,044	-	253,131
Investment income	6,618	616,456	623,074	264,196	622,843
Other revenue	165,779	-	165,779	-	165,779
Net assets released from restrictions for program activities (Note 6)	1,445,999	256,884	1,702,883	(1,702,883)	-
Net unrealized gains on long-term investments (Note 8)	(516)	5,961	5,445	-	8,000
Gain (loss) on disposal of property and equipment	-	(5,620)	(5,620)	-	(5,620)
Gain from insurance proceeds for hurricane sandy	-	-	-	-	1,625
Total revenue, gains and support	28,849,088	879,691	29,728,779	(310,837)	29,422,497
EXPENSES					
Program services	24,070,802	1,847,586	25,918,388	-	25,918,388
Supporting services	2,485,042	-	2,485,042	-	2,485,042
Total expenses	26,555,844	1,847,586	28,403,430	-	28,403,430
Change in net assets before transfers and extraordinary items	2,293,244	(967,895)	1,325,349	(310,837)	4,555
Gain on involuntary conversion and insurance reimbursement (Note 18)	-	-	-	-	-
Change in net assets before transfers	2,293,244	(967,895)	1,325,349	(310,837)	4,555
Transfers	(1,447,038)	1,447,038	-	-	-
Change in net assets	846,206	479,143	1,325,349	(310,837)	4,555
Net assets beginning of year	11,759,326	11,474,420	23,233,746	1,302,193	27,314,115
Net assets end of year	\$ 12,605,532	\$ 11,953,563	\$ 24,559,095	\$ 991,356	\$ 28,333,182
					\$ 27,314,115

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,019,067	\$ 3,281,241
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,245,162	1,121,679
Gain on disposal of property and equipment	5,620	(1,625)
Gain on involuntary conversion of property and equipment	-	(907,531)
Net unrealized gains on long-term investments	(8,000)	(1,430,870)
Gain from insurance proceeds for hurricane sandy	-	(31,386)
Net realized gains on sales of long-term investments	(656,961)	(418,863)
Changes in assets and liabilities:		
Accounts receivable	(25,142)	98,389
Prepaid expenses	(64,584)	18,695
Inventories	8,492	(6,273)
Deferred revenue	(77,324)	214,417
Accounts payable and accrued expenses	154,075	(42,314)
Net deferral on open insurance claim	-	(16,002)
Liability for unexpended grant	(23,248)	(61,238)
Net cash provided by operating activities	<u>1,577,157</u>	<u>1,818,319</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in security deposits and other assets	-	(2,627)
Proceeds from sales of investments	3,893,104	1,875,309
Proceeds from insurance claims - fire	-	907,531
Proceeds from insurance claims - hurricane Sandy (roof)	-	31,386
Disposition of fixed assets	-	3,900
Assets designated by board for future projects	(162,069)	(214,513)
Purchase of investments	(2,093,098)	(1,675,955)
Acquisition of property and equipment	<u>(3,018,944)</u>	<u>(918,265)</u>
Net cash (used in) provided by investing activities	<u>(1,381,007)</u>	<u>6,766</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	-	(9,502)
Payments on long-term debt	<u>(381,514)</u>	<u>(362,912)</u>
Net cash used in financing activities	<u>(381,514)</u>	<u>(372,414)</u>
Net (decrease) increase in cash and cash equivalents	(185,364)	1,452,671
Cash and cash equivalents at beginning of year	<u>6,144,742</u>	<u>4,692,071</u>
Cash and cash equivalents at end of year	<u><u>\$ 5,959,378</u></u>	<u><u>\$ 6,144,742</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ 138,702</u>	<u>\$ 154,172</u>

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, 2014 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013)**

	Program services						Supporting Services			2013	
	Membership Activities	Community Groups	Camp	Youth Activities	Child Care	Property Management	Total program services	General Administration	Fundraising		Supporting Activities
Salaries and wages	\$ 1,653,883	\$ 566,595	\$ 1,850,175	\$ 1,791,598	\$ 6,425,212	\$ 1,139,051	\$ 13,426,514	\$ 1,152,797	\$ 103,623	\$ 1,256,420	\$ 14,210,280
Employee benefits	111,310	90,458	208,969	126,898	1,056,485	167,010	1,761,130	199,227	1,002	200,229	1,772,475
Payroll taxes	187,119	62,045	204,107	202,259	693,554	124,549	1,473,633	116,566	11,703	128,269	1,601,902
Contractual services	32,362	74,835	393,709	162,402	430,603	127,740	1,221,651	529,220	25,312	554,532	1,776,183
Supplies	46,004	32,281	573,658	134,276	406,510	241,373	1,434,102	114,256	5,276	119,532	1,553,634
Telephone	15,065	3,681	20,550	6,306	57,243	42,047	144,892	45,128	170	45,298	190,190
Postage and shipping	17,630	1,893	11,305	3,233	14,557	7,189	55,807	13,602	622	14,224	70,031
Occupancy/space costs	4,857	1,705	128,504	10,116	409,113	2,226,884	2,781,179	(10,572)	-	(10,572)	2,826,130
Equipment costs	67,460	11,879	42,078	16,483	53,758	178,455	370,113	18,442	-	18,442	388,555
Insurance	1,480	985	2,847	1,686	7,494	301,150	315,642	3,876	-	3,876	319,518
Printing/publications	169,264	8,656	127,862	9,061	61,697	20,219	396,759	47,159	10,140	57,299	454,058
Travel and employee expense	10,695	6,073	86,109	52,308	45,553	40,761	241,499	27,596	11,020	38,616	280,115
Conference, meetings and dues	39,897	19,145	123,280	37,475	145,396	68,473	433,666	18,082	37,858	55,940	489,606
Other expenses	6,232	3,243	22,481	17,430	78,962	488,291	616,639	2,937	-	2,937	619,576
Subtotal	2,363,258	883,474	3,795,634	2,571,531	9,886,137	5,173,192	24,673,226	2,278,316	206,726	2,485,042	25,883,062
Depreciation and amortization	-	-	-	-	-	1,245,162	1,245,162	-	-	-	1,245,162
TOTAL EXPENSES 2014	\$ 2,363,258	\$ 883,474	\$ 3,795,634	\$ 2,571,531	\$ 9,886,137	\$ 6,418,354	\$ 25,918,388	\$ 2,278,316	\$ 206,726	\$ 2,485,042	\$ 28,403,430
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

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

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1. DESCRIPTION OF ORGANIZATION (CONTINUED)

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.

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, 2013.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 90 days old are considered delinquent. Management provides for uncollectible accounts through a provision for bad debt expense based on all customer account balances over 69 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 \$268,266 and \$232,306 at December 31, 2014 and 2013, respectively. Bad debt expense in 2014 and 2013 was \$54,796 and \$24,613, 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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$27,616 and \$24,807 in 2014 and 2013, 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, 2014 and 2013, the amount of the intangible asset representing the territorial properties was \$694,871 net of amortization of \$462,784 and \$323,531, respectively. Anticipated amortization of intangibles over the remaining years is as follows: 2015 - \$139,253 and 2016 - \$92,834.

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 2014.

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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Net Assets (continued)

- 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.

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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 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, 2011, 2012, and 2013 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, 2010, 2011, 2012, and 2013 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 12, 2015, which is the date the financial statements were available to be issued.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3. CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
Cash	\$2,111,245	\$3,831,873
Certificates of deposit and money markets	<u>3,848,133</u>	<u>2,312,869</u>
	<u>\$5,959,378</u>	<u>\$6,144,742</u>

NOTE 4. LAND, BUILDINGS AND EQUIPMENT

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

	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Furniture and Fixtures</u>	<u>Assets not placed in service</u>	<u>2014</u>	<u>2013</u>
Association Services	\$ 247,851	\$ 675,964	\$ 65,815	\$ 14,001	\$ -	\$ 1,003,631	\$ 1,146,584
East Orange	122,373	1,623,090	19,150	22,817	-	1,787,430	1,793,594
Fairview Lake Camps	473,305	2,916,067	208,424	-	2,070,471	5,668,267	3,449,718
Sussex County	562,310	8,035,888	373,963	-	23,550	8,995,711	8,774,951
West Essex	40,000	3,640,499	91,648	31,974	47,000	3,851,121	3,920,954
South Mountain	401,579	2,596,486	66,443	-	-	3,064,508	2,983,923
Wayne	-	283,098	336,082	17,035	40,000	676,215	584,552
	<u>1,847,418</u>	<u>19,771,092</u>	<u>1,161,525</u>	<u>85,827</u>	<u>2,181,021</u>	<u>25,046,883</u>	<u>22,654,276</u>
Less: Accumulated Depreciation	<u>-</u>	<u>7,611,643</u>	<u>517,051</u>	<u>42,156</u>	<u>-</u>	<u>8,170,850</u>	<u>7,688,467</u>
Totals	<u>\$ 1,847,418</u>	<u>\$ 12,159,449</u>	<u>\$ 644,474</u>	<u>\$ 43,671</u>	<u>\$ 2,181,021</u>	<u>\$ 16,876,033</u>	<u>\$ 14,965,809</u>

Depreciation for 2014 and 2013 amounted to \$1,103,100 and \$979,618, respectively.

Included in assets not placed in service for Fairview Lake Camp at December 31, 2014 are the costs of the Minnisink replacement project (see Note 18) which was not placed in service at December 31, 2014.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 5. UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of the following:

	<u>2014</u>	<u>2013</u>
General Operating Net Assets	\$12,605,532	\$11,759,326
<u>Net Assets Designated by Board:</u>		
Future Projects and Periods	8,326,874	7,704,440
Property	3,626,689	3,769,980
	<u>11,953,563</u>	<u>11,474,420</u>
	<u>\$24,559,095</u>	<u>\$23,233,746</u>

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

	<u>2014</u>	<u>2013</u>
<u>Restricted for Future Projects and Programs:</u>		
Endowment income for future appropriations	\$ 930,990	\$ 994,540
Conference center	20,100	20,100
FVL Minnisink project	-	216,244
Capital projects	21,100	11,100
Other projects and programs	19,166	60,209
	<u>\$991,356</u>	<u>\$1,302,193</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

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:

	<u>2014</u>	<u>2013</u>
<u>Purpose Restrictions Accomplished:</u>		
Childcare	\$ 885,649	\$ 862,165
Program support and scholarships	232,604	178,788
Endowment income program support and scholarships	327,746	180,000
Purchase of property and equipment	256,884	77,857
	<u>\$1,702,883</u>	<u>\$1,298,810</u>

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are as follows:

	<u>2014</u>	<u>2013</u>
Endowments	\$2,724,163	\$2,719,608
Collins Endowment	24,046	24,046
Crawford Endowment	34,522	34,522
	<u>\$2,782,731</u>	<u>\$2,778,176</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 8. INVESTMENTS

At December 31, investments are as follows:

	2014		2013	
	Cost	Market Value	Cost	Market Value
Fixed income	\$1,956,257	\$2,014,370	\$1,787,609	\$1,812,607
Equities	5,131,508	8,240,769	4,907,308	8,041,167
Pooled funds	25,093	30,968	31,334	37,726
Certificates of deposit	-	-	1,529,652	1,529,652
	<u>\$7,112,858</u>	<u>\$10,286,107</u>	<u>\$8,255,903</u>	<u>\$11,421,152</u>

	2014			2013		
	Cost	Fair Value	Excess of Fair Value Over Cost	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	<u>\$ 7,112,858</u>	<u>\$ 10,286,107</u>	\$ 3,173,249	<u>\$ 8,255,903</u>	<u>\$ 11,421,152</u>	\$ 3,165,249
Balance at beginning of year	<u>\$ 8,255,903</u>	<u>\$ 11,421,152</u>	3,165,249	<u>\$ 8,036,394</u>	<u>\$ 9,770,773</u>	1,734,379
Net increase in unrealized appreciation			8,000			1,430,870
Realized net gain for the year			<u>656,961</u>			<u>418,863</u>
Total net gain for the year			<u>\$ 664,961</u>			<u>\$ 1,849,733</u>

Merrill Lynch custodial fees incurred during 2014 and 2013 amounted to \$3,879 and \$4,250, respectively. Bristol & Company, Inc. investment fees incurred during 2014 and 2013 amounted to \$54,138 and \$48,335, respectively.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2014</u>		
FIXED INCOME SECURITIES:		
United States Treasuries	\$ 624,938	\$ 624,938
Corporate Bonds	717,603	717,603
Securitized - Asset Backed	18,950	18,950
Securitized - Mortgage Backed	569,598	569,598
Preferred Stock	83,281	83,281
Total Fixed Income Securities	<u>2,014,370</u>	<u>2,014,370</u>
EQUITY SECURITIES:		
Energy Equities	354,652	354,652
Materials Equities	424,535	424,535
Industrials Equities	1,436,742	1,436,742
Consumer Discretionary Equities	1,264,358	1,264,358
Consumer Staples Equities	933,777	933,777
Health Care Equities	922,708	922,708
Financials Equities	1,238,810	1,238,810
Information Technology Equities	1,665,187	1,665,187
Total Equity Securities	<u>8,240,769</u>	<u>8,240,769</u>
POOLED FUND ACCOUNT	<u>30,968</u>	<u>30,968</u>
TOTAL	<u>\$ 10,286,107</u>	<u>\$ 10,286,107</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9. FAIR VALUE MEASUREMENTS (CONTINUED)

<u>December 31, 2013</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
SHORT-TERM INVESTMENTS:		
Certificates of Deposit	\$ 1,529,652	\$ 1,529,652
FIXED INCOME SECURITIES:		
United States Treasuries	445,718	445,718
Corporate Bonds	852,047	852,047
Securitized - Asset Backed	50,843	50,843
Securitized - Mortgage Backed	384,173	384,173
Preferred Stock	79,826	79,826
Total Fixed Income Securities	<u>1,812,607</u>	<u>1,812,607</u>
EQUITY SECURITIES:		
Energy Equities	737,768	737,768
Materials Equities	423,217	423,217
Industrials Equities	1,278,840	1,278,840
Consumer Discretionary Equities	817,490	817,490
Consumer Staples Equities	1,040,667	1,040,667
Health Care Equities	698,606	698,606
Financials Equities	870,804	870,804
Information Technology Equities	2,173,775	2,173,775
Total Equity Securities	<u>8,041,167</u>	<u>8,041,167</u>
POOLED FUND ACCOUNT	<u>37,726</u>	<u>37,726</u>
TOTAL	<u>\$ 11,421,152</u>	<u>\$ 11,421,152</u>

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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 10. LONG-TERM DEBT

Borrowing agreement is comprised as follows:

	<u>2014</u>	<u>2013</u>
Mortgage payable to Bank of America in monthly principal payments of \$9,484, plus interest at 5.55% (a)	\$ 209,263	\$323,073
Mortgage payable to Lakeland Bank in monthly payments of \$32,600, including Interest at 3.50% (b)	<u>3,334,638</u>	<u>3,602,342</u>
	3,543,901	3,925,415
Less: Current maturities	<u>(393,694)</u>	<u>(381,514)</u>
Net long-term debt	<u>\$3,150,207</u>	<u>\$3,543,901</u>

(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, 2014.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 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, 2014.

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

2014	\$ 393,694
2015	379,995
2016	297,719
2017	308,458
2018	319,583
	<hr/>
	\$1,699,449

Interest expense for all obligations amounted to \$138,702 in 2014 and \$154,172 in 2013.

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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

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 expiring August 31, 2016, 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.

The YMCA revised an operating lease for a facility to be used for one of its child care programs whereby the rental payments of \$12,116 per month expires on November 30, 2017.

In 2014, future minimum lease commitments under these operating leases are presented for future years as follows:

2015	\$ 311,721
2016	256,278
2017	<u>133,276</u>
	<u>\$701,275</u>

Rent expense amounted to \$660,619 and \$738,274 for 2014 and 2013, respectively. Rental income amounted to \$1,000 and \$7,800 for 2014 and 2013, 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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) **YEARS ENDED DECEMBER 31, 2014 AND 2013**

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 \$1,115,266 in 2014 and \$986,540 in 2013.

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 \$583,206 and \$492,433 have been recognized in the accompanying 2014 and 2013 combined statement of activities, respectively, because the criteria for recognition of such volunteer efforts has been satisfied. In addition, during 2014 and 2013, in-kind donations were received in the amount of \$89,589 and \$57,999, respectively.

NOTE 15. SCHOLARSHIPS AND FINANCIAL ASSISTANCE PROGRAMS

The YMCA's financial assistance programs during 2014 and 2013 were made possible through the YMCA's Annual Support Campaign and awarded or supported more than 2,230 and 2,160 children, families, and individuals, respectively. In 2014 and 2013, recipients received approximately \$1,203,300 and \$1,194,000 in financial assistance and program subsidies, respectively.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 16. ENDOWMENTS (CONTINUED)

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).

At December 31, 2014, the endowment net assets composition by type of fund consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 930,990	\$ 2,782,731	\$ 3,713,721
Board-designated endowment funds	<u>7,326,869</u>	<u>-</u>	<u>-</u>	<u>7,326,869</u>
Total funds	<u>\$ 7,326,869</u>	<u>\$ 930,990</u>	<u>\$ 2,782,731</u>	<u>\$ 11,040,590</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 16. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2014 under UPMIFA:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 6,704,441	\$ 994,540	\$ 2,778,176	\$ 10,477,157
Investment return:				
Investment income	616,457	264,196	-	880,653
Net unrealized gains on investments	5,961		2,555	8,516
Total Investment Returns	622,418	264,196	2,555	889,169
Contributions	10	-	2,000	2,010
Appropriations	-	(327,746)	-	(327,746)
Endowment net assets, end of year	<u>\$ 7,326,869</u>	<u>\$ 930,990</u>	<u>\$ 2,782,731</u>	<u>\$ 11,040,590</u>

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	<u>\$ 6,704,441</u>	<u>\$ 994,540</u>	<u>\$ 2,778,176</u>	<u>\$ 10,477,157</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 16. ENDOWMENTS (CONTINUED)

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

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 2013 amounts shown for comparative purposes. These conform to the classifications used in 2014.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 18. EXTRAORDINARY ITEM

During 2013, initial work began on the Minnisink replacement project as a result of being destroyed by fire. Work continued throughout 2014. Total costs incurred for the Minnisink building amounted to \$1,819,257 in 2014 and \$201,214 in 2013 and prior for a total cost to date at December 31, 2014 of \$2,020,471.

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. No additional reimbursement was received in 2014. 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.

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

INSURANCE PROCEEDS

Receipt of insurance proceeds through December 31, 2013	<u>\$ 1,291,529</u>
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CUMULATIVE COSTS INCURRED THROUGH DECEMBER 31, 2013:

Replacing supplies and equipment	304,823
Kittitanny renovation	464,835
Minnisink construction costs	<u>174,671</u>

	944,329
Net book value of Minnisink at time of fire	<u>79,175</u>

1,023,504

Less: Kittitanny and Minnisink costs capitalized	<u>(639,506)</u>
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383,998

GAIN ON INVOLUNTARY CONVERSION	<u><u>\$ 907,531</u></u>
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A Strong Y



**Means a
Strong Community**

ATTAINMENT VISION
ACTIVE UNITED INSIGHT
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METROPOLITAN YMCA OF THE ORANGES

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