GREATER VALLEY YOUNG MEN'S CHRISTIAN ASSOCIATION
(A Not-for-Profit Organization)

Financial Statements
and Independent Auditor's Report

December 31, 2016

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

GREATER VALLEY YOUNG MEN'S CHRISTIAN ASSOCIATION
(A Not-for-Profit Organization)
TABLE OF CONTENTS

CERTIFIED PUBLIC ACCOUNTANTS
CAMPBELL, RAPPOLD & YURASITS LLP

JAMES S. ANDERSON, CPA
TARA L. BENDER, CPA, CSEP
JAMES F. BOVA, CPA
MARC A. BRINKER, CPA
MELISSA A. GRUBE, CPA, CSEP
DENNIS S. HELLER, CPA
WARREN R. HENDERSON, CPA
JOHN R. ZAYAITZ, CPA

ASHLEY E. ANDERSON, CPA
DAWN C. ANDERSON, CPA
MICHELLE R. BITNER, CPA
ROXANNA M. BRANDLE, CPA
KYLE ELSENBAUMER, CPA
PAUL G. MACK, CPA, CFE
NICHOLAS A. OTTOLINI, CPA
JASON L. SERFASS, CPA
HEIDI D. WOJCIECHOWSKI, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Greater Valley Young Men's Christian Association
Allentown, PA

We have audited the accompanying financial statements of the Greater Valley Young Men's Christian Association (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2016 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 from 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.

610-435-7489 • www.crycpas.com • 1033 South Cedar Crest Boulevard, Allentown, PA 18103-5443
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Basis for Qualified Opinion

As explained in Note 2 to the financial statements, buildings and equipment that the Greater Valley Young Men's Christian Association purchased or acquired prior to January 1, 2016 are recorded in the financial statements at insured value. Accounting principles generally accepted in the United States of America require buildings and equipment purchased to be recorded at cost and buildings and equipment acquired in an acquisition to be recorded at fair market value at the date of acquisition. The effects on the accompanying financial statements of the failure to record the buildings and equipment at cost have not been determined.

As explained in Note 15 to the financial statements, the Greater Valley Young Men's Christian Association has not consolidated the financial statements of Bethlehem YMCA Affordable Housing LP. Accounting principles generally accepted in the United States of America require certain not-for-profit entities to consolidate for-profit entities in which they are general partners. The effects on the accompanying financial statements of the failure to consolidate Bethlehem YMCA Affordable Housing LP have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Valley Young Men's Christian Association as of December 31, 2016, 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 18 to the financial statements, the 2015 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

Campbell, Rappold & Yurasits LLP

August 25, 2017

GREATER VALLEY YOUNG MEN'S CHRISTIAN ASSOCIATION
(A Not-for-Profit Organization)
STATEMENT OF FINANCIAL POSITION
As of December 31, 2016

	2016
Assets	
Assets	
Current Assets	
Cash and Cash Equivalents	$ 769,740
Grants and Accounts Receivable (Note 3)	463,790
Pledges Receivable (Note 4)	145,294
Prepaid Expenses	101,397
Total Current Assets	1,480,221
Pledges Receivable (Note 4)	10,000
Investments (Note 5)	1,548,069
Land, Buildings and Equipment, Net (Note 6)	29,137,686
Total Assets	$ 32,175,976
Liabilities and Net Assets	
Liabilities	
Current Liabilities	
Accounts Payable	$ 316,703
Accrued Expenses	196,403
Deferred Revenue	196,323
Line of Credit (Note 7)	150,000
Current Portion of Notes Payable (Note 8)	324,823
Total Current Liabilities	1,184,252
Notes Payable, less Current Portion (Note 8)	3,343,886
Total Liabilities	4,528,138
Net Assets	
Unrestricted	
Undesignated	237,425
Fixed Assets (Net of Debt)	25,468,977
	25,706,402
Temporarily Restricted (Note 10)	522,423
Permanently Restricted	1,419,013
Total Net Assets	27,647,838
Total Liabilities and Net Assets	$ 32,175,976

See Independent Auditor's Report and Notes to Financial Statements.

GREATER VALLEY YOUNG MEN'S CHRISTIAN ASSOCIATION
(A Not-for-Profit Organization)
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016
Operating Revenues, Gains and Other Support				
Grants and Contributions	$ 1,378,369	$ 111,092	$ -	$ 1,489,461
United Way Allocations	20,000	-	-	20,000
Membership Fees	2,317,195	-	-	2,317,195
Program Service Fees	3,622,345	-	-	3,622,345
	7,337,909	111,092	-	7,449,001
Fundraising	204,809	-	-	204,809
Sales of Merchandise (Net of Direct Expenses)	3,906	-	-	3,906
Facility Rental Revenue	27,599	-	-	27,599
Branch Support	113,526	-	-	113,526
Miscellaneous	50,246	-	-	50,246
Net Assets Released from Restrictions:				
Satisfaction of Program Restrictions	291,046	(291,046)	-	-
Total Revenues, Gains, and Other Support	8,029,041	(179,954)	-	7,849,087
Operating Expenses				
Program Services:				
Youth Development	4,498,921	-	-	4,498,921
Healthy Living	2,139,925	-	-	2,139,925
Social Responsibility	276,618	-	-	276,618
Management and General	675,137	-	-	675,137
Fundraising	411,444	-	-	411,444
Total Expenses	8,002,045	-	-	8,002,045
Increase (Decrease) in Net Assets from Operating Activities	26,996	(179,954)	-	(152,958)
Other Changes				
Interest and Dividends (Net of Fees of $11,887)	33	20,327	-	20,360
Net Realized/Unrealized Gain/(Loss) on Investments	(8)	61,766	-	61,758
Total Other Changes	25	82,093	-	82,118
Increase (Decrease) in Net Assets	27,021	(97,861)	-	(70,840)
Net Assets at Beginning of Year (as Restated) (Note 18)	25,679,381	620,284	1,419,013	27,718,678
Net Assets at End of Year	$ 25,706,402	$ 522,423	$ 1,419,013	$ 27,647,838

See Independent Auditor's Report and Notes to Financial Statements.

GREATER VALLEY YOUNG MEN'S CHRISTIAN ASSOCIATION
(A Not-for-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

	Year Ended December 31, 2016							
	Program Services				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Management and General	Fund-raising	Total	2016
Wages	$ 2,036,988	$ 1,470,749	$ 146,156	$ 3,653,893	$ 337,711	$ 250,636	$ 588,347	$ 4,242,240
Employee Health, Retirement and Other Benefits	305,659	128,145	18,075	451,879	92,807	41,949	134,756	586,635
Payroll Taxes	198,716	138,080	14,033	350,829	42,020	22,205	64,225	415,054
Total Wages and Related Expenses	2,541,363	1,736,974	178,264	4,456,601	472,538	314,790	787,328	5,243,929
Contracted Services	214,858	74,588	12,060	301,506	120,717	92,935	213,652	515,158
Supplies	309,399	141,860	18,802	470,061	11,440	1,000	12,440	482,501
Telecommunications	58,770	7,437	2,759	68,966	5,217	360	5,577	74,543
Postage and Shipping	67,642	3,164	2,950	73,756	2,016	24	2,040	75,796
Occupancy	791,446	19,726	33,799	844,971	375	-	375	845,346
Equipment - Expendable or Rented	44,842	31,767	3,192	79,801	6,571	-	6,571	86,372
Printing, Publications and Promotions	76,940	8,040	3,541	88,521	-	366	366	88,887
Business Related Travel Costs	21,194	6,628	1,159	28,981	10,081	764	10,845	39,826
Conferences and Meetings	19,127	11,634	1,282	32,043	8,436	615	9,051	41,094
Dues to Y-USA and Other Organizations	115,242	-	4,802	120,044	6,589	590	7,179	127,223
Financing and Bank Costs	64,463	48,235	4,696	117,394	8,881	-	8,881	126,275
Business Insurance	119,597	9,438	5,376	134,411	22,094	-	22,094	156,505
Miscellaneous	548	410	40	998	-	-	-	998
Depreciation and Amortization	53,490	40,024	3,896	97,410	182	-	182	97,592
Total	$ 4,498,921	$ 2,139,925	$ 276,618	$ 6,915,464	$ 675,137	$ 411,444	$ 1,086,581	$ 8,002,045

See Independent Auditor's Report and Notes to Financial Statements.

GREATER VALLEY YOUNG MEN'S CHRISTIAN ASSOCIATION
(A Not-for-Profit Organization)
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

	2016
Cash Flows from Operating Activities	
Change in Net Assets	$ (70,840)
Adjustments to Reconcile Change in Net Assets	
to Net Cash Provided by Operating Activities:	
Depreciation	97,592
(Gain) Loss on Investments	(61,758)
(Increase) Decrease in Assets:	
Grants and Accounts Receivable	568,549
Pledges Receivable	(10,294)
Prepaid Expenses	(48,030)
Increase (Decrease) in Liabilities:	
Accounts Payable	83,040
Accrued Expenses	36,481
Deferred Revenue	33,893
Net Cash Provided by Operating Activities	628,633
Cash Flows from Investing Activities	
Net (Purchases) Proceeds on Investments	8,906
Purchase of Equipment and Building Improvements	(814,129)
Net Cash Used by Investing Activities	(805,223)
Cash Flows from Financing Activities	
Net Borrowings (Repayments) on Notes Payable	254,663
Net Cash Provided by Financing Activities	254,663
Net Increase in Cash and Cash Equivalents	78,073
Cash and Cash Equivalents, at Beginning of Year	691,667
Cash and Cash Equivalents, at End of Year	$ 769,740

Supplemental Disclosure:

Loan Interest Paid	$ 115,773

See Independent Auditor's Report and Notes to Financial Statements.

1. Nature of Activities

Greater Valley Young Men's Christian Association (YMCA, the "Organization") is a not-for-profit organization, which is organized under the laws of the Commonwealth of Pennsylvania committed to advance our cause of strengthening 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 neighbors, the YMCA enables youth, adults, families and communities to be healthy, confident, connected and secure.

Program Activities

Youth Development – Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids 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. Our YMCA programs, such as child care, arts and humanities, youth sports, day and specialty camp programs and other youth programming, 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 obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment. Healthy Living programs include group adult classes, diabetes prevention, health screening, walking groups and other recreation activities.

Social Responsibility – Our 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 housing, 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 may not have been able to afford to participate.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A brief description of each follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Any cash held for investment purposes is included as part of the investment account and not as cash and cash equivalents on the Statement of Cash Flows

Grants and Accounts Receivable

Accounts receivable consists primarily of receivables from program registrants and child care fees. An allowance is determined by management based on historical collections, specific participants' circumstances, and economic conditions. Member receivables are written off when management has exhausted collections efforts and deems the accounts uncollectible. The YMCA does not accrue interest on unpaid accounts receivable.

Land, Building and Equipment

Building and equipment purchased or acquired prior to January 1, 2016 is recorded in the accompanying financial statements at insured value, based upon the value provided by the insurance company. Land acquired prior to January 1, 2016 is held at cost.

2. Summary of Significant Accounting Policies (Continued)

Land, Building and Equipment (Continued)

Land, building and equipment purchased or acquired on or after January 1, 2016 is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives.

	Years
Building and Improvements	15 - 50
Leasehold Improvements	15
Furniture and Fixtures	5 - 10
Equipment	3 - 10

Additions and betterments of $1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the original useful lives of the respective assets are expensed as incurred.

Revenue Recognition

Membership dues and program fees are recognized as revenue ratably over the period of membership or the duration of the program.

Contributions

The Organization reports gifts of cash and other assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization 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-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Donated services of a specialized skill that would be purchased in the absence of this donation are recorded at the estimated market rate for the corresponding hours spent.

No amounts have been reflected in the statements for general donated services in-as-much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fundraising campaigns.

2. Summary of Significant Accounting Policies (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Concentration of Credit Risk

The Organization maintains its cash accounts with four financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each institution. At December 31, 2016, the Organization's uninsured cash balances totaled approximately $351,000.

Income Tax Status

The Organization is exempt from federal income tax under the provisions of Section 501 (c)(3) of the Internal Revenue Code and applicable state law. Accordingly, no provision for income taxes is required in the accompanying financial statements.

The Organization has concluded that there are no material unrecognized tax benefits or accrued interest or penalties that would require recognition in the financial statements as of December 31, 2016. The Organization files its Form 990, *Return of Organization Exempt from Income Tax*, in the U.S. Federal jurisdiction and the Bureau of Charitable Organizations for the State of Pennsylvania. The Organization's Forms 990 for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

Other Matters

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the net asset class that owned the assets. Ordinary income from investments, receivables, and the like is accounted for in the net asset class owning the assets, except for income derived from investments of endowment funds, which is accounted for, if unrestricted, as revenue of the current unrestricted net asset class, or if restricted, as revenue in the appropriate restricted net asset class.

2. Summary of Significant Accounting Policies (Continued)

Operating Measure

The Organization includes all changes in unrestricted and temporarily restricted net assets in its "operating activities" on the Statement of Activities except:

Interest and Dividends
Net Realized/Unrealized Gain/(Loss) on Investments

3. Grants and Accounts Receivable

		2016
Childcare	$	103,121
Membership		2,772
Programs		8,622
YMCA Management Fees		251,306
Other		97,969
		463,790
Less: Allowance for Doubtful Accounts		-
Total	$	463,790

4. Pledges Receivable

The Organization held a fund-raising campaign for funds to improve one of their branches. The majority of pledges received are in relation to the fund-raising campaign. Pledges receivable as of December 31, 2016 are unconditional and expected to be paid in the amounts of $145,294 and $10,000 in 2017 and 2018, respectively. A discount of 5% was calculated on pledges receivable with an expected date greater than one year and deemed to be insignificant. In addition, uncollectible pledges are expected to be insignificant; therefore management has decided that neither a discount on pledges receivable nor an allowance for uncollectible pledges receivable was necessary.

5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement and Disclosure,* defines fair value, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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;
- 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 Organization currently does not have any Level 2 or 3 inputs.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

Common Stock: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value ('NAV") of shares held by the Organization at year end.

5. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

	Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 82,037	$ -	$ -	$ 82,037
Common Stock				
Energy	6,318	-	-	6,318
Information Technology	40,590	-	-	40,590
Industrials	9,412	-	-	9,412
Mutual Funds				
Small/Mid Cap	137,335	-	-	137,335
Large Cap	610,880	-	-	610,880
Developed International	77,726	-	-	77,726
Emerging International	34,289	-	-	34,289
Other International	72,232	-	-	72,232
Fixed Income				
U.S. Treasuries	33,831	-	-	33,831
Mortgage/Asset Backed	68,954	-	-	68,954
Multi-Sector	374,465	-	-	374,465
Total Assets at Fair Value	$ 1,548,069	$ -	$ -	$ 1,548,069

There were no transfers between Level 1, 2, and 3 investments during 2016. Transfers are recognized at the end of the reporting period.

6. Land, Buildings and Equipment

A portion of land, building, and equipment are carried at insured value, and a portion are carried at cost. See Note 2 for a further explanation.

	2016
Assets Held at Insured Value	$ 28,427,464
Assets Held at Cost	
Building and Building Improvements	61,179
Equipment	746,635
	29,235,278
Less: Accumulated Depreciation	(97,592)
Land, Buildings and Equipment, Net	$ 29,137,686

Depreciation and amortization charged to expense for the year ended December 31, 2016 was $97,592.

7. Line of Credit

The Organization has a $300,000 line of credit with a bank at an interest rate based upon the Wall Street Journal U.S. Prime Rate, with a floor of 3.25%. The line is collateralized by accounts receivable, inventory, general intangibles, and equipment of the Organization. The outstanding balance on the line of credit as of December 31, 2016 was $150,000. Interest paid on the line of credit was $5,368 for the year ended December 31, 2016.

8. Notes Payable

In February 2013, the Organization entered into a 25 year, $1,500,000 open end note with a bank which can be drawn upon, as needed. The note is secured by real estate of the Organization's Slate Belt location. Interest is variable for the first 24 months at a rate of the Wall Street Journal Prime Rate plus 0.25% with a floor of 3.50% and a cap of 5.50%. For years 3 to 5, the Organization had a fixed rate interest of 3.95%. At the conclusion of the initial 5 year period, the interest rate will float at the Wall Street Journal Prime Rate plus 0.25% with a floor rate of 3.50% and a cap of 5.50%. Monthly payments of principal and interest are $8,327 and the outstanding balance on the note as of December 31, 2016 was $209,094. Interest paid on the note was $10,366 for the year ended December 31, 2016. This note was subsequently fully repaid in early 2017, and is classifed as current on the Statement of Financial Position.

8. Notes Payable (Continued)

The Organization has a 25 year, $5,517,714 open end note with a bank which can be drawn upon, as needed. The note is secured by real estate of several of the Organization's branches. Beginning July 23, 2015, interest is fixed for the first 60 months at a rate of 2.97%, followed by an interest rate at the Wall Street Journal U.S. Prime Rate. Also beginning July 23, 2015, the Organization shall make 24 monthly payments of interest only until July 23, 2017, when the Organization shall then make monthly payments of principal and interest of $27,732. One final payment of all unpaid principal and interest shall then be due on June 23, 2040. Based upon the current outstanding principal balance, the Organization is projected to re-pay the note during the year 2029. The outstanding balance on the note as of December 31, 2016 was $3,459,615. Interest paid on the note was $100,039 for the year ended December 31, 2016.

Maturities of long-term debt are as follows:

Due		
2017	$	324,823
2018		236,671
2019		243,796
2020		251,136
2021		258,697
Thereafter		2,353,586
	$	3,668,709

9. Operating Lease Obligations

The Organization leases various program equipment and properties under various non-cancellable operating leases expiring at various dates through 2022. Rental expense for those leases was $180,650 for 2016.

Future minimum lease payments under equipment and property operating leases that have remaining terms in excess of one year are:

Years ending December 31,	2017	$	197,153
	2018		185,921
	2019		181,814
	2020		144,346
	2021		28,980
	Thereafter		12,175

10. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of:

	2016
Capital Improvements	$ 26,771
Camp Sponsorship	21,473
Childcare	20,662
Earnings on Endowment	404,560
Expansion	21,957
Gymnastics/Dance Programs	10,000
Health and Wellness Youth Programs	9,000
Teen and Pre-teen Wellness Center	8,000
	$ 522,423

11. Endowment Net Assets

The Organization's endowment consists of funds established for the purpose of supporting programs and services of the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization follows Commonwealth of Pennsylvania law and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment Return Objectives, Risk Parameters and Strategies

The primary goal of the investment policy is to meet the short and long-term needs and goals of the Organization while carefully controlling risk. Basic to the process is the establishment of mutually agreed upon objectives and the development of an investment program designed to meet those needs. Preservation of capital and a stable level of current income are foremost in the fixed income strategy. The portfolio is invested in common stock and mutual funds; plus liquidity as the primary objective and goals. To achieve these goals, the Organization closely follows the stock market and constantly reviews the fund returns to realize the highest level of income.

11. Endowment Net Assets (Continued)

Spending Policy

The Organization is permitted to spend the earnings of the fund annually. This is defined as the interest and dividends earned in the fiscal period.

As of December 31, 2016, total endowment composition by net asset fund is:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment	$ -	$ 404,560	$ 1,419,013	$ 1,823,573
	$ -	$ 404,560	$ 1,419,013	$ 1,823,573

Changes in endowment net assets for the year ended December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, Beginnning of Year	$ -	$ 323,047	$ 1,419,013	$ 1,742,060
Gifts and Contributions	-	-	-	-
Investment Income	-	18,246	-	18,246
Net Appreciation (Depreciation)	-	61,766	-	61,766
Interest on Loan Repayments	-	2,081	-	2,081
Amounts Released for Operations	-	(580)	-	(580)
Balance, End of Year	$ -	$ 404,560	$ 1,419,013	$ 1,823,573

12. Endowment Loans

In late 2011, a 10 year loan to the general fund was authorized for use of $350,000 from the Acopian Trust in the Endowment with an interest rate of 1.00%. Monthly payments on the loan are $3,220 and the outstanding balance on the loan as of December 31, 2016 was $188,349. Interest paid on the loan was $2,082 for the year ended December 31, 2016.

Principal repayments on the loan are as follows:

Years ending December 31,	2017	$ 36,921
	2018	37,292
	2019	37,666
	2020	38,044
	2021	38,426

12. Endowment Loans (Continued)

A previous review of the Bethlehem YMCA endowment fund conducted by a member of a bank's trust department determined the value, at that date, as $186,909. As the value of the endowment fund was $76,320, at that date, a loan was set up for repayment to the general fund. The loan is a 10 year loan to the general fund with an interest rate of 1.00%. Monthly payments on the loan are $1,118 and the outstanding balance on the loan as of December 31, 2016 was $111,370. No interest was paid on the loan for the year ended December 31, 2016, as no repayments were made during the year.

Principal repayments on the loan are as follows:

Years ending December 31,	2017	$ 4,938
	2018	11,935
	2019	12,055
	2020	12,176
	2021	12,298
	Thereafter	57,968

13. Defined Contribution Plans

The Organization participates in two plans (Plans) sponsored by the YMCA Retirement Fund (the "Fund"). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York, organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The participating Plans include:

- the Retirement Plan - a defined contribution plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code (IRC), as amended, and,
- the Tax-Deferred Savings Plan - a retirement income account plan as defined in IRC Section 403(b).

The Retirement Plan requires that all employees participate in the plan upon completing 1,000 hours of service during each of two years and attaining 21 years of age and also requires a contribution rate ranging from 8% -12% of compensation. The Organization may elect to pay the contribution in full or share with the employee. Employee contributions are made after - tax. The Organization contributes 8% of eligible employees' compensation on an annual basis.

The Tax-Deferred Savings plan allows all employees, upon hire, to elect to contribute a percentage of their eligible compensation to the plan, subject to certain IRC limits. There is no employer contribution.

All contributions to the Plans vest immediately. Each of the plans, as defined contribution plans, have no unfunded benefit obligations. Total YMCA employer contributions to the Plan were $172,013 for the year ended December 31, 2016.

14. Related Parties

The Organization pays dues to the YMCA of the USA. Dues paid to YMCA of the USA for the year ended December 31, 2016 was $116,056.

15. Limited Partnership

The Young Men's Christian Association of Bethlehem, which merged into the Organization effective May 1, 2015, is the general partner of Bethlehem YMCA Affordable Housing LP, a 35 unit low-income housing project limited partnership. The Young Men's Christian Association of Bethlehem has a 0.01% interest in Bethlehem YMCA Affordable Housing LP. FASB ASC 810, *Consolidation*, determines when a general partner, or the group of general partners as a group, controls a limited partnership or similar entity when the limited partners have certain rights. The guidance presumes that a general partner controls a limited partnership and, therefore, should consolidate the partnership. This presumption can be overcome if the limited partners have kick-out or substantive participating rights. Management has determined that Bethlehem YMCA Affordable Housing LP should be consolidated into the Organization's financial statements. Management has decided not to include the financial statements of the Bethlehem YMCA Affordable Housing LP in accompanying financial statements.

16. Advertising Expense

Advertising costs are expensed as incurred and were $88,888 the year ended December 31, 2016.

17. Memorandum of Understanding

Effective July 1, 2016, the Organization signed a Memorandum of Understanding with the Pocono Family YMCA. The Memorandum of Understanding is for the Organization to provide fiscal oversight, leadership, and suggestions for improvement to the Pocono Family YMCA for up to 2 years, during which time the Organization will pay monthly fees for these services. Subsequent to December 31, 2016, Pocono Family YMCA is no longer paying monthly fees.

18. Prior Period Adjustment

The beginning net asset balances of the Organization have been restated as of December 31, 2015 to correct misstatements. In previously issued financial statements, the Organization did not record pledges receivable or record an accrual for payroll and payroll taxes. Also, the Bethlehem buildings and equipment were valued at cost instead of the Organization's policy of recording building and equipment purchased or acquired prior to January 1, 2016 at insured value. Balances were also reclassified to the proper restriction for the Marhefka capital restrictions and endowment funds. Therefore, net asset balances as of December 31, 2015 were restated as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets 12/31/2015, as Previously Stated	$ 17,382,335	$ 206,732	$ 1,624,757	$ 19,213,824
To Record Pledges Receivable	145,000	-	-	145,000
To Record Accrued Payroll and Payroll Taxes	(128,736)	-	-	(128,736)
To Adjust Bethlehem Building and Equipment to Insured Value	8,488,590	-	-	8,488,590
To Properly Classify Marhefka Capital Restriction	(90,505)	90,505	-	-
To Properly Classify the Endowment	(117,303)	323,047	(205,744)	-
Net Assets 12/31/2015, as Restated	$ 25,679,381	$ 620,284	$ 1,419,013	$ 27,718,678

19. Subsequent Events

Management has evaluated subsequent events through August 25, 2017, the date the financial statements were available to be issued, and has determined that with the exception of the items noted below, no material subsequent events exist that require disclosure.

Effective January 1, 2017, the Allentown YMCA merged with the Organization to provide efficiency and increase effectiveness of similar programs run by the two organizations. The merger is being accounted for as an acquisition.