

**The Young Men's Christian
Association (YMCA) of
Frederick County, Maryland, Inc.**

Audited Financial Statements

December 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.
Frederick, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Expenditures of Federal Awards*, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2016 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

McLean, Koehler, Sparks & Hammond

Frederick, Maryland
June 17, 2016

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Statements of Financial Position

December 31,	<u>2015</u>	<u>2014</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 584,940	\$ 214,949
Accounts receivable	509,532	360,351
Investments	1,266,950	1,052,990
Promises to give, net - current	134,520	14,990
Other current assets	<u>112,749</u>	<u>115,086</u>
Total current assets	<u>2,608,691</u>	<u>1,758,366</u>
Property and Equipment , net of accumulated depreciation	<u>15,262,167</u>	<u>15,355,314</u>
Other Assets:		
Cash and cash equivalents - for scholarship and endowment	102,345	172,177
Promises to give, net - non current	447,730	55,190
Other receivables - non current	60,971	71,150
Other assets	65,647	46,218
Investments - restricted for scholarship and endowment	1,911,055	1,900,221
Unitrusts receivable	143,382	673,260
Charitable remainder trust	512,490	504,386
Beneficial interest in private foundation	404,955	434,337
Beneficial interest in perpetual trusts	25,067	27,032
Debt acquisition costs, net of accumulated amortization	<u>32,886</u>	<u>42,570</u>
Total other assets	<u>3,706,528</u>	<u>3,926,541</u>
 Total Assets	 <u>\$ 21,577,386</u>	 <u>\$ 21,040,221</u>

	<u>2015</u>	<u>2014</u>
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	\$ 500,000	\$ 200,000
Current maturities of long-term debt	-	155,858
Accounts payable	295,234	161,078
Accrued expenses	419,126	455,202
Deferred rent	5,485	-
Deferred revenue	395,460	434,738
Total current liabilities	<u>1,615,305</u>	<u>1,406,876</u>
Long-Term Debt	<u>3,160,000</u>	<u>2,988,629</u>
Total liabilities	<u>4,775,305</u>	<u>4,395,505</u>
Net Assets:		
Unrestricted:		
Board designated	1,322,799	1,118,881
Other	11,762,004	11,880,313
Total unrestricted	<u>13,084,803</u>	<u>12,999,194</u>
Temporarily restricted	2,612,166	2,538,445
Permanently restricted	1,105,112	1,107,077
Total net assets	<u>16,802,081</u>	<u>16,644,716</u>
Total Liabilities and Net Assets	<u>\$ 21,577,386</u>	<u>\$ 21,040,221</u>

The notes to financial statements are an integral part of these statements.

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Statements of Activities

For the years ended December 31,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Public Support:								
Head Start federal grant	\$ 2,268,848	\$ -	\$ -	\$ 2,268,848	\$ 2,119,887	\$ -	\$ -	\$ 2,119,887
State contracts	317,538	-	-	317,538	363,811	-	-	363,811
Contributions	899,586	673,833	-	1,573,419	251,576	-	279,891	531,467
Head Start in-kind contributions	561,997	-	-	561,997	587,249	-	-	587,249
Head Start other contribution	4,560	-	-	4,560	4,466	-	-	4,466
Fundraising organizations	55,066	-	-	55,066	16,877	-	-	16,877
Revenue:								
Membership	3,071,083	-	-	3,071,083	2,995,886	-	-	2,995,886
Class fees	6,314,108	-	-	6,314,108	6,106,457	-	-	6,106,457
Special events	223,186	-	-	223,186	168,812	-	-	168,812
Sales	28,792	-	-	28,792	49,908	-	-	49,908
Miscellaneous income	120,716	-	-	120,716	22,702	-	-	22,702
Realized loss on disposal of equipment	(192,058)	-	-	(192,058)	(9,416)	-	-	(9,416)
Interest and dividends	34,267	80,286	-	114,553	28,431	50,653	-	79,084
Net realized/unrealized gain (loss) on investments	(88,136)	(101,286)	-	(189,422)	75,146	62,411	-	137,557
Change in value of charitable remainder trust	-	8,104	-	8,104	-	54,254	-	54,254
Change in value of unitrusts	-	9,104	-	9,104	-	(4,628)	-	(4,628)
Unrealized appreciation (depreciation) of beneficial interest in perpetual trusts	-	-	(1,965)	(1,965)	-	-	226	226
Unrealized appreciation (depreciation) of beneficial interest in private foundation	-	(16,557)	-	(16,557)	-	5,868	-	5,868
Net assets released from restriction	579,763	(579,763)	-	-	52,218	(52,218)	-	-
Total support and revenue	14,199,316	73,721	(1,965)	14,271,072	12,834,010	116,340	280,117	13,230,467
Expenses:								
Programs:								
Membership service	2,894,201	-	-	2,894,201	2,487,825	-	-	2,487,825
Family service	4,976,820	-	-	4,976,820	4,567,620	-	-	4,567,620
Adult programs	571,783	-	-	571,783	540,607	-	-	540,607
Youth and community programs	1,296,090	-	-	1,296,090	1,269,882	-	-	1,269,882
Head Start	3,139,152	-	-	3,139,152	3,026,407	-	-	3,026,407
Fundraising	525,731	-	-	525,731	279,552	-	-	279,552
Building and administrative	709,930	-	-	709,930	627,020	-	-	627,020
Total expenses	14,113,707	-	-	14,113,707	12,798,913	-	-	12,798,913
Change in net assets	85,609	73,721	(1,965)	157,365	35,097	116,340	280,117	431,554
Net assets, beginning of year	12,999,194	2,538,445	1,107,077	16,644,716	12,964,097	2,422,105	826,960	16,213,162
Net assets, end of year	\$ 13,084,803	\$ 2,612,166	\$ 1,105,112	\$ 16,802,081	\$ 12,999,194	\$ 2,538,445	\$ 1,107,077	\$ 16,644,716

The notes to financial statements are an integral part of these statements.

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Statement of Functional Expenses (with comparative totals for 2014)

For the years ended December 31,

2015

	Programs					Other		Total 2015	Total 2014
	Membership Services	Family Services	Adult Programs	Youth and Community Programs	Head Start	Fundraising	Building and Administration		
Personnel:									
Salaries and wages	\$ 629,704	\$ 2,529,376	\$ 326,627	\$ 661,640	\$ 1,421,418	\$ 83,899	\$ 974,816	\$ 6,627,480	\$ 6,543,820
Employee benefits	75,734	413,835	17,816	26,389	288,864	16,185	137,359	976,182	806,675
Payroll taxes	47,940	184,247	23,811	50,568	117,271	5,985	117,018	546,840	565,275
Total personnel	<u>753,378</u>	<u>3,127,458</u>	<u>368,254</u>	<u>738,597</u>	<u>1,827,553</u>	<u>106,069</u>	<u>1,229,193</u>	<u>8,150,502</u>	<u>7,915,770</u>
Operating:									
Interest	-	-	-	-	-	-	157,781	157,781	162,725
Plant and equipment	17,707	298,711	2,700	62,154	505,331	4,365	1,809,611	2,700,579	1,959,681
Depreciation and amortization	-	-	-	-	103,088	-	513,263	616,351	633,291
Professional fees	20,069	41,792	16,253	38,714	239,172	150,063	319,629	825,692	617,615
Supplies	19,467	191,726	9,448	152,814	276,472	2,495	26,396	678,818	706,558
Transportation	1,644	31,759	-	14,468	111,018	850	24,982	184,721	186,010
Communication	8,229	24,079	-	1,945	15,000	2,239	26,449	77,941	90,537
Dues	49,175	64,246	-	14,300	2,801	2,853	17,483	150,858	122,271
Training and meetings	6,098	30,026	2,128	14,990	44,386	16,048	48,587	162,263	120,990
Special events	-	36	-	6,582	-	89,930	4,559	101,107	67,970
Bad debt and discount expense	-	9,696	-	-	-	44,785	-	54,481	13,483
Write off of debt acquisition cost	-	-	-	-	-	-	38,362	38,362	-
Miscellaneous	18,434	80,291	-	306	14,331	6,034	94,855	214,251	202,012
Total operating	<u>140,823</u>	<u>772,362</u>	<u>30,529</u>	<u>306,273</u>	<u>1,311,599</u>	<u>319,662</u>	<u>3,081,957</u>	<u>5,963,205</u>	<u>4,883,143</u>
Subtotal of expenses	894,201	3,899,820	398,783	1,044,870	3,139,152	425,731	4,311,150	14,113,707	12,798,913
Allocation of building and administrative	<u>2,000,000</u>	<u>1,077,000</u>	<u>173,000</u>	<u>251,220</u>	<u>-</u>	<u>100,000</u>	<u>(3,601,220)</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 2,894,201</u>	<u>\$ 4,976,820</u>	<u>\$ 571,783</u>	<u>\$ 1,296,090</u>	<u>\$ 3,139,152</u>	<u>\$ 525,731</u>	<u>\$ 709,930</u>	<u>\$ 14,113,707</u>	<u>\$ 12,798,913</u>

The notes to financial statements are an integral part of these statements.

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Statement of Functional Expenses

For the year ended December 31,

2014

	Programs					Other		Total 2014
	Membership Services	Family Services	Adult Programs	Youth and Community Programs	Head Start	Fundraising	Building and Administration	
Personnel:								
Salaries and wages	\$ 706,888	\$ 2,417,206	\$ 335,778	\$ 679,572	\$ 1,394,157	\$ 113,646	\$ 896,573	\$ 6,543,820
Employee benefits	78,251	382,388	12,690	17,482	210,083	11,824	93,957	806,675
Payroll taxes	53,228	178,082	24,827	51,912	137,760	8,492	110,974	565,275
Total personnel	<u>838,367</u>	<u>2,977,676</u>	<u>373,295</u>	<u>748,966</u>	<u>1,742,000</u>	<u>133,962</u>	<u>1,101,504</u>	<u>7,915,770</u>
Operating:								
Interest	-	-	-	-	-	-	162,725	162,725
Plant and equipment	22,976	257,231	2,405	82,147	488,740	977	1,105,205	1,959,681
Depreciation and amortization	-	-	-	-	103,971	-	529,320	633,291
Professional fees	14,046	31,544	13,249	36,405	213,027	6,664	302,680	617,615
Supplies	18,939	172,297	13,080	154,949	320,318	3,531	23,444	706,558
Transportation	4,292	38,005	-	15,553	100,567	1,033	26,560	186,010
Communication	9,775	22,637	-	1,704	21,905	3,429	31,087	90,537
Dues	38,782	50,623	-	11,510	1,745	4,087	15,524	122,271
Training and meetings	6,813	23,089	1,578	12,753	19,507	19,681	37,569	120,990
Special events	-	69	-	8,337	-	39,911	19,653	67,970
Bad debt and discount expense	-	13,483	-	-	-	-	-	13,483
Write off of debt acquisition cost	-	-	-	-	-	-	-	-
Miscellaneous	27,835	75,966	-	121	14,627	6,277	77,186	202,012
Total operating	<u>143,458</u>	<u>684,944</u>	<u>30,312</u>	<u>323,479</u>	<u>1,284,407</u>	<u>85,590</u>	<u>2,330,953</u>	<u>4,883,143</u>
Subtotal of expenses	981,825	3,662,620	403,607	1,072,445	3,026,407	219,552	3,432,457	12,798,913
Allocation of building and administrative	<u>1,506,000</u>	<u>905,000</u>	<u>137,000</u>	<u>197,437</u>	<u>-</u>	<u>60,000</u>	<u>(2,805,437)</u>	<u>-</u>
Total Expenses	<u>\$ 2,487,825</u>	<u>\$ 4,567,620</u>	<u>\$ 540,607</u>	<u>\$ 1,269,882</u>	<u>\$ 3,026,407</u>	<u>\$ 279,552</u>	<u>\$ 627,020</u>	<u>\$ 12,798,913</u>

The notes to financial statements are an integral part of these statements.

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Statements of Cash Flows

For the years ended December 31,	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 157,365	\$ 431,554
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	609,795	626,974
Amortization	6,556	6,317
Provision for bad debt expense	9,696	13,483
Loss on disposal of equipment	192,058	9,416
Write-off of debt acquisition costs	38,362	-
Realized/unrealized loss (gain) on investments	189,422	(137,557)
Discount and allowance for promises to give	46,767	4,755
Contributions restricted for long-term purposes	(698,700)	(30,000)
Change in value of charitable remainder trust	(8,104)	(54,254)
Change in value of unitrust	529,878	4,628
Change in value of beneficial interest in perpetual trust	1,965	(226)
Unrealized depreciation (appreciation) of beneficial interest in private foundation	16,557	(5,868)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(158,877)	(119,924)
Promises to give	(558,837)	(15,715)
Other assets	(17,092)	(55,316)
Other receivables	10,179	289,628
Increase (decrease) in:		
Accounts payable	134,156	(52,697)
Accrued expenses and deferred rent	(30,591)	8,753
Deferred revenue	(39,278)	61,341
Net cash provided by operating activities	<u>431,277</u>	<u>985,292</u>
Cash flows from investing activities:		
Purchase of property and equipment	(708,706)	(307,715)
Proceeds from sale of property and equipment	-	21,900
Purchase of investments	(263,227)	(4,635,361)
Proceeds from sale of investments	(138,164)	3,999,633
Net cash used in investing activities	<u>(1,110,097)</u>	<u>(921,543)</u>

The notes to financial statements are an integral part of these statements.

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Statements of Cash Flows (continued)

For the years ended December 31,	<u>2015</u>	<u>2014</u>
Cash flows from financing activities:		
Debt acquisition costs	\$ (35,234)	\$ -
Proceeds from line of credit	1,000,188	400,000
Principal payments on line of credit	(700,188)	(400,000)
Proceeds from long-term debt	3,160,000	-
Principal payments of long-term debt	(3,144,487)	(160,233)
Contributions restricted for long-term purposes	698,700	30,000
Principal payments under capital lease obligation	-	(1,675)
Net cash provided by (used in) financing activities	<u>978,979</u>	<u>(131,908)</u>
Net increase (decrease) in cash and cash equivalents	300,159	(68,159)
Cash and cash equivalents, beginning of year	<u>387,126</u>	<u>455,285</u>
Cash and cash equivalents, end of year	<u><u>\$ 687,285</u></u>	<u><u>\$ 387,126</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 157,781	\$ 162,725
Components of cash and cash equivalents:		
Cash and cash equivalents - unrestricted	\$ 584,940	\$ 214,949
Cash and cash equivalents - restricted for scholarship and endowment	<u>102,345</u>	<u>172,177</u>
	<u><u>\$ 687,285</u></u>	<u><u>\$ 387,126</u></u>

The notes to financial statements are an integral part of these statements.

The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc. (the "Association") is a not-for-profit charitable organization that was founded in 1858. It is an association of persons of all ages who are united in a common effort to put Christian principles into practice through programs that promote healthy lifestyles, strengthen the family, develop leadership in youth, build international understanding, and assist in community development in Frederick, Maryland. The Association's primary focus is to provide opportunities for healthy living, youth development, and social responsibility.

The following is a summary of the Association's significant accounting policies:

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Expenditures reported on the Schedule of Expenditures of Federal Awards (the "Schedule") are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Basis of Presentation

The financial statement presentation follows the accounting standards related to financial statements of not-for-profit organizations. According to these standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. These assets are currently available to support the Association's operations.

Temporarily restricted net assets – Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and otherwise removed by actions of the Association pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes.

The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Permanently restricted net assets – Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Association's actions.

Schedule of Federal Expenditures

The Schedule of Federal Expenditures includes the federal funding activity of the Association under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

Financial Risk

The Association has a potential concentration of credit risk if they maintain deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount for interest and non-interest bearing accounts is \$250,000, which is applied per depositor, per insured bank for each account ownership category. The Association's total cash in excess of federally insured limits was \$436,566 and \$179,848 at December 31, 2015 and 2014, respectively.

The Association invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, U.S. obligations, mutual funds, and money market funds. Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Cash Equivalents

The Association considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**The Young Men's Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Association's receivables consist primarily of childcare fees receivable, grant receivables, and promises to give. Childcare fees are generally recorded as receivables on a monthly basis.

Reimbursable grants are recorded as receivables when the Association recognizes the related expenses, and unconditional promises to give are recorded as receivables as donor pledge cards are received.

The need for any provision for uncollectible accounts is based on management's evaluation of the collectability of receivables. All accounts receivable at December 31, 2015 and 2014 are considered collectible, and therefore no loss provision is deemed necessary. Accounts receivable are reviewed quarterly for troubled accounts, which are written off when management deems them uncollectible. Recoveries of receivables previously written off are recorded when received. A childcare account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 15 days. Interest is not charged on past due amounts. Bad debt expense was \$9,696 and \$13,483 for the years ended December 31, 2015 and 2014, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. In accordance with accounting standards for contributions received and contributions made, promises to give which are to be received in a future period are discounted to their net present value at the time the revenue is recorded. Promises to give range over a one to ten year period and are discounted at a rate of 3.25%, a rate which is selected based on the Association's minimum borrowing rate for the years ended December 31, 2015 and 2014.

Investments

Investments with readily determinable fair values are reflected at fair market value. The change in fair market value is charged or credited to current operations.

Realized gains and losses on sale of investments are computed using the first-in, first-out specific identification method. All realized gain and losses on sale of investments are recorded on the trading date of the transaction in the appropriate net asset category.

Other Current Assets

Other current assets consists of prepaid insurance, prepaid property taxes, and payroll advances.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

**The Young Men's Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

Other Assets

Other assets consists of costs incurred related to the planned South County branch facility.

Property and Equipment

Property and equipment is stated at cost. Contributed property and equipment is recorded at fair value at the date of contribution. The Association capitalizes all property and equipment purchased with a cost of \$1,000 or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Useful lives range from 3-7 years for furniture and equipment to 40 years for buildings and improvements.

Valuation of Long-Lived Assets

The Association accounts for the valuation of long-lived assets under accounting standards for the impairment or disposal of long-lived assets. This accounting standard requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Association has no impaired assets.

Remainder Interests – Charitable Remainder Trust and Unitrusts Receivable

The Association has been named beneficiary of various charitable remainder trusts and unitrusts. A qualifying charitable remainder trust or unitrust provides lifetime income to the donor and/or the donor's family members, with the remaining trust assets passing to the Association when the trust ends. These trusts are created by donors independently of the Association and are neither in the possession nor under the control of the Association. The trusts are administered by outside fiscal agents as designated by the donor. The Association records the present value of the remainder interest discounted at the IRS Section 7520 rate of 2.0% for 2015 and 2014. Charitable remainder trusts and unitrusts are recognized as revenue when the Association is notified that they have been named as a beneficiary.

The Young Men’s Christian Association (YMCA) of Frederick County, Maryland, Inc.

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Private Foundation

The Association has been named beneficiary of the Benjamin Shuff Trust (the “Trust”). The Association recorded the fair value of the Trust as a temporarily restricted asset, and records income from the Trust as unrestricted revenue. The Trust is required to distribute 5% of its net assets annually.

Perpetual Trust

Perpetual trusts are considered permanently restricted net assets. The fair value of the assets held by the trusts is reported on the Association’s Statements of Financial Position. In cases where the donor has granted variance power to a third party, the Association does not record its interest in the future income of the trusts as assets, but rather, records only the income distributions that it receives from the third party.

Fair Value of Financial Instruments

Financial instruments include cash, evidence of an ownership interest in an entity or a contract that both 1) imposes on an entity a contractual obligation to deliver or exchange cash or another financial instrument to another entity and 2) conveys to the other entity a contractual right to receive or exchange cash or another financial instrument from the first entity. Financial instruments can include cash equivalents, investments, receivables, payables, revolving credit facilities, short-term and long-term debt, and derivatives such as interest rate swaps, options and foreign currency contracts.

The Association estimates that the carrying amounts of its financial instruments approximate fair value due to the short term nature of those instruments. The estimated fair value amounts have been determined by the Association using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly the estimates may not be indicative of the amounts the Association could realize in a current market. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

**The Young Men's Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Association applies fair value measurement standards which apply whenever other authoritative literature requires certain assets and liabilities to be measured at fair value. Items carried at fair value on a recurring basis consist primarily of financial instruments which are valued primarily based on quoted prices in active or brokered markets for identical as well as similar assets and liabilities. Items carried at fair value on a non-recurring basis generally consist of assets held for sale. The Association also uses fair value concepts to test long-lived assets for impairment, if applicable.

In accordance with accounting standards, the Association has characterized its investments in securities based on the priority of inputs used to value the investments, based on a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within three different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the investments. Available-for-sale securities recorded in the financial statements are categorized based on the inputs to valuation techniques as follows:

Level 1 – These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access. All investments currently held by the Association are considered to be level one.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments. The Association currently has no level two investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. The Association currently has no level three investments.

Following is a description of the valuation methodologies used for investments measured at fair value at December 31, 2015 and 2014:

Corporate stocks, mutual funds, and exchange traded funds: Valued at the closing price reported in the active market in which the individual securities are traded.

Corporate bonds: Valued at the closing price reported in the active market in which the bonds are traded.

**The Young Men's Christian Association (YMCA) of
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Notes to Financial Statements

For the years ended December 31, 2015 and 2014

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Debt Acquisition Costs

Debt acquisition costs are being amortized over the term of the debt using the interest method. Amortization expense was \$6,556 and \$6,317 for the years ended December 31, 2015 and 2014, respectively. Net debt acquisition costs included in the Statements of Financial Position were \$32,886 and \$42,570 at December 31, 2015 and 2014, respectively. At August 27, 2015, the Association refinanced the loan resulting in a write-off of remaining debt acquisition costs of \$38,362.

Gifts-In-Kind

Gifts-in-kind are valued at fair value at the date of the gift.

Donated Services and Materials

Volunteers make significant contributions of time to the Association. In accordance with GAAP, the Association records only the value of contributed services that require specialized skills that create or enhance a non-financial asset, are provided by individuals possessing those skills or licenses, and for which the Association would need to purchase if the services were not donated.

Donated materials and professional services are recorded at their estimated fair value at the date of donation. The Association recorded donated materials and services revenue and related expense of \$561,997 and \$587,249 for the years ended December 31, 2015 and 2014, respectively.

Restricted and Unrestricted Revenue

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

All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as "net assets released from restriction." Temporarily restricted revenue earned and released within the same year is recorded as unrestricted net assets on the Statements of Activities at year end. Unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

**The Young Men's Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

Membership Dues

The Association recognizes membership dues over the term of the membership by deferring the portion which relates to the period of membership of the subsequent year. Joining fees are recognized when received.

Class Fees

The Association recognizes class fees in the period in which the class is given. Class fees that are received for classes given in a subsequent period are deferred.

Advertising

Advertising costs are expensed in the period incurred. For the years ended December 31, 2015 and 2014, the Association incurred advertising costs of \$88,318 and \$77,800, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Building and administration costs are allocated to programs based on square footage.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Association is generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for a charitable contributions deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Association had no unrelated business income tax for the years ended December 31, 2015 and 2014.

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

**The Young Men’s Christian Association (YMCA) of
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Notes to Financial Statements

For the years ended December 31, 2015 and 2014

Uncertain Tax Positions

The Association applies the accounting guidance for “uncertainty in income taxes.” This guidance requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Association’s tax returns to determine whether any tax positions would “more-likely-than-not” be sustained by the applicable tax authority. Tax positions deemed not to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year.

The Association believes that its income tax filing positions and deductions will be sustained upon examination and, accordingly, has not recorded any reserves, or related accruals for interest and penalties, at December 31, 2015 for uncertain income tax positions. The Association continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

Currently, the 2012, 2013 and 2014 tax years are open and subject to examinations by the Internal Revenue Service and the Comptroller of Maryland.

The Association has adopted a policy under which, if required to be recognized in the future, it will classify interest related to the underpayment of income taxes as a component of interest expense, and it will classify any related penalties in operating expenses in the Statements of Functional Expenses.

Reclassification

Costs totaling \$46,218 related to the South County project were reclassified from “other current assets” to long-term “other assets” for the year ended December 31, 2014.

2. Accounts Receivable

Accounts receivable at December 31 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Childcare	\$ 17,837	\$ 26,043
Head Start	136,724	173,786
Grants	88,854	-
Other	<u>266,117</u>	<u>160,522</u>
Total	<u>\$ 509,532</u>	<u>\$ 360,351</u>

**The Young Men’s Christian Association (YMCA) of
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Notes to Financial Statements

For the years ended December 31, 2015 and 2014

3. Other Current Assets

Other current assets consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Prepaid insurance	\$ 61,667	\$ 65,173
Prepaid taxes and payroll advances	<u>51,082</u>	<u>49,913</u>
Total	<u>\$ 112,749</u>	<u>\$ 115,086</u>

4. Property and Equipment

Property and equipment at December 31 consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 9,132,826	\$ 9,132,826
Buildings and improvements	11,223,128	11,181,989
Furniture and equipment	<u>2,680,720</u>	<u>2,534,313</u>
Total	23,036,674	22,849,128
Less accumulated depreciation	<u>(7,774,507)</u>	<u>(7,493,814)</u>
Net property and equipment	<u>\$ 15,262,167</u>	<u>\$ 15,355,314</u>

Depreciation expense was \$609,795 and \$626,974 for the years ended December 31, 2015 and 2014, respectively.

5. Endowment Funds

Generally accepted accounting principles provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The endowment funds of the organization are included in the investments and net assets.

The following disclosures are required under the UPMIFA regulations:

Return objectives and risk parameters

The Board of Directors of the Association has established an investment policy to clearly articulate the views on investment objectives and risk tolerance for the endowment funds. The investment objectives are for long term growth over a period of 30 years or more, with a balanced risk tolerance. The following types of investments are prohibited: short sales, margin transactions, private placements, interest rate futures, letter stocks, and hedging transactions.

**The Young Men’s Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

5. Endowment Funds (continued)

The portfolio performance will be measured against the following benchmarks:

<u>Sector</u>	<u>Benchmark</u>
Total Equity	S&P 500
Large Cap Equity	S&P 500
Mid Cap Equity	Russell Mid Cap
Small Cap Equity	Russell 2000
International Equity	MSCI EAFE
Total Fixed Income	Barclays Aggregate

Strategies employed for achieving objectives

The Association maintains the following asset classifications in order to achieve the objectives listed above:

<u>Category</u>	<u>% Range of Allocation</u>	
	<u>Minimum</u>	<u>Maximum</u>
Equity	55%	75%
Fixed Income	25%	45%
Cash Equivalents	0%	10%
Specialized Investments	0%	0%

Spending policy

The Board of Directors of the Association determines how much investment income will be spent annually.

The following schedules are the endowment net asset composition by type of fund as of December 31:

2015

<u>Endowment Funds</u>	<u>Unrestricted</u>	Temporarily	Permanently	<u>Total</u>
		<u>Restricted</u>	<u>Restricted</u>	
Donor restricted	\$ -	\$ 877,506	\$ 1,080,045	\$ 1,957,551
Unrestricted investments	1,322,799	-	-	1,322,799
Total funds	<u>\$ 1,322,799</u>	<u>\$ 877,506</u>	<u>\$ 1,080,045</u>	<u>\$ 3,280,350</u>

**The Young Men's Christian Association (YMCA) of
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Notes to Financial Statements

For the years ended December 31, 2015 and 2014

5. Endowment Funds (continued)

2014

<u>Endowment Funds</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted	\$ -	\$ 926,462	\$ 1,080,045	\$ 2,006,507
Unrestricted investments	<u>1,118,881</u>	<u>-</u>	<u>-</u>	<u>1,118,881</u>
Total funds	<u>\$ 1,118,881</u>	<u>\$ 926,462</u>	<u>\$ 1,080,045</u>	<u>\$ 3,125,388</u>

Funds which are currently classified by the Association as unrestricted may be transferred to the temporarily restricted classification by the Association, based on a review of the gift instruments for endowment funds.

6. Investments

Investments in marketable securities are reported at their fair value based on quoted prices in active markets. Cost basis data is not available for the investment in Community Foundation, but the market value of this fund is disclosed in the following table. Fair values at December 31 are summarized as follows:

	(Level 1) <u>2015</u>	(Level 1) <u>2014</u>
Cash and cash equivalents - restricted	\$ 102,345	\$ 172,177
Corporate stocks	1,338,117	1,241,355
Bonds (in mutual funds)	804,058	616,949
Exchange traded funds	<u>889,511</u>	<u>943,435</u>
	3,134,031	2,973,916
Investment in Community Foundation	<u>146,319</u>	<u>151,472</u>
Total	<u>\$ 3,280,350</u>	<u>\$ 3,125,388</u>

**The Young Men’s Christian Association (YMCA) of
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Notes to Financial Statements

For the years ended December 31, 2015 and 2014

6. Investments (continued)

The cost and market values of all investments, except those within the Community Foundation, are as follows at December 31:

	Unrealized		Market
	Cost	Appreciation	
<u>2015</u>			
Scholarship Fund	\$ 1,617,962	\$ 39,435	\$ 1,657,397
Endowment Fund	1,420,605	56,029	1,476,634
Total	<u>\$ 3,038,567</u>	<u>\$ 95,464</u>	<u>\$ 3,134,031</u>
<u>2014</u>			
Scholarship Fund	\$ 1,649,581	\$ 56,771	\$ 1,706,352
Endowment Fund	1,215,194	52,369	1,267,563
Total	<u>\$ 2,864,775</u>	<u>\$ 109,140</u>	<u>\$ 2,973,915</u>

Investment fees, which are netted within investment returns, were \$32,123 and \$31,230 for the years ended December 31, 2015 and 2014, respectively.

Investments are classified in the accompanying Statements of Financial Position at December 31 as follows:

	<u>2015</u>	<u>2014</u>
Restricted:		
Investments restricted for scholarships	\$ 1,657,397	\$ 1,706,353
Investments restricted for endowments	300,154	300,154
	<u>1,957,551</u>	<u>2,006,507</u>
Unrestricted - Board designated	<u>1,322,799</u>	<u>1,118,881</u>
Total	<u>\$ 3,280,350</u>	<u>\$ 3,125,388</u>

An investment could be considered impaired if its fair value is less than its cost basis. Investments are reported at their fair market value, thus any impairment losses have already been recognized through “unrealized losses” in the Statement of Activities. Management feels that all of the investment portfolios losses are temporary. Management does not feel that any significant losses other than those already recorded will be recognized on these investments.

**The Young Men’s Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

6. Investments (continued)

Investments included in the portfolio that have been in a continuous loss position at December 31, 2015 are as follows:

	<u>Less than 12 months</u>		<u>More than 12 months</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Bonds						
(in mutual funds)	\$ 97,569	\$ (1,931)	\$ 395,612	\$ (37,959)	\$ 493,181	\$ (39,890)
Corporate stocks	366,641	(19,040)	449,123	(75,372)	815,764	(94,412)
Exchange traded funds	<u>338,928</u>	<u>(12,540)</u>	<u>294,599</u>	<u>(15,448)</u>	<u>633,527</u>	<u>(27,988)</u>
Total	<u>\$ 803,138</u>	<u>\$ (33,511)</u>	<u>\$1,139,334</u>	<u>\$ (128,779)</u>	<u>\$1,942,472</u>	<u>\$ (162,290)</u>

7. Unitrusts Receivable

On December 17, 1979, Mr. and Mrs. Maynard G. Summers made a gift of their 100% interest in Summers, Inc. to the Association in the form of a Unitrust Agreement (Summers Unitrust). The Unitrust Agreement required an annual payment of a fixed percentage of the appraised value of the trust property (Level 1 investments) to Mrs. Summers as long as she lives.

During 2015, Mrs. Summers passed away at which time the Association took ownership and control of the Unitrust assets. Assets of the Summers Unitrust were liquidated and were used in operations of the Association to make repairs, due to water damage incurred during the year (see note 16). Fundraising efforts are still underway through 2016 to offset these additional costs. It is management’s intention to replenish the funds received from the Unitrust and invest them in the Endowment fund.

The Association has an 8% interest in the Ernest W. Ausherman Charitable Remainder Unitrust Agreement (Ausherman Unitrust). The Unitrust Agreement requires an annual payment of a fixed percentage of the income to Mrs. Ausherman as long as she lives. When she passes away, the Association will own the 8% interest in the Unitrust assets which include land that is valued based on an independent appraisal (Level 3).

The fair value of the Unitrust assets was estimated based on the fair value of the assets less the present value of the payments expected to be made. The present value of the payments was based on the expected lives of the beneficiaries using a discount rate based on the IRS Section 7520 rate of 2.0% for 2015 and 2014.

**The Young Men’s Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

7. Unitrusts Receivable (continued)

A summary of the Unitrusts as of December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Summers Unitrust	\$ -	\$ 538,982
Ausherman Unitrust	<u>143,382</u>	<u>134,278</u>
Total	<u>\$ 143,382</u>	<u>\$ 673,260</u>

8. Charitable Remainder Trust

During the year ended December 31, 1994, Mr. Alden Fisher made a gift of \$750,000 in the form of a Charitable Remainder Annuity Trust (Level 1 investments). The Trust requires an annual payment to the beneficiaries named in the Trust for their lifetime at the lesser of 10% or the maximum allowed by the Internal Revenue Service.

Under the terms of the Trust, future distributions will be received by the Association only after obligations to the beneficiaries are satisfied. The fair value of the contribution was estimated based on the fair value of the assets contributed by the donor less the present value of the payments expected to be made to the beneficiaries. The present value of the payments was based on the expected life span of the beneficiaries using a discount rate of 2.0% for 2015 and 2014. The value of the Charitable Remainder Trust as of December 31, 2015 and 2014 was \$512,490 and \$504,386, respectively.

**The Young Men’s Christian Association (YMCA) of
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Notes to Financial Statements

For the years ended December 31, 2015 and 2014

9. Promises to Give

During 2015, the Association received promises to give whose expected collection range over a one to ten-year period. The Association had promises to give in the amount of \$639,453 and \$79,726 as of December 31, 2015 and 2014, respectively. The effective interest rate of the discount was 3.25% for the years ended December 31, 2015 and 2014.

Promises to give at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Promises to give	\$ 639,453	\$ 79,726
Less discount to net present value	<u>(57,203)</u>	<u>(9,546)</u>
Net promises to give	<u>\$ 582,250</u>	<u>\$ 70,180</u>
Current net promises to give	\$ 134,520	\$ 14,990
Long-term net promises to give	<u>447,730</u>	<u>55,190</u>
Net promises to give	<u>\$ 582,250</u>	<u>\$ 70,180</u>
Receivable in less than one year	\$ 138,890	\$ 15,480
Receivable in one to five years	467,325	40,460
Receivable in more than five years	<u>33,238</u>	<u>23,786</u>
Total promises to give	<u>\$ 639,453</u>	<u>\$ 79,726</u>

10. Line and Letter of Credit

The Association had a bank line of credit for \$500,000 through August 27, 2015. The line of credit was secured by all inventory, chattel paper, accounts, equipment, and general intangibles. Interest was at the Wall Street Journal’s prime rate, but no less than 3.25%. The Association converted the terms of the line of credit so that repayment of both principal and interest was not required until January 31, 2016. On August 27, 2015, the line of credit was refinanced, and the Association obtained a new \$675,000 revolving line of credit with a new bank. Interest accrues monthly at the prime rate as published in the Wall Street Journal minus 0.25%, currently at 3.25% at December 31, 2015. The line of credit is secured by all accounts, chattel paper, inventory, equipment, fixtures, and general intangibles. The outstanding balance on the line of credit was \$500,000 at December 31, 2015.

**The Young Men’s Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

10. Line and Letter of Credit (continued)

The Association had a letter of credit with a bank in the amount of \$157,423. A letter of credit is for the benefit of the Maryland Department of Economic and Employment Development and is required as a condition of the Association’s self-insuring for State unemployment. On September 29, 2015, the line of credit was refinanced and the Association obtained a new letter of credit in the amount of \$169,841. The letter of credit has a maturity date of September 30, 2017.

11. Long-Term Debt

Long-term debt at December 31 is as follows:

	<u>2015</u>	<u>2014</u>
Mortgage note, payable in 41 monthly installments of \$11,668 starting March 2017; including interest at 1.75% above one-month LIBOR, currently 2.18%; note requires eighteen months of interest only payments; requires balloon payment of \$2,520,849 at August 2020; secured by real property.	\$ 2,800,000	\$ -
Mortgage note, payable in 41 monthly installments of \$1,500 starting March 2017; including interest at 1.75% above one-month LIBOR, currently 2.18%; note requires eighteen months of interest only payments through February 2017; requires balloon payment of \$324,115 at August 2020; secured by real property.	360,000	-
Mortgage note, payable in monthly installments of \$16,879, including interest at 4.80%; requires balloon payment of \$2,160,859 at May 2022; secured by a first lien on the Association's real property.	-	2,760,094
Mortgage note, payable in monthly installments of \$8,413, including interest at 4.25%; matures February 2019; secured by real property.	-	384,393
Total	3,160,000	3,144,487
Less current portion	-	155,858
Net long-term debt	<u>\$ 3,160,000</u>	<u>\$ 2,988,629</u>

**The Young Men's Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

11. Long-Term Debt (continued)

Maturities on long-term debt at December 31, 2015 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2016	\$ -
2017	74,683
2018	91,434
2019	93,454
2020	<u>2,900,429</u>
 Total	 <u>\$ 3,160,000</u>

Interest expense under the above obligations was \$157,781 and \$162,725 for the years ended December 31, 2015 and 2014, respectively.

The Association is subject to a financial covenant in connection with its outstanding mortgages. As of December 31, 2015, the Association was in compliance with this financial covenant.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor restricted funds which are available for program activities or general support for future years.

Temporarily restricted net assets are comprised of the following at December 31:

	<u>2015</u>	<u>2014</u>
Time Restricted:		
Summers Unitrust	\$ -	\$ 538,982
Ausherman Unitrust	143,382	134,278
Charitable Remainder Trust receivable (Fisher)	512,490	504,386
Private foundation - Benjamin Shuff Trust	<u>404,955</u>	<u>434,337</u>
	1,060,827	1,611,983
Purpose Restricted:		
Scholarships to youth and families for summer camp activities, memberships or program activities	877,506	926,462
South County project	658,833	-
Other miscellaneous	<u>15,000</u>	<u>-</u>
	<u>\$ 2,612,166</u>	<u>\$ 2,538,445</u>

**The Young Men’s Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

13. Permanently Restricted Net Assets

The Association has been named partial beneficiary in five perpetual trusts. The first trust was established by the John and Katherine Cheatham Foundation, the second by Raymond Zimmerman, the third by Alden E. Fisher, the fourth by Philip and Janis Miller Wertheimer, and the fifth by Wayne C. and Margaret S. Neely. The terms of the first four Trusts allow for the income earned by the Trusts to be used at the Association’s discretion. The income on the Neely Trust is to be used for scholarships. The fair value of the assets available to the Association of the John and Katherine Cheatham Foundation, Raymond Zimmerman, and Wayne C. and Margaret S. Neely Trusts are reported on the Association’s Statements of Financial Position as permanently restricted net assets. The Fisher and Wertheimer Trusts are held by the Community Foundation of Frederick County, Maryland, Inc. (Community Foundation). For these trusts, the donor granted variance power to the Community Foundation, and thus the Association does not record their interest in these Trusts, but rather records the income distribution when it receives notification from the Community Foundation.

	<u>2015</u>	<u>2014</u>
Perpetual Trusts:		
John and Katherine Cheatham Foundation		
Remainder Trust	\$ 16,938	\$ 18,610
Raymond Zimmerman Remainder Trust	<u>8,129</u>	<u>8,422</u>
	<u>25,067</u>	<u>27,032</u>
Endowments:		
Neely Endowment	779,891	779,891
Crozier Endowment	236,354	236,354
Rosenstock Endowment	<u>63,800</u>	<u>63,800</u>
	<u>1,080,045</u>	<u>1,080,045</u>
Total	<u>\$ 1,105,112</u>	<u>\$ 1,107,077</u>

14. Retirement Plan

The Association has a defined contribution retirement plan available to eligible employees. Eligible employees are those who have attained 21 years of age, work a minimum of 1,000 hours per year and have a minimum of two years of service. Effective December 1, 2009, the contribution rate was changed to 8% of annual salary up to the maximum allowed by the Internal Revenue Service. Pension expense for the years ended December 31, 2015 and 2014 was \$354,171 and \$305,343, respectively.

The Association has established a 457(b) Plan, which is a deferred compensation plan that allows select employees to shelter a limited amount of compensation. The Board of Directors established this Plan for the benefit of the President/CEO and his/her direct reports.

**The Young Men’s Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

14. Retirement Plan (continued)

The Plan is funded solely by the participants, and there is no employer contribution. Administrative expense is paid by the participants.

15. Operating Leases and Deferred Rent

The Association leases equipment, six buildings, and one parking lot under non-cancelable operating leases. The equipment leases require monthly payments ranging from \$57 - \$2,586 with maturity dates from October 2018 through February 2021. The building leases require monthly payments ranging from \$467 - \$7,210 with maturity dates from June 2016 through June 2020. The parking lot lease requires monthly payments of \$250 and matures in April 2016.

Three of the building leases call for escalating rent payments each year. These leases are expensed using the straight-line basis over the life of the lease. “Deferred rent” represents the cumulative expense recognized on a straight-line basis in excess of the cumulative payments made.

Future minimum lease payments under these leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2016	\$ 236,322
2017	234,517
2018	140,273
2019	106,346
2020	53,654
2021	2,832
Total	<u>\$ 773,944</u>

In addition, the Association leases space on an hourly basis for the after school care programs and for the Head Start program. In addition, the Association leases school buses for field trips and other transportation purposes. The facilities and equipment lease expense for the years ended December 31, 2015 and 2014 was \$454,704 and \$381,441, respectively.

16. Unusual Event

During 2015, the Association’s main location incurred severe water damage causing the Association to expend significant costs. Costs incurred during 2015 related to the water damage amounted to approximately \$1,200,000. These expenses are primarily included in “Plant and equipment” on the Statement of Functional Expenses and “Property and Equipment” on the Statement of Financial Position.

17. Subsequent Events

**The Young Men's Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Financial Statements

For the years ended December 31, 2015 and 2014

As noted in note 16 above, the Association incurred significant costs during 2015 related to water damage. Fundraising efforts continue in 2016 to help support these costs. As of the report date, funds raised to support water damage repair amount to approximately \$22,000.

Subsequent events were evaluated through June 17, 2016, the date the financial statements were available to be issued. There are no subsequent events to be disclosed.

Supplemental Information

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Major Program:		
U.S. Dept of Health and Human Services/ Head Start		
Grant year ending April 30, 2015	93.600	\$ 833,946
Grant year ending April 30, 2016	93.600	<u>1,434,902</u>
		2,268,848
Non-Major Programs:		
U.S. Dept. of Education/ 21st Century Community Learning Center	84.287	9,990
U.S. Dept. of Agriculture/ Child and Adult Care Food Program	10.558	<u>135,010</u>
		<u>\$ 2,413,848</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**The Young Men's Christian Association (YMCA) of
Frederick County, Maryland, Inc.**

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2015

A. Basis of Presentation

This schedule of expenditures of federal awards includes the federal funding activity of The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc. under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

B. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Association has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The notes to the financial statements are an integral part of these statements.

Independent Auditor's Report
on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

Board of Directors
The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.
Frederick, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McLean, Koehler, Sparks & Hammond

Frederick, Maryland
June 17, 2016

**Independent Auditor's Report on
Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Board of Directors
The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.
Frederick, Maryland

Report on Compliance for Each Major Federal Program

We have audited The Young Men's Christian Association (YMCA) of Frederick County, Maryland, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the YMCA's major federal program for the year ended December 31, 2015. The Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McLean, Koehler, Sparks & Hammond

Frederick, Maryland
June 17, 2016

**The Young Men’s Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Schedule of Findings and Questioned Costs

For the year ended December 31, 2015

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor’s report expresses an unmodified opinion on the financial statements of The Young Men’s Christian Association (YMCA) of Frederick County, Maryland, Inc. (the “Association”).
2. There were no material weaknesses identified during the audit of the financial statements. There were no significant deficiencies reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Association were identified during the audit.
4. No material weaknesses were identified or significant deficiencies reported during the audit of the major federal award program.
5. The auditor’s report on compliance for the major federal award program for the Association expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The following federal award program was tested:
U.S. Department of Health and Human Services:
 Head Start: Major program 93.600
8. The threshold for distinguishing Type A and Type B programs was \$750,000, and the Association was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS & QUESTIONED COSTS

None

**The Young Men's Christian Association (YMCA)
of Frederick County, Maryland, Inc.**

Summary Schedule of Prior Year Findings and Questioned Costs

For the year ended December 31, 2015

A. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None

B. PRIOR YEAR MAJOR PROGRAM FINDINGS

None