Young Men's Christian Association of Greater New York

Financial Statements
December 31, 2017 and 2016

Young Men's Christian Association of Greater New York
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December 31, 2017 and 2016

Report of Independent Auditors

To the Board of Directors of
Young Men's Christian Association of Greater New York

We have audited the accompanying financial statements of Young Men's Christian Association of Greater New York, which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities and of functional expenses for the year ended December 31, 2017 and of cash flows for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 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 our 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, we consider internal control relevant to the Association'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 Association'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Greater New York as of December 31, 2017 and 2016, and the changes in its net assets for the year ended December 31, 2017 and its cash flows for the years ended December 31, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited the statement of financial position as of December 31, 2016, and the related statements of activities, of functional expenses, and of cash flows for the year then ended (not presented herein), and in our report dated May 26, 2017, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of December 31, 2016 and for the year then ended is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

New York, New York
May 21, 2018

Young Men's Christian Association of Greater New York
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 20,798,165	$ 22,399,053
Cash and cash equivalents restricted for use for capital acquisitions	25,558,390	9,462,137
Contributions receivable, net	2,282,938	3,869,537
Government receivables, net	6,101,955	6,583,191
Other receivables, net of allowance for uncollectible accounts of $1,581,537 and $713,681 in 2017 and 2016, respectively	3,691,932	7,098,348
Investments	56,238,575	48,173,510
Debt service reserve	7,046,647	7,046,644
Property and equipment, net	258,073,977	229,021,523
Deferred charges and other assets	7,589,092	4,513,269
Beneficial interest in perpetual trust	9,626,177	8,443,504
Total assets	$ 397,007,848	$ 346,610,716
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 19,274,169	$ 17,776,741
Accrued salaries and related expenses	7,899,921	8,370,615
Accrued liability for self-insured losses	7,581,703	6,521,538
Deferred revenue	6,431,469	5,914,424
Obligations under capital leases	1,160,142	708,538
Debt obligations	104,685,522	88,286,889
Total liabilities	147,032,926	127,578,745
Net assets		
Unrestricted		
Board designated	30,946,358	26,598,020
Undesignated	161,816,034	134,735,416
Total unrestricted	192,762,392	161,333,436
Temporarily restricted	36,154,324	37,841,801
Permanently restricted	21,058,206	19,856,734
Total net assets	249,974,922	219,031,971
Total liabilities and net assets	$ 397,007,848	$ 346,610,716

The accompanying notes are an integral part of these financial statements.

Young Men's Christian Association of Greater New York
Statement of Activities
Year Ended December 31, 2017 with Summarized Financial Information for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Operating revenues and public support					
Contributions	$ 34,441,918	$ 729,089	$ 18,695	$ 35,189,702	$ 11,399,286
Special events gross income	1,396,225	-	-	1,396,225	1,326,788
Less: Direct cost of special events	(1,146,835)	-	-	(1,146,835)	(1,166,783)
	249,390	-	-	249,390	160,005
Membership dues and program fees	111,531,049	-	-	111,531,049	110,125,937
Residence program and related services	34,093,092	-	-	34,093,092	34,281,207
Government contract revenues	28,555,435	-	-	28,555,435	25,843,151
Investment income	981,086	739,344	784	1,721,214	938,930
Endowment support for current activities	2,150,076	-	-	2,150,076	1,824,903
Other revenues	910,673	-	-	910,673	738,375
Gain on sale of property and equipment	-	-	-	-	1,169,124
Total operating revenues and public support	212,912,719	1,468,433	19,479	214,400,631	186,480,918
Net assets released from restrictions	6,698,840	(6,698,840)	-	-	-
Total operating revenues, public support, and net assets released from restriction	219,611,559	(5,230,407)	19,479	214,400,631	186,480,918
Operating expenses					
Salaries and related expenses	105,223,332	-	-	105,223,332	100,948,902
Staff training and conferences	2,238,299	-	-	2,238,299	3,031,626
Contract services	28,719,816	-	-	28,719,816	27,533,810
Facility occupancy	9,475,307	-	-	9,475,307	10,805,430
Supplies and other	17,428,320	-	-	17,428,320	16,641,083
Repairs and maintenance	3,455,122	-	-	3,455,122	3,511,999
Insurance	4,082,812	-	-	4,082,812	5,314,071
Promotion and advertising	2,873,792	-	-	2,873,792	3,496,708
Interest	3,489,035	-	-	3,489,035	3,518,238
Depreciation and amortization	13,522,605	-	-	13,522,605	13,275,749
Total operating expenses	190,508,440	-	-	190,508,440	188,077,616
Excess (deficit) of operating revenues and public support over operating expenses	29,103,119	(5,230,407)	19,479	23,892,191	(1,596,698)
Non-operating changes					
Investment return in excess of (less than) current support for operating activities	2,085,395	3,550,538	2,414	5,638,347	445,139
Change in value of split-interest agreements and beneficial interest in perpetual trust	249,332	(7,608)	1,179,579	1,421,303	506,713
Pension-related changes other than net periodic cost	(8,890)	-	-	(8,890)	247,973
Changes in net assets	31,428,956	(1,687,477)	1,201,472	30,942,951	(396,873)
Net assets					
Beginning of year	161,333,436	37,841,801	19,856,734	219,031,971	219,428,844
End of year	$ 192,762,392	$ 36,154,324	$ 21,058,206	$ 249,974,922	$ 219,031,971

The accompanying notes are an integral part of these financial statements.

Young Men's Christian Association of Greater New York
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Changes in net assets	$ 30,942,951	$ (396,873)
Adjustments to reconcile changes in net assets to cash provided by operating activities		
Realized and unrealized gain on investments	(7,788,423)	(2,270,042)
Provision for bad debts	1,318,292	629,583
Loss (gain) on disposal of property and equipment	419,650	(1,169,124)
Depreciation and amortization	13,522,605	13,275,749
Amortization of bond premium	(680,024)	(768,090)
Amortization of bond issue costs	73,359	69,170
Contributions restricted for long-term investment	(43,075)	(158,684)
Donated securities	(180,894)	(66,355)
Proceeds from sales of donated securities	109,196	61,113
Donated property and equipment	(26,546,606)	-
Change in value of split-interest agreements and beneficial interest in perpetual trust	(1,421,303)	(506,713)
Change in		
Contributions receivable, net	1,383,102	497,830
Government receivables, net	(555,945)	2,241,787
Other receivables, net	2,125,305	(693,275)
Debt service reserve	(3)	1,180
Deferred charges and other assets	(3,075,823)	(1,178,500)
Beneficial interest in perpetual trust	249,837	250,166
Accounts payable and accrued expenses	588,397	1,385,854
Accrued salaries and related expenses	(470,694)	655,126
Accrued liability for self-insured losses	1,060,165	426,048
Deferred revenue	517,045	591,119
Net cash provided by operating activities	11,547,114	12,877,069
Cash flows from investing activities		
Change in cash restricted for use for capital acquisitions	(16,096,253)	2,216,161
Proceeds from the sale of property and equipment	-	1,825,685
Purchase of property and equipment	(14,685,073)	(9,018,448)
Proceeds from the sale of investments	11,680,708	12,893,932
Purchase of investments	(11,951,502)	(12,272,528)
Net cash used in investing activities	(31,052,120)	(4,355,198)
Cash flows from financing activities		
Receipts from contributions restricted for long-term investment	1,251,166	1,044,934
Proceeds from sales of donated securities restricted for long-term investment	61,256	5,242
Repayment of capital lease obligations	(413,602)	(436,901)
Proceeds from issuance of debt obligations	20,000,000	-
Repayment of debt obligations	(2,919,300)	(2,792,800)
Payment of debt issuance costs	(75,402)	-
Net cash provided by (used in) financing activities	17,904,118	(2,179,525)
Net change in cash and cash equivalents	(1,600,888)	6,342,346
Cash and cash equivalents		
Beginning of year	22,399,053	16,056,707
End of year	$ 20,798,165	$ 22,399,053
Supplemental information		
Interest paid during the year	$ 4,102,547	$ 3,752,850
Property and equipment acquired through capital leases	865,206	164,103
Change in accrual for acquisition of property and equipment	897,824	1,804,187
Donated securities	180,894	66,355
Donated property and equipment	26,546,606	-

The accompanying notes are an integral part of these financial statements.

Young Men's Christian Association of Greater New York
Statement of Functional Expenses
Year Ended December 31, 2017 with Summarized Financial Information for the Year Ended December 31, 2016

	Program				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Subtotal	Management and General	Fundraising	2017 Total	2016 Total
Salaries and related expenses	$ 38,095,427	$ 38,095,574	$ 13,488,249	$ 89,679,250	$ 13,465,651	$ 2,078,431	$ 105,223,332	$ 100,948,902
Staff training and conferences	624,977	267,507	256,550	1,149,034	1,026,164	63,101	2,238,299	3,031,626
Contract services	8,466,609	3,367,253	13,694,679	25,528,541	2,552,322	638,953	28,719,816	27,533,810
Facility occupancy	3,291,775	3,462,445	2,455,409	9,209,629	265,204	474	9,475,307	10,805,430
Supplies and other	7,458,711	2,909,546	5,531,645	15,899,902	1,215,346	313,072	17,428,320	16,641,083
Repairs and maintenance	1,183,732	1,433,731	737,755	3,355,218	96,010	3,894	3,455,122	3,511,999
Insurance	1,653,430	1,451,795	755,528	3,860,753	222,059	-	4,082,812	5,314,071
Promotions and advertising	647,805	1,720,950	158,408	2,527,163	49,181	297,448	2,873,792	3,496,708
Interest	1,494,235	1,312,015	682,785	3,489,035	-	-	3,489,035	3,518,238
Depreciation and amortization	4,866,920	5,808,574	2,685,449	13,360,943	145,496	16,166	13,522,605	13,275,749
Total expenses	$ 67,783,621	$ 59,829,390	$ 40,446,457	$ 168,059,468	$ 19,037,433	$ 3,411,539	$ 190,508,440	$ 188,077,616

The accompanying notes are an integral part of these financial statements.

1. Organization

Background

The financial statements of the Young Men's Christian Association (YMCA) of Greater New York (the "Association") include the accounts of the Association Office and all of its branches.

The Association is a community service organization founded in 1852 for all New Yorkers to empower youth, improve health and strengthen community. The Association serves over 500,000 members and program participants each year at 22 full-service branches, one summer camp and more than 90 public schools, parks and community centers throughout the five boroughs. All Association programs teach the core values of caring, honesty, respect and responsibility and continue our 165-year tradition of emphasis upon youth, healthy lifestyles, adult education, community collaboration and problem solving. The Association is an open and inclusive organization and welcomes all people without discrimination on the basis of race, ethnicity, color, national origin, citizenship, creed, religion, age, abilities, sexual orientation or income.

The Association is supported primarily by membership dues and program fees, residence and related services, government contract revenues, and contributions.

Tax Exempt Status

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been determined not to be a private foundation under Section 509(a)(1) of the Code.

2. Accounting Policies

Basis of Accounting and Presentation

The financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such statements of financial position are presented in order of liquidity.

The preparation of financial statements in conformity with GAAP 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. The most significant estimates relate to the collectability and carrying value of receivables, self-insurance loss accruals and the assumptions associated with determining the defined benefit pension plan obligation.

Net Asset Accounting

The Association classifies operating revenues and public support, operating expenses and non-operating changes into three net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein, are classified and reported as follows:

Permanently restricted net assets consist primarily of contributions received subject to donor-imposed stipulations that they must be maintained in perpetuity and a beneficial interest in perpetual trust. Generally the donors of these assets permit the Association to use all or part of the income earned on the related investments for general or specific purposes. In certain cases donors require, and the Association records, appreciation, income, and/or changes in value of split-interest agreements on the donor-restricted endowment funds as permanently restricted net assets.

Temporarily restricted net assets include contributions subject to donor-imposed stipulations that expire with the passage of time, construction or acquisition of property and equipment, or specific actions to be undertaken by the Association. In addition, appreciation and income earned on certain donor-restricted endowment funds are classified as temporarily restricted net assets until appropriated for spending. Changes in value of the beneficial interest in perpetual trust and certain charitable gift annuities are classified as temporarily restricted net assets depending on the terms of the underlying agreements. Donor-restricted resources intended for capital projects are initially recorded as temporarily restricted and released from their temporary restrictions and reclassified as unrestricted support when the asset is placed in service. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support. Investment income earned on restricted contributions whose restrictions are met within the same year as received is reported as unrestricted investment income.

Unrestricted net assets include public support and revenues that are not subject to donor-imposed stipulations. All expenses are reported as decreases in unrestricted net assets.

Both income and principal of the board designated funds, which are included in unrestricted net assets, may be used by the Association with the Board of Director's approval.

Fair Value Accounting

The Association measures the fair value of its financial assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal market for the asset or liability. In the absence of a principal market, the Association would use the most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date.

The Association categorizes the financial assets and liabilities, based on the priority of inputs to the valuation technique, into a three tiered hierarchy which maximizes the use of observable inputs, and minimizes the use of unobservable inputs as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities. Included in Level 1 are equity securities, money market funds and mutual funds.

Level 2 Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities, quoted prices in markets that are not active. Included in Level 2 are debt securities. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 Unobservable inputs developed using estimates and assumptions developed by the Association, which reflect those a market participant would use. Included in Level 3 is the beneficial interest in perpetual trust. The fair values of the underlying securities in the trust are obtained from various sources including market participants, dealers and brokers.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

Market Approach – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

Cost Approach – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and

Income Approach – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The Association utilized the market approach to determine the fair value of its financial instruments in fiscal years 2017 and 2016.

Cash and Cash Equivalents

Cash and cash equivalents are short-term highly liquid investments with original maturities of three months or less at the time of purchase, except for those investments to be applied to specific purposes or included in the Association's long-term investment strategies. Included in cash and cash equivalents are amounts in excess of FDIC limits. Management believes the credit risk related to these amounts is minimal.

Cash and Cash Equivalents Restricted for Use for Capital Acquisitions

The Association classifies cash and cash equivalents as restricted when the cash equivalents are unavailable for general withdrawal or usage. The Association received cash in conjunction with the issuance of certain debt obligations in 2012 and 2015, which was held in cash or invested in cash equivalents and may only be used to acquire, construct or renovate assets under the terms of those debt agreements. In 2017, a portion of the proceeds from a term loan (see Note 7) was placed in a restricted cash account to be used by a developer for the La Central facility (see Note 7).

Contributions

The Association records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. The Association discounts multi-year pledges that are expected to be collected after one year using a risk adjusted discount rate. Multi-year pledges are recorded at fair value at the date of the pledge. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Uncollectible contributions receivable are charged to the allowance. An expense is recorded at the time the allowance is adjusted. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Government Contract Revenues
Contracts from government agencies that are exchange transactions are recorded as revenue is earned, which is generally when the related expenditures are incurred. The Association's government grants that are non-exchange transactions are recorded once all conditions are met. For government receivables, the allowance for doubtful accounts is determined by a monthly and semi-annual review of account balances, including the age of the balance, historical collection experience and specific identification of uncollectible accounts. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

Other Receivables
The Association extends credit to third party payers of child development, residence and other programs in the normal course of operations which are due within 90 days of the date of service. The Association also extends credit to its members enrolling in certain programs, such as summer and day camp, which are due in full prior to the start of the program. Receivables are recorded at estimated fair value at the time of origination, and are reflected in the statements of financial position net of allowances for doubtful accounts. The allowance for doubtful accounts is determined by a monthly review of account balances, including the age of the balance and historical collection experience. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted.

Investments
The fair value of investments in securities traded on national securities exchanges are valued at the closing price on the last business day of the year; securities traded on the over-the-counter market are valued at the last reported bid price. Investment transactions are accounted for on the dates the purchases or sales are executed (trade date). Realized gains and losses are computed on the average-cost basis for investments sold. Unrealized gains and losses are recorded on an annual basis. Dividend income is recorded on the ex-dividend date; interest income is recorded as earned.

Property and Equipment
The Association capitalizes the cost of improvements and new acquisitions of property and equipment, and depreciates and amortizes these costs using the straight-line method over the estimated remaining useful lives of the related assets as follows:

	Range of Estimated Useful Lives
Buildings and leasehold improvements	15-40
Furniture and fixtures	7-10
Equipment	3-7

Donated assets are recorded at their estimated fair value on the date of donation. Property and equipment under capital lease obligations and leasehold improvements are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Gains and losses are recognized in the statements of activities upon disposal of property and equipment.

Accounting for the Impairment of Long-Lived Assets
The Association reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the asset. During the years ended December 31, 2017 and 2016, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Split-Interest Agreements
The Association receives contributions in the form of charitable gift annuities, under which the Association agrees to pay the donor or the donor's designee a fixed amount for a period of time. Upon the death of the beneficiaries, the remaining assets will be distributed by the Association to itself. The fair value of the assets has been included in the Association's statements of financial position, and a corresponding liability has been recorded to reflect the present value of the required lifetime payments to the named beneficiaries using discount rates ranging from 1.2% to 5.0% for the years ended December 31, 2017 and 2016 in accounts payable and accrued liabilities in the statements of financial position. The difference between the fair value of the assets received and the present value of the obligation to named beneficiaries under the agreements is reported as unrestricted, temporarily restricted, or permanently restricted contribution revenue in the accompanying statements of activities. Realized and unrealized gains and losses, and interest and dividend revenue from the investments are also recorded as non-operating changes in the accompanying statements of activities. Payments of the obligations are reflected as adjustment to the liability. Amortization of discounts and changes in actuarial assumptions are reflected in the statements of activities as change in value of split-interest agreements.

The Association has a beneficial interest in a perpetual trust whereby the assets are held in perpetuity by a third party trustee. The asset is recorded in the accompanying statements of financial position at the fair value of the underlying trust assets as the Association is the sole beneficiary of the trust. Net appreciation (depreciation) of the beneficial interest in perpetual trust is recorded as a change in value of beneficial interest in perpetual trust in temporarily restricted and permanently restricted net assets in accordance with the trust agreement.

Defined Benefit Pension Plan
The Association follows pension accounting which requires plan sponsors of defined benefit pension plans to recognize the overfunded or underfunded status of its plan in the statements of financial position, measure the fair value of plan assets and benefit obligations as of the fiscal year ends, and provide additional disclosures. Changes that occur in the funded status of the plans are recognized by the Association in the year in which the changes occur as a change in unrestricted net assets presented below excess of operating revenues and public support over operating expenses in the statements of activities.

Measure of Operations
The Association includes in its definition of measure of operations, excess of operating revenues and public support over operating expenses, all support and revenues that are an integral part of its programs and supporting activities. Included in operating revenues and public support, is an amount earned on the Association's investment portfolio developed from the endowment spending formula and interest income. Excluded from operating revenues and public support and expenses are investment returns in excess of or less than the endowment spending formula amount, changes in value of split-interest agreements and beneficial interest in perpetual trust, and changes

in pension other than net periodic pension cost. The endowment spending rate formula amount included in current operations is 5 percent of the trailing average fair value of the endowment investment portfolio for the 20 quarters ended the prior June 30th.

Donated Services
A substantial number of corporations and volunteers have donated significant amounts of time and services in the Association's program operations and in its fund-raising campaigns. However, such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America and, accordingly, are not reflected in the accompanying financial statements. Other donated services are recorded in the financial statements if they enhance nonfinancial assets, are provided by a person possessing a specific skill and the Association would need to purchase these services if not donated.

Not-for-profit organizations may receive an unconditional contribution related to the use of long-lived assets such as a building or facilities in which the donor retains legal title to the long-lived asset. The not-for-profit should recognize the fair value of the use of this property as contribution revenue in the period in which the contribution is received and expenses in the period the long-lived assets are used. During February 2014, the Association started renting the Rockaway branch at no cost, which continued until it was acquired in 2017. As a result, the Association recognized $945,000 in contributed use of a building for the year ended December 31, 2016. See Note 7.

Deferred Revenue
Membership, residence program and other program fees paid to the Association in advance are recorded as deferred revenue. The Association recognizes revenue from membership, residence program and other program fees over the period to which the fees relate.

Functional Expenses
The Association records expenses on a functional basis among its various program activities and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly. Other expenses that are common to several functions are allocated by various statistical bases. Program activities represent the costs associated with the delivery of programs relating to youth development, healthy living and social responsibility.

Recent Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance is effective for the Association in fiscal year 2018. The Association is evaluating the impact this standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented. A full retrospective transition approach is not permitted. This guidance is effective for the Association in fiscal year 2019, with early application permitted. The Association is evaluating the impact this standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*, which makes targeted changes to the not-for-profit reporting model. Under the new guidance, not-for-profit entities will present in the statement of financial position and statement of activities two classes of net assets, rather than the current three. Disclosures will be enhanced about: (a) the amounts and purposes of governing board net asset designations; (b) quantitative and qualitative information regarding the management of liquid resources; (c) functional expenses and the related allocation methodology; and (d) underwater endowments. Investment return will be reported net of certain investment expenses and breakout of the investment return components will no longer be required. This guidance is effective for the Association for fiscal year 2018, with early application permitted. The Association is evaluating the impact this standard will have on the financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows,* which impacts the presentation of restricted cash on the statement of cash flows. The new guidance requires that the reconciliation of the beginning-of-period and end-of-period amounts shown in the statement of cash flows include restricted cash and cash equivalents. If restricted cash is presented separately from cash and cash equivalents on the statement of financial position, the Association will be required to reconcile the amounts presented on the statement of cash flows to the amounts on the statement of financial position. It will also be required to disclose information about the nature of the restrictions. This guidance is effective for the Association in fiscal year 2019, with early adoption permitted. The Association is evaluating the impact this standard will have on the financial statements.

In March 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable. The guidance is effective for the Association in fiscal year 2019, with early adoption permitted. The Association is evaluating the impact this standard will have on the financial statements.

Summarized Comparative Information
The financial statements include certain prior year summarized comparative information in total but not by net asset class and functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

3. Contributions Receivable

Contributions receivable comprised the following at December 31:

	2017	2016
Amounts due in		
Less than one year	$ 1,574,886	$ 2,267,078
One to five years	810,023	1,790,500
	2,384,909	4,057,578
Less:		
Allowance for uncollectible accounts	50,218	81,750
Unamortized discount	51,753	106,291
Contributions receivable, net	$ 2,282,938	$ 3,869,537

Included in contributions receivable above were approximately $500,000 and $700,000 in various capital campaign pledges as of December 31, 2017 and 2016, respectively.

4. Government Receivables

The Association receives grants from various government entities for human services and capital improvements. Government receivables comprised the following at December 31:

	2017	2016
Construction or acquisition of property and equipment	$ -	$ 1,000,000
Program services	6,451,955	5,896,010
	6,451,955	6,896,010
Less: Allowance for uncollectible accounts	350,000	312,819
Government receivables, net	$ 6,101,955	$ 6,583,191

5. Fair Value Measurements

The following table presents information as of December 31, 2017 about the Association's financial assets that are measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash equivalents restricted for capital acquisitions				
Money market mutual funds	$ 5,430,696	$ -	$ -	$ 5,430,696
Debt service reserve				
Money market mutual funds	7,046,647	-	-	7,046,647
Investments				
Investments - other than charitable gift annuity related				
Equity securities				
Common Stocks				
US large	7,721,349	-	-	7,721,349
US mid	4,379,285	-	-	4,379,285
US small	3,550,251	-	-	3,550,251
Non US	2,660,591	-	-	2,660,591
Mutual funds	27,945,992	-	-	27,945,992
	46,257,468	-	-	46,257,468
Debt securities				
Bonds and notes				
Corporate bonds and notes	-	4,108,480	-	4,108,480
US debt securities	-	122,619	-	122,619
Non US	-	131,975	-	131,975
Mutual funds	4,249,865	-	-	4,249,865
	4,249,865	4,363,074	-	8,612,939
Money market funds	911,853	-	-	911,853
	51,419,186	4,363,074	-	55,782,260
Charitable gift annuity related investments				
Equity securities mutual funds	229,501	-	-	229,501
Debt securities mutual funds	188,867	-	-	188,867
Commodity mutual funds	9,428	-	-	9,428
Non-traditional mutual funds	13,516	-	-	13,516
Money market funds	15,003	-	-	15,003
	456,315	-	-	456,315
	51,875,501	4,363,074	-	56,238,575
Beneficial interest in perpetual trust	-	-	9,626,177	9,626,177
	$ 64,352,844	$ 4,363,074	$ 9,626,177	$ 78,342,095

The following table presents information as of December 31, 2016 about the Association's financial assets that are measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Cash equivalents restricted for capital acquisitions				
Money market mutual funds	$ 9,431,750	$ -	$ -	$ 9,431,750
Debt service reserve				
Money market mutual funds	7,046,644	-	-	7,046,644
Investments				
Investments - other than charitable gift annuity related				
Equity securities				
Common Stocks				
US large	6,174,015	-	-	6,174,015
US mid	5,136,796	-	-	5,136,796
US small	3,122,179	-	-	3,122,179
Non US	2,396,399	-	-	2,396,399
Mutual funds	21,939,941	-	-	21,939,941
	38,769,330	-	-	38,769,330
Debt securities				
Bonds and notes				
Corporate bonds and notes	-	5,861,623	-	5,861,623
US debt securities	-	131,108	-	131,108
Non US	-	412,055	-	412,055
Mutual funds	1,732,522	-	-	1,732,522
	1,732,522	6,404,786	-	8,137,308
Money market funds	832,149	-	-	832,149
	41,334,001	6,404,786	-	47,738,787
Charitable gift annuity related investments				
Equity securities mutual funds	214,717	-	-	214,717
Debt securities mutual funds	182,019	-	-	182,019
Commodity mutual funds	8,598	-	-	8,598
Non-traditional mutual funds	12,971	-	-	12,971
Money market funds	16,418	-	-	16,418
	434,723	-	-	434,723
	41,768,724	6,404,786	-	48,173,510
Beneficial interest in perpetual trust	-	-	8,443,504	8,443,504
	$ 58,247,118	$ 6,404,786	$ 8,443,504	$ 73,095,408

	Level 3 Beneficial Interest in Perpetual Trust	
	2017	2016
Beginning balances	$ 8,443,504	$ 8,165,776
Change in value of beneficial interest in perpetual trust	1,432,510	527,894
Distributions from trust	(249,837)	(250,166)
Ending balances	$ 9,626,177	$ 8,443,504

The Association's policy is to recognize transfers in and out of Level 3 as of the end of the year or change in circumstances that caused the transfer. There were no transfers between levels for the years ended December 31, 2017 and 2016.

6. Investment Return

Components of investment income and appreciation (depreciation) included in operating revenues and public support and non-operating changes were as follows:

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Investment income, net of management fees of $285,133 in 2017 and $271,564 in 2016, respectively	$ 981,086	$ 739,344	$ 784	$ 1,721,214	$ 938,930
Realized appreciation, net	893,869	743,714	397	1,637,980	112,369
Unrealized appreciation, net	3,341,602	2,806,824	2,017	6,150,443	2,157,673
Total return on investments	5,216,557	4,289,882	3,198	9,509,637	3,208,972
Return allocated for current activities	(981,086)	(739,344)	(784)	(1,721,214)	(938,930)
Endowment support for current activities	(2,150,076)	-	-	(2,150,076)	(1,824,903)
Investment return in excess of (less than) current support for operating activities	$ 2,085,395	$ 3,550,538	$ 2,414	$ 5,638,347	$ 445,139

The Association was required under New York and New Jersey state laws to invest minimum pre-determined amounts of up to $365,392 and $374,212 for December 31, 2017 and 2016, respectively, for charitable gift annuities in segregated accounts, and was in compliance with the state requirements.

7. Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Land	$ 14,235,464	$ 12,835,464
Buildings and improvements	393,055,695	354,674,033
Equipment (includes capital leased assets of $2,084,615 in 2017 and $1,472,649 in 2016, respectively)	49,878,697	48,933,178
Furniture and fixtures	14,388,046	13,744,520
Leasehold improvements	294,357	294,357
Construction in progress	2,531,838	1,382,726
	474,384,097	431,864,278
Less: Accumulated depreciation and amortization	(216,310,120)	(202,842,755)
Property and equipment, net	$ 258,073,977	$ 229,021,523

Depreciation expense was $13,522,605 and $13,275,749 for the years ended December 31, 2017 and 2016, respectively.

In June 2011, the Association entered into a below-market lease agreement for 40 years with the owner of a Coney Island property and the developer of that property to lease a branch facility that would be built-to-suit for the Association on that site. The lease term commenced upon substantial completion of construction of the facility in March 2014. The Association's lease payments for 40 years ($2,200,000) were paid in advance in June 2011. The facility is reflected in the financial statements as Building and Improvements which is being amortized over the 40 year term of the lease. Because the Association's obligations under the lease were prepaid and the remainder of the value is being contributed by the developer, no lease obligation is reflected. A temporarily restricted contribution from the developer of $19,157,456 was recognized in 2014 that is being released from restriction ratably over the lease term. The lease contains an option for the Association to buy the branch facility at the end of the lease term for fair market value.

In December 2017, the Association acquired the Rockaway Facility from the developer for approximately $1.9 million, which was significantly below the estimated fair market value of the facility of $29,100,000. The facility had been placed in service in February 2014, and the Association was previously operating under a use agreement with the developer and recording an in-kind contribution for the fair value of the rental value received in excess of a nominal amount of rental use paid. Upon transfer of title and rights to the facility under the purchase agreement, an unrestricted contribution of approximately $26,500,000 was recognized representing the excess of the fair value of the facility over the purchase price paid at closing and previously capitalized costs (approximately $2.6 million).

In December 2017, the Association entered into a below-market lease agreement for 41 years with the owner of a Bronx property and the developer of that property to lease the La Central branch facility that would be built for the Association on that site. The lease term is scheduled to commence upon substantial completion of construction of the facility, which is estimated to occur in 2020. The Association's lease payments for 41 years ($18,500,000) were placed into a restricted cash account with the developer's banker and will be drawn down by said banker during development of the facility. Although the restricted cash is included in the statement of financial position as of December 31, 2017, the Association has no ability to transact on the account. Because the Association's obligations under the lease were effectively prepaid, no lease obligation is reflected. The lease contains an option for the Association to buy the branch facility at the end of the lease term for fair market value.

8. Insurance Program

The Association maintains comprehensive general liability insurance coverage to limit the Association's exposure to claims above specified per occurrence amounts. Under current accounting guidance it is the Association's policy to accrue an estimate of the ultimate cost of claims under its insurance policy whether the policy is fully insured or a self-insurance policy. The accrued liability is based on the estimated cost of settlement, including an amount determined from reports of individual cases and an additional amount for losses incurred but not yet reported, based on estimates by management using an independent actuarial report. The accrued liability for self-insured and insured losses as of December 31, 2017 and 2016 were $7,581,703 and $6,521,538, respectively. In addition, any insurance recoverable under such policy is recorded as a receivable. As of December 31, 2017 and 2016, the Association has recorded $4,728,597 and $2,847,831, respectively, in deferred charges and other assets.

9. Debt Obligations

Debt obligations consisted of the following at December 31:

	2017	2016
Build NYC Resource Corporation Series 2012 Bonds	$ 39,405,000	$ 42,215,000
Build NYC Resource Corporation Series 2015 Bonds	42,320,000	42,320,000
JPMorgan Chase Bank Term Loan	20,000,000	-
State Dormitory bonds, 5.55%, due 8/15/2020	324,300	433,600
	102,049,300	84,968,600
Less: Bond issuance costs, net of accumulated amortization of $305,834 and $232,475 in 2017 and 2016, respectively	(1,693,499)	(1,691,456)
Plus: Unamortized premium on bonds	4,329,721	5,009,745
Total debt obligations	$ 104,685,522	$ 88,286,889

As of December 31, 2017, the aggregate maturities of debt obligations are as follows:

	Series 2012 Bonds	Series 2015 Bonds	JPMorgan Chase Bank Term Loan	State Dormitory Bonds	Total
2018	$ 2,945,000	$ -	$ 20,000,000	$ 114,200	$ 23,059,200
2019	3,095,000	-	-	119,100	3,214,100
2020	3,255,000	-	-	91,000	3,346,000
2021	2,430,000	-	-	-	2,430,000
2022	775,000	1,525,000	-	-	2,300,000
Thereafter	26,905,000	40,795,000	-	-	67,700,000
	$ 39,405,000	$ 42,320,000	$ 20,000,000	$ 324,300	$ 102,049,300

On June 28, 2012, Build NYC issued $49,995,000 of Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), the proceeds of which have been used to finance and refinance a portion of the cost to construct, renovate, and replace infrastructure at various facilities of the Association. The Series 2012 Bonds bear fixed interest rate of 4% and 5% and are due from August 1, 2014 through August 1, 2042.

On November 4, 2015, Build NYC issued $42,320,000 of Revenue Bonds, Series 2015 (the "Series 2015 Bonds"), the proceeds of which have been used, to finance and refinance a portion of the cost to construct, renovate, and replace infrastructure at the various facilities of the Association. The Series 2015 Bonds bear fixed interest rate of 3.25%, 4% and 5% and are due from August 1, 2022 through August 1, 2040.

In December 2017, the Association entered into a Term Loan Agreement with JPMorgan Chase Bank for $20,000,000 to finance the lease payments for the La Central branch being built in the Bronx by the developer of the property. The term loan bears interest at LIBOR plus a margin of 2%, and is due September 18, 2018. Downward adjustments in the Association's credit rating by Moody's or S&P could increase the LIBOR margin. The Association intends to issue long term bonds prior to its maturity to refinance the Term Loan.

Amortization of bond issuance costs is calculated on a straight-line basis over the life of the bonds.

The loan agreements for the Series 2012 Bonds and the Series 2015 Bonds contain various covenants including the maintenance of a certain debt service coverage ratio. The Association is required to manage the excess of operating revenues and support over operating expenses for the Series 2012 Bonds and the Series 2015 Bonds such that the unrestricted excess of operating revenues and support over operating expenses plus interest expense, and depreciation and amortization expense, less net assets released from temporarily restricted net assets for capital purposes, is greater than 1.15 times annual debt service payments, as defined by the loan agreement. The Association was in compliance with these financial covenants at December 31, 2017 and 2016.

The Term Loan agreement with JPMorgan contains various covenants including limitations on borrowings. The Association was in compliance with financial covenants at December 31, 2017.

In the fall of 2000, the State Dormitory Authority sold bonds which named the Association's capital project to purchase property and build a new facility in Staten Island, New York. The final phase of the State's program calls for a loan to be held by the Association on the property. Debt service on this mortgage is paid to the State Dormitory Authority, the entity which sold the tax-exempt bonds. Payment on this mortgage will be made over a period of 20 years by the Staten Island Counseling program's operating budget through annual funding provided by the NYS Office of Alcoholism and Substance Abuse Services, the agency which provides funding to the program's operation. The State Dormitory Bonds were issued in 2002 at an interest rate of 5.55%, and the balance due at December 31, 2017 and 2016 were $324,300 and $433,600, respectively. The liability to the Association is connected to the debt service on the loan. Upon conclusion of this Loan Agreement, the land with all improvements remains the unencumbered property of the Association.

In June 2012, The Association signed a $5,000,000 uncollateralized working capital line of credit with JP Morgan Chase Bank, initially maturing June 30, 2013, which has renewed for additional years through June 30, 2018. The line of credit bears interest at the Chase Bank Prime rate or LIBOR plus .95. There was no balance outstanding on this line of credit as of December 31, 2017 or 2016.

10. Pension Plans

Defined Contribution Plan

The Association participates in The YMCA Retirement Fund 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 Internal Revenue Code of 1986, as amended, and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both Retirement Fund Plans are sponsored by the Young Men's Christian Association Retirement Fund ("Fund"). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of the 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 defined contribution plans, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the agreement with the Fund, contributions are a percentage of the participating employees' salaries and are paid by the Association. Total contributions charged to retirement costs were $4,537,682 and $4,602,240 in 2017 and 2016, respectively.

Defined Benefit Plan

Certain hourly employees of the Association have participated in a defined benefit plan (the "Plan") which is no longer available for participation by new employees. The benefits are based on years of service. The Association's funding policy is to contribute annually an amount which equals or exceeds the minimum funding requirements of the Employee Retirement Income Security Act of 1974. The following tables set forth the Plan's funded status and amounts recognized in the Association's financial statements at December 31, 2017 and 2016:

	2017	2016
Change in benefit obligation		
Benefit obligation at beginning of year	$ 2,540,332	$ 2,952,952
Interest cost	90,080	96,398
Actuarial (gain) loss	409,432	(58,074)
Benefits paid	(216,506)	(237,540)
Settlements	-	(213,404)
Benefit obligation at end of year	2,823,338	2,540,332
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	2,378,269	2,328,756
Actual return on plan assets	352,611	74,052
Employer contribution	400,000	426,405
Benefits paid	(216,506)	(237,540)
Settlements paid	-	(213,404)
Fair value of plan assets at end of year	2,914,374	2,378,269
Funded status	$ 91,036	$ (162,063)
Amounts recognized in the statements of financial position consist of		
Deferred charges and other assets	$ 91,036	$ -
Accrued salaries and related expense	-	(162,063)
Net amounts recognized	$ 91,036	$ (162,063)
Amounts recognized in net unrestricted assets consist of		
Net loss	$ 1,298,540	$ 1,289,650
Net amounts recognized in net unrestricted assets	$ 1,298,540	$ 1,289,650
Information for pension plans with an accumulated benefit obligation in excess of plan assets		
Projected benefit obligation	n/a	$ 2,540,332
Accumulated benefit obligation	n/a	2,540,332
Fair value of plan assets	n/a	2,378,269
Components of net periodic benefit (credit) cost		
Interest cost	$ 90,080	$ 96,398
Expected return on plan assets	(156,605)	(166,904)
Amortization of loss	204,536	171,147
Settlement charge	-	111,604
Net periodic benefit cost	138,011	212,245
Nonoperating changes recognized in net unrestricted net assets		
Unrecognized loss	213,426	34,778
Amortization of loss	(204,536)	(171,147)
Effect of settlement on loss	-	(111,604)
Total recognized in nonoperating changes	8,890	(247,973)
Total recognized in net periodic benefit cost and net unrestricted net assets	$ 146,901	$ (35,728)
Weighted average assumptions used to determine benefit obligations at measurement date		
Discount rate	3.20 %	3.50 %

	2017	2016
Weighted average assumptions used to determine net periodic benefit cost		
Discount rate		
Current Year	3.50 %	
Prior to 9/30/2016 settlement		3.70 %
After 9/30/2016 settlement		2.80 %
Expected return on assets	7.00 %	7.00 %
Amounts in net unrestricted assets expected to be recognized in net periodic benefit cost next year		
Amortization of unrecognized net loss	$ 74,711	$ 74,612

The expected return assumption is based upon historical returns and expectations for future returns for the asset classes in which the plan is invested.

Expected Future Benefit Payments

The following benefit payments, which reflect future service, as appropriate, are expected to be paid:

2018	$ 239,822
2019	227,244
2020	215,028
2021	204,833
2022	195,732
2023-2027	803,992

The investment policy of the Plan seeks to achieve both appreciation of capital and current income through investment in a fund that includes a diversified portfolio of publicly traded common stocks, equity type securities, debt securities and short-term money market instruments.

Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2017:

Description	Fair Value Measurements at December 31, 2017 Using			
	Level 1	Level 2	Level 3	Total
Equity securities				
Exchange traded products	$ 627,722	$ -	$ -	$ 627,722
Mutual funds	1,527,665	-	-	1,527,665
	2,155,387	-	-	2,155,387
Debt securities				
Exchange traded products	138,696	-	-	138,696
Mutual funds	572,858	-	-	572,858
	711,554	-	-	711,554
Money market funds	47,433	-	-	47,433
	$ 2,914,374	$ -	$ -	$ 2,914,374

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

Description	Fair Value Measurements at December 31, 2016 Using			
	Level 1	Level 2	Level 3	Total
Equity securities				
Exchange traded products	$ 376,431	$ -	$ -	$ 376,431
Mutual funds	1,139,099	-	-	1,139,099
	1,515,530	-	-	1,515,530
Debt securities				
Exchange traded products	253,349	-	-	253,349
Mutual funds	485,302	-	-	485,302
	738,651	-	-	738,651
Money market funds	124,088	-	-	124,088
	$ 2,378,269	$ -	$ -	$ 2,378,269

11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	2016
Construction or acquisition of property and equipment	$ 1,489,831	$ 3,926,507
Program services	34,664,493	33,915,294
Temporarily restricted net assets	$ 36,154,324	$ 37,841,801

Temporarily restricted net assets released from restrictions for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
Construction or acquisition of property and equipment	$ 2,453,080	$ 537,159
Program services	4,245,760	4,388,090
Released from restricted net assets	$ 6,698,840	$ 4,925,249

Permanently restricted net assets of $21,058,206 and $19,856,734 on December 31, 2017 and 2016, respectively, relate to assets donated with stipulations that they be invested to provide a permanent source of income.

12. Endowments

Endowments

On September 17, 2010, New York State adopted a state version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("NYPMIFA") and the disclosure requirements under GAAP became applicable. This law governs management and spending of donor-restricted endowment funds and permanently restricted gifts. NYPMIFA and disclosure requirements have been adopted by the Association.

The Association's endowment consists of approximately 80 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Also included in the endowment are the beneficial interest in perpetual trust and charitable gift annuities. Net unrealized losses on permanently restricted endowment funds are classified as a reduction to unrestricted net assets until such time as the fair value equals or exceeds historic dollar value. Unrestricted net assets were reduced by $117,400 for such losses in the years ended December 31, 2016.

Charitable gift annuity endowment net assets are reported net of annuity obligations to beneficiaries included in accounts payable and accrued expenses in the accompanying statements of position of $228,740 and $236,546 at December 31, 2017 and 2016, respectively.

Return Objectives and Risk Parameters

The Association adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the agreed upon benchmarks while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

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 investments to achieve its long-term return objectives with prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Association has a policy for donor restricted and board designated funds of appropriating for distribution each year 5 percent of its endowment investment fund's average fair value over the prior 20 quarters through June 30th preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. The Association's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Interpretation of Relevant Law
The Board of Directors of the Association has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) 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.

In accordance with NYPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds. (1) the duration and preservation of the donor-restricted endowment fund, (2) the asset's special relationship of value, if any, to the charitable purpose of the Association, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, (7) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the donor-restricted endowment fund, giving due consideration to the effect that such alternatives may have on the Association and (8) the investment policies of the Association.

In accordance with current New York State law, the remaining portion of the donor restricted endowment that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by NYPMIFA.

At December 31, 2017, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 13,915,826	$ 11,431,925	$ 25,347,751
Board-designated endowment funds	30,840,999	-	-	30,840,999
Beneficial interest in trust	-	-	9,626,177	9,626,177
Charitable gift annuities	105,359	122,112	104	227,575
Total funds	$ 30,946,358	$ 14,037,938	$ 21,058,206	$ 66,042,502

Changes in endowment net assets for the year ended December 31, 2017, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net assets for year ended December 31, 2017				
Endowment net assets, beginning of year	$ 26,598,020	$ 10,761,518	$ 19,856,734	$ 57,216,272
Investment return				
Investment income, net of management and custodian fees and other expenses	883,744	739,344	784	1,623,872
Unrealized and realized appreciation, net	4,235,471	3,550,538	2,414	7,788,423
Total investment return	5,119,215	4,289,882	3,198	9,412,295
Contributions	375,119	7,975	18,695	401,789
Appropriation of endowment assets for expenditure	(1,146,487)	(1,003,589)	-	(2,150,076)
Distributions from beneficial interest in trust	(249,837)	-	-	(249,837)
Change in value of split-interest agreements and beneficial interest in perpetual trust	249,332	(7,608)	1,179,579	1,421,303
Other	996	(10,240)	-	(9,244)
Endowment net assets, end of year	$ 30,946,358	$ 14,037,938	$ 21,058,206	$ 66,042,502

At December 31, 2016, the endowment net asset composition by type of fund consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (117,400)	$ 10,678,449	$ 11,413,230	$ 21,974,279
Board-designated endowment funds	26,600,312	-	-	26,600,312
Beneficial interest in trust	-	-	8,443,504	8,443,504
Charitable gift annuities	115,108	83,069	-	198,177
Total funds	$ 26,598,020	$ 10,761,518	$ 19,856,734	$ 57,216,272

Changes in endowment net assets for the year ended December 31, 2016, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in endowment net assets for year ended December 31, 2016				
Endowment net assets, beginning of year	$ 25,133,834	$ 10,054,968	$ 19,562,221	$ 54,751,023
Investment return				
Investment income, net of management and custodian fees and other expenses	487,242	421,256	588	909,086
Unrealized and realized appreciation, net	1,105,588	1,164,005	449	2,270,042
Total investment return	1,592,830	1,585,261	1,037	3,179,128
Contributions	824,692	-	16,785	841,477
Appropriation of endowment assets for expenditure	(964,248)	(860,655)	-	(1,824,903)
Distributions from beneficial interest in trust	(250,166)	-	-	(250,166)
Change in value of split-interest agreements and beneficial interest in perpetual trust	248,078	(18,056)	276,691	506,713
Other	13,000	-	-	13,000
Endowment net assets, end of year	$ 26,598,020	$ 10,761,518	$ 19,856,734	$ 57,216,272

13. Contingencies and Commitments

The Association receives fees and grants from various federal, state and city government agencies for services performed under contracts. Such contracts are subject to governmental compliance audits and may, from time to time, result in adjustments to fees and grants received. In the opinion of the Association the disposition of all such matters would not have a material adverse effect on the Association's financial position or changes in its net assets.

The Association has entered into various operating leases for program facilities and equipment. In addition, the Association has entered into various other lease arrangements that are recorded as capital leases and accordingly, are reflected in property and equipment and obligations under capital leases in the accompanying statements of financial position.

A summary of the estimated future minimum lease and rental payments as of December 31, 2017 is as follows:

	Capital Leases	Operating Leases	Total
2018	$ 488,767	$ 2,988,583	$ 3,477,350
2019	355,778	1,858,894	2,214,672
2020	265,667	1,056,814	1,322,481
2021	128,334	470,833	599,167
2022	-	347,190	347,190
Thereafter	-	604,490	604,490
Total minimum payments	1,238,546	$ 7,326,804	$ 8,565,350
Less: Amount representing interest	(78,404)		
Present value of minimum lease payments	$ 1,160,142		

Total rent expense was $4,436,169 in 2017 and $5,616,103 in 2016.

The Association had received grant funding from the New York City Economic Development Corporation (the "City") which supported building improvements at the Bedford, Bronx, Flatbush, Harlem, Long Island City, North Brooklyn and Prospect Park branches. The City has encumbered these branches with performance mortgages for 20 years (Long Island City, Harlem, North Brooklyn, and Flatbush) or restrictive covenants for 30 years (Bedford, Bronx and Prospect Park).

The primary difference between a performance mortgage and a restrictive covenant concerns the remedy available to the City to ensure that the property is used in conformance with the purpose for which City funds were provided, or an alternative use acceptable to the City. A performance mortgage is remedy-specific, meaning that the City has the right to "foreclose" on the property in order to enforce the use of the property; the City or its designee can provide the required services. A restrictive covenant enables the City to compel the Association to provide the required services.

The Association is involved in various litigations arising in the ordinary course of business. In the opinion of management, the disposition of all such matters should not have a material adverse effect on the Association's financial position or changes in its net assets.

14. Subsequent Events

In preparing these financial statements, management has evaluated and disclosed all material subsequent events up through May 21, 2018, which is the date that the financial statements were issued.