

HOBART FAMILY YMCA, INC.

Financial Statements

Years Ended December 31, 2014 and 2013

(With Independent Auditor's Report)

HOBART FAMILY YMCA, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hobart Family YMCA, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hobart Family YMCA, Inc. (an Indiana nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hobart Family YMCA, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and our report dated September 23, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wieland & Company, Inc.

Batavia, Illinois
September 30, 2015

HOBART FAMILY YMCA, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 140,556	\$ 147,881
<u>PROPERTY AND EQUIPMENT</u>		
Land	87,237	87,237
Building and Improvements	2,101,322	2,101,322
Equipment	218,048	204,397
Vehicle	39,523	39,523
	<u>2,446,130</u>	<u>2,432,479</u>
Less Accumulated Depreciation	<u>(1,205,658)</u>	<u>(1,148,900)</u>
<u>NET PROPERTY AND EQUIPMENT</u>	1,240,472	1,283,579
<u>OTHER ASSETS</u>		
Legacy Fund	<u>20,228</u>	<u>19,061</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,401,256</u>	<u>\$ 1,450,521</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 26,622	\$ 26,699
Accrued Expenses	22,128	24,642
Deferred Revenue	29,574	34,942
Current Portion of Mortgage Note Payable	<u>63,219</u>	<u>60,744</u>
<u>TOTAL CURRENT LIABILITIES</u>	141,543	147,027
<u>LONG-TERM LIABILITIES</u>		
Mortgage Note Payable, Less Current Portion	915,730	979,800
<u>NET ASSETS</u>		
Unrestricted	316,933	284,101
Temporarily Restricted	6,822	20,532
Permanently Restricted	20,228	19,061
<u>TOTAL NET ASSETS</u>	343,983	323,694
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,401,256</u>	<u>\$ 1,450,521</u>

See Accompanying Notes to Financial Statements.

HOBART FAMILY YMCA, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)

	Year Ended December 31, 2014				2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<u>SUPPORT AND REVENUES</u>					
Contributions and Grants	\$ 162,397	\$ 310	\$ 690	\$ 163,397	\$ 159,634
Membership Fees, Less Low Income Subsidy (2014, \$84,320; 2013, \$61,200)	557,774	–	–	557,774	630,213
Program Service Fees					
Preschool and Childcare	157,326	630	–	157,956	178,511
Sports and Recreation	95,455	7,497	–	102,952	117,919
Special Events	32,156	7,725	–	39,881	8,509
Other Income	2,389	–	–	2,389	4,092
Interest and Dividends	470	–	–	470	320
Realized Gains in Endowment Fund	–	–	500	500	222
Unrealized Gains (Losses) in Endowment Fund	–	–	(23)	(23)	1,043
Donated Facilities	36,000	–	–	36,000	36,000
Net Assets Released from Time Restrictions	29,936	(29,936)	–	–	–
	<u>1,073,903</u>	<u>(13,774)</u>	<u>1,167</u>	<u>1,061,296</u>	<u>1,136,463</u>
<u>TOTAL SUPPORT AND REVENUES</u>					
<u>EXPENSES</u>					
Program Services					
Membership and Program	565,024	–	–	565,024	597,015
Preschool and Childcare	302,498	–	–	302,498	323,669
Total Program Services	867,522	–	–	867,522	920,684
Supporting Services					
General and Administrative	149,599	–	–	149,599	154,518
Fundraising	23,886	–	–	23,886	25,923
Total Supporting Services	173,485	–	–	173,485	180,441
	<u>1,041,007</u>	<u>–</u>	<u>–</u>	<u>1,041,007</u>	<u>1,101,125</u>
<u>TOTAL EXPENSES</u>					
<u>INCREASE (DECREASE) IN NET ASSETS</u>	32,896	(13,774)	1,167	20,289	35,338
<u>NET ASSETS, BEGINNING OF YEAR</u>	284,037	20,596	19,061	323,694	288,356
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 316,933</u>	<u>\$ 6,822</u>	<u>\$ 20,228</u>	<u>\$ 343,983</u>	<u>\$ 323,694</u>

See Accompanying Notes to Financial Statements.

HOBART FAMILY YMCA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

(With Summarized Financial Information for the Year Ended December 31, 2013)

	Year Ended December 31, 2014							
	Program Services			Support Services			Total 2014 Expenses	2013 Total
	Membership and Program	Preschool and Child Care	Total Program Services	General and Administrative	Fundraising	Total Support Services		
Advertising and Promotion	\$ 652	\$ 156	\$ 808	\$ -	\$ 403	\$ 403	\$ 1,211	\$ 4,830
Auditing and Tax Preparation	-	-	-	6,000	-	6,000	6,000	2,500
Awards and Grants	-	-	-	1,250	-	1,250	1,250	2,997
Contracted Services	2,538	12,751	15,289	6,336	3,168	9,504	24,793	12,906
Depreciation	30,536	16,460	46,996	8,854	908	9,762	56,758	62,437
Insurance	15,128	2,017	17,145	2,017	1,009	3,026	20,171	26,747
Interest	22,070	11,896	33,966	6,399	657	7,056	41,022	56,327
Miscellaneous	5,825	3,140	8,965	1,689	174	1,863	10,828	12,995
National Dues	12,643	6,815	19,458	3,666	376	4,042	23,500	23,846
Occupancy								
Donated Facilities	-	36,000	36,000	-	-	-	36,000	36,000
Repairs, Maintenance and Other	47,685	6,357	54,042	6,358	3,179	9,537	63,579	89,024
Utilities	63,401	8,459	71,860	8,500	4,230	12,730	84,590	86,995
Office Supplies and Printing	5,454	2,940	8,394	1,582	162	1,744	10,138	12,400
Personnel Costs:								
Salaries and wages	251,712	135,703	387,415	73,215	7,611	80,826	468,241	466,400
Employee Benefits	20,143	10,858	31,001	5,841	598	6,439	37,440	37,434
Payroll Taxes	17,164	9,252	26,416	4,977	510	5,487	31,903	37,193
Professional Fees	-	-	-	2,538	-	2,538	2,538	-
Program Supplies	38,909	21,423	60,332	-	-	-	60,332	63,294
Rentals	26,997	14,552	41,549	7,828	803	8,631	50,180	54,710
Telephone and Postage	3,302	1,780	5,082	957	98	1,055	6,137	9,608
Training and Conferences	865	1,939	2,804	1,592	-	1,592	4,396	2,482
	<u>\$ 565,024</u>	<u>\$ 302,498</u>	<u>\$ 867,522</u>	<u>\$ 149,599</u>	<u>\$ 23,886</u>	<u>\$ 173,485</u>	<u>\$ 1,041,007</u>	<u>\$ 1,101,125</u>

See Accompanying Notes to Financial Statements.

HOBART FAMILY YMCA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Increase in Net Assets	\$ 20,289	\$ 35,338
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	56,758	62,437
Increase (Decrease) in:		
Accounts Payable	(77)	11,828
Accrued Expenses	(2,514)	5,138
Deferred Revenue	(5,368)	4,942
	<u>69,088</u>	<u>119,683</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Net Increase in Legacy Fund	(1,167)	(3,096)
Cash Payments for Property and Equipment	(13,651)	(26,166)
	<u>(14,818)</u>	<u>(29,262)</u>
<u>NET CASH USED IN INVESTING ACTIVITIES</u>		
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal Payments on Mortgage Payable	(61,595)	(67,549)
	<u>(61,595)</u>	<u>(67,549)</u>
<u>NET CASH USED IN FINANCING ACTIVITIES</u>		
<u>NET INCREASE (DECREASE) IN CASH</u>		
	(7,325)	22,872
<u>CASH AT BEGINNING OF YEAR</u>		
	<u>147,881</u>	<u>125,009</u>
<u>CASH AT END OF YEAR</u>		
	<u>\$ 140,556</u>	<u>\$ 147,881</u>
<u>SUPPLEMENTARY DISCLOSURES</u>		
Cash Paid for Interest Expense	<u>\$ 34,655</u>	<u>\$ 54,564</u>

See Accompanying Notes to Financial Statements.

HOBART FAMILY YMCA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

The Hobart Family YMCA, Inc. (the Organization) is a non-profit service organization promoting positive values through well-being and fitness programs, camps, swimming lessons, and sports opportunities for people of all ages, income levels and abilities. The Organization offers a variety of programs to the community on a paid membership basis, primarily at the comprehensive facility it owns and operates in Hobart, Indiana. It also offers child care programs at facilities provided by the School City of Hobart and River Forest Community School Corporation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

BASIS OF PRESENTATION

The accompanying financial statements report the assets, liabilities, revenues and expenses of the Organization using the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

CASH AND CONCENTRATIONS OF RISK

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2014 and 2013, there were no cash equivalents. The Organization maintains its cash with high quality financial institutions and deposits occasionally exceed federally insured limits.

PROMISES TO GIVE AND REVENUE RECOGNITION

Grants, gifts and member contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor for specific programs or activities are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Revenues from activities and events promoted to raise funds for specific programs or activities are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities. Restricted contributions are reported as increases in unrestricted net assets if the restrictions expire or are met in the fiscal year in which the contribution is recognized.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. There were no conditional promises to give existing at December 31, 2014 and 2013. Membership and program fees constitute exchanges for services and, accordingly, are recognized when earned.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. There were no accounts receivable at December 31, 2014 and 2013.

HOBART FAMILY YMCA, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

DEFERRED REVENUE

Membership and program fees paid in advance are recorded as deferred revenue and recognized as earned income over the respective fee periods.

CAPITALIZATION AND DEPRECIATION

Depreciation and amortization is provided for using the straight-line method in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service life of the assets for depreciation and amortization purposes may be different than their actual economic useful lives.

	<u>Estimated Life</u>
Building and Improvements	7 – 39 years
Equipment	5 – 10 years

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There have been no impairment losses recognized through December 31, 2014.

CONTRIBUTED SERVICES, GOODS AND FACILITIES

The Organization receives donated services from numerous unpaid volunteers assisting with program and fundraising efforts. No amounts have been recognized in the financial statements for the value of such volunteer efforts because the criteria for recognition under accounting principles generally accepted in the United States of America have not been met.

The Organization records the value of donated goods and the usage of facilities at estimated fair values at the date received.

INCOME TAXES

The Organization is tax exempt under Internal Revenue Code Section 501 (c) (3), is classified as a public charity and has no unrelated business income. Accordingly, no provision for income taxes is reported. The years ended December 31, 2011 through 2014 remain subject to examination by the taxing authorities.

The financial statement effects of a tax position taken or expected to be taken are recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of December 31, 2014, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

HOBART FAMILY YMCA, INC.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and supporting services of the Organization have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the functional categories benefited.

SPECIAL EVENTS REVENUE

Special events revenue is shown net of costs of direct benefits which totaled \$36,918 and \$4,425 during the years ended December 31, 2014 and 2013, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of the Organization's short-term financial instruments, including cash, receivables, payables and accrued expenses arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior year summarized financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should only be read in conjunction with the Organization's financial statements as of and for the year ended December 31, 2013, from which the summarized financial information was derived.

NOTE 3 – NET ASSET RESTRICTIONS

Temporarily Restricted Net Assets

Temporarily restricted net assets of \$6,822 and \$20,596 at December 31, 2014 and 2013, respectively, represent net proceeds from events and activities sponsored to benefit specific programs and activities of the Organization.

HOBART FAMILY YMCA, INC.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

DECEMBER 31, 2014

NOTE 3 – NET ASSET RESTRICTIONS - (Continued)

Permanently Restricted Net Assets

In 2006 the Organization created an endowment fund with the Legacy Foundation to provide long term support for its mission. Contributions to the fund and net capital gains are permanently restricted for the purpose of generating investment income to help fund the Organization. The amount of the endowment was \$20,228 and \$19,061 at December 31, 2014 and 2013.

NOTE 4 – UNEMPLOYMENT COMPENSATION SELF-INSURANCE PROGRAM

Certain nonprofit employers have an option to finance the payment of unemployment benefits. One alternative, “the regular-contributions method,” provides for quarterly payments in the form of a tax to the Indiana Employment Security Division. The second alternative, “the reimbursement method, is in essence a self-insurance program.

The Organization has elected “the reimbursement method” and under this method, the employer must reimburse the state the full amount of regular benefits and one-half the extended benefits paid to claimants in the event an employee becomes unemployed. The Board has designated a portion of the current unrestricted fund balance as a reserve for this contingency. The amount of such funds is not significant relative to the Organization’s total net assets.

NOTE 5 – PENSION PLAN

The Organization participates in a defined-contribution retirement plan covering participating salaried employees. Contributions are a percentage of the employees’ salary and are shared between the employer and employee. The trustee of the multi-employer plan is the Young Men’s Christian Association Retirement Fund. Pension expense totaled \$13,088 and \$13,103 for the years ended December 31, 2014 and 2013, respectively.

NOTE 6 – MORTGAGE NOTE PAYABLE

The mortgage note payable to Peoples Bank totaled \$978,949 and \$1,040,544 at December 31, 2014 and 2013, respectively. The mortgage was refinanced in July 2013 and the annual rate was decreased from 6.0% to 4.0%. The note is payable in monthly installments of \$8,438, including at 4.00%, with the balance due on June 21, 2018. The mortgage is secured by the Organization’s facility in Hobart, Indiana.

Future annual maturities of the mortgage note are as follows at December 31, 2014:

2015	\$	63,219
2016		65,794
2017		68,475
2018		<u>784,461</u>
	\$	<u>978,949</u>

HOBART FAMILY YMCA, INC.

NOTES TO THE FINANCIAL STATEMENTS – (Continued)

DECEMBER 31, 2014

NOTE 7 – LEASE COMMITMENTS

The Organization leases office and fitness equipment under operating lease agreements which expire on various dates throughout 2018. Rent expense totaled \$50,180 and \$54,710 for the years ended December 31, 2014 and 2013, respectively.

Minimum future lease payments are as follows at December 31, 2014:

2015	\$ 50,753
2016	45,915
2017	23,055
2018	<u>4,200</u>
Total	<u>\$ 123,923</u>

NOTE 8 – DONATED FACILITIES

The Organization conducts its child care program in facilities located in River Forest Elementary of the River Forest Community School Corporation and Martin Elementary and Liberty Elementary of the School City of Hobart. The facilities, including utilities and certain maintenance services, are provided at no cost by the school systems.

Management has determined the estimated value of the three childcare facilities to each be \$1,000 per month or \$36,000 per year. Accordingly, these values are reported in the accompanying statements of activities as in-kind revenues of \$36,000 and corresponding occupancy expenses of the preschool and childcare program for the years ended December 31, 2014 and 2013.

NOTE 10 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 30, 2015, the date on which the financial statements were available to be issued.