

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

Audited Financial Statements

December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 April 21, 2017 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
April 21, 2017

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

Statements of Financial Position

December 31,	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 523,713	\$ 559,944
Cash and cash equivalents - restricted - South County	120,190	24,996
Accounts receivable	321,361	509,532
Investments	1,347,474	1,266,950
Promises to give, net - current	22,420	16,120
Promises to give, net - current - South County	190,060	118,400
Other current assets	<u>91,850</u>	<u>112,749</u>
Total current assets	<u>2,617,068</u>	<u>2,608,691</u>
Property and Equipment , net of accumulated depreciation	<u>15,156,532</u>	<u>15,262,167</u>
Other Assets:		
Cash and cash equivalents - for scholarship and endowment	79,251	102,345
Promises to give, net - non current	104,100	72,300
Promises to give, net - non current - South County	482,340	375,430
Other receivables - non current	60,973	60,971
Other assets - South County	70,729	65,647
Investments - restricted for scholarship and endowment	2,069,415	1,911,055
Unitrusts receivable	164,676	143,382
Charitable remainder trust	514,620	512,490
Beneficial interest in private foundation	403,143	404,955
Beneficial interest in perpetual trusts	<u>25,801</u>	<u>25,067</u>
Total other assets	<u>3,975,048</u>	<u>3,673,642</u>
Total Assets	<u>\$ 21,748,648</u>	<u>\$ 21,544,500</u>

	<u>2016</u>	<u>2015</u>
Liabilities and Net Assets		
Current Liabilities:		
Line of credit	\$ -	\$ 500,000
Current maturities of long-term debt	74,683	-
Accounts payable	188,947	295,234
Accrued expenses	466,569	419,126
Deferred rent	25,057	5,485
Deferred revenue	<u>440,461</u>	<u>395,460</u>
Total current liabilities	1,195,717	1,615,305
Long-Term Debt	<u>3,059,475</u>	<u>3,127,114</u>
Total liabilities	<u>4,255,192</u>	<u>4,742,419</u>
Net Assets:		
Unrestricted:		
Board designated	1,378,655	1,322,799
Other	<u>12,402,861</u>	<u>11,762,004</u>
Total unrestricted	13,781,516	13,084,803
Temporarily restricted	2,606,094	2,612,166
Permanently restricted	<u>1,105,846</u>	<u>1,105,112</u>
Total net assets	<u>17,493,456</u>	<u>16,802,081</u>
Total Liabilities and Net Assets	<u>\$ 21,748,648</u>	<u>\$ 21,544,500</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,

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Public Support:								
Head Start federal grant	\$ 2,341,839	\$ -	\$ -	\$ 2,341,839	\$ 2,268,848	\$ -	\$ -	\$ 2,268,848
State contracts	329,624	-	-	329,624	317,538	-	-	317,538
Contributions	775,079	461,215	-	1,236,294	899,586	673,833	-	1,573,419
Head Start in-kind contributions	528,455	-	-	528,455	561,997	-	-	561,997
Head Start other contribution	-	-	-	-	4,560	-	-	4,560
Fundraising organizations	20,939	-	-	20,939	55,066	-	-	55,066
Revenue:								
Membership	3,058,302	-	-	3,058,302	3,071,083	-	-	3,071,083
Class fees	6,614,100	-	-	6,614,100	6,314,108	-	-	6,314,108
Special events	183,531	-	-	183,531	223,186	-	-	223,186
Sales	26,028	-	-	26,028	28,792	-	-	28,792
Miscellaneous income	22,310	-	-	22,310	120,716	-	-	120,716
Realized loss on disposal of equipment	1,026	-	-	1,026	(192,058)	-	-	(192,058)
Interest and dividends	36,431	63,353	-	99,784	34,267	80,286	-	114,553
Net realized/unrealized gain (loss) on investments	65,931	171,553	-	237,484	(91,298)	(101,286)	-	(192,584)
Change in value of charitable remainder trust	-	2,130	-	2,130	-	8,104	-	8,104
Change in value of unitrusts	-	21,294	-	21,294	-	9,104	-	9,104
Unrealized appreciation (depreciation) of beneficial interest in perpetual trusts	-	-	734	734	-	-	(1,965)	(1,965)
Unrealized appreciation (depreciation) of beneficial interest in private foundation	-	6,147	-	6,147	-	(16,557)	-	(16,557)
Net assets released from restriction	731,764	(731,764)	-	-	579,763	(579,763)	-	-
Total support and revenue	14,735,359	(6,072)	734	14,730,021	14,196,154	73,721	(1,965)	14,267,910
Expenses:								
Programs:								
Membership service	2,773,598	-	-	2,773,598	2,894,201	-	-	2,894,201
Family service	4,995,355	-	-	4,995,355	4,976,820	-	-	4,976,820
Adult programs	581,404	-	-	581,404	571,783	-	-	571,783
Youth and community programs	1,390,428	-	-	1,390,428	1,296,090	-	-	1,296,090
Head Start	3,094,633	-	-	3,094,633	3,139,152	-	-	3,139,152
Fundraising	553,700	-	-	553,700	525,731	-	-	525,731
Building and administrative	649,528	-	-	649,528	706,768	-	-	706,768
Total expenses	14,038,646	-	-	14,038,646	14,110,545	-	-	14,110,545
Change in net assets	696,713	(6,072)	734	691,375	85,609	73,721	(1,965)	157,365
Net assets, beginning 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
Net assets, end of year	\$ 13,781,516	\$ 2,606,094	\$ 1,105,846	\$ 17,493,456	\$ 13,084,803	\$ 2,612,166	\$ 1,105,112	\$ 16,802,081

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 2016)

For the years ended December 31,

2016

	Programs					Other		Total 2016	Total 2015
	Membership Services	Family Services	Adult Programs	Youth and Community Programs	Head Start	Fundraising	Building and Administration		
Personnel:									
Salaries and wages	\$ 684,768	\$ 2,567,359	\$ 339,949	\$ 718,121	\$ 1,385,030	\$ 148,567	\$ 899,566	\$ 6,743,360	\$ 6,627,480
Employee benefits	86,545	417,961	19,436	35,568	304,807	24,675	101,119	990,111	976,182
Payroll taxes	56,359	186,612	25,320	54,754	164,213	9,856	105,964	603,078	546,840
Total personnel	<u>827,672</u>	<u>3,171,932</u>	<u>384,705</u>	<u>808,443</u>	<u>1,854,050</u>	<u>183,098</u>	<u>1,106,649</u>	<u>8,336,549</u>	<u>8,150,502</u>
Operating:									
Interest	-	-	-	-	-	-	85,529	85,529	164,337
Plant and equipment	29,687	359,974	5,073	29,555	501,549	-	1,580,894	2,506,732	2,700,579
Depreciation and amortization	-	-	-	-	111,306	-	514,095	625,401	609,795
Professional fees	40,449	44,982	18,390	34,780	266,643	145,338	364,620	915,202	825,692
Supplies	20,971	183,015	10,164	150,335	201,758	2,566	25,924	594,733	678,818
Transportation	1,884	39,410	-	17,749	80,598	1,486	24,854	165,981	184,721
Communication	9,432	29,033	-	3,211	22,889	2,174	35,613	102,352	77,941
Dues	60,956	79,465	-	17,991	1,131	5,818	19,460	184,821	150,858
Training and meetings	4,829	42,258	1,072	17,062	38,766	20,084	40,874	164,945	162,263
Special events	-	-	-	-	-	91,576	1,183	92,759	101,107
Bad debt and discount expense	-	5,551	-	-	-	13,756	1,760	21,067	54,481
Write off of debt acquisition cost	-	-	-	-	-	-	-	-	38,362
Miscellaneous	14,718	84,295	-	1,263	15,943	27,804	98,552	242,575	211,089
Total operating	<u>182,926</u>	<u>867,983</u>	<u>34,699</u>	<u>271,946</u>	<u>1,240,583</u>	<u>310,602</u>	<u>2,793,358</u>	<u>5,702,097</u>	<u>5,960,043</u>
Subtotal of expenses	1,010,598	4,039,915	419,404	1,080,389	3,094,633	493,700	3,900,007	14,038,646	14,110,545
Allocation of building and administrative	<u>1,763,000</u>	<u>955,440</u>	<u>162,000</u>	<u>310,039</u>	<u>-</u>	<u>60,000</u>	<u>(3,250,479)</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 2,773,598</u>	<u>\$ 4,995,355</u>	<u>\$ 581,404</u>	<u>\$ 1,390,428</u>	<u>\$ 3,094,633</u>	<u>\$ 553,700</u>	<u>\$ 649,528</u>	<u>\$ 14,038,646</u>	<u>\$ 14,110,545</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,

2015

	Programs					Other		Total 2015
	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
Employee benefits	75,734	413,835	17,816	26,389	288,864	16,185	137,359	976,182
Payroll taxes	47,940	184,247	23,811	50,568	117,271	5,985	117,018	546,840
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>
Operating:								
Interest	-	-	-	-	-	-	164,337	164,337
Plant and equipment	17,707	298,711	2,700	62,154	505,331	4,365	1,809,611	2,700,579
Depreciation and amortization	-	-	-	-	103,088	-	506,707	609,795
Professional fees	20,069	41,792	16,253	38,714	239,172	150,063	319,629	825,692
Supplies	19,467	191,726	9,448	152,814	276,472	2,495	26,396	678,818
Transportation	1,644	31,759	-	14,468	111,018	850	24,982	184,721
Communication	8,229	24,079	-	1,945	15,000	2,239	26,449	77,941
Dues	49,175	64,246	-	14,300	2,801	2,853	17,483	150,858
Training and meetings	6,098	30,026	2,128	14,990	44,386	16,048	48,587	162,263
Special events	-	36	-	6,582	-	89,930	4,559	101,107
Bad debt and discount expense	-	9,696	-	-	-	44,785	-	54,481
Write off of debt acquisition cost	-	-	-	-	-	-	38,362	38,362
Miscellaneous	18,434	80,291	-	306	14,331	6,034	91,693	211,089
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>3,078,795</u>	<u>5,960,043</u>
Subtotal of expenses	894,201	3,899,820	398,783	1,044,870	3,139,152	425,731	4,307,988	14,110,545
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>
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>\$ 706,768</u>	<u>\$ 14,110,545</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>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 691,375	\$ 157,365
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	625,401	609,795
Amortized interest expense on financing costs	7,044	6,556
Bad debt expense	7,311	9,696
(Gain) loss on disposal of equipment	(1,026)	192,058
Write-off of debt acquisition costs	-	38,362
Realized/unrealized (gain) loss on investments	(237,484)	189,422
Discount and allowance for promises to give	41,581	46,767
Contributions restricted for long-term purposes	(448,500)	(698,700)
Change in value of charitable remainder trust	(2,130)	(8,104)
Change in value of unitrust	(21,294)	529,878
Change in value of beneficial interest in perpetual trust	(734)	1,965
Unrealized (appreciation) depreciation of beneficial interest in private foundation	(6,147)	16,557
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	180,860	(158,877)
Promises to give	(258,251)	(558,837)
Other assets	15,817	(17,092)
Other receivables	(2)	10,179
(Decrease) increase in:		
Accounts payable	(106,287)	134,156
Accrued expenses and deferred rent	67,015	(30,591)
Deferred revenue	45,001	(39,278)
Net cash provided by operating activities	<u>599,550</u>	<u>431,277</u>
Cash flows from investing activities:		
Purchase of property and equipment	(522,240)	(708,706)
Proceeds from sale of property and equipment	3,500	-
Purchase of investments	(318,105)	(2,467,535)
Proceeds from sale of investments	324,664	2,066,144
Net cash used in investing activities	<u>(512,181)</u>	<u>(1,110,097)</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>2016</u>	<u>2015</u>
Cash flows from financing activities:		
Debt acquisition costs	\$ -	\$ (35,234)
Proceeds from line of credit	-	1,000,188
Principal payments on line of credit	(500,000)	(700,188)
Proceeds from long-term debt	-	3,160,000
Principal payments of long-term debt	-	(3,144,487)
Contributions restricted for long-term purposes	<u>448,500</u>	<u>698,700</u>
Net cash (used in) provided by financing activities	<u>(51,500)</u>	<u>978,979</u>
Net increase in cash and cash equivalents	35,869	300,159
Cash and cash equivalents, beginning of year	<u>687,285</u>	<u>387,126</u>
Cash and cash equivalents, end of year	<u>\$ 723,154</u>	<u>\$ 687,285</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 78,187	\$ 157,781
Components of cash and cash equivalents:		
Cash and cash equivalents - unrestricted	\$ 523,713	\$ 559,944
Cash and cash equivalents - restricted for South County	120,190	24,996
Cash and cash equivalents - restricted for scholarship and endowment	<u>79,251</u>	<u>102,345</u>
	<u>\$ 723,154</u>	<u>\$ 687,285</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, 2016 and 2015

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, 2016 and 2015

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, 2016. 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.

New Accounting Standard

Long-Term Debt and Debt Issuance Costs - In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03), which resulted in the reclassification of debt issuance costs from "Other Assets" to inclusion as a reduction of the reportable "Long-Term Debt" balance on the Statements of Financial Position. Since ASU 2015-03 does not address deferred issuance costs for line-of-credit arrangements, the FASB issued ASU No. 2015-15, *Interest – Imputation of Interest: Present and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* (ASU 2015-15), in August 2015. ASU 2015-15 allows a company to defer debt issuance costs associated with line of credit arrangements, including arrangements with no outstanding borrowings, classify them as an asset and amortize them over the term of the arrangements. The Association adopted ASU 2015-03 at January 2, 2016 with full retrospective application as required by the guidance and ASU 2015-15. These standards did not have a material impact on the Statements of Financial Position and had no impact on the cash flows provided by or used in operations for any period presented.

Debt Acquisition Costs and Reclassification - Debt acquisition costs are being amortized over the term of the debt using the interest method. The amortization of these costs of \$7,044 and \$6,556 are now included within interest expense in the Statements of Financial Position for the years ended December 31, 2016 and 2015, respectively. Net debt acquisition costs included in "long-term debt" on the Statements of Financial Position are \$25,842 and \$32,886 at December 31, 2016 and 2015, respectively. At August 27, 2015, the Association refinanced the loan resulting in a write-off of remaining debt acquisition costs of \$38,362.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

New Accounting Standard (continued)

Debt Acquisition Costs and Reclassification (continued)

Long-term debt as of December 31, 2015, was previously reported on the Statements of Financial Position as \$3,160,000 with the associated \$32,886 unamortized debt issuance costs included in “other assets.” Amortization of the debt issuance costs of \$6,556 that were previously reported within “depreciation and amortization” is now recorded as “interest” on the Statement of Functional Expenses.

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 \$431,705 and \$436,556 at December 31, 2016 and 2015, 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.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

Accounts Receivable (continued)

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, 2016 and 2015 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 \$7,311 and \$9,696 for the years ended December 31, 2016 and 2015, 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 3.5% and 3.25%, a rate which is selected based on the Association's minimum borrowing rate for the years ended December 31, 2016 and 2015, respectively.

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.

Other Assets

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

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

Property and Equipment

Property and equipment is stated at cost. Contributed property and equipment is recorded at fair value at the date of contribution. During 2015, the Association capitalized all property and equipment purchased with a cost of \$1,000 or more. Effective January 1, 2016, this threshold was increased to \$5,000. 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 1.8% and 2.0% for 2016 and 2015, retrospectively. Charitable remainder trusts and unitrusts are recognized as revenue when the Association is notified that they have been named as a beneficiary.

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.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

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.

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.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

Fair Value Measurements (continued)

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, 2016 and 2015:

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.

Gifts-In-Kind

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

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

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 \$528,455 and \$561,997 for the years ended December 31, 2016 and 2015, 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.

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, 2016 and 2015, the Association incurred advertising costs of \$90,124 and \$88,318, respectively.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

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, 2016 and 2015.

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, 2016 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 2013, 2014 and 2015 tax years are open and subject to examinations by the Internal Revenue Service and the Comptroller of Maryland.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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

Uncertain Tax Positions (continued)

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.

2. Accounts Receivable

Accounts receivable at December 31 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Childcare	\$ 31,019	\$ 17,837
Head Start	151,865	136,724
Grants	89,500	88,854
Other	<u>48,977</u>	<u>266,117</u>
Total	<u>\$ 321,361</u>	<u>\$ 509,532</u>

3. Other Current Assets

Other current assets consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Prepaid insurance	\$ 46,526	\$ 61,667
Prepaid taxes and payroll advances	<u>45,324</u>	<u>51,082</u>
Total	<u>\$ 91,850</u>	<u>\$ 112,749</u>

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

4. Property and Equipment

Property and equipment at December 31 consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 9,132,826	\$ 9,132,826
Buildings and improvements	11,364,413	11,223,128
Furniture and equipment	<u>2,824,817</u>	<u>2,680,720</u>
Total	23,322,056	23,036,674
Less accumulated depreciation	<u>(8,165,524)</u>	<u>(7,774,507)</u>
 Net property and equipment	 <u>\$ 15,156,532</u>	 <u>\$ 15,262,167</u>

Depreciation expense was \$625,401 and \$609,795 for the years ended December 31, 2016 and 2015, 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 Association 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 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

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

5. Endowment Funds (continued)

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:

2016

<u>Endowment Funds</u>	<u>Unrestricted</u>	Temporarily	Permanently	<u>Total</u>
		<u>Restricted</u>	<u>Restricted</u>	
Donor restricted	\$ -	\$ 1,037,440	\$ 1,080,045	\$ 2,117,485
Unrestricted investments	<u>1,378,655</u>	<u>-</u>	<u>-</u>	<u>1,378,655</u>
Total funds	<u>\$ 1,378,655</u>	<u>\$ 1,037,440</u>	<u>\$ 1,080,045</u>	<u>\$ 3,496,140</u>

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	<u>1,322,799</u>	<u>-</u>	<u>-</u>	<u>1,322,799</u>
Total funds	<u>\$ 1,322,799</u>	<u>\$ 877,506</u>	<u>\$ 1,080,045</u>	<u>\$ 3,280,350</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.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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>2016</u>	(Level 1) <u>2015</u>
Cash and cash equivalents - restricted	\$ 79,251	\$ 102,345
Corporate stocks	1,389,758	1,338,117
Bonds (in mutual funds)	1,144,123	804,058
Exchange traded funds	<u>730,354</u>	<u>889,511</u>
	3,343,486	3,134,031
Investment in Community Foundation	<u>152,654</u>	<u>146,319</u>
Total	<u>\$ 3,496,140</u>	<u>\$ 3,280,350</u>

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

<u>2016</u>	Unrealized		
	<u>Cost</u>	<u>Appreciation</u>	<u>Market</u>
Scholarship Fund	\$ 1,621,703	\$ 195,628	\$ 1,817,331
Endowment Fund	<u>1,497,827</u>	<u>28,328</u>	<u>1,526,155</u>
Total	<u>\$ 3,119,530</u>	<u>\$ 223,956</u>	<u>\$ 3,343,486</u>

<u>2015</u>	Unrealized		
	<u>Cost</u>	<u>Appreciation</u>	<u>Market</u>
Scholarship Fund	\$ 1,617,962	\$ 39,435	\$ 1,657,397
Endowment Fund	<u>1,420,605</u>	<u>56,029</u>	<u>1,476,634</u>
Total	<u>\$ 3,038,567</u>	<u>\$ 95,464</u>	<u>\$ 3,134,031</u>

Investment fees, which are netted within investment returns, were \$33,630 and \$32,123 for the years ended December 31, 2016 and 2015, respectively.

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

For the years ended December 31, 2016 and 2015

6. Investments (continued)

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

	<u>2016</u>	<u>2015</u>
Restricted:		
Investments restricted for scholarships	\$ 1,817,331	\$ 1,657,397
Investments restricted for endowments	<u>300,154</u>	<u>300,154</u>
	2,117,485	1,957,551
Unrestricted - Board designated	<u>1,378,655</u>	<u>1,322,799</u>
 Total	 <u>\$ 3,496,140</u>	 <u>\$ 3,280,350</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.

Investments included in the portfolio that have been in a continuous loss position at December 31, 2016 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)	\$ 63,567	\$ (1,893)	\$ 149,489	\$ (1,787)	\$ 213,056	\$ (3,680)
Corporate stocks	369,336	(16,668)	381,450	(28,214)	750,786	(44,882)
Exchange traded funds	<u>121,777</u>	<u>(5,545)</u>	<u>-</u>	<u>-</u>	<u>121,777</u>	<u>(5,545)</u>
 Total	 <u>\$ 554,680</u>	 <u>\$ (24,106)</u>	 <u>\$ 530,939</u>	 <u>\$ (30,001)</u>	 <u>\$1,085,619</u>	 <u>\$ (54,107)</u>

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

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 were 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 1.8% and 2.0% for 2016 and 2015, respectively.

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

	<u>2016</u>	<u>2015</u>
Ausherman Unitrust	\$ 164,676	\$ 143,382

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 1.8% and 2.0% for 2016 and 2015, respectively. The value of the Charitable Remainder Trust as of December 31, 2016 and 2015 was \$514,620 and \$512,490, respectively.

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

For the years ended December 31, 2016 and 2015

9. Promises to Give

During 2016 and 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 \$877,622 and \$639,453 as of December 31, 2016 and 2015, respectively. The effective interest rate of the discount was 3.50% and 3.25% for the years ended December 31, 2016 and 2015, respectively.

Promises to give at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
Promises to give	\$ 877,622	\$ 639,453
Less discount to net present value	<u>(78,702)</u>	<u>(57,203)</u>
Net promises to give	<u>\$ 798,920</u>	<u>\$ 582,250</u>
Current net promises to give	\$ 22,420	\$ 16,120
Long-term net promises to give	<u>104,100</u>	<u>72,300</u>
Net promises to give	<u>\$ 126,520</u>	<u>\$ 88,420</u>
Receivable in less than one year	\$ 219,916	\$ 138,890
Receivable in one to five years	607,316	467,325
Receivable in more than five years	<u>50,390</u>	<u>33,238</u>
Total promises to give	<u>\$ 877,622</u>	<u>\$ 639,453</u>

10. Line and Letter of Credit

The Association has a revolving line of credit available for \$675,000. Interest accrues monthly at the prime rate as published in the Wall Street Journal minus 0.25%, currently at 3.75% at December 31, 2016. 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 \$-0- and \$500,000 at December 31, 2016 and 2015, respectively.

The Association had a letter of credit with a bank in the amount of \$169,841. The 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 21, 2016, the letter of credit was amended and the Association obtained a new letter of credit in the amount of \$170,363. The letter of credit has a maturity date of September 30, 2018.

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

For the years ended December 31, 2016 and 2015

11. Long-Term Debt

Long-term debt at December 31 is as follows:

	<u>2016</u>	<u>2015</u>
Mortgage note, payable in 41 monthly installments of \$11,668 starting March 2017; including interest at 1.75% above one-month LIBOR, currently 2.56%; 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	\$ 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 2.56%; 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	360,000
Less unamortized debt issuance costs	<u>(25,842)</u>	<u>(32,886)</u>
Total	3,134,158	3,127,114
Less current portion	<u>74,683</u>	<u>-</u>
Net long-term debt	<u>\$ 3,059,475</u>	<u>\$ 3,127,114</u>

Maturities on long-term debt, excluding unamortized debt issuance costs, at December 31, 2016 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
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 \$78,187 and \$157,781 for the years ended December 31, 2016 and 2015, respectively.

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

For the years ended December 31, 2016 and 2015

12. Temporarily Restricted Net Assets

The Association is subject to a financial covenant in connection with its outstanding mortgages. As of December 31, 2016, the Association was in compliance with this financial covenant.

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>2016</u>	<u>2015</u>
Time Restricted:		
Ausherman Unitrust	\$ 164,676	\$ 143,382
Charitable Remainder Trust receivable (Fisher)	514,620	512,490
Private foundation - Benjamin Shuff Trust	<u>403,143</u>	<u>404,955</u>
	1,082,439	1,060,827
Purpose Restricted:		
Scholarships to youth and families for summer camp activities, memberships or program activities	1,037,440	877,506
South County project	461,215	658,833
Other miscellaneous	<u>25,000</u>	<u>15,000</u>
	<u>\$ 2,606,094</u>	<u>\$ 2,612,166</u>

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.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

13. Permanently Restricted Net Assets (continued)

	<u>2016</u>	<u>2015</u>
Perpetual Trusts:		
John and Katherine Cheatham Foundation		
Remainder Trust	\$ 17,276	\$ 16,938
Raymond Zimmerman Remainder Trust	<u>8,525</u>	<u>8,129</u>
	<u>25,801</u>	<u>25,067</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>\$ 1,105,846</u>	<u>\$ 1,105,112</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, 2016 and 2015 was \$354,134 and \$354,171, 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 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, eight buildings, one campground, 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 and campground leases require monthly payments ranging from \$467 - \$7,571 with maturity dates from June 2017 through May 2026. The parking lot lease required monthly payments of \$250 and matured in April 2016, at which point in time, the lease was extended on a month-to-month basis through February 28, 2017.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

15. Operating Leases and Deferred Rent (continued)

Seven of the 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>
2017	\$ 330,524
2018	241,970
2019	209,926
2020	140,716
2021	77,440
Thereafter	<u>224,506</u>
Total	<u>\$ 1,225,082</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, 2016 and 2015 was \$734,806 and \$569,005, 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. South County Development Project

During 2015, the Association began a \$22 million capital campaign to build the South County Family YMCA. The mission of the YMCA of Frederick County is to meet the needs of everyone in Frederick County. Toward that end, the South County Family YMCA will serve youth, families, and seniors in the fastest growing part of the County.

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

Notes to Financial Statements

For the years ended December 31, 2016 and 2015

17. South County Development Project (continued)

	<u>2016</u>	<u>2015</u>
Sources of funds:		
Donated land	\$ 8,600,000	\$ 8,600,000
Promises to give, net - current - South County	190,060	118,400
Promises to give, net - non current - South County	482,340	375,430
Cash received, prior years	120,118	-
Cash received, current year	<u>268,898</u>	<u>120,118</u>
Total source of funds, end of year	9,661,416	9,213,948
Use of funds, beginning of year	\$ 192,072	\$ -
Expenses	127,917	126,425
Capitalized costs	<u>5,082</u>	<u>65,647</u>
Use of funds, end of year	132,999	192,072

18. Subsequent Events

Subsequent events were evaluated through April 21, 2017, 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, 2016

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, 2016	93.600	\$ 893,042
Grant year ending April 30, 2017	93.600	<u>1,448,797</u>
		2,341,839
Non-Major Programs:		
U.S. Dept. of Education/ 21st Century Community Learning Center	84.287	11,430
U.S. Dept. of Agriculture/ Child and Adult Care Food Program	10.558	<u>156,135</u>
		<u>\$ 2,509,404</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, 2016

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, 2016. 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.

C. Relationship to Financial Statements

A reconciliation of the amounts included in the financial statements to the amounts in the Schedule of Expenditures of Federal Awards is as follows:

Statement of functional expense - Head Start	\$ 3,094,633
Statement of functional expense - Other programs	29,929
In-kind contributions	<u>(528,455)</u>
Total	2,596,107
Fixed asset additions	96,101
Depreciation	(111,306)
Expenditures from non-federal sources	<u>(71,498)</u>
Expenditures from Federal funds	<u>\$ 2,509,404</u>

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, 2016, 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 April 21, 2017.

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
April 21, 2017

**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, 2016. 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, 2016.

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
April 21, 2017

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

Schedule of Findings and Questioned Costs

For the year ended December 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor’s report expresses an unmodified opinion on whether the financial statements of The Young Men’s Christian Association (YMCA) of Frederick County, Maryland, Inc. (the “Association”) were prepared in accordance with GAAP.
2. No material weaknesses were identified and no significant deficiencies were 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 and no significant deficiencies were 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, 2016

A. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

None

B. PRIOR YEAR MAJOR PROGRAM FINDINGS

None