

Ocean County YMCA, Inc.

For the years ended December 31, 2014 and 2013

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JUMP, PERRY AND COMPANY, L.L.P. CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ocean County YMCA, Inc.:

We have audited the accompanying financial statements of Ocean County YMCA, Inc. (a nonprofit organization), which comprise the statements of financial position - modified accrual basis as of December 31, 2014 and 2013, and the related statements of activities and changes in unrestricted net assets and cashflows - modified accrual basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified accrual basis of accounting as described in Note 2; this includes determining that the modified accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

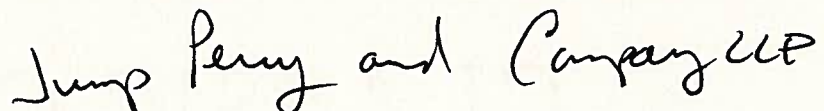
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ocean County YMCA, Inc. as of December 31, 2014 and 2013, and changes in net assets and its cash flows for the years then ended in accordance with the modified accrual basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified accrual basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



Toms River, New Jersey
March 23, 2015

Ocean County YMCA, Inc.

Statements of Financial Position - Modified Accrual Basis

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 236,172	158,902
Accounts receivable, net	7,465	3,868
Prepaid expenses	<u>14,701</u>	<u>22,857</u>
Total current assets	258,338	185,627
Property and equipment, net	3,200,581	3,582,154
Other assets	<u>8,971</u>	<u>10,460</u>
	<u>\$ 3,467,890</u>	<u>3,778,241</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of mortgage payable	\$ 235,294	227,102
Current portion of capital lease	12,038	11,474
Current portion of note payable	28,185	-
Accounts payable	344,896	309,116
Accrued expenses	116,424	172,372
Deferred revenue	<u>112,792</u>	<u>110,810</u>
Total current liabilities	849,629	830,874
Note payable	42,277	-
Compensated absences	12,844	17,321
Mortgage payable, excluding current portion	3,796,442	4,031,650
Capital lease payable, excluding current portion	12,272	24,310
Net assets:		
Unrestricted	(1,255,574)	(1,125,914)
Temporarily restricted	<u>10,000</u>	<u>-</u>
Net assets	<u>(1,245,574)</u>	<u>(1,125,914)</u>
	<u>\$ 3,467,890</u>	<u>3,778,241</u>

See accompanying notes to financial statements.

Ocean County YMCA, Inc.

Statements of Activities and
Changes in Net Assets - Modified Accrual Basis

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue and support:		
Grants	\$ 752,928	480,101
Contributions	103,063	78,468
Non-cash contributions	694	14,781
Special events	172,612	187,341
Program fees	2,478,594	2,395,341
Membership fees	1,095,700	1,133,498
Scholarships	327,646	305,865
Rental fees	147,287	155,978
Interest income	103	247
Miscellaneous revenue	9,077	27,817
Revenues released from restrictions	<u>-</u>	<u>25,000</u>
Total revenue and support	<u>5,087,704</u>	<u>4,804,437</u>
Expenses:		
Program services:		
Membership/childcare	610,923	567,175
Aquatics	627,612	624,851
Adult physical	358,472	293,202
Y-Kids	1,274,539	1,049,944
Youth physical	72,496	69,983
Nursery school	78,969	67,651
Swim team	554,700	576,179
Camps	634,074	555,236
Fundraising	57,335	66,787
Management and general	401,261	431,588
Interest	156,873	204,485
Realized loss on investments	125	95
Realized loss on disposal of assets	-	1,155
Depreciation and amortization	<u>389,985</u>	<u>442,432</u>
Total expenses	<u>5,217,364</u>	<u>4,950,763</u>
Change in unrestricted net assets	(129,660)	(146,326)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contribution	10,000	-
Revenue released from restrictions	<u>-</u>	<u>(25,000)</u>
Change in temporarily restricted net assets	<u>10,000</u>	<u>(25,000)</u>
Change in net assets	(119,660)	(171,326)
Net assets, beginning of year	<u>(1,125,914)</u>	<u>(954,588)</u>
Net assets, end of year	<u>\$ (1,245,574)</u>	<u>(1,125,914)</u>

See accompanying notes to financial statements.

Ocean County YMCA, Inc.

Statements of Cash Flows - Modified Accrual Basis

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from revenue and support sources	\$ 5,093,986	4,773,193
Interest received	103	247
Cash paid to suppliers and employees	(4,605,067)	(4,217,135)
Interest paid	<u>(156,873)</u>	<u>(204,485)</u>
Net cash provided by operating activities	<u>332,149</u>	<u>351,820</u>
Cash flows from investing activities:		
Sale of investments	-	6,701
Purchase of investments	-	(3,607)
Purchase of property and equipment	<u>(5,995)</u>	<u>(196,842)</u>
Net cash used in investing activities	<u>(5,995)</u>	<u>(193,748)</u>
Cash flows from financing activities:		
Proceeds from capital lease payable	-	45,110
Principal payments on note payable	(10,394)	-
Principal payments on capital lease	(11,474)	(9,326)
Principal payments on mortgage payable	<u>(227,016)</u>	<u>(176,009)</u>
Net cash used in financing activities	<u>(248,884)</u>	<u>(140,225)</u>
Net increase in cash	77,270	17,847
Cash, beginning of year	<u>158,902</u>	<u>141,055</u>
Cash, end of year	<u>\$ 236,172</u>	<u>158,902</u>

See accompanying notes to financial statements.

Ocean County YMCA, Inc.

Statements of Cash Flows - Modified Accrual Basis (continued)

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in unrestricted net assets	\$ (119,660)	(171,326)
Items which did not use cash:		
Depreciation	387,568	440,015
Amortization	2,417	2,417
Loss on disposal of fixed assets	-	1,155
Changes in assets and liabilities:		
Accounts receivable	(3,597)	3,894
Prepaid expenses	8,156	(3,974)
Other assets	(928)	-
Accounts payable	110,648	76,260
Accrued expenses	(49,960)	13,947
Compensated absences	(4,477)	(1,060)
Deferred revenue	<u>1,982</u>	<u>(9,508)</u>
Net cash provided by operating activities	<u>\$ 332,149</u>	<u>351,820</u>

See accompanying notes to financial statements.

Ocean County YMCA, Inc.

Statement of Functional Expenses - Modified Accrual Basis

For the year ended December 31, 2014
(With Comparative Memorandum Only for December 31, 2013)

	Membership/ Childwatch	Aquatics	Adult Physical	Y-Kids	Program Youth Physical	Services Nursery School	Swim Team	Camps	Fundraising	Management and General	2014	(Memorandum Only) 2013
Salaries	\$ 337,833	406,325	233,486	750,387	38,058	39,898	214,196	241,009	-	181,434	2,442,626	2,134,460
Employee benefits	41,542	26,495	3,938	23,558	810	922	5,325	3,170	-	88,326	184,086	188,910
Payroll taxes	29,025	37,861	21,266	67,152	3,380	3,553	17,526	18,416	-	29,832	228,011	218,283
Utilities	54,751	55,111	32,178	111,919	6,367	7,089	48,708	55,678	-	9,482	381,283	362,166
Insurance	13,862	15,655	8,836	29,744	1,807	1,711	10,712	12,105	-	9,246	103,478	91,796
Food and beverage	-	-	-	57,907	2,711	535	43,275	6,310	-	859	111,687	104,575
Franchise costs	10,742	11,036	6,303	22,411	1,275	1,389	9,754	11,149	-	74,059	62,872	62,872
Supplies	4,187	561	439	2,969	40	677	1,141	3,859	-	3,473	17,356	18,030
Office expense	23,114	3,149	8,433	26,868	3,865	6,434	13,411	15,569	-	5,270	106,113	98,247
Small equipment	244	100	3,148	2,852	100	101	-	8,545	-	-	6,545	20,343
Repairs and maintenance	10,507	16,598	15,903	9,488	3,821	748	9,494	12,935	-	45,795	125,089	144,585
Rent	-	-	-	-	-	-	1,500	1,500	-	-	1,500	4,334
Telephone	1,193	1,226	-	16,576	142	-	1,083	2,550	-	1,957	24,727	21,239
Postage and shipping	1,807	976	605	3,751	195	201	1,060	528	-	1,171	10,294	7,895
Professional fees	2,747	2,547	1,587	5,184	525	548	2,281	2,830	-	654	18,863	14,823
Printing and publications	2,299	2,143	2,187	4,001	1,969	1,969	4,438	5,936	-	2,660	27,592	37,817
Travel and entertainment	178	208	99	8,484	118	-	73,061	549	-	78	82,773	83,244
Crafts and recreational	-	2,435	3,313	556	1,854	376	33,330	13,950	-	-	55,814	53,508
Scholarships	50,840	5,305	353	79,772	3,267	10,030	7,192	170,887	-	-	327,646	305,865
Equipment rental	8,037	1,353	773	-	156	170	3,757	36,821	-	9,316	60,483	52,303
Training	-	40	-	-	-	-	-	425	-	453	918	2,951
Miscellaneous expense	130	10,310	-	40	-	-	5,583	-	-	3,551	19,614	16,512
Contractual services	17,118	26,348	12,028	47,544	1,992	2,170	15,856	17,477	-	5,047	142,756	142,756
Licenses and permits	499	509	3,347	1,810	174	178	385	693	-	470	8,075	8,404
Program certificates	-	892	-	225	-	-	2,011	-	-	-	3,128	3,260
Medical supplies	-	48	-	932	-	-	37	478	-	70	1,565	476
Dues and subscriptions	-	-	-	-	-	-	28,194	-	-	1,765	30,959	30,424
Promotions	290	380	270	429	270	270	380	650	-	-	2,939	2,586
Special events	-	-	-	-	-	-	-	-	-	-	57,335	66,787
Penalties	-	-	-	-	-	-	-	-	-	-	232	815
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	1,250
	\$ 610,923	627,612	358,472	1,274,539	72,496	78,989	554,700	634,074	57,335	401,281	4,670,381	4,302,598

See accompanying notes to financial statements.

Ocean County YMCA, Inc.

Statement of Functional Expenses - Modified Accrual Basis

For the year ended December 31, 2013

	Membership/ Childwatch	Aquatics	Adult Physical	Y-Kids	Program Youth Physical	Services Nursery School	Swim Team	Camps	Fundraising	Management and General	2013
Salaries	\$ 302,205	404,693	177,447	599,964	37,070	34,631	208,603	191,939	-	177,708	2,134,460
Employee benefits	40,605	21,559	3,697	18,955	268	18	4,651	3,144	-	96,013	188,910
Payroll taxes	26,732	37,996	16,514	55,154	3,626	3,191	18,338	16,599	-	40,113	218,263
Utilities	53,265	57,742	27,712	97,023	6,466	6,393	53,244	51,307	-	9,014	362,166
Insurance	12,116	14,636	6,557	23,008	1,494	1,416	10,698	10,061	-	11,810	91,796
Food and beverage	273	18	-	56,963	2,411	349	42,485	1,215	-	861	104,575
Franchise costs	9,389	10,343	4,853	17,390	1,158	1,120	9,538	9,191	-	3,793	62,972
Supplies	4,533	794	684	2,200	91	777	2,056	3,102	-	5,068	18,030
Office expense	23,128	3,354	7,866	20,304	3,474	5,817	15,138	15,100	-	3,659	98,247
Small equipment	281	1,575	8,974	2,521	153	371	2,411	398	-	20,343	20,343
Repairs and maintenance	11,088	19,224	15,486	10,087	3,763	1,300	14,092	11,739	-	57,796	144,585
Rent	-	-	-	2,834	-	-	1,500	-	-	-	4,334
Telephone	1,195	1,317	-	13,317	147	-	1,214	2,173	-	1,876	21,239
Postage and shipping	1,905	833	650	1,284	401	420	987	435	-	970	7,895
Professional fees	2,278	2,128	1,168	3,385	521	515	1,985	2,243	-	600	14,823
Printing and publications	5,850	3,127	3,127	3,639	3,127	3,127	5,435	6,754	-	3,631	37,817
Travel and entertainment	-	96	545	7,205	1	-	75,072	63	-	262	83,244
Crafts and recreational	-	152	2,472	1,133	1,359	268	40,714	7,409	-	-	53,508
Scholarships	41,032	4,154	308	64,080	1,791	5,531	5,692	183,297	-	6,945	305,865
Equipment rental	12,753	1,103	447	-	107	103	9,832	21,013	-	2,058	52,303
Training	15	15	40	15	-	-	673	135	-	2,723	2,951
Miscellaneous expense	126	10,383	-	-	-	-	3,278	-	-	3,485	16,512
Contractual services	17,651	27,398	10,553	44,276	2,220	2,148	17,951	17,073	-	3,485	142,756
Licenses and permits	293	461	3,210	2,799	143	(38)	436	462	-	638	8,404
Program certificates	-	1,558	-	500	-	-	1,202	-	-	-	3,260
Medical supplies	-	-	-	476	-	-	-	-	-	-	476
Dues and subscriptions	-	-	110	-	-	-	28,562	-	-	1,752	30,424
Promotions	-	192	782	192	192	192	192	384	-	-	2,586
Special events	-	-	-	-	-	-	-	-	66,787	-	66,787
Penalties	-	-	-	-	-	-	-	-	-	815	815
Bad debt expense	-	-	-	1,250	-	-	-	-	-	-	1,250
	\$ 587,175	824,851	293,202	1,049,944	69,983	67,651	576,179	555,236	66,787	431,588	4,302,596

See accompanying notes to financial statements.

Ocean County YMCA, Inc.

Notes to Financial Statements

December 31, 2014 and 2013

1. Organization and Purpose of the Organization

Ocean County YMCA, Inc., (the "Organization") is a charitable, community service organization that includes men, women and children of all ages, abilities, incomes, races and religions serving over 10,000 members. We are dedicated to building strong kids, strong families and strong communities by putting Judeo/Christian principles into practice through programs that promote healthy lifestyles, strong values, leadership development, community interaction and international understanding. Our YMCA programs focus on four Core Values: Caring, Honesty, Respect and Responsibility. All persons are welcome at our YMCA, regardless of their ability to pay.

2. Summary of Significant Accounting Policies

The financial statements of Ocean County YMCA, Inc. have been prepared on the modified accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Modified Accrual Basis

Deferred income accounts resulting from annual dues and program fee payments expiring at different times during the year have been eliminated from the balance sheet. The effect of this practice on the statement of activities and changes in net assets is not determinable. Annual dues payments and program fees are recognized as revenue when received.

Basis of Presentation

The Organization uses Not-for-profit accounting for contributions received and made and for preparation of financial statements. Not-for-profit accounting establishes standards for external financial reporting by Not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. Not-for-profit accounting requires that unconditional promises to give be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. For the year ended December 31, 2014, the Organization had accounting transactions in two of the net asset categories, as follows:

- Unrestricted net assets - Net assets that are not subject to donor imposed restrictions.
- Temporarily restricted net assets - Net assets that are limited by donor-imposed restrictions.

Ocean County YMCA, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue and Support Recognition

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 asset. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets are released from restrictions.

The Organization accounts for contract and grant revenues, which are exchange transactions, in the statement of activities and change in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

Contributed Materials, Services and Facilities

During the year ended, December 31, 2014 and 2013 the value of contributed facilities, materials and services meeting the requirements for recognition in the financial statements have been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost and are depreciated over their estimated useful lives ranging from 5 to 40 years. Depreciation is computed using the straight-line method. Maintenance and repairs are charged to expense as incurred. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The cost and related accumulated depreciation of property and equipment retired or disposed of are removed from the accounts and the resulting gains or losses are reflected in income.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the donated assets to a specific purpose.

Ocean County YMCA, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Income Taxes

Ocean County YMCA, Inc. is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions. At times cash and cash equivalents may be in excess of the FDIC insurance limits.

Investments

The Organization carries investments in equity securities with readily determinable fair values at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets - Modified Accrual Basis.

Fair Value Measurements

Fair Value Measurements establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements and their respective disclosures. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1), a secondary priority to quoted prices for similar assets or liabilities in active or inactive markets and other observable inputs from or corroborated by observable market data (Level 2) and the lowest priority to unobservable inputs using assumptions that market participants would use. (Level 3).

Items carried at fair value on a recurring basis consist of money market funds, equity securities and trading certificate of deposits which are valued based on quoted prices in active or brokered markets for identical assets, (Level 1).

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivables using the allowance method. The allowance is based on Management's best estimate of the amounts that will not be collected. It is the Organization's policy to charge off uncollectible accounts receivable 1 year after the receivable was due and not collected.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with a few financial institutions, therefore, decreasing its risk of credit exposure.

Ocean County YMCA, Inc.

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Current Vulnerability due to Certain Concentrations

The Organization's operations are located in Ocean County, New Jersey and all of the members are from the surrounding area. The Organization relies upon increasing membership to provide growth. The concentration in one geographical area places limitations on its potential growth.

3. Statements of Financial Position

The cost of providing the various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Functional Expenses. These statements were utilized in the presentation of expenses in the statements of financial position. Accordingly, certain costs have been allocated among the program and supporting services benefited.

4. Accounts Receivable

Accounts receivable consists primarily of fees due from program services and are non-interest bearing.

5. Accrued Expenses

During 2011, the Organization utilized the services of an utility intermediary to contract better rates on electric and gas services. The intermediary ceased paying the utility bills and owed the utility companies \$104,017 in back charges. It is unknown whether the intermediary has the ability to pay the utility companies in full. Due to the unforeseen nature of the intermediary the Organization recorded the liability due to the utility companies of \$104,017 and included it in Accrued Expenses in 2011. During 2012 and 2013, the utility intermediary made payments to the utility companies which totaled \$41,465 and \$6,800 respectively. The Organization reduced the receivable and liability accordingly. During 2013 and 2014 the Organization was required to pay \$3,532 and \$7,062 of the liability to the utility companies. As of December 31, 2014 the remaining balance owed to the utility companies was \$45,158 and is included in accrued expenses.

Ocean County YMCA, Inc.

Notes to Financial Statements (continued)

6. Property and Equipment

Property and equipment consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 55,000	55,000
Land improvements	390,629	390,629
Building improvements	6,779,569	6,779,569
Furniture, fixtures and equipment	1,620,197	1,614,202
Automobile	<u>-</u>	<u>37,011</u>
	8,845,395	8,876,411
Less: accumulated depreciation	<u>(5,644,814)</u>	<u>(5,294,257)</u>
	<u>\$ 3,200,581</u>	<u>3,582,154</u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$387,568 and \$440,015, respectively.

7. Other Assets

Other assets consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Loan origination fees-mortgage payable net of \$10,215 and \$8,623 amortization	\$ 5,706	7,298
Loan origination fees-mortgage payable net of \$2,613 and \$1,788 amortization	2,337	3,162
Deposit on capital lease	<u>928</u>	<u>-</u>
	<u>\$ 8,971</u>	<u>10,460</u>

The mortgage was refinanced in 2008 and created loan origination fees of \$15,921 that will be amortized over the life of the loan, which is 10 years. In 2011 the Organization acquired additional funds from their original mortgage and incurred \$4,950 in additional loan fees which will be amortized for over the life of the loan which is 17 years.

Ocean County YMCA, Inc.

Notes to Financial Statements (continued)

8. Mortgage Payable

Mortgage payable consists of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Mortgage payable to Ocean First Bank making monthly payments of \$31,452, including interest of 5.25% over 2 years. Beginning July 24, 2013 the interest rate of the loan decreased to 3.5% and mortgage payments decreased to \$31,212. The loan is scheduled to balloon in July 2018. The loan is secured by land, buildings, and their contents with a net book value of \$3,200,581.	\$ 4,031,736	4,258,752
Less current portion	<u>235,294</u>	<u>227,102</u>
Long-term debt, excluding current portion	<u>\$ 3,796,442</u>	<u>4,031,650</u>

The maturities of long-term debt over the next several years are as follows:

December 31, 2015	\$ 235,294
2016	243,405
2017	252,560
2018	<u>3,300,477</u>
	<u>\$ 4,031,736</u>

9. Notes Payable

In June of 2014 the Organization entered into a repayment agreement with the National Council of the YMCA of the United States of America in the amount of \$80,856 for previous years unpaid financial support. The agreement states beginning in July 2014 the Organization will repay the \$80,856 due over a 36 month period consisting of \$500 EFT payments for July and August 2014 and \$2,349 EFT payments for September 2014 through June 2017. Amounts due to the National Council of the YMCA of the United States of America under the repayment agreement as of December 31, 2014 amounted to \$70,462.

10. Compensated Absences

Full-time employees of the Organization are entitled to paid vacation, paid sick days, and personal days off. Employees are allowed to accumulate a maximum of 10 unused vacation days from one year to the next. Upon retirement or separation employees are paid out all accrued vacation to the last day worked based on the employee's annual base rate of pay at the time of retirement. Accrued compensated absences at December 31, 2014 and 2013 amounted to \$12,844 and \$17,321, respectively.

Ocean County YMCA, Inc.

Notes to Financial Statements (continued)

11. Capital Lease

The Organization leases equipment under capital leases, which are secured by the leased assets. The assets and liabilities under the capital leases are recorded at the present value of the minimum lease payments or the fair value of the asset. The equipment of \$45,110 and \$45,110 at December 31, 2014 and 2013 is amortized over its estimated productive lives, with accumulated amortization of \$14,911 and \$7,082 at December 31, 2014 and 2013 respectively. Amortization expense amounted to \$7,829 and \$7,082 for the years ended December 31, 2014 and 2013, respectively, and is included in depreciation expense. The lease agreements contain bargain purchase options at the end of the lease term.

Future minimum lease payments are:

	<u>2014</u>	<u>2013</u>
Total minimum lease payments	\$ 25,799	38,760
Less: amount representing interest	<u>1,489</u>	<u>2,976</u>
Present value of minimum lease payments	24,310	35,784
Less: current portion	<u>12,038</u>	<u>11,474</u>
Obligations under capital lease, excluding current portion	<u>\$ 12,272</u>	<u>24,310</u>

Future annual minimum lease payments are:

Year ending December 31:	Total Payments	Principal	Interest
2015	12,961	12,038	923
2016	7,354	6,934	420
2017	<u>5,484</u>	<u>5,338</u>	<u>146</u>
Total	<u>\$ 25,799</u>	<u>24,310</u>	<u>1,489</u>

12. Restrictions/Limitations on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Basketball court	\$ <u>10,000</u>	<u>-</u>
	\$ <u>10,000</u>	<u>-</u>

Ocean County YMCA, Inc.

Notes to Financial Statements (continued)

13. Pension Plan

The Organization has a non-contributory defined contribution plan that covers employees who have completed two years of employment, are age 21 or older and work 1,000 hours in each of the two years. Pension costs including current service costs are accrued and funded on a current basis. The YMCA is required to contribute up to 5% of participating employees' salaries and has elected to also fund the employee contribution of up to 3%. Pension expense for the years ended December 31, 2014 and 2013 amounted to \$80,807 and \$76,307, respectively.

14. Related-Party Transactions

The Organization purchases goods and services from various entities that are controlled by members of the Organization's Board of Directors. These transactions are all considered to be an arm's length transaction and no preferences are given when purchasing.

15. Scholarships

Scholarships are monies paid by the Organization for membership fees and program fees. The membership fees paid for the period ending December 31, 2014 and 2013 were \$50,840 and \$41,032 respectively. The program fees paid for the period ending December 31, 2014 and 2013 were \$276,806 and \$264,833, respectively.

16. Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization has no open years prior to December 31, 2011.

17. Subsequent events

The relevant accounting literature established principles setting forth the period after the balance sheet date during which management shall evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements. For the purpose of this literature, the Organization has evaluated subsequent events through March 23, 2015.