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

Financial Statements
With Independent Auditor's Report

December 31, 2018

Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

CONTENTS

INDEPENDENT AUDITOR'S 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

Report on the Financial Statements
We have audited the accompanying financial statements of Young Men's Christian Association Buffalo Niagara (d/b/a YMCA Buffalo Niagara), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit 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.

200 International Drive ▪ Buffalo, New York 14221-5794
(716) 634-8800 ▪ Toll Free (888) 634-0001 ▪ Fax (716) 634-8987 ▪ www.dopkins.com

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA Buffalo Niagara as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1 to the financial statements, in 2018, YMCA Buffalo Niagara adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Report on Summarized and Comparative Information
We have previously audited YMCA Buffalo Niagara's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2018. In our opinion, the summarized and comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived after taking into consideration the adoption of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as discussed in Note 1.

Dopkins & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS

April 18, 2019

YMCA BUFFALO NIAGARA

STATEMENT OF FINANCIAL POSITION
December 31, 2018
(With Comparative Financial Information as of December 31, 2017)

ASSETS	**2018**	2017
Current Assets		
Cash	**$ 3,723,189**	$ 855,069
Receivables, net	**1,938,792**	1,935,495
Prepaid expenses	**257,465**	252,031
Total current assets	**5,919,446**	3,042,595
Other Assets		
Cash restricted or designated for new facility and other capital improvements	**-**	2,265,867
Capital campaign pledges receivable, net, less current maturities	**-**	1,071,916
Investments	**11,580,472**	14,814,015
Beneficial interest in trusts	**123,243**	136,651
Interest rate swaps	**29,126**	-
	11,732,841	18,288,449
Property and Equipment, net	**42,412,011**	32,259,447
Total assets	**$ 60,064,298**	$ 53,590,491
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt	**$ 1,430,419**	$ 1,124,837
Current maturities of capital leases	**253,221**	215,654
Accounts payable	**1,791,327**	1,575,485
Accrued expenses	**917,506**	758,628
Deferred revenue	**1,006,630**	817,713
Total current liabilities	**5,399,103**	4,492,317
Deferred Naming Rights Revenue	**600,000**	600,000
Long-Term Debt, less current maturities	**22,247,175**	16,667,691
Capital Leases, less current maturities	**154,928**	146,936
Interest Rate Swaps	**-**	168,011
Total liabilities	**28,401,206**	22,074,955
Net Assets		
Without donor restrictions:		
Undesignated	**18,664,783**	13,934,995
Board designated - endowment	**10,243,421**	13,476,964
	28,908,204	27,411,959
With donor restrictions	**2,754,888**	4,103,577
Total net assets	**31,663,092**	31,515,536
Total liabilities and net assets	**$ 60,064,298**	$ 53,590,491

See Notes to Financial Statements.

YMCA BUFFALO NIAGARA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2018
(With Summarized Comparative Financial Information for the Year Ended December 31, 2017)

	2018			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2017 Total
Operating activities:				
Public support:				
Annual campaign	$ 779,249	$ -	**$ 779,249**	$ 727,416
Special events, net	288,599	-	**288,599**	295,260
Contributions	454,197	-	**454,197**	297,668
United Way	63,133	-	**63,133**	56,218
	1,585,178	-	**1,585,178**	1,376,562
Operating revenue:				
Membership fees, net	10,764,398	-	**10,764,398**	9,849,961
Program service fees, net	9,097,073	-	**9,097,073**	8,383,953
Fees and grants from governmental agencies	2,072,674	-	**2,072,674**	2,193,141
Rental income	286,834	-	**286,834**	268,221
Merchandise sales	33,611	-	**33,611**	49,729
Miscellaneous	38,305	-	**38,305**	133,098
	22,292,895	-	**22,292,895**	20,878,103
Total operating activities	23,878,073	-	**23,878,073**	22,254,665
Operating expenses:				
Program services:				
Youth development	11,796,926	-	**11,796,926**	10,910,200
Healthy living	9,195,464	-	**9,195,464**	8,354,703
Social responsibility	61,343	-	**61,343**	58,179
	21,053,733	-	**21,053,733**	19,323,082
Support services:				
Management and general	2,688,097	-	**2,688,097**	2,511,194
Fundraising	353,855	-	**353,855**	323,032
	3,041,952	-	**3,041,952**	2,834,226
Total operating expenses	24,095,685	-	**24,095,685**	22,157,308
Operating income (loss)	(217,612)	-	**(217,612)**	97,357
Non-operating activities:				
Investment income (loss), net	(439,912)	-	**(439,912)**	1,508,520
Change in fair value of beneficial interest in trusts	6,977	(13,408)	**(6,431)**	17,464
Change in fair value of interest rate swaps	197,137	-	**197,137**	67,690
Net gain on sale of property and equipment	42,100	-	**42,100**	33,727
Capital campaign contributions	572,274	-	**572,274**	4,174,873
Transfer of net assets of YMCA of Lockport	-	-	**-**	6,304,807
Net assets released from restriction through satisfaction of time restriction	1,335,281	(1,335,281)	**-**	-
Total non-operating activities	1,713,857	(1,348,689)	**365,168**	12,107,081
Change in net assets	1,496,245	(1,348,689)	**147,556**	12,204,438
Net assets, beginning of year	27,411,959	4,103,577	**31,515,536**	19,311,098
Net assets, end of year	$ 28,908,204	$ 2,754,888	**$ 31,663,092**	$ 31,515,536

See Notes to Financial Statements.

YMCA BUFFALO NIAGARA

STATEMENT OF CASH FLOWS
Year Ended December 31, 2018
(With Comparative Financial Information for the Year Ended December 31, 2017)

	2018	2017
Cash Flows From Operating Activities		
Change in net assets	**$ 147,556**	$ 12,204,438
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**2,333,791**	2,050,079
Amortization of deferred financing costs	**36,873**	25,132
YMCA of Lockport adjustments:		
Non-cash net assets received	**-**	(5,074,009)
Non-operating cash received and designated for new facility	**-**	(1,217,336)
Satisfaction of deferred contribution conditions	**-**	(500,000)
Non-operating cash contributions from capital campaign	**(558,950)**	(1,574,111)
Net realized and unrealized (gains) losses on investments	**753,733**	(1,321,891)
Change in fair value of beneficial interest in trusts	**6,431**	(17,464)
Net gain on sale of property and equipment	**(42,100)**	(33,727)
Change in fair value of interest rate swaps	**(197,137)**	(67,690)
Changes in assets and liabilities excluding transfer from YMCA of Lockport:		
Increase in:		
Receivables	**(89,780)**	(2,109,984)
Prepaid expenses	**(5,434)**	(22,445)
Increase (decrease) in:		
Accounts payable	**(110,099)**	52,162
Accrued expenses	**158,878**	49,742
Deferred revenue	**188,917**	14,615
Net cash provided by operating activities	**2,622,679**	2,457,511
Cash Flows From Investing Activities		
Purchases of property and equipment	**(11,754,315)**	(4,276,347)
Proceeds from sale of property and equipment	**5,050**	5,500
Proceeds from sale of investments	**6,479,128**	2,105,853
Purchase of investments	**(3,999,318)**	(2,292,482)
Proceeds from beneficial interest in trusts	**6,977**	3,763
Transfer from (to) cash restricted or designated for new facility and other capital improvements	**2,265,867**	(2,265,867)
Net cash used in investing activities	**(6,996,611)**	(6,719,580)
Cash Flows From Financing Activities		
Proceeds from long-term debt	**6,973,030**	2,348,364
Principal payments on long-term debt	**(1,124,837)**	(1,111,510)
Principal payments on capital leases	**(323,490)**	(316,434)
Proceeds from capital campaign pledges	**1,717,349**	1,574,111
Cash transferred from YMCA of Lockport and restricted for new facility	**-**	1,217,336
Net cash provided by financing activities	**7,242,052**	3,711,867
Increase (decrease) in cash	**2,868,120**	(550,202)
Cash:		
Beginning	**855,069**	1,405,271
Ending	**$ 3,723,189**	$ 855,069

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2018
(With Comparative Financial Information for the Year Ended December 31, 2017)

	2018	2017
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	**$ 531,837**	$ 523,982
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Property and equipment purchases included in accounts payable	**$ 1,366,858**	$ 1,040,917
Property and equipment financed with capital lease obligation	**$ 369,049**	$ 275,963
Financing costs financed with long-term borrowings	**$ -**	$ 378,606

See Notes to Financial Statements.

YMCA BUFFALO NIAGARA

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018
(With Summarized Comparative Financial Information for the Year Ended December 31, 2017)

	PROGRAM SERVICES					SUPPORT SERVICES				TOTAL	
	Youth Development	Healthy Living	Social Responsibility	**2018 Total**	2017 Total	Management and General	Fund - Raising	**2018 Total**	2017 Total	**2018**	2017
Salaries	$ 6,378,046	$ 4,261,123	$ 25,922	**$ 10,665,091**	$ 9,883,372	$ 1,322,209	$ 216,679	**$ 1,538,888**	$ 1,363,928	**$ 12,203,979**	$ 11,247,300
Employee benefits	387,207	364,133	3,523	**754,863**	753,098	292,564	45,636	**338,200**	294,425	**1,093,063**	1,047,523
Payroll taxes	674,004	457,347	2,819	**1,134,170**	1,083,326	106,777	19,970	**126,747**	138,671	**1,260,917**	1,221,997
Total salaries and related expenses	7,439,257	5,082,603	32,264	**12,554,124**	11,719,796	1,721,550	282,285	**2,003,835**	1,797,024	**14,557,959**	13,516,820
Purchased services	61,914	34,035	125	**96,074**	69,737	574,600	6,819	**581,419**	565,641	**677,493**	635,378
Supplies	975,979	338,015	5,266	**1,319,260**	1,188,030	18,330	25,725	**44,055**	43,412	**1,363,315**	1,231,442
Telephone	62,760	50,537	319	**113,616**	110,896	10,804	371	**11,175**	13,823	**124,791**	124,719
Postage and shipping	20,199	29,368	1,081	**50,648**	46,217	4,144	3,229	**7,373**	10,667	**58,021**	56,884
Occupancy	1,235,035	1,016,969	9,597	**2,261,601**	2,078,641	198,765	-	**198,765**	198,095	**2,460,366**	2,276,736
Equipment rental and maintenance	129,436	140,620	408	**270,464**	253,906	28,347	1,191	**29,538**	33,735	**300,002**	287,641
Advertising and promotion	107,856	255,844	61	**363,761**	260,418	10,933	2,822	**13,755**	25,313	**377,516**	285,731
Travel	193,285	43,632	170	**237,087**	204,226	15,089	5,082	**20,171**	22,977	**257,258**	227,203
Training and meetings	45,325	39,100	115	**84,540**	77,869	39,062	23,819	**62,881**	47,485	**147,421**	125,354
Membership dues	156,381	171,072	646	**328,099**	296,501	34,257	2,175	**36,432**	43,031	**364,531**	339,532
Finance costs	319,006	616,745	415	**936,166**	832,485	7,474	337	**7,811**	12,514	**943,977**	844,999
Miscellaneous	50,874	64,025	1,058	**115,957**	144,515	13,287	-	**13,287**	10,275	**129,244**	154,790
Total expenses before depreciation	10,797,307	7,882,565	51,525	**18,731,397**	17,283,237	2,676,642	353,855	**3,030,497**	2,823,992	**21,761,894**	20,107,229
Depreciation	999,619	1,312,899	9,818	**2,322,336**	2,039,845	11,455	-	**11,455**	10,234	**2,333,791**	2,050,079
	$ 11,796,926	$ 9,195,464	$ 61,343	**$ 21,053,733**	$ 19,323,082	$ 2,688,097	$ 353,855	**$ 3,041,952**	$ 2,834,226	**$ 24,095,685**	$ 22,157,308

Note 1. Nature of the Association and Significant Accounting Policies

Nature of the Association:

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 a charitable, community based organization committed to providing programs designed to build a healthy spirit, mind and body for all."

The Association's goal is to advance its cause of strengthening the community through youth development, healthy living and social responsibility. The YMCA is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation's health and well-being, and providing opportunities to give back and support our neighbors, the YMCA enables youth, adults, families and communities to be healthy, confident, connected and secure.

Program activities:

A summary of the Association's significant program activities follows:

Youth Development – The YMCA is committed to nurturing the potential of every child and teen. We believe that all children deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills and relationships that lead to positive behaviors, better health and educational achievement. YMCA programs, such as school age child care, summer camp and preschool education, offer a range of experiences that enrich cognitive, social, physical and emotional growth.

Healthy Living – The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun and shared interests. As a result, people in our community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment.

Social Responsibility – The YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community's most critical social needs. YMCA programs, such as the senior citizen center, volunteer service programs, and CPR & First Aid training, are examples of how we deliver training, resources and support that empower our neighbors to effect change, bridge gaps and overcome obstacles. We engage YMCA members, participants and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

As part of our mission, our programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. We provide financial assistance to people who otherwise are not able to participate.

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

YMCA of the USA:

The Association is a member 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 of, 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:

Accounting change:

During 2018, the Association adopted Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU requires various modifications to the financial statement presentation in order to make information more useful for the users of the financial statements. Key changes that impact the Association include expanded disclosures regarding donor restrictions and board designations of net assets; reducing the net asset classifications from three to two; and certain additional disclosures related to liquidity management. This accounting change was applied on a retrospective basis. The 2017 reported balances for temporarily restricted net assets of $2,629,875 and permanently restricted net assets of $1,473,702 have been combined and presented herein as net assets with donor restrictions of $4,103,577 as of December 31, 2017.

Basis of accounting:

The financial statements of the Association have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The Association records resources for accounting and reporting purposes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, a board-designated endowment.
>
> Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

Operating activities:

Operating activities reflect all transactions increasing or decreasing net assets except those contributions received for long-term investment purposes, investment returns, changes in the fair value of the interest rate swaps, and gains/losses from sale of property and equipment.

Contributions and pledges:

The Association records unconditional promises to give as pledges receivable and contribution revenue when made. The Association recognizes conditional promises to give as deferred revenue until the possibility of that condition not being met is considered to be remote.

The Association reports gifts of land, buildings and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations, the Association 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 support without donor restrictions in the statement of activities and changes in net assets.

Membership and program service fees:

Membership and program service fees are reported net of financial assistance provided and are recognized as revenue ratably over the period of membership or the duration of the program. Payment for membership and program services received in advance of the membership or program service period are deferred until the membership or program service period occurs.

Fees and grants from governmental agencies:

Fees from contracts and grant revenue from state and local municipalities are recorded when the requirements of the contracts or grants are satisfied. Revenue from such funding agencies is subject to audits and retroactive adjustments. Provisions for retroactive adjustments are generally recorded in the period that the adjustments are made or approved by the funding source.

Donated services:

The Association recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets, (b) require specialized skills, (c) are provided by individuals possessing those skills, and (d) would typically need to be purchased if not contributed.

The Association receives services from a large number of volunteers who give significant amounts of their time to the programs of the Association. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure their value.

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

Cash:

The Association includes all cash accounts, except for cash and cash equivalents designated by the Board of Trustees for long-term investment or amounts restricted or designated for construction of facilities and other capital improvements, as cash. Cash restricted for construction costs of a new facility amounted to $-0- and $791,546 at December 31, 2018 and 2017, respectively, and is included in cash restricted or designated for the new facility and other capital improvements in the statement of financial position.

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to its cash balances.

Receivables:

Receivables include amounts for fundraising pledges, investment income and other trade accounts. Receivables are carried at their original 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. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Receivables are considered to be past due if any portion of the balance is outstanding past its original due date. The Association does not accrue interest on unpaid receivables.

Investments:

The Association has investments in debt, marketable equity securities and money market funds. Investments are reported at fair value, with realized and unrealized holding gains and losses reported in the statement of activities and changes in net assets. Interest on debt securities and money market funds 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.

Beneficial interest in trusts:

In the absence of donor-imposed conditions, the Association recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits. The Association is an income beneficiary under the trusts, the corpus of which is not controlled by the Association. Although the Association has no control over the administration of the investment of the trusts' assets, the fair value of the Association's beneficial interest is recognized in the statement of financial position. The Association values the beneficial interest in trusts based upon the Association's interest in the underlying net assets of the trusts reported at fair value by the trustees.

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

Property and equipment:

Property and equipment are stated at cost. The Association capitalizes items that are over $5,000 and provide future value. Depreciation is computed on the straight-line basis over the following estimated useful lives:

	Years
Buildings and improvements	5 - 40
Equipment	3 - 20

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

The carrying value of the Association's long-lived assets is periodically reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable lives may need to be changed. The Association considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over its remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value if less than book value.

Capital leases:

Leases which meet the capital lease criteria are recorded as assets and obligations at the lesser of the present value of future rental payments or the fair market value of the leased property and equipment at the inception of the lease. Amortization of property and equipment under capital leases is provided using the straight-line method over the terms of the related lease and is included in depreciation expense.

Interest rate swaps:

The interest rate swaps are recorded in the statement of financial position at their fair value. Changes in fair value are recorded in the statement of activities and changes in net assets.

Deferred financing costs:

Financing costs related to debt instruments are deferred and presented in the statement of financial position as a direct reduction from the carrying amount of the related debt. Amortization of deferred financing costs is presented as a component of interest expense. The amortization of deferred financing costs was not significant for 2018 or 2017.

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

Deferred naming rights revenue:

In 2011, the Association received a $2,000,000 conditional sponsorship for naming rights of the Independent Health Family Branch YMCA. Sponsorship revenue of $1,400,000 was contingent on the construction of the facility and $600,000 was contingent on the facility being open for ten years. The YMCA recognized $1,400,000 as revenue in 2013 when the building was placed in service. The balance of $600,000 remains in the accompanying statement of financial position as deferred naming rights revenue until the final contingency is resolved, which is expected to occur in 2023.

Endowments:

The Association's endowments consist of donor-restricted and board-designated endowment funds. The donor-restricted endowment is established through donor-restricted contributions. The Board of Trustees of the Association has set aside funds through unrestricted donor contributions representing a portion of the Association's net assets without donor restrictions in a board-designated endowment.

The New York Prudent Management of Institutional Funds Act (NYPMIFA or the Act), New York's version of the Uniform Prudent Management of Institutional Funds Act, governs the management and investment of funds held by not-for-profit corporations and other institutions. The Association has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds which is prudent, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association retains in perpetuity (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. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Association in a manner consistent with the standards of prudence prescribed by NYPMIFA.

When making a determination to appropriate or accumulate donor-restricted endowment funds, the Association considers the following: the duration and preservation of the endowment fund; the purposes of the donor-restricted endowment fund; 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; where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Association; and the investment policies of the Association.

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

Endowments (continued):

From time-to-time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or relevant law requires the Association to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature would be reported in net assets with donor restrictions to the extent accumulated gains are available to absorb such loss, otherwise these deficiencies are reported in net assets without donor restrictions. The reporting of such deficiencies as a reduction of Association-controlled net assets without donor restrictions does not legally create an affirmative obligation of the Association to restore the fair value of those funds from net assets without donor restrictions. Deficiencies of this nature amounted to $69,390 and $-0- at December 31, 2018 and 2017, respectively.

The Association, under the direction of the Board of Trustees, has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Association while seeking to maintain the purchasing power of the endowment assets after considering the effects of inflation. Under these policies, endowment assets are invested in a manner that is intended to achieve returns, net of fees, in excess of a relevant balanced benchmark, as defined by the target asset allocation, while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). 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.

The Board of Trustees will review the fund’s performance at least annually and will appropriate for distribution an amount it feels is appropriate. Annual endowment fund spending is expected to be no more than 5% of the average market value for the last twenty quarters, unless modified and approved by a majority of the Board of Trustees. All endowment expenditures will be made in accordance with any donor restrictions or board designations.

Income taxes:

The Association has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income.

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Accordingly, no provision for uncertain income tax positions is reflected in these financial statements. Interest and penalties would be recognized as tax expense; however, there are no interest or penalties recognized. The tax years after 2014 are still open to audit for both federal and state purposes.

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

Functional allocation of expenses:

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting function of the Association. Those expenses include personnel, occupancy, finance costs and depreciation. Expenses are allocated to the program or supporting functions based on the revenue produced by each program or function.

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.

Summarized comparative financial information:

The statements of activities and changes in net assets and functional expenses include prior year summarized comparative financial information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Subsequent events:

Management has evaluated subsequent events through April 18, 2019, which is the date the financial statements were available to be issued.

Accounting pronouncements not yet adopted:

The following accounting pronouncements are considered relevant and potentially significant to the Association:

ASU 2014-09, *Revenue from Contracts with Customers*. This ASU will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective. ASU 2014-09, as amended, is effective for the Association in the year ending December 31, 2019. The Association expects to apply ASU 2014-09 using the modified retrospective transition method. Management does not expect ASU 2014-09 to have a significant impact on the Association's revenue recognition policies and, as a result, does not expect the implementation to materially affect the opening balance of net assets, or revenues reported, in the 2019 financial statements.

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

Accounting pronouncements not yet adopted (continued):

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides clarified guidance on evaluating whether transactions should be accounted for as contributions (non-reciprocal transactions) within the scope of Topic 958 Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance, and determining whether the contribution is conditional. ASU 2018-08 will be effective for the Association for the year ending December 31, 2019. The Association is evaluating the impact of ASU 2018-08 on its financial statements.

ASU 2016-02, *Leases*. ASU 2016-02 will require entities to recognize assets and liabilities for leases that are longer than 12 months including operating leases existing at the date the standard becomes effective. ASU 2016-02 must be adopted by the Association for the year ending December 31, 2020, and requires use of the modified retrospective transition approach upon implementation. The Association does not expect the impact of ASU 2016-02 on its financial statements to be significant.

Note 2. Liquidity Management

The Association regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on board-designated endowment investments not required for annual operations. As of December 31, 2018, the Association has financial assets consisting of cash and receivables amounting to $5,661,981 to meet annual operating needs for the 2019 fiscal year. The Association has additional sources of liquidity available, including a line of credit (Note 8) and a portion of board-designated endowment investments (Note 14), which are subject to appropriation by the Board of Trustees.

Note 3. Transfer of YMCA of Lockport Net Assets

In its efforts to facilitate construction of a new branch facility, the Young Men's Christian Association of Lockport, New York (d/b/a YMCA of Lockport) entered into a transfer agreement with the Association (the Agreement). Pursuant to the Agreement, on February 1, 2017, YMCA of Lockport transferred via contribution substantially all of its assets, liabilities, endowment funds, and operations to the Association. In return, and as required by the Agreement, the Association constructed a new branch facility in Lockport, New York that was completed in 2018 (Note 7). Transferred assets and liabilities were recorded by the Association at their estimated fair values with a corresponding contribution reflected as revenue. The total value of this transfer amounted to $6,304,807 which was recorded on the accompanying statement of financial position and statement of activities and changes in net assets for the year ended December 31, 2017.

Note 4. Receivables

Receivables, excluding the non-current portion of capital campaign pledges receivable, at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Capital campaign pledges	**$ 1,210,660**	$ 1,283,819
Trade accounts	**450,858**	404,402
Annual campaign pledges	**259,552**	230,711
Interest and dividends	**17,722**	16,563
	$ 1,938,792	$ 1,935,495

Receivables are presented net of an allowance for doubtful accounts of $164,996 and $95,998 at December 31, 2018 and 2017, respectively.

Note 5. Investments and Investment Income (Loss)

Investments at December 31, 2018, stated at fair value, consist of the following:

	Cost	**Net Unrealized Gain (Loss)**	**Fair Value**
Common stocks	**$ 3,082,855**	**$ 882,428**	**$ 3,965,283**
Bonds	**1,769,625**	**(22,170)**	**1,747,455**
Mutual funds	**3,741,055**	**(394,999)**	**3,346,056**
Exchange traded funds	**448,768**	**11,403**	**460,171**
Money market funds	**2,061,507**	**-**	**2,061,507**
	$ 11,103,810	**$ 476,662**	**$ 11,580,472**

Investments at December 31, 2017, stated at fair value, consist of the following:

	Cost	Net Unrealized Gain	Fair Value
Common stocks	$ 3,073,375	$ 1,239,345	$ 4,312,720
Bonds	2,539,616	65,496	2,605,112
Mutual funds	3,804,349	166,662	3,971,011
Exchange traded funds	826,235	107,285	933,520
Money market funds	2,991,652	-	2,991,652
	$ 13,235,227	$ 1,578,788	$ 14,814,015

Note 5. Investments and Investment Income (Loss) (Continued)

A summary of net investment income (loss) for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Unrealized gain (loss)	**$ (1,102,126)**	$ 918,409
Realized gain on sale of securities	**348,393**	403,482
Interest and dividend income	**383,555**	249,279
Investment expenses	**(69,734)**	(62,650)
Total investment income (loss), net	**$ (439,912)**	$ 1,508,520

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 6. Fair Value Measurements

U.S. GAAP establishes 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 level to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Note 6. Fair Value Measurements (Continued)

The following is a description of the valuation methodologies used for the Association's assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017:

Common stocks: Valued at the daily closing price as reported on public exchanges.

Bonds: Valued at approximate fair value as determined by a service provider to the bond custodian using a pricing model.

Mutual funds: Mutual funds, except for money market mutual funds, are valued at the daily closing price as reported by the fund. Mutual funds owned by the Association are open-end funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The Association deems funds owned by them to be actively traded.

Exchange traded funds: Exchange traded funds (ETF) are traded at quoted prices throughout the day and valued at the end of the day at NAV as determined by the fund based upon the fair value of the underlying investments held by the fund less its liabilities. The ETFs are registered with the SEC and are deemed to be actively traded.

Money market funds: Money market funds generally transact at $1.00 NAV as reported by the fund and is based on the amortized cost of the underlying securities of the fund. The $1.00 NAV is considered to be the price to sell the money market fund and its estimated fair value. The Association's investments in money market funds have a daily redemption frequency. There are no required redemption notice periods and there are no unfunded commitments at December 31, 2018 and 2017.

Beneficial interest in trusts: Valued based upon the Association's interest in the fair value of the underlying trust assets as reported by the trustees. The underlying assets of the trusts are primarily invested in equity securities and mutual funds that are valued daily on public exchanges.

Interest rate swaps: Valued by the issuing financial institution using a proprietary market-based model.

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.

Note 6. Fair Value Measurements (Continued)

Financial instruments at December 31, 2018, stated at fair value, consist of the following:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks:				
Consumer discretionary	$ 382,788	$ -	$ -	$ 382,788
Consumer staples	405,091	-	-	405,091
Energy	205,376	-	-	205,376
Financials	478,792	-	-	478,792
Healthcare	675,910	-	-	675,910
Industrials	396,053	-	-	396,053
Information technology	756,478	-	-	756,478
Materials	124,431	-	-	124,431
Real estate	126,874	-	-	126,874
Telecom services	310,574	-	-	310,574
Utilities	102,916	-	-	102,916
	3,965,283	-	-	3,965,283
Bonds:				
Corporate short-term	-	574,786	-	574,786
Corporate medium-term	-	346,931	-	346,931
International	-	273,255	-	273,255
Structured notes	-	552,483	-	552,483
	-	1,747,455	-	1,747,455
Mutual funds:				
International large-cap	509,069	-	-	509,069
International small-cap	382,282	-	-	382,282
Domestic large-cap	514,418	-	-	514,418
Domestic mid-cap	290,095	-	-	290,095
Domestic small-cap	164,743	-	-	164,743
Bond	683,735	-	-	683,735
Alternative	691,230	-	-	691,230
Real estate	110,484	-	-	110,484
	3,346,056	-	-	3,346,056
Exchange traded funds:				
Domestic small-cap	119,410	-	-	119,410
Bonds	340,761	-	-	340,761
	460,171	-	-	460,171
Money market funds	-	2,061,507	-	2,061,507
	$ 7,771,510	$ 3,808,962	$ -	$ 11,580,472
Beneficial interest in trusts	$ -	$ -	$ 123,243	$ 123,243
Interest rate swaps	$ -	$ 29,126	$ -	$ 29,126

Note 6. Fair Value Measurements (Continued)

Financial instruments at December 31, 2017, stated at fair value, consist of the following:

	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks:				
Consumer discretionary	$ 508,228	$ -	$ -	$ 508,228
Consumer staples	423,381	-	-	423,381
Energy	292,095	-	-	292,095
Financials	570,638	-	-	570,638
Healthcare	709,078	-	-	709,078
Industrials	441,788	-	-	441,788
Information technology	879,665	-	-	879,665
Materials	173,947	-	-	173,947
Real estate	129,271	-	-	129,271
Telecom services	70,099	-	-	70,099
Utilities	114,530	-	-	114,530
	4,312,720	-	-	4,312,720
Bonds:				
Corporate short-term	-	1,625,206	-	1,625,206
Corporate medium-term	-	408,679	-	408,679
International	-	471,227	-	471,227
U.S. government & agency	-	100,000	-	100,000
	-	2,605,112	-	2,605,112
Mutual funds:				
International large-cap	1,294,558	-	-	1,294,558
International small-cap	941,490	-	-	941,490
Domestic large-cap	108,913	-	-	108,913
Domestic mid-cap	723,945	-	-	723,945
Domestic small-cap	333,034	-	-	333,034
Global bonds	134,416	-	-	134,416
Short-term bonds	434,655	-	-	434,655
	3,971,011	-	-	3,971,011
Exchange traded funds:				
Domestic small-cap	215,453	-	-	215,453
International large/mid-cap	471,077	-	-	471,077
Bonds	246,990	-	-	246,990
	933,520	-	-	933,520
Money market funds	-	2,991,652	-	2,991,652
	$ 9,217,251	$ 5,596,764	$ -	$ 14,814,015
Beneficial interest in trusts	$ -	$ -	$ 136,651	$ 136,651
Interest rate swaps	$ -	$ (168,011)	$ -	$ (168,011)

Note 6. Fair Value Measurements (Continued)

The following table sets forth a summary of changes in the fair value of Level 3 assets for the years ended December 31, 2018 and 2017:

	2018	2017
Balance, beginning of year	**$ 136,651**	$ 122,950
Change in fair value	**(6,431)**	17,464
Distributions	**(6,977)**	(3,763)
Balance, end of year	**$ 123,243**	$ 136,651

Note 7. Property and Equipment

Property and equipment at December 31, 2018 and 2017 consist of the following:

	2018	2017
Land	**$ 2,930,572**	$ 2,930,572
Buildings and improvements	**54,882,476**	39,181,207
Equipment	**4,508,571**	3,592,678
Construction-in-progress	**41,099**	4,587,219
	62,362,718	50,291,676
Less accumulated depreciation	**19,950,707**	18,032,229
Total property and equipment, net	**$ 42,412,011**	$ 32,259,447

In September 2018, the Association completed construction of a new facility in Lockport, New York. The new facility cost $15,159,553 and was financed primarily through capital campaign receipts, board designated endowment funds and a $9,700,000 civic facility revenue bond. Construction-in-progress at December 31, 2017 included $4,237,042 of costs to construct the new facility in Lockport.

Note 8. Revolving Credit

The YMCA has a bank revolving credit facility with a maximum borrowing capacity of $500,000 at December 31, 2018. Borrowed amounts bear interest at the prime rate. There were no outstanding borrowings on this facility at either December 31, 2018 or 2017. In January of 2019, the maximum borrowing capacity was increased to $1,000,000.

Note 9. Long-Term Debt

Long-term debt at December 31, 2018 and 2017 consists of the following:

	2018	2017
Civic facility revenue bond with a bank due in monthly principal and interest payments of $88,000 through July 2033. Interest is variable and is equal to thirty-day LIBOR plus 2.15% times 67% (3.01% at December 31, 2018).	**$ 13,688,643**	$ 14,513,480
Less deferred financing costs	**280,921**	300,185
	13,407,722	14,213,295
Civic facility revenue bond with a bank due in monthly interest only payments through March 2019. Monthly principal and interest payments of $49,995 commence April 2019 and continue through March 2039. Variable interest is equal to thirty-day LIBOR plus 2.15% times 65% (2.93% at December 31, 2018).	**9,700,000**	2,726,970
Less deferred financing costs	**355,128**	372,737
	9,344,872	2,354,233
Business loan agreement with a bank due in monthly principal installments of $25,000 through February 2022 plus variable interest at thirty-day LIBOR plus .75% (3.10% at December 31, 2018).	**925,000**	1,225,000
	23,677,594	17,792,528
Less current maturities	**1,430,419**	1,124,837
	$ 22,247,175	$ 16,667,691

The revenue bonds are subject to certain covenants which, among other things, require the Association to maintain a certain amount of the following: net assets; debt service coverage, and unrestricted cash and investments. At December 31, 2018, the Association was in compliance with these requirements. Long-term debt is secured by a mortgage on property in Amherst, West Seneca, and Lockport, New York along with property and equipment at two other branches. The revenue bond for the new facility in Lockport is also secured by the capital campaign pledges at December 31, 2018.

Aggregate maturities of long-term debt at December 31, 2018 are as follows:

Years ending December 31,	
2019	$ 1,430,419
2020	1,549,099
2021	1,571,916
2022	1,320,156
2023	1,318,832
Thereafter	17,123,221
Total	$ 24,313,643

Note 9. Long-Term Debt (Continued)

The Association maintains interest rate swap agreements with a bank to eliminate the risk of changes in interest rates on the civic facility revenue bonds. The notional amount for one swap agreement equals the outstanding principal balance at December 31, 2018 and 2017 of $13,688,643 and $14,513,480, respectively, and effectively changes the Association's interest rate exposure for the original bond to a fixed rate of 3.00% through 2023. The second interest rate swap agreement commenced in October 2018 and is for a notional amount of $8,000,000. It is related to the civic revenue bond with an outstanding principal balance of $9,700,000 at December 31, 2018 and effectively changed the Association's interest rate exposure to a fixed rate of 3.05% through 2028.

The Association is exposed to credit loss in the event of non-performance by the counterparties to the interest rate swap agreements; however, the Association does not anticipate such non-performance. The valuation of the interest rate swap agreements resulted in an asset (liability) of $29,126 and $(168,011) as of December 31, 2018 and 2017, respectively.

Interest expense amounted to $592,075 and $522,345 for the years ended December 31, 2018 and 2017, respectively. Interest expense is included in finance costs in the accompanying statement of functional expenses.

Note 10. Capital Leases

The Association maintains various capital lease agreements for equipment. Capital lease obligations at December 31, 2018 and 2017 consist of the following:

	2018	2017
Equipment leases payable to a bank, due in aggregate fixed monthly installments of $10,701, including interest ranging from 3.89% to 4.11% expiring through 2019.	**$ 35,623**	$ 159,956
Equipment lease payable to a bank, due in aggregate fixed monthly installments of $8,154, including interest of 4.05% expiring through 2020.	**111,313**	202,634
Equipment lease payable to a bank, due in aggregate fixed monthly installments of $10,935, including interest of 4.24% expiring through 2021.	**261,213**	-
	408,149	362,590
Less current maturities	**253,221**	215,654
	$ 154,928	$ 146,936

Note 10. Capital Leases (Continued)

Future minimum payments required on capital lease obligations, including interest, at December 31, 2018 are as follows:

Years ending December 31,		
2019	$	265,141
2020		147,529
2021		10,936
		423,606
Less amount representing interest		15,457
Present value of net minimum lease payments	$	408,149

Equipment held under capital leases at December 31, 2018 and 2017 consists of the following:

		2018		2017
Equipment cost	**$**	**1,110,979**	$	705,481
Accumulated depreciation		**(548,633)**		(245,347)
Net book value	**$**	**562,346**	$	460,134

Note 11. Operating Leases – Lessee

The Association leases a building and various equipment under non-cancelable operating lease agreements requiring various minimum payments through 2022.

Future minimum payments, by years and in the aggregate, under non-cancelable operating leases at December 31, 2018 are as follows:

Years ending December 31,		
2019	$	353,436
2020		175,685
2021		25,000
2022		15,000
Total	$	569,121

Rent expense, including rent under non-cancelable operating leases and rent under month-to-month rental agreements, amounted to $540,243 and $571,086 for the years ended December 31, 2018 and 2017, respectively, and is included in occupancy and equipment costs in the statement of functional expenses.

Note 12. Operating Leases – Lessor

The Association entered into two non-cancelable operating lease agreements for a portion of one of its branches through February 2023. Future lease receipts are approximately $74,000 per year. Additionally, the Association rents certain facilities on a daily or longer-term basis that are generally cancelable. Income for all rental activities was $286,834 and $268,221 for the years ended December 31, 2018 and 2017, respectively.

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2018 and 2017 are available for the following purposes or periods:

	2018	2017
Subject to the passage of time:		
Capital campaign receivables restricted for Lockport facility.	**$ 1,210,660**	$ 2,355,735
Subject to expenditure for a specified purpose:		
Contributions received to fund specific program operations.	**83,934**	274,140
Restricted in perpetuity with income subject to appropriation or expenditure:		
Investments in perpetuity at the original gift amount, the income from which is expendable, once approved, to support specific YMCA branch operations.	**1,337,051**	1,337,051
Beneficial interest in trusts, the income from which is expendable, once approved, to support general YMCA operations and programming in the City of Niagara Falls.	**123,243**	136,651
	$ 2,754,888	$ 4,103,577

Net assets with donor restrictions of $1,337,051 at December 31, 2018 and 2017 represent the donor-restricted endowment (Note 14).

Note 14. Endowment Funds

The Association's endowment consists of donor-restricted endowment funds and funds that have been designated by the Board of Trustees to function as an endowment.

Changes in endowment net assets and net asset composition as of and for the years ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2016	$ 8,614,502	$ 812,051	$ 9,426,553
Investment return:			
Net gain on investments	1,321,891	-	1,321,891
Interest and dividends	249,279	-	249,279
Investment expense	(62,650)	-	(62,650)
	1,508,520	-	1,508,520
Transfer from YMCA of Lockport (Note 3)	3,353,942	525,000	3,878,942
Endowment net assets, December 31, 2017	13,476,964	1,337,051	14,814,015
Investment return:			
Net loss on investments	**(753,733)**	**-**	**(753,733)**
Interest and dividends	**383,555**	**-**	**383,555**
Investment expenses	**(69,734)**	**-**	**(69,734)**
	(439,912)	**-**	**(439,912)**
Appropriation of endowment net assets for expenditure	**(2,827,266)**	**-**	**(2,827,266)**
Cash contributions	**33,635**	**-**	**33,635**
Endowment net assets, December 31, 2018	**$ 10,243,421**	**$ 1,337,051**	**$ 11,580,472**

Note 14. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 are as follows:

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Restricted in perpetuity	**$ -**	**$ 1,337,051**	**$ 1,337,051**
Accumulated investment losses on amounts to be retained in perpetuity	**(69,390)**	**-**	**(69,390)**
Board designated endowment fund	**10,312,811**	**-**	**10,312,811**
	$ 10,243,421	**$ 1,337,051**	**$ 11,580,472**

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Restricted in perpetuity	$ -	$ 1,337,051	$ 1,337,051
Board designated endowment fund	13,476,964	-	13,476,964
	$ 13,476,964	$ 1,337,051	$ 14,814,015

Note 15. Special Events

As part of its fundraising efforts, the Association holds periodic special events. Revenue from special events is recognized in the period in which the event is held and is presented net of direct expenses in the statement of activities and changes in net assets. Special event revenue and direct expenses for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Revenue	**$ 647,419**	$ 651,203
Direct expenses	**(358,820)**	(355,943)
Special event revenue, net	**$ 288,599**	$ 295,260

Note 16. Financial Assistance Provided

The Association provides financial assistance through contributions and other fundraising to help defray the costs of membership and program service and other fees for individuals that demonstrate financial need. Membership and program service fee revenues are recorded net of financial assistance provided in the accompanying statement of activities and changes in net assets. Gross revenue for membership and program service fees along with financial assistance provided for the years ended December 31, 2018 and 2017 amounted to:

	2018	2017
Gross membership fees	**$ 11,107,368**	$ 10,148,106
Less financial assistance provided	**342,970**	298,145
Membership fees, net	**$ 10,764,398**	$ 9,849,961
Gross program service fees	**$ 10,153,306**	$ 9,303,389
Less financial assistance provided	**1,056,233**	919,436
Program service fees, net	**$ 9,097,073**	$ 8,383,953

Note 17. Retirement Plans

The Association participates in the YMCA Retirement Fund Retirement Plan (the Retirement Plan) which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the IRC, as amended, and The YMCA Retirement Fund Tax-Deferred Savings Plan (the Tax-Deferred Savings Plan) which is a retirement income account plan as defined in Section 403(b)(9) of the IRC. Both plans are sponsored by The Young Men's Christian Association Retirement Fund (the Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York. The Fund is organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with an agreement between the Fund and the Association, contributions to the Retirement Plan are a percentage of the participating employees' salaries. These amounts are paid by the Association. Total cash contributions charged to retirement costs were $597,960 and $563,992 for the years ended December 31, 2018 and 2017, respectively.

Contributions to the Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution to this plan.

Note 18. Related Parties

The Association pays dues to YMCA of the USA and Alliance of New York State YMCAs. Dues paid to YMCA of the USA for the years ended December 31, 2018 and 2017 were $300,000 and $278,375, respectively. Dues paid to Alliance of New York State YMCAs for the years ended December 31, 2018 and 2017 were $25,822 and $25,305, respectively.

Note 19. Contingencies

In the normal course of business, various legal actions and claims are pending or may be instituted or asserted in the future against the Association. Management believes the Association does not have any significant claims or other litigation which the ultimate resolution would have a material financial impact.

Note 20. Major Contributor

Gross capital campaign contributions from one donor amounted to $3,000,000 for the year ended December 31, 2017 with $1,000,000 and $2,000,000 remaining in capital campaign pledges receivable at December 31, 2018 and 2017, respectively.

*   *   *   *   *