

**YOUNG MEN'S CHRISTIAN ASSOCIATION
BUFFALO NIAGARA
(d/b/a YMCA BUFFALO NIAGARA)**

Financial Report

December 31, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
and the Board of Directors
Young Men's Christian Association Buffalo Niagara
(d/b/a YMCA Buffalo Niagara)
Buffalo, New York

We have audited the accompanying statements of financial position of Young Men's Christian Association Buffalo Niagara (d/b/a YMCA Buffalo Niagara) as of December 31, 2008 and 2007, the related statements of cash flows for the years then ended, and the statements of activities, and functional expenses for the year ended December 31, 2008. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2007 summarized comparative information has been derived from the Organization's 2007 financial statements and, in our report dated April 28, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statements of financial position referred to above present fairly, in all material respects, the financial position of YMCA Buffalo Niagara as of December 31, 2008 and 2007, its changes in net assets for the year ended December 31, 2008, and its cash flows for the years ended December 31, 2008 and 2007 in conformity with accounting principles generally accepted in the United States of America.

Dopkins & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

April 22, 2009

YMCA BUFFALO NIAGARA

STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

ASSETS	2008	2007
Current Assets		
Cash and cash equivalents	\$ 375,076	\$ 305,976
Restricted cash	58,757	55,470
Accounts receivable, trade, less allowance for doubtful accounts of \$70,000 in 2008 and \$47,000 in 2007	841,174	779,980
Interest receivable	15,943	14,168
Prepaid expenses	127,117	97,267
Total current assets	1,418,067	1,252,861
Other Assets		
Investments	6,478,154	7,809,547
Bond issuance costs, net of accumulated amortization of \$186,481 in 2008 and \$159,191 in 2007	188,473	215,763
Other	5,057	5,057
	6,671,684	8,030,367
Property and Equipment, net	11,316,742	11,611,336
Total assets	\$ 19,406,493	\$ 20,894,564
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	\$ 487,512	\$ 485,380
Accounts payable, trade	377,576	474,815
Accrued expenses	365,813	331,781
Deferred revenue	1,375,225	1,214,856
Total current liabilities	2,606,126	2,506,832
Long-Term Debt, less current maturities	3,938,101	4,238,236
Interest Rate Swap	334,016	253,688
Total liabilities	6,878,243	6,998,756
Net Assets		
Unrestricted	10,967,802	10,368,080
Temporarily restricted	780,769	2,748,049
Permanently restricted	779,679	779,679
Total net assets	12,528,250	13,895,808
Total liabilities and net assets	\$ 19,406,493	\$ 20,894,564

YMCA BUFFALO NIAGARA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

With Summarized Comparative Information for 2007

	2008			2007 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenue:				
Program service fees	\$ 5,149,448	\$ -	\$ -	\$ 4,657,199
Membership fees	5,513,213	-	-	5,368,615
Fees and grants from governmental agencies	443,759	-	-	406,752
Merchandise sales	66,886	-	-	65,677
Rental income	255,305	-	-	243,077
Miscellaneous	107,924	-	-	43,934
Total operating revenue	11,536,535	-	-	10,785,254
Operating expenses:				
Program services:				
Branch and camp operations	10,686,382	-	-	10,120,661
Support services:				
Management and general	1,391,735	-	-	1,412,886
Fundraising	453,245	-	-	394,253
Total support services	1,844,980	-	-	1,807,139
Total operating expenses	12,531,362	-	-	11,927,800
Operating deficit	(994,827)	-	-	(1,142,546)
Non-operating revenue (expense):				
Contributions	273,341	-	-	202,478
Contribution of net assets of Humboldt facility	-	-	-	(256,726)
Special events	377,479	-	-	331,966
Campaign - Strong Kids	473,098	-	-	444,427
United Way	167,561	-	-	165,099
Gain on sale of property and equipment	82,500	-	-	-
Total non-operating revenue	1,373,979	-	-	887,244
Net assets released from restrictions:				
Satisfaction of program restrictions	1,967,280	(1,967,280)	-	-
Total net assets released from restrictions	1,967,280	(1,967,280)	-	-
Change in net assets before investment activity	2,346,432	(1,967,280)	-	(255,302)
Investment activity:				
Investment income (loss)	(1,666,382)	-	-	404,420
Change in fair value of interest rate swap liability	(80,328)	-	-	(45,513)
	(1,746,710)	-	-	358,907
Change in net assets	599,722	(1,967,280)	-	103,605
Net assets, beginning of year	10,368,080	2,748,049	779,679	13,792,203
Net assets, end of year	\$ 10,967,802	\$ 780,769	\$ 779,679	\$ 13,895,808

YMCA BUFFALO NIAGARA

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows From Operating Activities		
Change in net assets	\$ (1,367,558)	\$ 103,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	813,577	830,150
Amortization	27,290	27,290
Realized (gain) loss on sale of investments	211,747	(575,613)
Unrealized investment loss	1,651,185	394,884
Gain on sale of property and equipment	(82,500)	-
Provision for doubtful accounts receivable	40,515	11,720
Contributions of marketable securities	-	(2,076)
Change in fair value of interest rate swap liability	80,328	45,513
Contribution of net assets of Humboldt facility	-	256,726
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(101,709)	(185,972)
Interest receivable	(1,775)	1,108
Prepaid expenses	(29,850)	11,398
Increase (decrease) in:		
Accounts payable	(72,100)	5,241
Accrued expenses	34,032	40,734
Deferred revenue	160,369	80,015
Net cash provided by operating activities	1,363,551	1,044,723
Cash Flows From Investing Activities		
Purchases of property and equipment	(681,622)	(504,688)
Proceeds from sale of property and equipment	220,000	-
Proceeds from sale of investments	4,373,258	7,352,823
Purchase of investments	(4,904,797)	(7,351,239)
Net increase in restricted cash	(3,287)	(2,212)
Net cash used in investing activities	(996,448)	(505,316)
Cash Flows From Financing Activities		
Restricted cash received from capital campaign pledges	-	10,145
Proceeds from long-term borrowings	192,830	-
Principal payments on long-term borrowings	(490,833)	(495,048)
Net cash used in financing activities	(298,003)	(484,903)
Increase in cash and cash equivalents	69,100	54,504
Cash and cash equivalents:		
Beginning	305,976	251,472
Ending	<u>\$ 375,076</u>	<u>\$ 305,976</u>

YMCA BUFFALO NIAGARA

STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2008 and 2007

	2008		2007
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Supplemental Disclosures of Cash Flow Information			
Cash paid for interest	\$ 211,990	\$	237,432
			<hr/>
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Fixed asset purchases included in accounts payable	\$ 2,181	\$	27,320
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YMCA BUFFALO NIAGARA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

With Summarized Comparative Information for 2007

	PROGRAM SERVICES							SUPPORT SERVICES				TOTAL			
	Aquatics	Health Enhancement	School Age Child Care	Camping	Youth Development	Preschool Programming	Other Community Services	2008 Total	2007 Total	Management and General	Fund Raising	2008 Total	2007 Total	2008	2007
Salaries	\$ 538,043	\$ 1,384,501	\$ 1,259,962	\$ 1,124,690	\$ 526,524	\$ 438,923	\$ 70,073	\$ 5,342,716	\$ 5,058,603	\$ 669,995	\$ 163,417	\$ 833,412	\$ 774,001	\$ 6,176,128	\$ 5,832,604
Employee benefits	37,576	149,953	84,426	93,305	35,086	27,833	10,233	438,412	378,235	125,980	26,897	152,877	121,784	591,289	500,019
Payroll taxes	49,938	139,908	123,059	107,250	48,753	42,062	7,252	518,222	510,330	65,554	11,470	77,024	75,459	595,246	585,789
Total salaries and related expenses	625,557	1,674,362	1,467,447	1,325,245	610,363	508,818	87,558	6,299,350	5,947,168	861,529	201,784	1,063,313	971,244	7,362,663	6,918,412
Purchased services	198	14,116	6,955	37,368	929	97	3,574	63,237	38,433	122,908	56,564	179,472	202,763	242,709	241,196
Supplies	17,607	163,395	137,262	261,098	69,144	43,658	8,372	700,536	626,639	21,475	103,167	124,642	117,950	825,178	744,589
Telephone	1,286	18,665	21,718	14,391	1,877	1,393	1,397	60,727	61,266	9,256	252	9,508	10,439	70,235	71,705
Postage and shipping	1,801	26,806	10,018	14,635	3,622	2,034	1,381	60,297	64,634	7,966	5,872	13,838	16,234	74,135	80,868
Occupancy	51,063	634,824	342,906	357,978	53,338	62,602	101,509	1,604,220	1,585,775	111,876	10,158	122,034	125,341	1,726,254	1,711,116
Equipment costs	4,939	87,143	27,295	30,439	9,638	11,010	2,605	173,069	147,417	33,385	1,918	35,303	43,486	208,372	190,903
Printing and publications	5,401	58,277	20,886	40,466	5,534	5,620	2,156	138,340	138,397	41,840	14,848	56,688	56,473	195,028	194,870
Travel	3,792	14,616	26,819	120,595	17,006	4,894	1,186	188,908	154,099	13,339	7,852	21,191	25,314	210,099	179,413
Training and meetings	6,276	14,578	7,452	21,025	2,350	1,381	349	53,411	57,568	47,238	47,953	95,191	107,900	148,602	165,468
Investment expense	-	-	-	-	-	-	-	-	-	28,735	-	28,735	42,682	28,735	42,682
Membership dues	4,492	53,434	25,164	24,904	5,308	5,597	2,343	121,242	109,592	23,518	1,465	24,983	23,282	146,225	132,874
Finance costs	11,820	223,695	61,672	33,373	19,552	27,264	1,000	378,376	378,834	8,137	-	8,137	2,486	386,513	381,320
Miscellaneous	2,237	15,355	15,687	21,771	970	3,515	4,501	64,036	13,749	299	1,412	1,711	1,195	65,747	14,944
Total expenses before depreciation and amortization	736,469	2,999,266	2,171,281	2,303,288	799,631	677,883	217,931	9,905,749	9,323,571	1,331,501	453,245	1,784,746	1,746,789	11,690,495	11,070,360
Depreciation	21,808	387,338	135,807	138,120	31,211	42,198	24,151	780,633	797,090	32,944	-	32,944	33,060	813,577	830,150
Amortization	-	-	-	-	-	-	-	-	-	27,290	-	27,290	27,290	27,290	27,290
Total	\$ 758,277	\$ 3,386,604	\$ 2,307,088	\$ 2,441,408	\$ 830,842	\$ 720,081	\$ 242,082	\$ 10,686,382	\$ 10,120,661	\$ 1,391,735	\$ 453,245	\$ 1,844,980	\$ 1,807,139	\$ 12,531,362	\$ 11,927,800

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

Young Men's Christian Association Buffalo Niagara (d/b/a YMCA Buffalo Niagara) (YMCA or the Organization) is a nonprofit organization with the following mission statement:

“YMCA Buffalo Niagara is an inclusive association of people committed to a common effort to help individuals and families reach their fullest potential in terms of Spirit, Mind and Body.”

The YMCA achieves this through a system of six full facility branches, one partial facility branch, a resident camp, two day camps, and more than fifty community-based locations in Western New York. The YMCA delivers a variety of programs to more than 30,000 members annually, which is accomplished mainly with member fees, private contributions and governmental grants.

The YMCA manages endowment funds and specific land, building and equipment through a Board of Trustees. The YMCA also manages their day-to-day operations under the oversight of its Board of Directors.

YMCA of the USA:

The Organization is a member association of the National Council of Young Men's Christian Associations of the United States of America. The Organization is an independent autonomous organization, recognized as a member, but separate from the National Council. The Organization must meet annual certification requirements to remain a member.

A summary of the Organization's significant accounting policies follows:

Contributions:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

The YMCA reports gifts of cash and investments as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The YMCA reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the YMCA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Contributions (continued):

Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the statement of activities.

Cash and cash equivalents:

The Organization includes all cash accounts, except for cash and cash equivalents designated for long-term investment by the Board of Directors, which are not subject to withdrawal restrictions or penalties, as cash equivalents.

The YMCA maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The YMCA has not experienced any losses in such accounts. The YMCA believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restricted cash:

Restricted cash consists of cash restricted for the payment of principal on the adjustable rate civic facility revenue bonds that were issued to provide funds for construction of the Southtowns facility (see Note 5).

Accounts receivable, trade:

Accounts receivable, trade are carried at original invoice amount less an estimate made for doubtful receivables based on a periodic review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding past its original due date.

Investments:

The YMCA has investments in debt and marketable equity securities, mutual funds and money market funds. Debt securities consist primarily of obligations of the U.S. government and domestic corporations. Marketable equity securities consist primarily of common stocks that are traded or listed on national exchanges.

Investments are reported at fair value, with realized and unrealized holding gains and losses reported in the statement of activities.

Interest on debt securities is recognized in income as earned, and dividends on marketable equity securities are recognized in income when declared. Realized gains and losses are determined on the basis of the specific securities sold.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Bond issuance costs:

The YMCA is amortizing costs associated with issuing the adjustable rate civic facility revenue bonds over their term on a straight-line basis. Amortization expense is expected to amount to \$27,290 per year through 2011, \$9,073 per year from 2012 through 2022, and \$6,800 in 2023.

Property and equipment:

Property and equipment are stated at cost. Depreciation is computed on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	5 - 40
Equipment	3 - 20

Amortization of property under capital leases is provided using the straight-line method over the terms of the related lease and is included in depreciation expense.

Expenditures for maintenance and repairs are charged to expense as incurred.

Interest rate swap liability:

The interest rate swap liability is recorded on the statements of financial position at its fair value. Changes in the fair value of the liability are recorded in the statement of activities.

Deferred revenue:

Membership fees are recognized as revenue over the membership period. Program service fee income is recognized as revenue in the year the program occurs. Payment for memberships and program services received in advance of the membership or program service period are deferred until the membership or program service period occurs.

Grants from governmental agencies:

Revenue from federal and state grants is recorded based on allowable expenses incurred since these grants are on a cost-reimbursement basis. Revenue from such funding agencies is subject to audits and retroactive adjustments. Provision for retroactive adjustments are recorded in the period that the adjustments are made or approved by the funding source.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Income taxes:

The YMCA is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, including positions that the Organization is exempt from income taxes or not subject to income taxes on unrelated business income. FIN 48 also provides guidance on derecognition of tax benefits, classification on the statement of financial position, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to fiscal years beginning after December 15, 2008. The Organization has elected this deferral and, accordingly, will be required to adopt FIN 48 in its 2009 annual financial statements. Prior to adoption of FIN 48, the Organization will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. Statement No. 5 requires the Organization to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 on its financial position and results of operations but does not believe that the adoption of FIN 48 will have a material effect on its financial statements.

Functional allocation of expenses:

The cost of providing the varied YMCA programs, services and other activities has been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value Measurements:

FASB issued Statement No. 157, *Fair Value Measurements* (SFAS 157) in 2006. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In February 2008, FASB released FASB Staff Position FAS 157-2 – *Effective Date of FASB Statement No. 157* (FSP), which defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and liabilities, except those items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The effective date of the statement related to those items not covered by the deferral (all financial assets and liabilities or nonfinancial assets and liabilities recorded at fair value on a recurring basis) is for fiscal years beginning after November 15, 2007. The Organization adopted the disclosure requirements of Statement of Financial Accounting Standards (SFAS) No. 157 effective January 1, 2008 and elected the deferral under the FSP.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Fair Value Measurements (continued):

The valuation techniques required by SFAS No. 157 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

The Organization has investments valued at both Level 1 and Level 2 (Note 3). Prices for the Level 2 investments are determined by a service provider based on standard inputs including benchmark yields, reported trades, broker/dealer quotes, vendor trading platform data and monthly payment information as inputs into a pricing model to determine the market price. The interest rate swap liability of \$334,016 (Note 5) at December 31, 2008 is valued at Level 2. The fair value of the interest rate swap has been derived from proprietary models based upon recognized financial principles and reasonable estimates about relevant future market conditions and may reflect certain other financial factors such as anticipated profit or hedging, transactional, and other costs.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Actual results could differ from those estimates.

Note 2. Comparative Amounts

The statements of activities, and functional expenses include certain 2007 summarized comparative information in total but not by net asset or expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

YMCA BUFFALO NIAGARA

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments and Investment Income

Investments at December 31, 2008 and 2007, stated at fair value, consist of the following:

	2008			2007		
	Cost	Net Unrealized Gain (Loss)	Fair Value	Cost	Net Unrealized Gain	Fair Value
Level 1						
Equity securities	\$ 2,739,381	\$ (721,130)	\$ 2,018,251	\$ 1,518,304	\$ 207,881	\$ 1,726,185
Mutual funds	2,050,027	(696,546)	1,353,481	1,108,547	90,556	1,199,103
Money market funds	1,847,062	-	1,847,062	3,799,519	-	3,799,519
	<u>6,636,470</u>	<u>(1,417,676)</u>	<u>5,218,794</u>	<u>6,426,370</u>	<u>298,437</u>	<u>6,724,807</u>
Level 2						
U.S. Treasury securities	100,085	6,579	106,664	100,085	6,845	106,930
U.S. mortgage backed securities	974,295	76,738	1,051,033	864,603	9,975	874,578
Corporate debt securities	100,071	1,592	101,663	100,071	3,161	103,232
	<u>1,174,451</u>	<u>84,909</u>	<u>1,259,360</u>	<u>1,064,759</u>	<u>19,981</u>	<u>1,084,740</u>
	<u>\$ 7,810,921</u>	<u>\$ (1,332,767)</u>	<u>\$ 6,478,154</u>	<u>\$ 7,491,129</u>	<u>\$ 318,418</u>	<u>\$ 7,809,547</u>

A summary of investment income (loss) included in the accompanying statements of activities for the years ended December 31, 2008 and 2007 is as follows:

	2008	2007
Unrealized loss	\$ (1,651,185)	\$ (394,884)
Realized gain (loss) on sale of securities	(211,747)	575,613
Interest income	71,616	93,833
Dividend income	124,934	129,858
Total investment income (loss)	<u>\$ (1,666,382)</u>	<u>\$ 404,420</u>

NOTES TO FINANCIAL STATEMENTS

Note 3. Investments and Investment Income (Continued)

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the financial position of the Organization.

Note 4. Property and Equipment

Property and equipment at December 31, 2008 and 2007 consist of the following:

	2008	2007
Land	\$ 961,744	\$ 1,061,744
Buildings and improvements	17,354,865	16,993,951
Equipment	2,247,320	2,041,970
Construction-in-progress:		
New Facility Development	147,564	63,768
Camp Weona	-	12,355
Niagara Falls renovations	-	37,219
	<u>20,711,493</u>	<u>20,211,007</u>
Less accumulated depreciation	<u>9,394,751</u>	<u>8,599,671</u>
Total property and equipment, net	<u>\$ 11,316,742</u>	<u>\$ 11,611,336</u>

In January 2007, the Board of Trustees and the Board of Directors passed a motion to donate land and a building, formerly housing the Humboldt facility, to a not-for-profit organization. The land and building had a net book value of \$256,726 at the date the contribution was made. This contribution is recorded in the statement of activities for the year ended December 31, 2007.

YMCA BUFFALO NIAGARA

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

Long-term debt at December 31, 2008 and 2007 consists of the following:

	2008	2007
Adjustable rate civic facility revenue bonds issued in two series by the Erie County Industrial Development Agency to provide financing for a portion of the costs of construction of the YMCA's facility in West Seneca, New York. The Series A bonds are subject to a mandatory redemption on December 1, 2021, however, pursuant to a letter of credit reimbursement agreement, annual payments of \$225,000 per year are required through 2011. Principal payments on the Series B bonds ranging from \$160,000 to \$315,000 are due annually thereafter, through December 1, 2023. Interest on both series is variable and is equal to a commercial bank's seven-day tax-exempt rate (1.15% at December 31, 2008), and is payable monthly. The bonds are collateralized by a mortgage on the facility's property, plus equipment, fixtures and furnishings with a net book value of \$6,561,060 at December 31, 2008, together with revenues received by the facility from its operations.	\$ 4,210,000	\$ 4,595,000
Installment note payable to a bank, due in fixed monthly principal installments of \$6,205, plus interest at 6.89%, through January 2009.	6,204	80,663
Note payable to a bank, due in fixed monthly principal installments of \$5,888, plus interest at 6.25%, through December 2011. This note is collateralized by a security interest in certain equipment with a net book value of \$160,692 at December 31, 2008.	187,474	-
Capital lease obligations payable in monthly installments through 2009.	21,935	47,953
	4,425,613	4,723,616
Less current maturities	487,512	485,380
	\$ 3,938,101	\$ 4,238,236

Simultaneously with the issuance of the bonds, a commercial bank issued an irrevocable direct pay letter of credit for the benefit of the holders of the bonds, to secure payment of the principal and interest. Additionally, on that date, the YMCA entered into an agreement with the commercial bank guaranteeing the payment of the principal and interest on the bonds, as well as mandatory redemption on certain dates. As part of that agreement, the bank retained a lien on, and security interest in, the capital campaign pledges receivable, as well as a mortgage on the land and the building. In addition, the YMCA is prohibited from pledging certain of its real property as collateral to any parties other than the bank.

YMCA BUFFALO NIAGARA

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (Continued)

The letter of credit reimbursement agreement contains various restrictive covenants. At December 31, 2008, the YMCA was in compliance with all such covenants.

Aggregate maturities required on long-term debt at December 31, 2008 are as follows:

Years ending December 31,	
2009	\$ 487,512
2010	469,181
2011	468,920
2012	195,000
2013	205,000
Thereafter	<u>2,600,000</u>
	<u>\$ 4,425,613</u>

The YMCA has an interest rate swap agreement with a commercial bank to eliminate the risk of changes in interest rates on the Series B bonds. The Series B bonds had a principal balance of \$3,535,000 and \$3,695,000 as of December 31, 2008 and 2007, respectively. The agreement effectively changes the YMCA's interest rate exposure to a fixed rate of 4.86% through January 2012. The YMCA is exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreement. However, the YMCA does not anticipate such non-performance. The effect of the interest rate swap resulted in a liability of \$334,016 and \$253,688 at December 31, 2008 and 2007, respectively, and expense of \$80,328 and \$45,513 for the years ended December 31, 2008 and 2007, respectively.

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2008 and 2007 are available for the following purposes or periods:

	2008	2007
Contributions received to be used for capital expenditures only through expansion of YMCA Buffalo Niagara's camping program, or for the use of the downtown branch. The income is to be used for operating expenses.	\$ 169,814	\$ 429,622
Discretionary funds to be used in support of YMCA Buffalo Niagara branches and certain administrative costs.	600,955	2,285,373
Contributions received to fund specific program operations.	<u>10,000</u>	<u>33,054</u>
	<u>\$ 780,769</u>	<u>\$ 2,748,049</u>

YMCA BUFFALO NIAGARA

NOTES TO FINANCIAL STATEMENTS

Note 7. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2008 and 2007 are restricted as follows:

	<u>2008</u>	<u>2007</u>
Investment in perpetuity, the income from which is expendable to support any of the City of Buffalo YMCA branches.	\$ 500,000	\$ 500,000
Investment in perpetuity, the income from which is expendable to support Camp Weona and general YMCA operations in equal shares.	100,000	100,000
Investment in perpetuity, the income from which is expendable to support Camp Weona.	62,051	62,051
Investment in perpetuity, the income from which is expendable to support general YMCA operations of the Niagara Falls Branch.	<u>117,628</u>	<u>117,628</u>
	<u>\$ 779,679</u>	<u>\$ 779,679</u>

Note 8. Assets Released From Donor Restrictions

Net assets during the years ended December 31, 2008 and 2007 were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<u>2008</u>	<u>2007</u>
Satisfaction of program restriction by incurring expenses for general administration, program activities, capital expenditures and payment of long-term debt.	<u>\$ 1,967,280</u>	<u>\$ 460,032</u>

Note 9. Leases

The YMCA has an agreement to lease its corporate offices under an operating lease which requires various minimum rental payments through September 30, 2010. Rent expense under this operating lease was \$101,424 for each of the years ended December 31, 2008 and 2007, and is included in occupancy costs in the statement of functional expenses.

Future minimum payments, by years and in the aggregate, under the non-cancelable operating lease are as follows:

Years ending December 31,	
2009	\$ 102,441
2010	<u>79,113</u>
	<u>\$ 181,554</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Retirement Plan

The YMCA participates in a defined contribution, individual account money purchase retirement plan that is administered by the Young Men's Christian Association Retirement Fund (a separate corporation). This plan is for the benefit of all employees of the YMCA who qualify under the participation requirements.

In accordance with the agreement with the Retirement Fund, employee and employer YMCA contributions are based upon 12% of eligible employees' monthly taxable compensation, are paid for by the YMCA and are to be remitted to the Retirement Fund bi-weekly. The retirement expense to the Fund amounted to \$321,893 and \$303,819 for the years ended December 31, 2008 and 2007, respectively, and is included in employee benefits in the accompanying statement of functional expenses.

The Young Men's Christian Association Retirement Fund is operated as a church pension plan and is a non-profit, tax exempt, New York State Corporation. Participation is available to all duly organized and reorganized YMCA's in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

Note 11. Commitments

In February 2007, the YMCA entered into a commitment to purchase land for approximately \$877,500. The members of the selling organization have approved the purchase. The purchase is pending site plan approval by the Town of Amherst Town Board.

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