

Financial Statements

2014

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014



Strothman+Co

Financial Statements

Young Men’s Christian Association of Central Kentucky, Inc.

December 31, 2014

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Independent Auditors' Report



The Board of Directors
Young Men's Christian Association
of Central Kentucky, Inc.

We have audited the accompanying financial statements of the Young Men's Christian Association of Central Kentucky, Inc. (the "Association"), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Central Kentucky, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

STROTSMAN AND COMPANY

Louisville, Kentucky
May 15, 2015

Statements of Financial Position

Young Men's Christian Association of Central Kentucky, Inc.

	December 31	
	2014	2013
Assets		
Cash and cash equivalents	\$ 80,751	\$ 99,505
Restricted cash accounts	153,845	2,656
Accounts receivable, net	135,068	155,501
Pledges receivable, net	1,240,273	274,504
Prepaid expenses	149,751	134,933
Investments	6,413,753	6,105,898
Property and equipment, net	<u>17,195,560</u>	<u>17,536,196</u>
Total Assets	<u>\$ 25,369,001</u>	<u>\$ 24,309,193</u>
Liabilities		
Line of credit	\$ -	\$ 25,000
Accounts payable	249,486	428,857
Accrued expenses	297,479	290,038
Other liabilities	21,049	11,673
Deferred income	268,221	188,122
Long-term liabilities	<u>3,000,000</u>	<u>3,600,000</u>
Total Liabilities	3,836,235	4,543,690
Net Assets		
Unrestricted	16,116,180	15,867,133
Temporarily restricted	2,666,050	1,203,521
Permanently restricted	<u>2,750,536</u>	<u>2,694,849</u>
Total Net Assets	<u>21,532,766</u>	<u>19,765,503</u>
Total Liabilities and Net Assets	<u>\$ 25,369,001</u>	<u>\$ 24,309,193</u>

See Notes to Financial Statements

Statement of Activities

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenues				
Public support-contributions	\$ 633,091	\$ 1,656,069	\$ 10,203	\$ 2,299,363
United Way allocations	126,769			126,769
Government grants	96,770	258,569		355,339
Membership dues	5,970,081			5,970,081
Rental revenues	62,926			62,926
Program fees	3,399,636			3,399,636
Sale of supplies and services	21,288			21,288
Investment income, net	95,099	17,062	45,484	157,645
Miscellaneous income	184,426			184,426
	10,590,086	1,931,700	55,687	12,577,473
Net assets released from restriction	469,171	(469,171)		
Total Support and Revenues	11,059,257	1,462,529	55,687	12,577,473
Expenses				
Program and membership services				
Youth development	4,671,739			4,671,739
Healthy living	3,868,614			3,868,614
Social responsibility	428,705			428,705
Total Program and Membership Services	8,969,058			8,969,058
Supporting services				
Management and general	1,568,193			1,568,193
Fundraising	272,959			272,959
Total Supporting Services	1,841,152			1,841,152
Total Expenses	10,810,210			10,810,210
Change in Net Assets	249,047	1,462,529	55,687	1,767,263
Net Assets Beginning of Year	15,867,133	1,203,521	2,694,849	19,765,503
Net Assets End of Year	\$ 16,116,180	\$ 2,666,050	\$ 2,750,536	\$ 21,532,766

See Notes to Financial Statements

Statement of Activities

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and Revenues				
Public support-contributions	\$ 587,001	\$ 166,177	\$ 42,913	\$ 796,091
Special events	37,981	1,125		39,106
United Way allocations	136,204			136,204
Government grants	228,404	190,619		419,023
Membership dues	5,807,057			5,807,057
Rental revenues	70,050			70,050
Program fees	3,579,748			3,579,748
Sale of supplies and services	37,276			37,276
Investment income, net	376,587	2,536	117,233	496,356
Miscellaneous income	124,568			124,568
	10,984,876	360,457	160,146	11,505,479
Net assets released from restriction	377,614	(377,614)		
Total Support and Revenues	11,362,490	(17,157)	160,146	11,505,479
Expenses				
Program and membership services				
Youth development	4,850,669			4,850,669
Healthy living	3,328,988			3,328,988
Social responsibility	617,786			617,786
Total Program and Membership Services	8,797,443			8,797,443
Supporting services				
Management and general	1,848,687			1,848,687
Fundraising	312,981			312,981
Total Supporting Services	2,161,668			2,161,668
Total Expenses	10,959,111			10,959,111
Change in Net Assets	403,379	(17,157)	160,146	546,368
Net Assets Beginning of Year	15,463,754	1,220,678	2,534,703	19,219,135
Net Assets End of Year	\$ 15,867,133	\$ 1,203,521	\$ 2,694,849	\$ 19,765,503

See Notes to Financial Statements

Statement of Functional Expenses

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31, 2014					
	<u>Youth Development</u>	<u>Healthy Living</u>	<u>Social Responsibility</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,214,445	\$ 1,807,639	\$ 100,957	\$ 1,053,220	\$ 169,104	\$ 5,345,365
Employee benefits	224,370	169,832	16,605	218,292	20,391	649,490
Payroll taxes	191,084	155,503	8,727	91,736	13,371	460,421
Contracted labor and professional fees	83,427	110,348	9,960	59,430	14,313	277,478
Supplies/other program costs	332,086	58,017	87,292	11,299	954	489,648
Telephone and communication	23,469	19,094	2,116	17,898	621	63,198
Postage and shipping	3,692	3,281	405	10,132	1,647	19,157
Building occupancy	748,915	664,230	66,357	218	2,600	1,479,720
Equipment expenses	121,683	276,706	5,064	238	2,600	406,291
Advertising and publicity	115,210	98,445	30,075		17,406	261,136
Employee expenses	19,450	13,605	1,866	24,092	5,960	64,973
Conferences, conventions and meetings	20,366	5,585	14,727	30,835	6,683	78,196
Association dues and memberships	54,137	54,537	4,487	6,244	275	119,680
Scholarships and awards			32,847	2,600	16,991	52,438
Financing costs	80,824	67,677	7,417	18,038	73	174,029
Insurance expense	36,999	36,461	3,395	829		77,684
Miscellaneous expense	78,685	61,484	6,912	6,666	2,570	156,317
Depreciation	<u>322,897</u>	<u>266,170</u>	<u>29,496</u>	<u>16,426</u>		<u>634,989</u>
	<u>\$ 4,671,739</u>	<u>\$ 3,868,614</u>	<u>\$ 428,705</u>	<u>\$ 1,568,193</u>	<u>\$ 272,959</u>	<u>\$ 10,810,210</u>

See Notes to Financial Statements

Statement of Functional Expenses

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31, 2013					Total Expenses
	Youth Development	Healthy Living	Social Responsibility	Management and General	Fund Raising	
Salaries and wages	\$ 2,389,914	\$ 1,671,200	\$ 210,380	\$ 993,424	\$ 204,036	\$ 5,468,954
Employee benefits	230,030	146,350	36,945	206,186	24,017	643,528
Payroll taxes	193,543	137,134	16,790	72,441	15,395	435,303
Contracted labor and professional fees	38,194	70,319	3,649	145,120	25,914	283,196
Supplies/other program costs	341,300	52,565	74,045	15,729	147	483,786
Telephone and communication	26,154	17,844	3,308	22,811	989	71,106
Postage and shipping	9,063	5,922	1,200	7,163	1,400	24,748
Building occupancy	834,578	582,677	101,540	6,192		1,524,987
Equipment expenses	94,594	181,478	5,960	70,328	2,199	354,559
Advertising and publicity	52,304	29,557	23,617	160,827	13,616	279,921
Employee expenses	27,161	17,214	14,432	22,990	3,252	85,049
Conferences, conventions and meetings	20,209	9,322	17,256	29,363	20,933	97,083
Association dues and memberships	63,096	40,926	7,620	8,615	275	120,532
Scholarships and awards	41	28	33,130	4,246		37,445
Financing costs	85,710	59,651	10,916	45,229	673	202,179
Insurance expense	36,226	24,862	4,614	967		66,669
Miscellaneous expense	66,898	48,473	9,058	27,217	135	151,781
Depreciation	341,654	233,466	43,326	9,839		628,285
	<u>\$ 4,850,669</u>	<u>\$ 3,328,988</u>	<u>\$ 617,786</u>	<u>\$ 1,848,687</u>	<u>\$ 312,981</u>	<u>\$ 10,959,111</u>

See Notes to Financial Statements

Statements of Cash Flows

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31	
	2014	2013
Operating Activities		
Change in net assets	\$ 1,767,263	\$ 546,368
Adjustments		
Depreciation	634,989	628,285
Unrealized and realized gain on investments	(161,792)	(565,045)
Loss on disposal of assets, operating	9,816	904
Bad debts	114,615	94,552
Changes in:		
Restricted cash accounts	(151,189)	200,379
Accounts receivable	(94,182)	(154,970)
Pledges receivable	(965,769)	(23,212)
Prepaid expenses	(14,818)	(61,381)
Accounts payable	(179,371)	164,389
Accrued expenses and other current liabilities	16,817	49,491
Deferred income	80,099	(75,883)
Net Cash Provided By Operating Activities	1,056,478	803,877
Investing Activities		
Proceeds from sales or maturities of investments	1,059,143	1,300,585
Acquisition of investments	(1,205,206)	(938,571)
Purchase of equipment	(310,079)	(296,858)
Proceeds from sale of equipment	5,910	
Net Cash Provided By (Used In) Investing Activities	(450,232)	65,156
Financing Activities		
Proceeds from (payments on) line of credit	(25,000)	25,000
Payments on notes payable		(71,598)
Payments on bond obligation	(600,000)	(600,000)
Payment on contractual obligation		(125,000)
Net Cash Used In Financing Activities	(625,000)	(771,598)
Increase (Decrease) in Cash	(18,754)	97,435
Cash and Cash Equivalents Beginning of Year	99,505	2,070
Cash and Cash Equivalents End of Year	\$ 80,751	\$ 99,505
Supplemental Disclosures		
Cash paid during the year for interest	\$ 48,822	\$ 61,179

See Notes to Financial Statements

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note A--Nature of Operations

The Young Men's Christian Association of Central Kentucky, Inc. (the "Association" or "YMCA") is a not-for-profit organization serving central Kentucky, whose goals are to put Christian principles into action through programs and membership services that build a healthy spirit, mind, and body for all people in the community. Financial assistance is available for those in need for both membership and programs. Programs which assist in meeting the Association's goals include:

Healthy Living

Membership Services: The Association is primarily a membership organization offering memberships to youths, teens, adults, households and seniors within its community. Memberships offer the opportunity to pursue health and well-being either individually, or as a part of an organized group in areas of cardiovascular, muscle strengthening, aquatics, and socialization with others. Many activities are included with membership, while many other fee-based programs are offered at a discount to members.

Health and Fitness Programs: The YMCA offers more than 200 classes city-wide each week as part of a general YMCA membership. These classes and programs allow members and non-members alike to expand physical fitness through a variety of interests including personal fitness programs, weight management programs, group participation Yoga, cycling, aerobics, along with various other programs. Additionally, the YMCA offers an array of fee-based offerings including Pilates Reformer, personal training, and martial arts.

Youth Development

Before and After School Childcare: This program offers before/after school child care at public and private school sites within the community. This program fosters growth and development of children with their parents and family. Instruction and activities within this program help kids develop moral and ethical behavior, self-esteem, and leadership, while providing a safe and supportive environment for working parents.

Youth-Camps: Various programs are offered to participants including all-day camps for youth during the school year, all-day and part day summer camps, sports camps, and horseback camps. The Association also offers summer day camp activities in natural surroundings at its Bar-Y camp.

Preschool Day Care: The Association, at its North Lexington facility, offered a pre-school child care center providing parents a safe and secure location for children from ages six months through kindergarten. This highly diverse center focused on family activities and early childhood education.

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note A--Nature of Operations--Continued

Youth/Teen Programs: Programs include youth instructional sports designed to enhance the skills of the respective sport and to promote the development of health and fitness, cooperation, safety, and respect for others. Such programs include basketball, T-ball, football, soccer, volleyball, cheerleading, YMCA youth sports leagues that emphasize equal participation for all versus winning or losing. Teen programs include teen leadership through the Black Achievers program and youth advisory councils.

Aquatics: Swim lessons are offered to all ages of participants and include progressive learn-to-swim programs, water fitness activities, swim teams, and specialized aquatic activities such as scuba diving, CPR and Life Guarding certification.

Arts and Humanities Programs: Instructional sessions are offered in various art forms including music (guitar and percussion classes), dance (ballroom dancing and ballet), and sewing.

Social Responsibility

Community Services: The Association is committed to working with local and regional nonprofit agencies in support of stronger communities. Program and events such as arts and humanities, work with refugee families, neighborhood events, literacy days, free book give-a-ways, nonprofit use of YMCA facilities, city-wide events (2nd Sunday, Bike Lexington, etc.), tax preparation and more emphasize our commitment to community partners. The Black Achievers program provides students in the 7th through 12th grades exposure to present future educational and career opportunities. These students are connected with adult mentors who encourage students throughout their high school years and guide them on career development. Assistance is provided for students in applying for college and the Association works with colleges and universities to secure scholarships for graduating seniors.

Facility Rental: The Association provides its facilities to various civic, church and other organizations at minimal cost as part of its community-based service. In addition, the Association offered a number of resident rooms for rent at an affordable fee to adult males who may be in transition. Rooms were available on a temporary or permanent basis.

Note B--Summary of Significant Accounting Policies

Basis of Accounting--The Association's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation--Under applicable accounting and financial reporting standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note B--Summary of Significant Accounting Policies--Continued

Contributions--Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are not included as contributions until the conditions are substantially met.

Contributed Services--During the years ended December 31, 2014 and 2013, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association.

Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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--Cash and cash equivalents consists of cash and certificates of deposit with maturities of three months or less.

Property and Equipment--The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Assets with useful lives of more than one year and a cost greater than \$1,500 are capitalized and depreciated over their useful life. It is the Association's policy to capitalize donated useful property exceeding \$1,500 at fair value. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	40 years
Building and land improvements	15 years
Furniture and equipment	7 years
Vehicles	10 years

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note B--Summary of Significant Accounting Policies--Continued

Impairment of Long-Lived Assets--Management of the Association reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. There were no charges for impairments of long-lived assets during the years ended December 31, 2014 and 2013.

Prepaid Expenses--Prepaid expenses are expenses for goods or services that have been paid for but have not yet been fully used or consumed at year end.

Restricted Cash--Restricted cash consists of cash in banks with specific purpose restrictions.

Pledges Receivable--Pledges receivable due in subsequent years are recorded at the present value of their net realizable value, using an applicable interest rate to discount the amounts.

Allowance for Doubtful Accounts--The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses based on prior year experience and knowledge of donors' financial conditions. Amounts are charged against the allowance when management determines the collectability is doubtful. At December 31, 2014 and 2013, the balance of the allowance for doubtful accounts was \$49,291 and \$64,775, respectively.

Deferred Income--The Association defines deferred income as membership dues and activity fees received in advance of the performance of services. The Association's grant awards are accounted for as exchange transactions. Grant funds received in exchange transactions are deemed to be earned of the applicable grant when the Association has incurred expenses in compliance with the specific restrictions of the grant agreement. A grant receivable is established for expenses incurred for which the associated grant funds have yet to be received, while grant funds received but not earned are reported as deferred revenue on the Association's statement of financial position until earned.

Advertising--The Association expenses advertising costs as incurred. Advertising expense amounts to \$261,136 and \$279,921 for the years ended December 31, 2014 and 2013, respectively.

Allocation of Functional Expenses--The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Valuation of Investments--Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains and losses are included in the statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note B--Summary of Significant Accounting Policies--Continued

Fair Value of Financial Instruments--The Association's financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable, accrued expenses and deferred income. The investments are reported at fair value in accordance with accounting standards. The standards establish a three Level hierarchy for inputs used in measuring fair value.

Level I inputs are quoted prices that are observable in an active market for identical assets and liabilities. Level II inputs are those other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Finally, Level III inputs are those that are unobservable and significant to the overall fair value measurement.

Net Assets--The Association classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. At December 31, 2014, temporarily restricted net assets consist of grants for various purposes for which the Association has not disbursed all proceeds. Temporarily restricted net assets also consist of contributions received as part of the 2015 Annual Giving campaign which were released from restriction on January 1, 2015. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Income Taxes--The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting for Uncertain Tax Positions--In accordance with accounting standards, the Association measures, recognizes, presents and discloses in its financial statements uncertain tax positions that they have taken or expect to take on a tax return. Management believes the Association has not taken any uncertain tax positions during the years ended December 31, 2014 and 2013, and has not incurred or accrued any associated interest or penalties related to these positions.

The Organization's income tax returns for the years ended December 31, 2011 through 2013 are subject to examination by the Internal Revenue Service.

Subsequent Event--The Association has evaluated events occurring between the end of its most recent fiscal year end and May 15, 2015, the date the financial statements were available to be issued. See Note N for subsequent event disclosures.

Reclassifications--Certain 2013 financial statement balances have been reclassified to conform to 2014 presentation.

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note C--Board Designated, Temporarily Restricted and Permanently Restricted Net Assets

Unrestricted net assets have been designated by the Board of Directors for the following purposes:

	December 31	
	2014	2013
Board designated endowments	\$ 1,989,889	\$ 1,921,683
Board designated net assets	931,273	1,012,224
Other unrestricted net assets	13,195,018	12,933,226
	<u>\$ 16,116,180</u>	<u>\$ 15,867,133</u>

Temporarily restricted net assets are available for the following purposes:

	December 31	
	2014	2013
Annual Giving campaign	\$ 250,844	\$ 146,092
Grants	50,769	30,043
Scholarship programs	91,429	73,146
Scott County facility	37,711	35,499
Capital campaign	2,235,297	918,741
	<u>\$ 2,666,050</u>	<u>\$ 1,203,521</u>

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable to support the Association's program services:

	December 31	
	2014	2013
Endowments	<u>\$ 2,750,536</u>	<u>\$ 2,694,849</u>

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note D--Property and Equipment, Net

Land, buildings and equipment consist of the following:

	December 31	
	2014	2013
Land and land improvements	\$ 7,675,106	\$ 7,614,202
Buildings and building improvements	17,556,337	17,479,552
Furniture and equipment	968,917	1,102,562
Vehicle	11,466	9,176
Construction-in-progress	588,186	473,778
	<u>26,800,012</u>	<u>26,679,270</u>
Less accumulated depreciation	<u>(9,604,452)</u>	<u>(9,143,074)</u>
Property and Equipment, Net	<u><u>\$ 17,195,560</u></u>	<u><u>\$ 17,536,196</u></u>

Depreciation expense for the years ended December 31, 2014 and 2013 was \$634,989 and \$628,285, respectively.

Construction-in-progress relates to costs incurred for the construction of a new YMCA facility located in Lexington, Kentucky (Hamburg) and improvements in-process at existing facilities. As of December 31, 2014, the Board of Directors is compiling financial projections to be used in seeking additional funding for this project. The cost to complete the Hamburg project has not been determined as of December 31, 2014.

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note E--Pension Plan

The Association participates in the YMCA Retirement Fund which is a defined contribution, money purchase, church plan (the "Retirement 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 (the "Savings Plan") which is a retirement income account plan as defined in Section 403(b)(9) of the Code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (the "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 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 a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

The Retirement Plan calls for contributions to the Fund at an amount equal to 12% of the participating employees' salary, with the Association contributing 7% and the employee contributing 5%. Under a special annual agreement, the Association can increase the amount of its contribution rate, thereby reducing the required contribution rate from its eligible employees. Employee contributions as well as any excess contribution rate paid by the Association on behalf of the employee contribution percentage are vested immediately to the employee. Employees who are 21 years of age and over are eligible to participate in the Retirement Plan on the first day of the month after two years of service, defined as completion of 1,000 hours of compensated employment within a 12-month period. Both employee and employer contributions to the Retirement Plan become immediately vested to the employee upon entrance into the Retirement Plan.

The Association elected to contribute 12% for the years ended December 31, 2014 and 2013, thereby making the required employee contribution rates to be 0% for the respective periods. The Association contributed \$362,654 and \$362,311 for the years ended December 31, 2014 and 2013, respectively, of which none was unpaid as of each respective year end.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution in this plan.

Note F--Line of Credit

In 2013, the Association secured a \$250,000 line of credit with a bank. The line of credit bears interest at the bank's prime rate (3.25% at December 31, 2014). There was no outstanding balance on the line of credit as of December 31, 2014.

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note G--Long-Term Liabilities

Long-term liabilities consist of bonds payable.

The Lexington-Fayette Urban County Government (the "Issuer") has issued its Variable Rate Demand Industrial Development Revenue Bonds Series 1999 (the "Bonds") in the aggregate principal amount of \$12,000,000. The bonds were issued pursuant to a Trust Indenture dated as of July 1, 1999 (the "Indenture"), between the Issuer and Fifth Third Bank (the "Trustee"). The bonds bear interest from the date of their initial delivery pursuant to the instructions of Banc One Capital Markets, Inc., as underwriter. The bonds will mature on July 1, 2019, and are subject to optional redemption prior to maturity. The timing and amount of any optional redemption of the bonds is subject to change at the discretion and upon agreement of the Association and the bank.

The proceeds received from the sale of the bonds were loaned to the Association. The loan was made pursuant to the terms of a loan agreement dated as of July 1, 1999 between the Association and the Issuer to finance the Association's construction and renovation costs for the North Lexington Family Facility, the Beaumont Centre Family Facility and the High Street Facility.

The Bonds bear interest in one of several different adjustable interest rate methods (0.01% and 0.14% through December 31, 2014) and pay interest monthly. The Association is required to pay \$600,000 annually until all of the bonds have been redeemed.

The bonds are backed by a letter of credit agreement with a bank. The stated amount of the letter of credit is \$3,000,000 at December 31, 2014 and bears a fee rate of 1.25%. The letter of credit agreement expires on July 15, 2015.

Debt service requirements at December 31, 2014 are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>
2015	\$ 600,000
2016	600,000
2017	600,000
2018	600,000
2019	600,000
	<u>\$ 3,000,000</u>

The loan agreement and the Indenture contain various restrictive covenants including approval of all contracts, investment of construction advances and financial covenants (including a debt service coverage ratio and a liquidity covenant on unrestricted and temporarily restricted cash and investments). As of December 31, 2014, the Association was in compliance with all specified covenants.

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note H--Operating Lease Obligations

The Association leases office equipment and cardiovascular fitness equipment from non-related parties under operating lease agreements that expire at various dates through 2019. Lease expense for the years ended December 31, 2014 and 2013 was \$238,520 and \$159,348 respectively.

The following is a schedule of the future minimum operating lease and service agreement payments as of December 31, 2014:

Year Ending December 31

2015	\$	343,258
2016		205,548
2017		120,668
2018		125,517
2019		<u>124,200</u>
	\$	<u><u>919,191</u></u>

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note I--Investments and Fair Value Accounting

Investments as of December 31, 2014 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation/</u>
Equities	\$ 3,071,833	\$ 3,468,989	\$ 397,156
Fixed income	2,119,786	2,144,076	24,290
Cash equivalents	448,375	450,563	2,188
Alternative strategies	345,008	350,125	5,117
	<u>\$ 5,985,002</u>	<u>\$ 6,413,753</u>	<u>\$ 428,751</u>
Investments		\$ 3,663,217	
Perpetual trusts held by third parties		<u>2,750,536</u>	
		<u>\$ 6,413,753</u>	

Investments as of December 31, 2013 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Equities	\$ 2,195,831	\$ 2,919,785	\$ 723,954
Fixed income	1,785,589	1,783,438	(2,151)
Cash equivalents	591,844	592,067	223
Real estate investments	128,290	127,506	(784)
Alternative strategies	668,391	683,102	14,711
	<u>\$ 5,369,945</u>	<u>\$ 6,105,898</u>	<u>\$ 735,953</u>
Investments		\$ 3,411,049	
Perpetual trusts held by third parties		<u>2,694,849</u>	
		<u>\$ 6,105,898</u>	

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note I--Investments and Fair Value Accounting--Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income (net of distributions):				
YMCA Maintenance Reserve	\$ 26,870	\$ 8,124		\$ 34,994
YMCA Endowment	51,917	863	\$ 132	52,912
Stoll Trust			5,867	5,867
Mitchell Trust			(10,087)	(10,087)
Coolidge Trust			(13,816)	(13,816)
Cooper Trust			(8,940)	(8,940)
Other	1	843		844
	<u>\$ 78,788</u>	<u>\$ 9,830</u>	<u>\$ (26,844)</u>	<u>\$ 61,774</u>
Realized gains (losses):				
YMCA Maintenance Reserve	\$ 152,004	\$ 6,024		\$ 158,028
YMCA Endowment	217,375	1,420	\$ 216	219,011
Stoll Trust			23,177	23,177
Mitchell Trust			21,231	21,231
Coolidge Trust			47,583	47,583
Cooper Trust			7,597	7,597
Other		819		819
	<u>\$ 369,379</u>	<u>\$ 8,263</u>	<u>\$ 99,804</u>	<u>\$ 477,446</u>
Unrealized gains (losses):				
YMCA Maintenance Reserve	\$ (140,785)	\$ 2,652		\$ (138,133)
YMCA Endowment	(186,678)	(1,207)	\$ (78)	(187,963)
Stoll Trust			15,228	15,228
Mitchell Trust			(12,650)	(12,650)
Coolidge Trust			15,666	15,666
Cooper Trust			(7,761)	(7,761)
Other		(41)		(41)
	<u>\$ (327,463)</u>	<u>\$ 1,404</u>	<u>\$ 10,405</u>	<u>\$ (315,654)</u>
Total investment income	\$ 120,704	\$ 19,497	\$ 83,365	\$ 223,566
Less investment fees	(25,605)	(2,435)	(37,881)	(65,921)
Investment income, net	<u>\$ 95,099</u>	<u>\$ 17,062</u>	<u>\$ 45,484</u>	<u>\$ 157,645</u>

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note I--Investments and Fair Value Accounting--Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income (net of distributions):				
Capital Contribution Escrow	\$ 58	\$ 132		\$ 190
YMCA Maintenance Reserve	16,705			16,705
YMCA Endowment	48,844		\$ 56	48,900
Stoll Trust			(50,571)	(50,571)
Mitchell Trust			(8,263)	(8,263)
Coolidge Trust			(18,723)	(18,723)
Cooper Trust			(4,383)	(4,383)
Other	47	(549)		(502)
	<u>\$ 65,654</u>	<u>\$ (417)</u>	<u>\$ (81,884)</u>	<u>\$ (16,647)</u>
Realized gains (losses):				
Capital Contribution Escrow	\$ (43)	\$ (33)		\$ (76)
YMCA Maintenance Reserve	53,443			53,443
YMCA Endowment	100,498	(9)	\$ (1)	100,488
Stoll Trust			30,711	30,711
Mitchell Trust			21,415	21,415
Coolidge Trust			62,988	62,988
Cooper Trust			6,089	6,089
Other		418		418
	<u>\$ 153,898</u>	<u>\$ 376</u>	<u>\$ 121,202</u>	<u>\$ 275,476</u>
Unrealized gains (losses):				
Capital Contribution Escrow	\$ 10	\$ 9		\$ 19
YMCA Maintenance Reserve	59,650			59,650
YMCA Endowment	120,450	1,822	\$ 191	122,463
Stoll Trust			21,100	21,100
Mitchell Trust			35,044	35,044
Coolidge Trust			39,531	39,531
Cooper Trust			8,651	8,651
Other		3,111		3,111
	<u>\$ 180,110</u>	<u>\$ 4,942</u>	<u>\$ 104,517</u>	<u>\$ 289,569</u>
Total investment income	\$ 399,662	\$ 4,901	\$ 143,835	\$ 548,398
Less investment fees	(23,075)	(2,365)	(26,602)	(52,042)
Investment income, net	<u>\$ 376,587</u>	<u>\$ 2,536</u>	<u>\$ 117,233</u>	<u>\$ 496,356</u>

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note I--Investments and Fair Value Accounting--Continued

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Equities	\$ 2,147,729		\$ 2,147,729
Fixed income		\$ 1,158,170	1,158,170
Cash equivalents	<u>357,318</u>		<u>357,318</u>
	2,505,047	1,158,170	3,663,217
Perpetual trusts held by third parties			
Equities	1,321,260		1,321,260
Fixed income		985,907	985,907
Cash equivalents	93,244		93,244
Alternative strategies		<u>350,125</u>	<u>350,125</u>
	<u>1,414,504</u>	<u>1,336,032</u>	<u>2,750,536</u>
	<u>\$ 3,919,551</u>	<u>\$ 2,494,202</u>	<u>\$ 6,413,753</u>

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Equities	\$ 1,650,334		\$ 1,650,334
Fixed income		\$ 776,699	776,699
Cash equivalents	521,306		521,306
Real estate investments		127,507	127,507
Alternative strategies		<u>335,203</u>	<u>335,203</u>
	2,171,640	1,239,409	3,411,049
Perpetual trusts held by third parties			
Equities	1,266,546		1,266,546
Fixed income		1,006,739	1,006,739
Cash equivalents	73,665		73,665
Alternative strategies		<u>347,899</u>	<u>347,899</u>
	<u>1,340,211</u>	<u>1,354,638</u>	<u>2,694,849</u>
	<u>\$ 3,511,851</u>	<u>\$ 2,594,047</u>	<u>\$ 6,105,898</u>

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note J--Pledges Receivable

Pledges receivable are unconditional promises to give related to the Association's Capital Campaign and Annual Giving Campaign as follows:

	December 31	
	2014	2013
Receivable in less than one year	\$ 1,277,117	\$ 275,079
Receivable in one to five years	65,000	33,000
Receivable in six to fifteen years	42,000	61,000
	<hr/>	<hr/>
Total pledges receivable	1,384,117	369,079
Less allowance for doubtful accounts	(49,291)	(64,775)
Less discounts to net present value	(94,553)	(29,800)
	<hr/>	<hr/>
Net pledges receivable	<u>\$ 1,240,273</u>	<u>\$ 274,504</u>

The discount rate used on promises to give was 5%.

Note K--Related Party Transactions

As of December 31, 2014 and 2013, \$109,000 and \$107,196, respectively, was paid to the YMCA of the U.S.A. for support services.

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note L--Split-Interest Agreements

Four donors have established trusts under which the Association receives benefits that are shared with other beneficiaries. Under the terms of these trusts, the Association has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but they never receive the assets held in trust. The value of these trusts has been determined by taking the Association's share of the income received annually and multiplying that percentage by the market value of the trust assets. A brief description of the perpetual trusts held by third parties is as follows:

- a. *Stoll Trust*: The Association receives 1/3 of the income earned. The income can be used for general operations.
- b. *Mitchell Trust*: The Association receives 1/13 of the income earned. The income can be used for general operations.
- c. *Coolidge Trust*: The Association receives 100% of the income earned. The income is to be spent for the benefit of the Jessamine County branch.
- d. *Cooper Trust*: The Association receives 50% of the income earned. The income can be used for general operations.

Note M--Endowment

The Association's endowment consists of 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.

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the Commonwealth of Kentucky's relevant trust laws 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 classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note M--Endowment--Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2014:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 2,750,536	\$ 2,750,536
Board-designated endowment funds	\$ 1,989,889		1,989,889
Total Funds	<u>\$ 1,989,889</u>	<u>\$ 2,750,536</u>	<u>\$ 4,740,425</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2014:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 1,921,683	\$ 2,694,849	\$ 4,616,532
Investment return			
Investment income (loss), net of investment expenses	66,233	(71,470)	(5,237)
Net appreciation (realized and unrealized)		116,954	116,954
Total investment return	66,233	45,484	111,717
Contributions	1,973	10,203	12,176
Endowment Net Assets End of Year	<u>\$ 1,989,889</u>	<u>\$ 2,750,536</u>	<u>\$ 4,740,425</u>

Continued

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note M--Endowment--Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2013:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 2,694,849	\$ 2,694,849
Board-designated endowment funds	\$ 1,921,683		1,921,683
Total Funds	<u>\$ 1,921,683</u>	<u>\$ 2,694,849</u>	<u>\$ 4,616,532</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2013:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 1,644,779	\$ 2,533,646	\$ 4,178,425
Investment return			
Investment income, net of investment expenses	35,526	(108,486)	(72,960)
Net appreciation (realized and unrealized)	<u>184,731</u>	<u>226,774</u>	<u>411,505</u>
Total investment return	220,257	118,288	338,545
Contributions	<u>56,647</u>	<u>42,915</u>	<u>99,562</u>
Endowment Net Assets End of Year	<u>\$ 1,921,683</u>	<u>\$ 2,694,849</u>	<u>\$ 4,616,532</u>

Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note M--Endowment--Continued

Endowment Investment Policy

Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity as well as board-designated funds. The Association's donor-restricted endowment consists entirely of four perpetual trusts held by third parties, and one donor designated endowment. Each trust and the endowment have designated a separate trustee and investment manager. The Association has no control over the trusts' assets or investment policies. The Association has adopted an investment policy for board-designated endowment assets that attempts to grow the value of the endowment assets. The Association's Finance Committee has the responsibility of making recommendations concerning the Association's investment policies and appoints an investment manager.

The Association's investment policy includes guidelines which recognize that in maximizing long-range return while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both among and within the classes of securities held. Within the context of active management and the necessity for adherence to proper diversification, the Association relies upon the investment manager's appropriate professional advice. The Association's investment objectives realize that prudent investment management is a duty and recognizes that while long-term objectives are important, it is also necessary that short-term benchmarks be used to assess the periodic performance of the investment program. Accordingly the Association has established the following investment objectives:

Long-term: The investment assets of the Association should achieve a return measured over a market cycle which equals or exceeds the rate of return earned by similar investment assets managed by other similar investment managers.

Short-term: The returns on the managed funds of the Association measured on a year-to-date basis, should exceed the returns achieved by comparable unmanaged market indices.

The Association's asset allocation guidelines recognize that the investment funds of the Association have a limited capacity to tolerate investment volatility, or risk. Based on cost, the following are the allowable asset ranges for the funds of the endowment assets:

Asset Class

Equities	50-70%
Fixed income	30-50%
Cash and equivalents	0-10%

The Finance Committee of the Association will review annually the performance of the portfolio for determination of compliance with the investment policy.

Notes to Financial Statements--Continued

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2014 and 2013

Note N--Subsequent Event

Subsequent to year end, the Association's Board of Directors approved a resolution whereas the Association will pursue financing for the construction and equipping of a new facility, expansion and renovation of an existing facility, and the refunding and refinancing of the outstanding bonds as described in Note G. The Association plans to seek financing through issuance of revenue bonds in an amount not to exceed \$19,000,000.