

WATERTOWN FAMILY YMCA, INC.
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FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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WATERTOWN FAMILY YMCA, INC.

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POULSEN & PODVIN, CPA, P.C.

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Watertown Family YMCA, Inc.

We have audited the accompanying statements of financial position of Watertown Family YMCA, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Watertown Family YMCA, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2011, on our consideration of Watertown Family YMCA, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Poulsen & Podvin, CPA, P.C.

March 26, 2010

WATERTOWN FAMILY YMCA, INC.
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STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Cash and cash equivalents	\$ 962,798	\$ 430,824
Unconditional promises to give net of allowance of \$16,000 and \$-0- (Note 2)	735,476	23,677
Accounts receivable - grants and contracts	75,454	124,346
Accrued interest receivable	89	1,562
Inventory	2,094	7,691
Prepaid expenses	32,061	38,474
Cash restricted for payment of property taxes	-	12,250
Investments (Note 3)	327,716	606,064
Property and equipment, net (Note 4)	5,430,289	5,094,202
Deferred loss on sale/leaseback (Note 5)	<u>144,637</u>	<u>154,305</u>
TOTAL ASSETS	<u>\$ 7,710,614</u>	<u>\$ 6,493,395</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 33,306	\$ 27,605
Accrued expenses	26,009	19,994
Notes Payable (Note 6)	1,199,333	1,400,248
Deferred revenue (Note 7)	<u>111,078</u>	<u>68,082</u>
Total Liabilities	<u>1,369,726</u>	<u>1,515,929</u>
NET ASSETS		
Unrestricted		
Designated by Board		
Unemployment reserve	64,859	64,853
Capital reserve	131,761	459,015
Blue Sharks reserve	11,024	10,330
Ground lease	22,703	22,701
Undesignated	(60,070)	(944,472)
Fixed assets	<u>5,430,289</u>	<u>5,094,202</u>
Total Unrestricted	<u>5,600,566</u>	<u>4,706,629</u>
Temporarily Restricted (Note 8)	498,162	28,677
Permanently Restricted (Note 9)	<u>242,160</u>	<u>242,160</u>
Total Net Assets	<u>6,340,888</u>	<u>4,977,466</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,710,614</u>	<u>\$ 6,493,395</u>

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

WATERTOWN FAMILY YMCA, INC.
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STATEMENTS OF ACTIVITIES
FOR YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
UNRESTRICTED NET ASSETS		
Unrestricted revenues and gains		
Contributions	\$ 853,947	\$ 289,543
Federated fundraising	49,584	54,347
Government and other contracts	415,290	345,882
Membership dues and program income	2,947,030	2,748,966
Rental income	112,579	110,697
Sales and commissions	23,949	16,725
Investment income	9,651	16,245
Realized and unrealized gain on investments	29,597	42,041
Miscellaneous revenue	22,763	40,140
Net assets released from restrictions (Note 8)	<u>28,677</u>	<u>22,679</u>
 Total Unrestricted Revenues and Gains	 <u>4,493,067</u>	 <u>3,687,265</u>
 Expenses		
Program services		
Downtown YMCA activities	969,244	933,549
Carthage YMCA activities	436,202	331,548
Fairgrounds YMCA activities	978,133	957,227
School age child care	904,124	878,139
Supporting services		
Administrative	228,004	232,560
Fundraising	<u>83,423</u>	<u>-</u>
 Total Unrestricted Expenses	 <u>3,599,130</u>	 <u>3,333,023</u>
 Increase in Unrestricted Net Assets	 <u>893,937</u>	 <u>354,242</u>
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions		
Federated fundraising	30,417	23,677
Capital Campaign	467,745	5,000
Net assets released from restrictions (Note 8)	<u>(28,677)</u>	<u>(22,679)</u>
 Increase in Temporarily Restricted Net Assets	 <u>469,485</u>	 <u>5,998</u>
 Increase in Net Assets	 1,363,422	 360,240
Net Assets - Beginning of Year	<u>4,977,466</u>	<u>4,617,226</u>
Net Assets - End of Year	<u>\$ 6,340,888</u>	<u>\$ 4,977,466</u>

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

WATERTOWN FAMILY YMCA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010						Total
	Program Services			Supporting Services			
	Downtown YMCA Activities	Outreach YMCA Activities	Fairgrounds YMCA Activities	Child Care	Admin- istrative	Fund- raising	
Salaries and wages	\$ 494,536	\$ 271,808	\$ 467,057	\$ 598,584	\$ 75,238	\$ 26,404	\$ 1,933,627
Employee benefits	71,095	34,582	64,691	73,328	18,165	1,807	263,668
Total salary and related expenses	565,631	306,390	531,748	671,912	93,403	28,211	2,197,295
Conferences and conventions	2,427	1,147	3,285	1,450	839	-	9,148
Contractual services	15,274	2,233	3,222	-	22,904	-	43,633
Dues	24,177	4,450	20,000	15,000	7,266	-	70,893
Financing	15,201	2,904	49,347	2,708	5,978	-	76,138
Fundraising expense	6,459	-	9,841	-	369	3,332	20,001
Occupancy	127,700	26,987	167,556	5,400	22,767	-	350,410
Insurance	8,962	5,799	30,331	11,070	25,528	-	81,690
Postage and shipping	5,135	1,854	1,341	2,258	-	281	10,869
Printing, publications and promotion	1,976	2,418	-	1,481	3,950	-	9,825
Supplies and other program expense	85,772	50,282	81,020	92,098	984	-	310,156
Telephone	5,485	3,859	1,951	2,976	-	409	14,680
Travel and employee expense	5,357	3,498	7,228	5,238	7,979	1,143	30,443
Administration	16,173	5,416	20,049	9,407	17,000	50,047	118,092
Bad debt expense	-	-	-	-	16,000	-	16,000
Total Operating Expenses before Depreciation and Amortization	885,729	417,237	926,919	820,998	224,967	83,423	3,359,273
Depreciation and amortization expense	83,515	18,965	51,214	83,126	3,037	-	239,857
Total Operating Expenses	<u>\$ 969,244</u>	<u>\$ 436,202</u>	<u>\$ 978,133</u>	<u>\$ 904,124</u>	<u>\$ 228,004</u>	<u>\$ 83,423</u>	<u>\$ 3,599,130</u>

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

	2009						Total
	Program Services				Supporting Services		
	Downtown YMCA Activities	Carthage YMCA Activities	Fairgrounds YMCA Activities	School Age Child Care	Admin- istrative	Fund- raising	
Salaries and wages	\$ 476,885	\$ 202,723	\$ 449,730	\$ 586,195	\$ 99,480	\$ -	\$ 1,815,013
Employee benefits	66,842	28,436	59,530	72,912	19,854	-	247,574
Total salary and related expenses	543,727	231,159	509,260	659,107	119,334	-	2,062,587
Conferences and conventions	136	2,064	1,110	1,780	1,418	-	6,508
Contractual services	15,056	2,321	2,389	-	20,207	-	39,973
Dues	25,414	4,669	20,698	15,560	6,716	-	73,057
Financing	13,228	1,967	32,274	2,931	2,261	-	52,661
Fundraising expense	3,628	-	8,463	1,486	-	-	13,577
Occupancy	135,093	21,533	234,686	7,560	4,779	-	403,651
Insurance	8,803	5,698	27,441	10,875	26,258	-	79,075
Postage and shipping	3,876	893	3,212	1,441	-	-	9,422
Printing, publications and promotion	2,098	1,690	-	1,728	4,522	-	10,038
Supplies and other program expense	78,162	33,677	67,398	81,666	82	-	260,985
Telephone	6,424	3,861	2,758	2,989	113	-	16,145
Travel and employee expense	5,079	2,167	5,372	7,320	5,862	-	25,800
Administration	14,162	3,559	16,048	9,475	36,555	-	79,799
Bad debt expense	-	-	-	-	-	-	-
Total Operating Expenses before Depreciation and Amortization	854,886	315,258	931,109	803,918	228,107	-	3,133,278
Depreciation and amortization expense	78,663	16,290	26,118	74,221	4,453	-	199,745
Total Operating Expenses	<u>\$ 933,549</u>	<u>\$ 331,548</u>	<u>\$ 957,227</u>	<u>\$ 878,139</u>	<u>\$ 232,560</u>	<u>\$ -</u>	<u>\$ 3,333,023</u>

WATERTOWN FAMILY YMCA, INC.

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STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,363,422	\$ 360,240
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	230,189	190,077
Amortization of deferred loss	9,668	9,668
Realized gain on investments	(3,982)	(3,700)
Unrealized gain on investments	(25,615)	(38,341)
Non-cash contribution	-	(168,500)
(Increase) decrease in operating assets		
Unconditional promises to give	(711,799)	-
Accounts receivable - grants and contracts	48,892	(33,831)
Accrued interest receivable	1,473	6,819
Inventory	5,597	(4,951)
Prepaid expenses	6,413	10,103
Cash restricted for payment of property taxes	12,250	(12,250)
Increase (decrease) in operating liabilities		
Accounts payable	5,701	(15,098)
Accrued expenses	6,015	6,369
Deferred revenue	42,996	(73,798)
Net Cash Provided by Operating Activities	<u>991,220</u>	<u>232,807</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(120,740)	(293,010)
Sale or maturity of investments	428,685	651,524
Purchase of property and equipment	(566,276)	(876,269)
Net Cash Used by Investing Activities	<u>(258,331)</u>	<u>(517,755)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principle note	(200,915)	(28,680)
Net Cash Used by Financing Activities	<u>(200,915)</u>	<u>(28,680)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	531,974	(313,628)
Cash and Cash Equivalents - Beginning of Year	<u>430,824</u>	<u>744,452</u>
Cash and Cash Equivalents - End of Year	<u>\$ 962,798</u>	<u>\$ 430,824</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 41,768	\$ 22,836
Cash paid during the year for income taxes	-	-
Gifts of property and equipment	-	168,500

There were no noncash financing or investing activities during the year ended December 31, 2010.

Noncash investing and financing activities during the year ended December 31, 2009 consisted of financing the cost of acquiring two buildings through three notes payable of \$1,400,000

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

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Watertown Family YMCA, Inc. (YMCA) is a non-profit organization, which originated in 1855 and was chartered in 1870. The Organization operates a recreational/athletic facility and also offers various childcare services and health education programs to the general public. Most of the YMCA's funding is received from membership and special program fees. During 2004, the Organization opened a recreational/athletic facility in Carthage, NY. The Carthage Youth Club conveyed the property to the YMCA under an agreement dated June 28, 2004.

In May of 2006 the organization entered into a two year lease arrangement for a facility located at 585 Rand Drive in Watertown, then known as Ultimate Goal. The lease was extended for a third year while the YMCA awaited approval from New York State related to a ground lease as the facility is located on New York State parkland. During 2009, this ground lease was approved by the State and the City of Watertown and the YMCA completed the purchase of the facility from the previous owners, the Watertown Savings Bank. The facility, renamed the Fairgrounds YMCA, includes two indoor playing fields for lacrosse, soccer and football, a gymnasium, two racquetball courts, a fitness center, a dance studio and a gymnastics center.

In June of 2009 the YMCA purchased the building and property at 514 Washington Street in Watertown. The YMCA ran a capital campaign in 2010 which will supply the funds necessary to eliminate the debt created by the purchase and allow for the facility to be converted into a day care for 80 – 100 children. This facility was renovated during 2010 and opened in January 2011.

By motion of the Board of Directors the Watertown YMCA now operates programs through four branches named the Downtown YMCA – 119 Washington Street, Watertown, the Fairgrounds YMCA – 585 Rand Drive, Watertown, YMCA SACC – 585 Rand Drive, Watertown, and the Outreach YMCA – 250 State Street, Carthage.

A. Youth Programs

The YMCA's Youth Programs are designed to help children develop specific skills, build self-esteem, learn values, make friends, and have fun in a safe, well-supervised environment. Programs include youth sports leagues and clinics, fitness programs, parent/child programs, babysitting certification and a teen center.

YMCA Youth Programs serve over 6,500 youths between the ages of 6 months and 17 years.

B. Aquatic Programs

Annually, the YMCA Aquatic Programs serve a variety of age groups, from toddler to senior citizen. Hundreds of children are enrolled in YMCA swim lessons each program session. In addition to lessons, the YMCA offers an extensive lap and recreation swim program, as well as a very popular water exercise class for seniors and arthritics. Also, the YMCA pool is used for pool parties. The YMCA also has a competitive swim team known as the Blue Sharks, which utilizes pools at Wiley and Watertown High School. Over 80 youth swim competitively with the team and parent volunteers are involved in the management of the team and in the operation of swim meets.

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

C. School Age Child Care Program

The YMCA School Age Child Care (SACC) Program was designed to provide a safe, caring, and fun environment each day after school for children of working parents. SACC offers a variety of activities for children grades K-6 in 18 school sites located in 7 school districts in Jefferson County. With over 900 children enrolled in SACC, over 400 children are served each day. This program has become a very popular alternative to sending youngsters home alone every day after school.

The SACC department is also the service provider for a Watertown City School District Extended Day Care program operating out of Case Middle School. The program involves 25-40 youths from grades 5 and 6 at Wiley and grades 7 and 8 at Case Middle School each day. Program goals include violence prevention and academic upgrading.

D. Gateway Financial Assistance Program

The YMCA Gateway Assistance Program's goal is to remove financial barriers impacting accessibility to YMCA membership programs and YMCA SACC services. The Program was able to assist with the payment of SACC fees for 205 children from 202 different families. The program was also used to assist 1,602 individuals including 376 families involving 772 children to become a part of the YMCA membership and for 296 children to participate in programs like soccer leagues, gymnastics, dance and more. The value of the YMCA assistance for SACC is \$130,000, for membership it is \$189,171 and for programs it is \$26,670, for a total of \$345,841.

E. Health and Physical Education Programs

Since its beginning, the YMCA has provided youth and adults with programs and facilities to build strong and healthy bodies. Primarily offered to its members, which has grown to over 9,400, the Health and Education Programs are provided to the community through programs operating in the Fitness Centers, aerobics studios and gymnasiums at all three locations and in the pools and Ready to be Fit center at the Downtown YMCA.

F. Community Building

The YMCA, with funding support from Fort Drum and Armed Services YMCA of the USA, operates a program called Strong Communities. This program operates in communities outside of Fort Drum. Its goal is to improve the quality of life for military families by raising their awareness of programs and services available in their host communities.

G. Volunteers

The YMCA could not operate without the support and guidance of its volunteers. The YMCA receives over 750 hours of policy and committee support from 25 volunteers, 1200 hours of assistance with special events from 200 volunteers, another 9000 hours of support from over 200 sports team coaches, and 400 hours from 200 quilters throughout New York State for the Operation Kid Comfort program.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Pledges

Pledges, including unconditional promises to give, are recorded when received. All pledges are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

Endowment contributions and investments are permanently restricted by the donor. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

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.

Cash and Cash Equivalents

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contributions and Net Assets

Contributions received as well as collectible unconditional promises to give (pledges receivable) are recognized in the period received and are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence and/or nature of any donor restriction. Net assets of the Organization and changes therein are classified and reported as follows:

Permanently Restricted – permanently restricted net assets represent bequests or donations with donor imposed restrictions that can never be removed. Earnings on the YMCA permanently restricted funds have been specified by the donors to be used for operational purposes.

Temporarily Restricted – temporarily restricted net assets have donor-imposed restrictions that end with either the passage of time or when a purpose restriction is accomplished. At the time the restriction ends, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Unrestricted – unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

Fixed Assets

Fixed assets are recorded at cost or at established fair value at date of gift. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred; renewals and betterments greater than or equal to \$2,000 are capitalized.

The net fixed asset balances have been recorded as a separate component in unrestricted net assets.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Donated Services, Materials and Facilities

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying Statements of Activities because the criteria for recognition of such volunteer effort do not meet the criteria for recognition.

Concentration of Credit Risk

The Organization maintains cash in demand deposits with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. At December 31, 2010 and 2009, there were no deposits in excess of federally insured limits.

Fair Value of Financial Statements

The carrying amounts of cash and cash equivalents, accounts receivable – grants and contracts and unconditional promises to give (pledges) and other receivables to be received in less than one year approximate fair value because of the short maturity of those financial instruments. Pledges that are receivable in more than one year approximate fair value because they have been discounted at an appropriate interest rate. See Note 2. The net carrying amounts of investments are fair value. See Note 15.

Subsequent Events

The Organization has evaluated subsequent events through March 26, 2011, the date which the financial statements were available to be issued. In January, 2011, the YMCA opened a day care facility located at 514 Washington Street, Watertown.

WATERTOWN FAMILY YMCA, INC.
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 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2 – PROMISES TO GIVE

Unconditional promises to give consists of the following:

	<u>2010</u>	<u>2009</u>
United Way Services	\$ 30,417	\$ 23,677
Restricted for Capital Campaign	<u>801,089</u>	<u>-</u>
Gross unconditional promises to give	831,506	23,677
Less: Unamortized discount	(80,030)	-
Less: Allowance for uncollectible promises	<u>(16,000)</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 735,476</u>	<u>\$ 23,677</u>
Amounts due in:		
Less than one year	\$ 283,731	
One to five years	<u>547,775</u>	
	<u>\$ 831,506</u>	

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

The amount due from United Way Services consists of the following:

	<u>2010</u>	<u>2009</u>
Allocation for the next fiscal year		
General allocation	<u>\$ 30,417</u>	<u>\$ 23,677</u>

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 3 – INVESTMENTS

The following investments were held by the YMCA at December 31, 2010 and 2009, and are recorded at fair-market value.

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Operating Funds:				
Certificates of Deposit	\$ -	\$ -	\$ 365,000	\$ 365,590
Corporate Stock	20,194	20,559		
Total Operating Funds	<u>20,194</u>	<u>20,559</u>	<u>365,000</u>	<u>365,590</u>
Non-operating Funds:				
Mutual Funds	27,566	35,439	27,566	30,196
Certificates of Deposit	32,000	32,593	57,000	58,128
Corporate Stock	175,470	204,687	110,419	119,458
Franklin Income Series - Mixed	35,151	34,438	35,151	32,692
Total Non-operating Funds	<u>270,187</u>	<u>307,157</u>	<u>230,136</u>	<u>240,474</u>
Total Operating and Non-operating Funds	<u>\$ 290,381</u>	<u>\$ 327,716</u>	<u>\$ 595,136</u>	<u>\$ 606,064</u>

The following depicts the availability of non-operating funds:

	<u>2010</u>			<u>2009</u>		
	<u>Cash</u>	<u>Invest- ments</u>	<u>Total</u>	<u>Cash</u>	<u>Invest- ments</u>	<u>Total</u>
Non-operating funds	\$ 8,441	\$ 307,157	\$ 315,598	\$ 89,434	\$ 240,474	\$ 329,908
Less:						
Unexpendable - Permanent Endowments	<u>-</u>	<u>(242,160)</u>	<u>(242,160)</u>	<u>-</u>	<u>(242,160)</u>	<u>(242,160)</u>
Unrestricted expendible funds	<u>\$ 8,441</u>	<u>\$ 64,997</u>	<u>\$ 73,438</u>	<u>\$ 89,434</u>	<u>\$ (1,686)</u>	<u>\$ 87,748</u>

WATERTOWN FAMILY YMCA, INC.
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 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

NOTE 4 – PROPERTY AND EQUIPMENT

The major categories of property and equipment as of December 31 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 131,000	\$ 131,000
Buildings and improvements	4,819,424	4,360,229
Leasehold improvements	2,395,829	2,352,585
Furniture, fixtures and equipment	<u>792,540</u>	<u>728,703</u>
 Total Property and Equipment	 8,138,793	 7,572,517
 Less: Accumulated Depreciation	 <u>(2,708,504)</u>	 <u>(2,478,315)</u>
 Net Property and Equipment	 <u>\$ 5,430,289</u>	 <u>\$ 5,094,202</u>

NOTE 5 – DEFERRED LOSS

In 1985, the YMCA gave title to their building to Bugbee Housing Development Fund Company so that it could obtain financing through HUD for the construction of low-income housing. The YMCA leases the building back from Bugbee Housing for \$1 per year. This deferred loss on the sale/leaseback is being amortized over 40 years, which represents the life of the agreement. Upon termination of the agreement, title to the building reverts back to the YMCA.

Amortization expense was \$9,668 for each of the years ended December 31, 2010 and 2009.

The following shows the net deferred loss on sale/leaseback:

	<u>2010</u>	<u>2009</u>
Deferred Loss on Sale/Leaseback	\$ 386,714	\$ 386,714
Less: Accumulated Amortization	<u>(242,077)</u>	<u>(232,409)</u>
 Net Deferred Loss on Sale/Leaseback	 <u>\$ 144,637</u>	 <u>\$ 154,305</u>

WATERTOWN FAMILY YMCA, INC.
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 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

NOTE 6 – NOTES PAYABLE

Notes payable consisted of the following:

	2010	2009
Watertown Savings Bank, monthly payments of \$1,097, including interest currently at 7.5%, maturing June 1, 2011. Paid off in 2010.	\$ -	\$ 16,442
Watertown Savings Bank, monthly payments of \$3,322, including interest currently at 5.75%, maturing August 1, 2024.	374,040	391,352
Watertown Local Development Corp., monthly payments of \$3,163, including interest currently at 5%, maturing August 1, 2024.	375,293	392,454
Watertown Local Development Corp., annual payment of \$150,000, including interest currently at 1%, maturing September 1, 2013.	450,000	600,000
	\$ 1,199,333	\$ 1,400,248

Maturities of notes payable are as follows:

Years ending December 31,	
2011	\$ 188,416
2012	190,529
2013	192,760
2014	45,113
2015	47,597
Thereafter	534,918
Total	\$ 1,199,333

NOTE 7 – DEFERRED REVENUE

Unexpended grant money at December 31 was composed of the following:

	2010	2009
Various grants - Project Strong	\$ -	\$ 10,000
Various grants - AYPYN	82,363	25,997
Various grants - CASE Program	15,594	-
Watertown City School - Extended Day Program	5,995	29,087
Gift certificates	4,546	2,998
Other	2,580	-
Total Deferred Revenue	\$ 111,078	\$ 68,082

WATERTOWN FAMILY YMCA, INC.
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 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2010 AND 2009

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2010</u>	<u>2009</u>
United Way of NNY - period after December 31	\$ 30,417	\$ 23,677
Capital Campaign	467,745	5,000
	<u>\$ 498,162</u>	<u>\$ 28,677</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2010</u>	<u>2009</u>
Expiration of time restrictions - United Way Services	\$ 23,677	\$ 22,679
Purpose restriction accomplished - contribution allowable expenditures	5,000	-
	<u>\$ 28,677</u>	<u>\$ 22,679</u>

NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Endowments	<u>\$ 242,160</u>	<u>\$ 242,160</u>

NOTE 10 – RETIREMENT PLAN

The Organization maintains a deferred contribution pension plan, qualified under Internal Revenue Code 403(b), for the benefit of its eligible employees. At present, the Organization matches employee contributions up to a maximum of 6% of employee gross earnings. Contributions to the Plan for the years ended December 31, 2010 and 2009 were \$20,641 and \$21,056, respectively.

NOTE 11 – RENTAL INCOME

The Organization receives rental income from different parties on a short-term basis.

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 12 – OPERATING LEASES

Fairgrounds YMCA

The Organization entered into a lease with the Watertown Sports Complex, LLC on February 24, 2006 for the former Ultimate Goal sports and fitness center located on Rand Drive, Jefferson County Fairgrounds, Watertown. The initial lease term was for twelve-months beginning May 8, 2006 and ending April 30, 2007. The Organization exercised their option to renew the lease for an additional twelve month period beginning May 1, 2007 and again on May 1, 2008. As stated within the agreement, if the Landlord decides to sell its interest in the premises, the Organization will have an option to purchase the property. During 2009, the Organization exercised their option to purchase the Fairgrounds facility in the amount of \$1,645,486. The Organization financed this purchase through the issuance of two notes payable in the amount of \$400,000 each, a charitable contribution from the Landlord of \$168,500 and cash of \$676,986. Rent expense was \$0 and \$80,140 for the years ended December 31, 2010 and 2009, respectively.

Ground lease

The organization has an operating lease with the City of Watertown for the property in which the Fairgrounds facility is located. This lease commenced on July 9, 2009, and will expire on December 31, 2033. It has an option to renew for an additional 15 years upon approval by the State Legislature. For the first year, monthly lease expense is \$2,000 and is payable in quarterly installments. For each of the next four calendar years, semi-annual lease payments are required in the aggregate of \$12,000. Commencing in 2014 and every five years there-after, the lease payments will increase by 7.5%. Rent expense was \$24,000 and \$12,000 for the years ended December 31, 2010 and 2009, respectively.

Future minimum payments under this lease are as follows:

Years ending December 31,	
2011	\$ 24,000
2012	24,000
2013	24,000
2014	25,800
2015	25,800
Thereafter	<u>557,458</u>
	<u>\$ 681,058</u>

Parking Lot

The Organization entered into a lease for parking spaces at the Downtown location which began on April 1, 2008 and will expire on April 1, 2011. The lease calls for a payment of \$6,000 for the first year and is increased by 3% for each year thereafter. Rent expense for the years ended December 31, 2010 and 2009 were \$6,365 and \$6,135, respectively.

Future minimum payments under this lease are as follows:

Year ending December 31, 2011	<u>\$ 1,605</u>
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WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Operating Lease

The Organization entered into a lease for a copier which began on October 19, 2010, and will expire on October 19, 2013. Rental expense for this lease consisted of \$407 for the year ended December 31, 2010.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2010, are:

Years ending December 31,	
2011	\$ 1,992
2012	1,992
2013	<u>1,660</u>
	<u>\$ 5,644</u>

NOTE 13 – COMMITMENTS

The Organization entered into a four year agreement with the New York State Zoo, whereby the Zoo agrees to provide \$5,000 of education services to the Organization in return for a payment of \$20,000 from the Organization. The education services commenced on January 1, 2009. At December 31, 2010 and 2009, the Organization has a prepaid in the amount of \$10,540 and \$15,535, respectively, for the payment made to the Zoo.

NOTE 14 – ENDOWMENTS

The Organization's endowment consists of various donor-specified funds and are subject to donor restrictions. The Deline endowment stipulates that the original principal of the gift is to be held and invested by the Organization indefinitely and income from the fund is to be expended for membership scholarships. The purpose and history of the remaining endowment balance is unknown.

The Organization has 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. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce a minimum rate of return of 5% per year after taking into account inflation costs and fees, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

In order to achieve the long-term objective of the Organization, it has recommended that the annual spending from all endowment funds be restricted to between 4 and 5.5 percent of a three year average of the fair market value of the funds.

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

The composition of endowment net assets as of December 31, 2010 and 2009 are as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Deline	\$ 10,641	\$ -	\$ 15,000	\$ 25,641
Other	62,797	-	227,160	289,957
Endowment net assets, December 31, 2010	\$ 73,438	\$ -	\$ 242,160	\$ 315,598
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds:				
Deline	\$ 9,071	\$ -	\$ 15,000	\$ 24,071
Other	78,677	-	227,160	305,837
Endowment net assets, December 31, 2009	\$ 87,748	\$ -	\$ 242,160	\$ 329,908

The changes in endowment net assets as of December 31, 2010 and 2009 are as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2010	\$ 87,748	\$ -	\$ 242,160	\$ 329,908
Contributions				-
Investment income	6,723	-	-	6,723
Net appreciation	30,217	-	-	30,217
Transfer to capital reserve account	(50,000)	-	-	(50,000)
Expenditures	(1,250)	-	-	(1,250)
Endowment net assets, December 31, 2010	\$ 73,438	\$ -	\$ 242,160	\$ 315,598
	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2009	\$ 39,647	\$ -	\$ 242,160	\$ 281,807
Contributions	-	-	-	-
Investment income	8,110	-	-	8,110
Net appreciation	41,048	-	-	41,048
Transfer to capital reserve account	-	-	-	-
Expenditures	(1,057)	-	-	(1,057)
Endowment net assets, December 31, 2009	\$ 87,748	\$ -	\$ 242,160	\$ 329,908

WATERTOWN FAMILY YMCA, INC.
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

NOTE 15 – FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2010 and 2009 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2010</u>				
Investments	\$ 327,716	\$ 327,716	\$ -	\$ -
<u>December 31, 2009</u>				
Investments	\$ 606,064	\$ 606,064	\$ -	\$ -

Fair value of investments is determined by reference to quoted market prices and other relevant information generated by market transactions.

POULSEN & PODVIN, CPA, P.C.

Certified Public Accountants

145 Clinton St.

Watertown NY 13601

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees of
Watertown Family YMCA, Inc.

We have audited the financial statements of Watertown Family YMCA, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Watertown Family YMCA, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Watertown Family YMCA, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Watertown Family YMCA, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Watertown Family YMCA, Inc. in a separate letter dated March 26, 2011

This report is intended solely for the information and use of management, Board of Directors, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Poulsen & Podvin, CPA, P.C.

March 26, 2011