

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

**Financial Report**

**December 31, 2009**

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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, 2009 and 2008, 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, 2009. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. The 2008 summarized comparative information has been derived from the Association's 2008 financial statements and, in our report dated April 22, 2009, 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, 2009 and 2008, its changes in net assets for the year ended December 31, 2009, and its cash flows for the years ended December 31, 2009 and 2008 in conformity with accounting principles generally accepted in the United States of America.

*Dopkins & Company, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

April 21, 2010

YMCA BUFFALO NIAGARA

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

ASSETS	2009	2008
<b>Current Assets</b>		
Cash and cash equivalents	\$ 106,929	\$ 375,076
Restricted cash	60,509	58,757
Accounts receivable, trade, less allowance for doubtful accounts of \$48,515 in 2009 and \$70,000 in 2008	1,440,920	841,174
Interest receivable	14,491	15,943
Prepaid expenses	119,223	127,117
<b>Total current assets</b>	<b>1,742,072</b>	<b>1,418,067</b>
<b>Other Assets</b>		
Investments	6,658,368	6,478,154
Bond issuance costs, net of accumulated amortization of \$213,771 in 2009 and \$186,481 in 2008	161,183	188,473
Other	5,057	5,057
	<b>6,824,608</b>	<b>6,671,684</b>
Property and Equipment, net	11,874,330	11,316,742
<b>Total assets</b>	<b>\$ 20,441,010</b>	<b>\$ 19,406,493</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 469,481	\$ 487,512
Accounts payable, trade	428,742	377,576
Accrued expenses	150,410	365,813
Deferred revenue	1,748,389	1,375,225
<b>Total current liabilities</b>	<b>2,797,022</b>	<b>2,606,126</b>
Long-Term Debt, less current maturities	3,472,355	3,938,101
Interest Rate Swap	243,700	334,016
<b>Total liabilities</b>	<b>6,513,077</b>	<b>6,878,243</b>
<b>Net Assets</b>		
Unrestricted	13,128,254	10,967,802
Temporarily restricted	20,000	780,769
Permanently restricted	779,679	779,679
<b>Total net assets</b>	<b>13,927,933</b>	<b>12,528,250</b>
<b>Total liabilities and net assets</b>	<b>\$ 20,441,010</b>	<b>\$ 19,406,493</b>

YMCA BUFFALO NIAGARA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2009

With Summarized Comparative Information for 2008

	2009			Total	2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Operating revenue:					
Program service fees	\$ 5,197,384	\$ -	\$ -	\$ 5,197,384	\$ 5,149,448
Membership fees	5,614,883	-	-	5,614,883	5,513,213
Fees and grants from governmental agencies	582,975	-	-	582,975	443,759
Merchandise sales	56,755	-	-	56,755	66,886
Rental income	255,314	-	-	255,314	255,305
Miscellaneous	18,901	-	-	18,901	107,924
<b>Total operating revenue</b>	<b>11,726,212</b>	<b>-</b>	<b>-</b>	<b>11,726,212</b>	<b>11,536,535</b>
Operating expenses:					
Program services:					
Branch and camp operations	10,654,320	-	-	10,654,320	10,686,382
Support services:					
Management and general	1,459,956	-	-	1,459,956	1,391,735
Fundraising	536,186	-	-	536,186	453,245
<b>Total support services</b>	<b>1,996,142</b>	<b>-</b>	<b>-</b>	<b>1,996,142</b>	<b>1,844,980</b>
<b>Total operating expenses</b>	<b>12,650,462</b>	<b>-</b>	<b>-</b>	<b>12,650,462</b>	<b>12,531,362</b>
<b>Operating deficit</b>	<b>(924,250)</b>	<b>-</b>	<b>-</b>	<b>(924,250)</b>	<b>(994,827)</b>
Non-operating revenue (expense):					
Contributions	142,074	10,000	-	152,074	273,341
Special events	409,170	-	-	409,170	377,479
Campaign - Strong Kids	482,428	-	-	482,428	473,098
United Way	139,862	-	-	139,862	167,561
Gain on sale of property and equipment	-	-	-	-	82,500
<b>Total non-operating revenue</b>	<b>1,173,534</b>	<b>10,000</b>	<b>-</b>	<b>1,183,534</b>	<b>1,373,979</b>
Net assets released from restrictions:					
Satisfaction of program restrictions	770,769	(770,769)	-	-	-
<b>Total net assets released from restrictions</b>	<b>770,769</b>	<b>(770,769)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets before investment activity</b>	<b>1,020,053</b>	<b>(760,769)</b>	<b>-</b>	<b>259,284</b>	<b>379,152</b>
Investment activity:					
Investment income (loss)	1,050,084	-	-	1,050,084	(1,666,382)
Change in fair value of interest rate swap liability	90,315	-	-	90,315	(80,328)
	1,140,399	-	-	1,140,399	(1,746,710)
<b>Change in net assets</b>	<b>2,160,452</b>	<b>(760,769)</b>	<b>-</b>	<b>1,399,683</b>	<b>(1,367,558)</b>
Net assets, beginning of year	10,967,802	780,769	779,679	12,528,250	13,895,808
Net assets, end of year	\$ 13,128,254	\$ 20,000	\$ 779,679	\$ 13,927,933	\$ 12,528,250

YMCA BUFFALO NIAGARA

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

	2009	2008
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,399,683	\$ (1,367,558)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	808,385	813,577
Amortization	27,290	27,290
Realized loss on sale of investments	345,244	211,747
Unrealized investment (gain) loss	(1,242,055)	1,651,185
Gain on sale of property and equipment	-	(82,500)
Provision for doubtful accounts receivable	5,998	40,515
Contributions of marketable securities	(5,467)	-
Change in fair value of interest rate swap liability	(90,316)	80,328
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(605,744)	(101,709)
Interest receivable	1,452	(1,775)
Prepaid expenses	7,894	(29,850)
Increase (decrease) in:		
Accounts payable	9,532	(72,100)
Accrued expenses	(215,403)	34,032
Deferred revenue	373,164	160,369
<b>Net cash provided by operating activities</b>	<b>819,657</b>	<b>1,363,551</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(1,324,339)	(681,622)
Proceeds from sale of property and equipment	-	220,000
Proceeds from sale of investments	2,847,171	4,373,258
Purchase of investments	(2,125,107)	(4,904,797)
Net increase in restricted cash	(1,752)	(3,287)
<b>Net cash used in investing activities</b>	<b>(604,027)</b>	<b>(996,448)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from long-term borrowings	-	192,830
Principal payments on long-term borrowings	(483,777)	(490,833)
<b>Net cash used in financing activities</b>	<b>(483,777)</b>	<b>(298,003)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(268,147)</b>	<b>69,100</b>
<b>Cash and cash equivalents:</b>		
Beginning	375,076	305,976
Ending	\$ 106,929	\$ 375,076
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	\$ 192,176	\$ 211,990
<b>Supplemental Schedule of Non-Cash Investing and Financing Activities</b>		
Fixed asset purchases included in accounts payable	\$ 43,815	\$ 2,181

YMCA BUFFALO NIAGARA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2009

With Summarized Comparative Information for 2008

	PROGRAM SERVICES							SUPPORT SERVICES				TOTAL			
	Aquatics	Health Enhancement	School Age Child Care	Camping	Youth Development	Preschool Programming	Other Community Services	2009 Total	2008 Total	Management and General	Fund Raising	2009 Total	2008 Total	2009	2008
Salaries	\$ 547,959	\$ 1,354,717	\$ 1,167,848	\$ 1,241,223	\$ 502,986	\$ 619,435	\$ 71,344	\$ 5,505,512	\$ 5,342,716	\$ 686,522	\$ 168,165	\$ 854,687	\$ 833,412	\$ 6,360,199	\$ 6,176,128
Employee benefits	46,201	172,284	91,048	120,361	32,391	42,693	11,188	516,166	438,412	147,047	30,757	177,804	152,877	693,970	591,289
Payroll taxes	52,099	137,513	115,441	118,551	47,825	60,190	7,366	538,985	518,222	66,986	12,146	79,132	77,024	618,117	595,246
<b>Total salaries and related expenses</b>	<b>646,259</b>	<b>1,664,514</b>	<b>1,374,337</b>	<b>1,480,135</b>	<b>583,202</b>	<b>722,318</b>	<b>89,898</b>	<b>6,560,663</b>	<b>6,299,350</b>	<b>900,555</b>	<b>211,068</b>	<b>1,111,623</b>	<b>1,063,313</b>	<b>7,672,286</b>	<b>7,362,663</b>
Purchased services	117	7,023	5,689	36,018	1,617	823	1,090	52,377	63,237	135,219	117,240	252,459	179,472	304,836	242,709
Supplies	15,471	150,381	133,182	250,117	71,431	47,350	10,575	678,507	700,536	23,717	121,784	145,501	124,642	824,008	825,178
Telephone	1,232	18,623	19,198	15,206	1,863	2,588	1,484	60,194	60,727	10,354	-	10,354	9,508	70,548	70,235
Postage and shipping	1,673	20,973	8,103	14,964	2,819	2,611	1,367	52,510	60,297	3,120	4,906	8,026	13,838	60,536	74,135
Occupancy	43,520	559,059	282,073	333,221	49,303	92,665	92,617	1,452,458	1,604,220	112,524	11,770	124,294	122,034	1,576,752	1,726,254
Equipment costs	5,258	70,945	22,599	35,045	7,342	10,817	5,629	157,635	173,069	39,045	1,640	40,685	35,303	198,320	208,372
Advertising and promotion	4,858	44,934	19,426	39,583	5,513	6,534	2,401	123,249	138,340	60,143	14,170	74,313	56,688	197,562	195,028
Travel	1,565	23,961	25,898	118,959	19,699	9,864	1,418	201,364	188,908	10,141	8,021	18,162	21,191	219,526	210,099
Training and meetings	5,237	11,477	5,996	11,290	2,346	2,321	165	38,832	53,411	30,172	44,842	75,014	95,191	113,846	148,602
Investment expense	-	-	-	-	-	-	-	-	-	27,223	-	27,223	28,735	27,223	28,735
Membership dues	4,523	60,343	23,870	26,110	5,602	8,527	2,431	131,406	121,242	33,569	710	34,279	24,983	165,685	146,225
Finance costs	11,098	211,766	56,465	32,666	19,331	30,397	1,109	362,832	378,376	15,341	35	15,376	8,137	378,208	386,513
Miscellaneous	169	(75)	(170)	4,953	441	225	(424)	5,119	64,036	332	-	332	1,711	5,451	65,747
<b>Total expenses before depreciation and amortization</b>	<b>740,980</b>	<b>2,843,924</b>	<b>1,976,666</b>	<b>2,398,267</b>	<b>770,509</b>	<b>937,040</b>	<b>209,760</b>	<b>9,877,146</b>	<b>9,905,749</b>	<b>1,401,455</b>	<b>536,186</b>	<b>1,937,641</b>	<b>1,784,746</b>	<b>11,814,787</b>	<b>11,690,495</b>
Depreciation	20,740	384,096	120,787	144,691	31,972	49,904	24,984	777,174	780,633	31,211	-	31,211	32,944	808,385	813,577
Amortization	-	-	-	-	-	-	-	-	-	27,290	-	27,290	27,290	27,290	27,290
<b>Total</b>	<b>\$ 761,720</b>	<b>\$ 3,228,020</b>	<b>\$ 2,097,453</b>	<b>\$ 2,542,958</b>	<b>\$ 802,481</b>	<b>\$ 986,944</b>	<b>\$ 234,744</b>	<b>\$ 10,654,320</b>	<b>\$ 10,686,382</b>	<b>\$ 1,459,956</b>	<b>\$ 536,186</b>	<b>\$ 1,996,142</b>	<b>\$ 1,844,980</b>	<b>\$ 12,650,462</b>	<b>\$ 12,531,362</b>

**NOTES TO FINANCIAL STATEMENTS**

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

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

Cash and cash equivalents:

The Association includes all cash accounts, except for cash and cash equivalents designated for long-term investment by the Board of Trustees, 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 (Note 5).

NOTES TO FINANCIAL STATEMENTS

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

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 its agencies. 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.

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 its fair value are recorded in the statement of activities.

NOTES TO FINANCIAL STATEMENTS

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

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.

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.

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

Endowments:

The Association has an endowment that was established with both donor restricted and unrestricted contributions as explained in Note 9. The Board of Trustees of the Association has interpreted New York State law using the principles of the Uniform Management of Institutional Funds Act (UMIFA). UMIFA requires the preservation of the fair value of the original donor restricted endowment absent explicit donor stipulations to the contrary. The Association's endowment, both donor restricted and unrestricted, includes (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Temporarily restricted and unrestricted endowments also include amounts appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UMIFA. The Association considers the duration and preservation of the fund, the purposes of the Association and donors' intentions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, other resources of the Association and the investment policies of the Association in making a determination to appropriate or accumulate donor-restricted endowment funds.

NOTES TO FINANCIAL STATEMENTS

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

Endowments (continued):

The Association has adopted an investment and spending policy for endowment assets that attempts to provide cash as needed for operations, not to exceed 5% of the average fair value of the endowment for the last twelve quarters and preserve the values of the portfolio after the effects of inflation. A secondary objective is to attain long-term real growth of the portfolio, subject to the endowment's risk tolerance.

Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500, and other benchmark indices, while assuming a moderate level of investment risk. The Association targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Grants from governmental agencies:

Grant revenue from state and local municipalities is recorded when the requirements of the grant are satisfied. 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.

Income taxes:

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

Effective January 1, 2009, the Association adopted the accounting standard regarding accounting for uncertainty in income taxes. This standard clarifies the financial statement recognition and measurement criteria of tax positions taken or expected to be taken in a tax return. There was no effect of adopting this standard on the financial statements.

It is highly certain that some positions taken for income tax purposes would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained.

The tax returns for the tax years 2006 through 2009 remain subject to examination by the Internal Revenue Service for U.S. Federal tax purposes and also by New York State for state tax purposes.

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.

**NOTES TO FINANCIAL STATEMENTS**

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

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.

Comparative amounts:

The statements of activities, and functional expenses include certain 2008 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 Association's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Subsequent events:

Subsequent events have been evaluated through April 21, 2010, which is the date the financial statements were available to be issued.

**Note 2. Fair Value Measurements**

Accounting principles generally accepted in the United States of America established a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets that the Association 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.

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 2. Fair Value Measurements (Continued)**

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity securities, mutual funds and money market funds are reported at fair value based on quoted market prices.

U.S. treasury securities, U.S. government agency securities and the certificate of deposit are valued at approximate fair value as determined by a service provider to the bond custodian using a pricing model.

The value of the interest rate swap is determined by the issuing financial institution using proprietary market-based models.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial instruments at December 31, 2009, stated at fair value, consist of the following:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Equity securities	\$ 3,043,961	\$ -	\$ -	\$ 3,043,961
Mutual funds	1,992,612	-	-	1,992,612
Money market funds	-	398,621	-	398,621
U.S. treasury securities	-	100,727	-	100,727
U.S. government agencies	-	1,022,266	-	1,022,266
Certificate of deposit	-	100,181	-	100,181
	<u>\$ 5,036,573</u>	<u>\$ 1,621,795</u>	<u>\$ -</u>	<u>\$ 6,658,368</u>
<b>Liability:</b>				
Interest rate swap	\$ -	\$ 243,700	\$ -	\$ 243,700

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 2. Fair Value Measurements (Continued)**

Financial instruments at December 31, 2008 stated at fair value, consist of the following:

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Equity securities	\$ 2,018,251	\$ -	\$ -	\$ 2,018,251
Mutual funds	1,353,481	-	-	1,353,481
Money market funds	-	1,847,062	-	1,847,062
U.S. treasury securities	-	106,664	-	106,664
U.S. government agencies	-	1,051,033	-	1,051,033
Corporate debt securities	-	101,663	-	101,663
	<u>\$ 3,371,732</u>	<u>\$ 3,106,422</u>	<u>\$ -</u>	<u>\$ 6,478,154</u>
<b>Liability:</b>				
Interest rate swap	\$ -	\$ 334,016	\$ -	\$ 334,016

**Note 3. Investments and Investment Income**

Investments at December 31, 2009, stated at fair value, consist of the following:

	Cost	Net Unrealized Gain (Loss)	Fair Value
Equity securities	\$ 2,872,886	\$ 171,075	\$ 3,043,961
Mutual funds	2,303,193	(310,581)	1,992,612
Money market funds	398,621	-	398,621
U.S. treasury securities	100,085	642	100,727
U.S. government agencies	974,295	47,971	1,022,266
Certificate of deposit	100,000	181	100,181
	<u>\$ 6,749,080</u>	<u>\$ (90,712)</u>	<u>\$ 6,658,368</u>

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

	Cost	Net Unrealized Gain (Loss)	Fair Value
Equity securities	\$ 2,739,381	\$ (721,130)	\$ 2,018,251
Mutual funds	2,050,027	(696,546)	1,353,481
Money market funds	1,847,062	-	1,847,062
U.S. treasury securities	100,085	6,579	106,664
U.S. government agencies	974,295	76,738	1,051,033
Corporate debt securities	100,071	1,592	101,663
	<u>\$ 7,810,921</u>	<u>\$ (1,332,767)</u>	<u>\$ 6,478,154</u>

NOTES TO FINANCIAL STATEMENTS

**Note 3. Investments and Investment Income (Continued)**

A summary of investment income (loss) included in the accompanying statements of activities for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Unrealized gain (loss)	\$ 1,242,055	\$ (1,651,185)
Realized loss on sale of securities	(345,244)	(211,747)
Interest income	63,637	71,616
Dividend income	89,636	124,934
Total investment income (loss)	<u>\$ 1,050,084</u>	<u>\$ (1,666,382)</u>

The Association 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 Association.

**Note 4. Property and Equipment**

Property and equipment at December 31, 2009 and 2008 consist of the following:

	2009	2008
Land	\$ 1,865,572	\$ 961,744
Buildings and improvements	17,613,955	17,354,865
Equipment	2,274,075	2,247,320
Construction-in-progress - new facility development	261,902	147,564
	<u>22,015,504</u>	<u>20,711,493</u>
Less accumulated depreciation	10,141,174	9,394,751
Total property and equipment, net	<u>\$ 11,874,330</u>	<u>\$ 11,316,742</u>

Land was acquired for \$903,828 in 2009 with the intention of developing a new facility.

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Long-Term Debt**

Long-term debt at December 31, 2009 and 2008 consists of the following:

	<b>2009</b>	2008
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 \$180,000 to \$315,000 are due annually through December 1, 2023. Interest on both series is variable and is equal to a commercial bank's seven-day tax-exempt rate (0.45% at December 31, 2009), 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 \$6,249,433 at December 31, 2009, together with revenues received by the facility from its operations.	<b>\$ 3,815,000</b>	\$ 4,210,000
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 \$96,415 at December 31, 2009.	<b>126,836</b>	187,474
Installment note paid in full in 2009.	-	6,204
Capital lease obligations paid in full during 2009.	-	21,935
	<b>3,941,836</b>	4,425,613
Less current maturities	<b>469,481</b>	487,512
	<b>\$ 3,472,355</b>	\$ 3,938,101

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.

The letter of credit reimbursement agreement contains various restrictive covenants. At December 31, 2009, the YMCA was in compliance with all such covenants.

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 5. Long-Term Debt (Continued)**

Aggregate maturities required on long-term debt at December 31, 2009 are as follows:

Years ending December 31,	
2010	\$ 469,481
2011	472,355
2012	195,000
2013	205,000
2014	210,000
Thereafter	<u>2,390,000</u>
	<u>\$ 3,941,836</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 \$3,365,000 and \$3,535,000 as of December 31, 2009 and 2008, 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 \$243,700 and \$334,016 at December 31, 2009 and 2008, respectively, and income (expense) of \$90,316 and \$(80,328) for the years ended December 31, 2009 and 2008, respectively.

Interest expense amounted to \$191,331 and \$211,527 for the years ended December 31, 2009 and 2008, respectively. Interest expense is included in finance costs in the accompanying statement of functional expenses.

**Note 6. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2009 and 2008 are available for the following purposes or periods:

	2009	2008
Contributions received to fund specific program operations.	\$ 20,000	\$ 10,000
Discretionary funds to be used in support of YMCA Buffalo Niagara branches and certain administrative costs.	-	600,955
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.	-	<u>169,814</u>
	<u>\$ 20,000</u>	<u>\$ 780,769</u>

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 7. Permanently Restricted Net Assets**

Permanently restricted net assets as of December 31, 2009 and 2008 are restricted as follows:

	<b>2009</b>	<b>2008</b>
Investment in perpetuity, the income from which is expendable to support any of the City of Buffalo YMCA branches.	<b>\$ 500,000</b>	<b>\$ 500,000</b>
Investment in perpetuity, the income from which is expendable to support Camp Weona and general YMCA operations in equal shares.	<b>100,000</b>	<b>100,000</b>
Investment in perpetuity, the income from which is expendable to support Camp Weona.	<b>62,051</b>	<b>62,051</b>
Investment in perpetuity, the income from which is expendable to support general YMCA operations of the Niagara Falls Branch.	<b>117,628</b>	<b>117,628</b>
	<b><u>\$ 779,679</u></b>	<b><u>\$ 779,679</u></b>

**Note 8. Assets Released From Donor Restrictions**

Net assets during the years ended December 31, 2009 and 2008 were released from donor restrictions by incurring expenses satisfying the following restricted purposes:

	<b>2009</b>	<b>2008</b>
Satisfaction of program restriction by incurring expenses for general administration, program activities, capital expenditures and payment of long-term debt.	<b>\$ 770,769</b>	<b>\$ 1,967,280</b>

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Endowments**

The Association's endowment consists of a variety of individual funds established for various purposes. Its endowment includes both donor-restricted endowment funds and unrestricted funds that have been designated by the Board of Trustees to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of and changes in endowments as of and for the year ended December 31, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2008	\$ 4,927,706	\$ 770,769	\$ 779,679	\$ 6,478,154
Investment return:				
Interest income	63,637	-	-	63,637
Dividend income	89,636	-	-	89,636
Realized loss	(345,244)	-	-	(345,244)
Unrealized gain	1,242,055	-	-	1,242,055
Investment expense	(27,223)	-	-	(27,223)
Total investment return	1,022,861	-	-	1,022,861
Donated securities	5,467	-	-	5,467
Cash contributions	12,500	-	-	12,500
Appropriation of endowment assets for expenditure	(873,347)	(770,769)	-	(1,644,116)
Transfers to create board designated endowment funds	783,502	-	-	783,502
Endowment net assets, December 31, 2009	\$ 5,878,689	\$ -	\$ 779,679	\$ 6,658,368

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

**Note 9. Endowments (Continued)**

The composition of and changes in endowments as of and for the year ended December 31, 2008 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2007	\$ 4,291,819	\$ 2,738,049	\$ 779,679	\$ 7,809,547
Investment return:				
Interest income	71,616	-	-	71,616
Dividend income	124,934	-	-	124,934
Realized loss	(211,747)	-	-	(211,747)
Unrealized loss	(1,651,185)	-	-	(1,651,185)
Investment expense	(28,735)	-	-	(28,735)
Total investment return	(1,695,117)	-	-	(1,695,117)
Cash contributions	152,491	-	-	152,491
Appropriation of endowment assets for expenditure	-	(1,967,280)	-	(1,967,280)
Transfers to create board designated endowment funds	2,178,513	-	-	2,178,513
Endowment net assets, December 31, 2008	\$ 4,927,706	\$ 770,769	\$ 779,679	\$ 6,478,154

**Note 10. Leases**

The YMCA leases its corporate offices under an operating lease requiring various minimum rental payments through October 31, 2020. Rent expense under this operating lease was \$112,335 and \$101,424 for the years ended December 31, 2009 and 2008, respectively. The Association also leases various property and equipment on a month to month basis. Rent expense under these operating leases amounted to \$166,124 and \$132,772 for the years ended December 31, 2009 and 2008, respectively. Rent expense for property and equipment leases is included in occupancy and equipment costs, respectively, in the statement of functional expenses.

**YMCA BUFFALO NIAGARA**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Leases (Continued)**

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

Years ending December 31,	
2010	\$ 204,454
2011	198,254
2012	182,230
2013	163,121
2014	157,292
Thereafter	<u>926,693</u>
	<u>\$ 1,832,044</u>

**Note 11. 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 this arrangement, contributions are 12% of eligible employees' monthly taxable compensation. The expense pursuant to this arrangement was \$366,587 and \$321,893 for the years ended December 31, 2009 and 2008, 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.

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