

METROPOLITAN YMCA OF THE ORANGES

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

WITH INDEPENDENT AUDITORS' REPORT

METROPOLITAN YMCA OF THE ORANGES

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CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
COMBINED STATEMENTS OF FINANCIAL POSITION	2-3
COMBINED STATEMENT OF ACTIVITIES	4
COMBINED STATEMENTS OF CASH FLOWS	5
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES	6
NOTES TO COMBINED FINANCIAL STATEMENTS	7-20

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined statements of financial position of the Metropolitan YMCA of the Oranges as of December 31, 2009 and 2008, and the related combined statements of cash flows for the years then ended and the combined statements of activities and functional expenses for the year ended December 31, 2009. These combined financial statements are the responsibility of the Metropolitan YMCA of the Oranges' management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009 and 2008, and its cash flows for the years then ended and the changes in its net assets for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.



R.A. FREDERICKS & COMPANY, LLP

Montville, New Jersey
March 9, 2010

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METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents (Notes 3 and 14)	\$ 5,018,259	\$ 5,688,313
Accounts and other receivables - net	218,670	170,234
Short-term Investments (Notes 8 and 9)	1,518,752	-
Inventories	45,229	54,106
Prepaid expenses and other assets	126,651	191,207
	<u>6,927,561</u>	<u>6,103,860</u>
Total current assets		
	<u>6,927,561</u>	<u>6,103,860</u>
 LONG-TERM ASSETS		
Assets designated by Board for future projects	504,507	372,192
Investments (Note 8 and 9)	6,468,157	5,127,620
Deferred mortgage costs	42,594	45,402
Security deposits and other assets	2,700	2,700
Land, buildings, and equipment, net (Notes 4, 9, 10 and 11)	14,418,989	14,705,081
	<u>21,436,947</u>	<u>20,252,995</u>
Total long-term assets		
	<u>21,436,947</u>	<u>20,252,995</u>
 TOTAL ASSETS		
	<u>\$ 28,364,508</u>	<u>\$ 26,356,855</u>

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

METROPOLITAN YMCA OF THE ORANGES

COMBINED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2009 AND 2008

	<u>LIABILITIES AND NET ASSETS</u>	
	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Current portion of long-term debt (Note 10)	\$ 310,849	\$ 294,640
Current portion of obligation payable HTMUA (Note 11)	24,391	23,287
Deferred program revenue	633,827	713,883
Accounts payable, accrued expenses and other liabilities	<u>1,495,211</u>	<u>1,385,211</u>
Total current liabilities	<u>2,464,278</u>	<u>2,417,021</u>
LONG-TERM LIABILITIES		
Obligation payable - HTMUA, net of current portion (Note 11)	-	24,374
Long-term debt - net of current portion (Note 10)	<u>4,956,965</u>	<u>5,267,813</u>
Total long term liabilities	<u>4,956,965</u>	<u>5,292,187</u>
TOTAL LIABILITIES	<u>7,421,243</u>	<u>7,709,208</u>
NET ASSETS		
Unrestricted (Note 5)	17,507,586	16,759,326
Temporarily restricted (Note 6)	1,276,922	162,585
Permanently restricted (Note 7)	<u>2,158,757</u>	<u>1,725,736</u>
TOTAL NET ASSETS	<u>20,943,265</u>	<u>18,647,647</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,364,508</u>	<u>\$ 26,356,855</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, 2009 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2008)

	Unrestricted				2009	2008
	General Operating	Designated	Total	Temporarily Restricted		
REVENUES, GAINS AND SUPPORT						
Program Receipts:						
Community Groups	\$ 1,924,514	\$ -	\$ 1,924,514	\$ -	\$ -	\$ 1,999,360
Camp	3,092,157	-	3,092,157	-	-	3,084,012
Youth activity	1,366,007	-	1,366,007	-	-	1,448,267
Child Care	7,662,008	-	7,662,008	-	-	7,608,626
Administrative rentals and sales	137,552	-	137,552	-	-	142,375
Total program receipts	14,182,238	-	14,182,238	-	-	14,282,640
Contributions	1,290,880	-	1,290,880	321,748	1,839	1,396,838
Government grants, contracts and other grants	409,705	-	409,705	897,450	-	1,204,379
Membership dues	2,808,587	-	2,808,587	-	-	2,899,097
Special events and projects	250,201	-	250,201	-	-	276,151
Investment income (losses)	35,669	23,617	59,286	10,122	-	(68,133)
Other revenue	170,451	-	170,451	-	-	194,801
Net assets released from restrictions for program activities (Note 6)	1,138,743	31,095	1,169,838	(1,169,838)	-	-
Net unrealized gains (losses) on long-term investments (Note 8)	-	1,006,092	1,006,092	-	431,182	(1,459,430)
Loss on disposal of property and equipment	-	(5,054)	(5,054)	-	-	(27,628)
Net asset reclassification based on change in law (Note 17)	-	(1,054,855)	(1,054,855)	1,054,855	-	-
Total revenue, gains and support	20,286,474	895	20,287,369	1,114,337	433,021	18,698,715
EXPENSES						
Program services	16,756,227	1,312,242	18,068,469	-	-	17,512,840
Supporting services	1,470,640	-	1,470,640	-	-	1,558,048
Total expenses	18,226,867	1,312,242	19,539,109	-	-	19,070,888
Change in net assets before transfers	2,059,607	(1,311,347)	748,260	1,114,337	433,021	2,295,618
Transfers	(1,227,282)	1,227,282	-	-	-	-
Change in net assets	832,325	(84,065)	748,260	1,114,337	433,021	2,295,618
Net assets beginning of year	8,362,843	8,396,483	16,759,326	162,585	1,725,736	19,019,820
Net assets end of year	\$ 9,195,168	\$ 8,312,418	\$ 17,507,586	\$ 1,276,922	\$ 2,158,757	\$ 20,943,265

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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,295,618	\$ (372,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	895,335	873,972
Loss on disposal of property and equipment	5,054	27,628
Net unrealized (gains) losses on long-term investments	(1,437,274)	1,459,430
Net realized losses on sales of long-term investments	134,076	365,355
Changes in assets and liabilities:		
Accounts receivable	(48,436)	(11,296)
Prepaid expenses	64,556	83,548
Inventories	8,877	7,243
Deferred revenue	(80,056)	112,041
Accounts payable and accrued expenses	110,000	151,533
Net cash provided by operating activities	<u>1,947,750</u>	<u>2,697,281</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,050,597	1,468,167
Assets designated by board for future projects	(132,315)	(49,690)
Purchase of investments	(2,606,688)	(1,641,460)
Acquisition of property and equipment	(611,489)	(838,366)
Net cash used in investing activities	<u>(2,299,895)</u>	<u>(1,061,349)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Obligation payable - HTMUA	(23,270)	(22,092)
Payments on long-term debt	(294,639)	(283,074)
Net cash used in financing activities	<u>(317,909)</u>	<u>(305,166)</u>
Net increase (decrease) in cash and cash equivalents	(670,054)	1,330,766
Cash and cash equivalents at beginning of year	<u>5,688,313</u>	<u>4,357,547</u>
Cash and cash equivalents at end of year	<u>\$ 5,018,259</u>	<u>\$ 5,688,313</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ 238,551</u>	<u>\$ 253,566</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, 2009 (WITH SUMMARIZED COMPARATIVE TOTALS FOR 2008)**

	Program services										Supporting Services			2008
	Membership Activities	Community Groups	Camp	Youth Activities	Child Care	Property Management	Program services	General Administration	Fundraising	Supporting Activities	Total	2009	Total	
Salaries and wages	\$ 900,685	\$ 655,661	\$ 1,251,601	\$ 1,131,451	\$ 4,778,208	\$ 588,815	\$ 9,316,421	\$ 676,096	\$ 90,855	\$ 766,951	\$ 10,083,372	\$ 10,078,114		
Employee benefits	88,525	90,792	95,509	88,170	680,515	76,507	1,120,018	82,910	8,937	91,847	1,211,865	1,146,600		
Payroll taxes	92,185	87,308	157,550	117,821	481,027	70,344	1,006,235	60,190	9,217	69,407	1,075,642	1,015,106		
Contractual services	62,106	268,484	330,504	83,304	387,873	186,528	1,318,799	19,836	30,702	50,538	1,369,337	1,152,942		
Supplies	44,857	10,022	455,960	103,267	273,069	181,339	1,068,514	86,718	5,233	91,951	1,160,465	1,092,891		
Telephone	9,217	4,479	9,885	5,095	33,794	52,820	115,290	-	-	-	115,290	111,593		
Postage and shipping	8,622	4,452	7,247	3,012	11,098	3,129	37,560	18,943	5,958	24,901	62,461	60,903		
Occupancy/space costs	-	2,782	66,522	4,797	503,061	1,099,066	1,676,228	1,242	-	1,242	1,677,470	1,622,010		
Equipment costs	14,447	4,837	10,570	17,952	20,331	29,632	97,769	-	-	-	97,769	84,367		
Insurance	-	-	-	-	-	216,107	216,107	2,046	-	2,046	218,153	226,272		
Printing/publications	172,889	9,814	99,364	6,673	67,023	5,243	361,006	74,575	21,747	96,322	457,328	521,715		
Travel and employee expense	14,322	6,862	55,476	18,078	34,895	22,945	152,518	46,204	24,668	70,872	223,390	186,473		
Conference, meetings and dues	39,164	19,886	51,954	27,929	140,559	25,962	305,454	55,396	18,573	73,969	379,423	374,189		
Miscellaneous	24,183	14,185	22,960	15,697	48,552	255,638	381,215	129,704	890	130,594	511,809	523,741		
Subtotal	1,471,202	1,179,564	2,615,102	1,623,246	7,459,945	2,824,075	17,173,134	1,253,860	216,780	1,470,640	18,643,774	18,196,916		
Depreciation	-	-	-	-	-	895,335	895,335	-	-	-	895,335	873,972		
TOTAL EXPENSES	\$ 1,471,202	\$ 1,179,564	\$ 2,615,102	\$ 1,623,246	\$ 7,459,945	\$ 3,719,410	\$ 18,068,469	\$ 1,253,860	\$ 216,780	\$ 1,470,640	\$ 19,539,109	\$ 19,070,888		
TOTAL EXPENSES FOR 2008	\$ 1,440,624	\$ 871,421	\$ 2,617,588	\$ 1,687,396	\$ 7,372,481	\$ 3,523,330	\$ 17,512,840	\$ 1,241,643	\$ 316,405	\$ 1,558,048	\$ 19,070,888			

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, 2009 AND 2008

NOTE 1. DESCRIPTION OF ORGANIZATION

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

Mission Statement

The YMCA's mission is to enrich the lives of the children, families and communities we serve, through programs that build spirit, mind and body, welcoming all people, in an environment nurturing positive values.

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 Camps and Conference Center, 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 to assist single parents and families. School age child care is provided before and after school.

e. Property Management

Operating and maintaining all facilities, including but not limited to, pools, gymnasiums, cabins, buildings, dining halls and kitchens.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

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 Camps and Conference Center, South Mountain, Sussex County and West Essex. 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, 2008.

c. 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, 2009 AND 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 (see note 17).

d. 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.

e. 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.

f. Inventories

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

g. 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.

h. 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.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Tax status (continued)

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.

i. Contributions

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

j. 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.

k. 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.

l. Allowance for doubtful accounts

Accounts receivables are stated at the amount management expects 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 \$50,736 and \$39,937 at December 31, 2009 and 2008, respectively. Bad debt expense was \$9,229 and \$914 in 2009 and 2008, respectively

m. Subsequent events

Subsequent events were evaluated through March 9, 2010, 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, 2009 AND 2008

NOTE 3. CASH AND CASH EQUIVALENTS

	<u>2009</u>	<u>2008</u>
Cash	\$3,393,118	\$ 263,231
Certificates of deposit and money markets	<u>1,625,141</u>	<u>5,425,082</u>
	<u>\$5,018,259</u>	<u>\$5,688,313</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>2009</u>	<u>2008</u>
Association Services	\$ 247,851	\$ 770,357	\$ 109,410	\$ 59,447	\$ -	\$ 1,187,065	\$ 1,103,264
East Orange	122,373	1,603,970	29,268	-	-	1,755,611	1,732,781
Camp	259,488	2,075,623	155,905	8,250	32,429	2,531,695	2,494,594
Sussex County	562,310	7,553,251	437,856	91,160	-	8,644,577	8,560,083
West Essex	40,000	3,071,766	217,723	-	26,019	3,355,508	3,386,512
South Mountain	401,579	2,453,053	42,046	15,168	-	2,911,846	2,854,474
	<u>1,633,601</u>	<u>17,528,020</u>	<u>992,208</u>	<u>174,025</u>	<u>58,448</u>	<u>20,386,302</u>	<u>20,131,708</u>
Less: Accumulated Depreciation	-	5,389,253	480,527	97,533	-	5,967,313	5,426,627
	<u>\$ 1,633,601</u>	<u>\$12,138,767</u>	<u>\$ 511,681</u>	<u>\$ 76,492</u>	<u>\$ 58,448</u>	<u>\$14,418,989</u>	<u>\$ 14,705,081</u>

NOTE 5. UNRESTRICTED NET ASSETS

Unrestricted net assets are comprised of the following:

	<u>2009</u>	<u>2008</u>
General Operating Net Assets	<u>\$9,195,168</u>	<u>\$8,362,843</u>
<u>Net Assets Designated by Board:</u>		
Future Projects and Periods Property	4,661,078	4,681,804
	<u>3,651,340</u>	<u>3,714,679</u>
	<u>8,312,418</u>	<u>8,396,483</u>
	<u>\$17,507,586</u>	<u>\$16,759,326</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following:

	<u>2009</u>	<u>2008</u>
<u>Restricted for Future Projects and programs:</u>		
Camp building improvements	\$ 136,739	\$ 136,739
Endowment income for future appropriations	1,064,977	-
Conference center	20,100	20,100
Other projects and programs	55,106	5,746
	<u>\$1,276,922</u>	<u>\$162,585</u>

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>2009</u>	<u>2008</u>
<u>Purpose Restrictions Accomplished:</u>		
Childcare	\$1,016,783	\$1,033,562
Food programs	25,860	26,993
Program support and scholarships	96,100	34,750
Purchase of property and equipment	31,095	167,480
	<u>\$1,169,838</u>	<u>\$1,262,785</u>

NOTE 7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are as follows:

	<u>2009</u>	<u>2008</u>
Endowments	\$2,100,189	\$1,667,168
Collins Endowment	24,046	24,046
Crawford Endowment	34,522	34,522
	<u>\$2,158,757</u>	<u>\$1,725,736</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 8. INVESTMENTS

	2009			2008		
	Cost	Fair Value	Excess of Fair Value Over Cost	Cost	Fair Value	Excess of Fair Value Over Cost
Balance at end of year	<u>\$ 6,872,207</u>	<u>\$ 7,986,909</u>	\$ 1,114,702	<u>\$ 5,450,192</u>	<u>\$ 5,127,620</u>	\$ (322,572)
Balance at beginning of year	<u>\$ 5,450,192</u>	<u>\$ 5,127,620</u>	(322,572)	<u>\$ 5,642,254</u>	<u>\$ 6,779,112</u>	1,136,858
Net increase (decrease) in unrealized appreciation (depreciation)			1,437,274			(1,459,430)
Realized net gain (loss) for the year			<u>(134,076)</u>			<u>(365,355)</u>
Total net gain (loss) for the year			<u>\$ 1,303,198</u>			<u>\$ (1,824,785)</u>

Merrill Lynch custodial fees incurred during 2009 and 2008 amounted to \$2,875 and \$5,484 respectively. Bristol & Company, Inc. investment fees incurred during 2009 and 2008 amounted to \$29,567 and \$32,086, respectively

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

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, 2009 and 2008 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>December 31, 2009</u>		
Short-term investments	\$ 1,518,752	\$ 1,518,752
Long-term investments	<u>6,468,157</u>	<u>6,468,157</u>
Total	<u>\$ 7,986,909</u>	<u>\$ 7,986,909</u>
<u>December 31, 2008</u>		
Long-term investments	<u>\$ 5,127,620</u>	<u>\$ 5,127,620</u>
Total	<u>\$ 5,127,620</u>	<u>\$ 5,127,620</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.

NOTE 10. LONG-TERM DEBT

Borrowing agreement is comprised as follows:

	<u>2009</u>	<u>2008</u>
Mortgage payable to Bank of America in monthly principal payments of \$5,360 plus interest at 5.55% (a)	\$ 712,884	\$796,198
Mortgage payable to Lakeland Bank in monthly payments of \$33,788, including Interest at 4.10% (b)	<u>4,554,930</u>	<u>4,766,255</u>
	5,267,814	5,562,453
Less: Current maturities	<u>(310,849)</u>	<u>(294,640)</u>
Net long-term debt	<u>\$4,956,965</u>	<u>\$5,267,813</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 10. LONG-TERM DEBT (CONTINUED)

- (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, 2009.
- (b) The mortgage payable 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. 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, 2009.

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

2010	\$310,849
2011	322,898
2012	340,295
2013	363,472
2014	381,350
	<u>\$1,718,864</u>

Interest expense for all obligations amounted to \$238,551 in 2009 and \$253,566 in 2008.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 11. OBLIGATION PAYABLE-HTMUA

The YMCA entered into an agreement with the Hardyston Township Municipal Utilities Authority (HTMUA) for the reservation of sewer capacity allocation into the Sussex County Municipal Utilities Authority's Upper Walkkill System for the YMCA's use. In addition to quarterly user fees applicable to wastewater discharge and its proportionate share of all operating, maintenance and administration costs, the YMCA shall pay 28 quarterly payments of approximately \$6,300 each for a total of \$176,601, without interest for the use of this easement.

These payments shall cease upon the final quarterly payment being made on or before October 15, 2010. The obligation payable has been recorded using a discount rate of 5% for a present value of the obligation of \$150,000. Aggregate principal payments under this obligation payable remain as follows: 2010 \$24,391.

NOTE 12. 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. Future minimum lease commitments under these operating leases are presented for future years as follows:

2010	\$181,889
2011	192,326
2012	<u>170,551</u>
	<u>\$544,766</u>

Rent expense amounted to \$381,068 and \$397,263 for 2009 and 2008, respectively. Rental income amounted to \$7,800 and \$17,093 for 2009 and 2008, 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, 2009 AND 2008

NOTE 13. 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 \$698,067 in 2009 and \$697,332 in 2008.

NOTE 14. 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.

The YMCA maintains its cash and money market balances at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 through December 31, 2009. Uninsured balances remaining in money market accounts approximated \$28,000 at December 31, 2009. Under the Transaction Account Guarantee Program (TAGP) all non-interest bearing transaction accounts held in participating financial institutions are insured for 100% of the account balances.

NOTE 15. CONTRIBUTED SERVICES

The Organization receives donated services from a variety of unpaid volunteers. In 2009 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 \$451,162 and \$171,180 have been recognized in the accompanying 2009 and 2008 combined statement of activities, respectively because the criteria for recognition of such volunteer efforts have been satisfied. In addition, during 2009, in-kind donations were received in the amount of \$5,070. During 2008, the Sussex County Branch received donated services together with property and equipment for the installation of a playground in the amount of \$89,120.

NOTE 16. SCHOLARSHIPS AND FINANCIAL ASSISTANCE PROGRAMS

The YMCA's financial assistance programs during 2009 and 2008 were made possible through the YMCA's Strong Kids Campaign and awarded or supported more than 3,800 and 2,700 children and families, respectively, who received more than \$1,034,000 in 2009 and \$710,000 in 2008 in financial assistance and program subsidies.

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 17. ENDOWMENTS

The YMCA follows the recently enacted 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).

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 17. ENDOWMENTS (CONTINUED)

At December 31, 2009, 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	\$ -	\$ 1,201,716	\$ 2,158,757	\$ 3,360,473
Board-designated endowment funds	<u>3,661,074</u>	<u>-</u>	<u>-</u>	<u>3,661,074</u>
Total funds	<u>\$ 3,661,074</u>	<u>\$ 1,201,716</u>	<u>\$ 2,158,757</u>	<u>\$ 7,021,547</u>

Changes in endowment net assets for the year ended December 31, 2009 under UPMIFA:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,681,804	\$ 136,739	\$ 1,725,736	\$ 5,544,279
Net asset reclassification based on change in law	<u>(1,054,855)</u>	<u>1,054,855</u>	<u>-</u>	<u>-</u>
Endowment net assets, after reclassification	2,626,949	1,191,594	1,725,736	5,544,279
Investment return:				
Investment income (losses)	23,617	10,122	-	33,739
Net unrealized gains (losses) on investments	<u>1,006,092</u>	<u>-</u>	<u>431,182</u>	<u>1,437,274</u>
Total Investment Returns	1,029,709	10,122	431,182	1,471,013
Contributions	-	-	1,839	1,839
Other changes	<u>4,416</u>	<u>-</u>	<u>-</u>	<u>4,416</u>
Endowment net assets, end of year	<u>\$ 3,661,074</u>	<u>\$ 1,201,716</u>	<u>\$ 2,158,757</u>	<u>\$ 7,021,547</u>

METROPOLITAN YMCA OF THE ORANGES

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 17. ENDOWMENTS (CONTINUED)

At December 31, 2008, the endowment net assets composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 136,739	\$ 1,725,736	\$ 1,862,475
Board-designated endowment funds	3,681,804	-	-	3,681,804
Total funds	<u>\$ 3,681,804</u>	<u>\$ 136,739</u>	<u>\$ 1,725,736</u>	<u>\$ 5,544,279</u>

Changes in endowment net assets for the year ended December 31, 2008 prior to enactment of UPMIFA:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 4,890,041	\$ 136,739	\$ 2,111,803	\$ 7,138,583
Investment return:				
Investment income (losses)	(195,335)	-	-	(195,335)
Net unrealized gains (losses) on investments	(1,021,601)	-	(437,829)	(1,459,430)
Total Investment Returns	(1,216,936)	-	(437,829)	(1,654,765)
Contributions	-	-	51,762	51,762
Other changes	8,699	-	-	8,699
Endowment net assets, end of year	<u>\$ 3,681,804</u>	<u>\$ 136,739</u>	<u>\$ 1,725,736</u>	<u>\$ 5,544,279</u>

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.