

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

Financial Statements

December 31, 2015 and 2014

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

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December 31, 2015 and 2014

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Independent Auditor's Report

To 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 statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flow 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 of material misstatement.

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

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

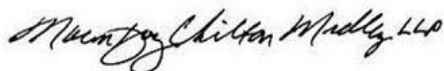
Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Central Kentucky, Inc. as of December 31, 2015, 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.

Other Matter

The financial statements of Young Men's Christian Association of Central Kentucky, Inc., as of December 31, 2014, were audited by other auditors whose report dated May 15, 2015, expressed an unmodified opinion on those statements.



Lexington, Kentucky
April 27, 2016

Young Men’s Christian Association of Central Kentucky, Inc.
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Assets		
Cash and cash equivalents	1,647	80,751
Restricted cash accounts	809,279	153,845
Accounts receivable, net	236,263	135,068
Pledges receivable, net	736,500	1,240,273
Prepaid expenses	348,894	149,751
Investments	5,918,889	6,413,753
Property and equipment, net	<u>24,811,151</u>	<u>17,195,560</u>
Total Assets	<u>\$ 32,862,623</u>	<u>\$ 25,369,001</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,043,511	\$ 249,486
Accrued expenses	353,788	297,479
Other liabilities	37,327	21,049
Deferred income	297,275	268,221
Long-term liabilities	<u>8,580,209</u>	<u>3,000,000</u>
Total Liabilities	10,312,110	3,836,235
Net Assets		
Unrestricted	17,710,891	16,116,180
Temporarily restricted	2,307,245	2,666,050
Permanently restricted	<u>2,532,377</u>	<u>2,750,536</u>
Total Net Assets	<u>22,550,513</u>	<u>21,532,766</u>
Total Liabilities and Net Assets	<u>\$ 32,862,623</u>	<u>\$ 25,369,001</u>

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and Revenues				
Public support-contributions	\$ 607,352	\$ 1,056,720	\$ 70,319	\$ 1,734,391
United Way allocations	115,433	-	-	115,433
Foundation and government grants	34,245	223,422	-	257,667
Membership dues	6,303,293	-	-	6,303,293
Rental revenues	9,959	-	-	9,959
Program fees	3,082,169	-	-	3,082,169
Sale of supplies and services	19,414	-	-	19,414
Investment income, net	16,105	(3,133)	(288,478)	(275,506)
Miscellaneous income	351,879	-	-	351,879
	<u>10,539,849</u>	<u>1,277,009</u>	<u>(218,159)</u>	<u>11,598,699</u>
Net assets released from restrictions	<u>1,635,814</u>	<u>(1,635,814)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	12,175,663	(358,805)	(218,159)	11,598,699
Expenses				
Program and membership services				
Youth development	4,202,151	-	-	4,202,151
Healthy living	4,022,262	-	-	4,022,262
Social responsibility	430,482	-	-	430,482
Total Program and Membership Services	8,654,895	-	-	8,654,895
Supporting services				
Management and general	1,615,760	-	-	1,615,760
Fundraising	310,297	-	-	310,297
Total Support Services	1,926,057	-	-	1,926,057
Total expenses	10,580,952	-	-	10,580,952
Change in net assets	1,594,711	(358,805)	(218,159)	1,017,747
Net assets, Beginning of Year	16,116,180	2,666,050	2,750,536	21,532,766
Net assets, End of Year	<u>\$ 17,710,891</u>	<u>\$ 2,307,245</u>	<u>\$ 2,532,377</u>	<u>\$ 22,550,513</u>

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and Revenues				
Public support-contributions	\$ 633,091	\$ 1,656,069	\$ 10,203	\$ 2,299,363
United Way allocations	126,769	-	-	126,769
Foundation and 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
	<u>10,590,086</u>	<u>1,931,700</u>	<u>55,687</u>	<u>12,577,473</u>
Net assets released from restrictions	<u>469,171</u>	<u>(469,171)</u>	<u>-</u>	<u>-</u>
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 Support 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	<u>\$ 16,116,180</u>	<u>\$ 2,666,050</u>	<u>\$ 2,750,536</u>	<u>\$ 21,532,766</u>

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year ended December 31, 2015

	Youth Development	Healthy Living	Social Responsibility	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 1,921,574	\$ 1,812,973	\$ 102,286	\$ 1,113,914	\$ 224,390	\$ 5,175,137
Employee benefits	181,657	173,014	14,769	217,992	26,119	613,551
Payroll taxes	169,126	160,677	8,808	91,742	19,358	449,711
Contracted labor and professional fees	68,846	93,754	15,712	52,416	2,448	233,176
Supplies/other program costs	281,092	67,771	58,002	10,164	1,646	418,675
Telephone and communication	18,958	17,589	1,820	14,814	1,119	54,300
Postage and shipping	2,685	2,766	332	13,356	3,763	22,902
Building occupancy	688,286	723,122	68,421	1,291	-	1,481,120
Equipment expenses	201,492	340,970	13,869	18,163	5,391	579,885
Advertising and publicity	110,431	104,301	16,237	-	9,903	240,872
Employee expenses	17,943	14,369	19,486	22,047	1,541	75,386
Conferences, conventions, and meetings	9,071	4,900	19,645	34,446	10,999	79,061
Association dues and memberships	71,601	65,467	7,007	5,580	1,470	151,125
Scholarships and awards	-	-	37,725	2,000	-	39,725
Financing costs	63,635	60,910	6,519	4	-	131,068
Insurance expense	46,139	51,068	4,727	1,175	-	103,109
Miscellaneous expense	62,151	54,861	5,819	7,034	2,150	132,015
Depreciation	287,464	273,750	29,298	9,622	-	600,134
Total Expenses	<u>\$ 4,202,151</u>	<u>\$ 4,022,262</u>	<u>\$ 430,482</u>	<u>\$ 1,615,760</u>	<u>\$ 310,297</u>	<u>\$ 10,580,952</u>

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year ended December 31, 2014

	Youth Development	Healthy Living	Social Responsibility	Management and General	Fundraising	Total Expenses
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	-	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	322,897	266,170	29,496	16,426	-	634,989
Total Expenses	<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>

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Cash Flows
Years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,017,747	\$ 1,767,263
Adjustments		
Depreciation and amortization	647,787	634,989
Contributions restricted for purchases of property and equipment	(319,720)	(1,438,747)
Unrealized and realized gain on investment	146,858	(161,792)
Loss on disposal of assets, operating	-	9,816
Bad debts	95,894	114,615
Changes in:		
Accounts receivable	(101,195)	(94,182)
Pledges receivable	(23,538)	(27,022)
Prepaid expenses	(37,686)	(14,818)
Accounts payable	48,725	(179,371)
Accrued expenses and other current liabilities	58,342	16,817
Deferred income	29,054	80,099
Net Cash Provided By Operating Activities	<u>1,562,268</u>	<u>707,667</u>
Cash Flows from Investing Activities		
Restricted cash accounts	(655,434)	(151,189)
Proceeds from sales or maturities of investments	664,307	1,059,143
Acquisition of investments	(316,301)	(1,205,206)
Purchases of property and equipment	(1,318,230)	(195,672)
Construction in progress payments	(6,137,950)	(114,407)
Proceeds from sale of equipment	-	5,910
Net Cash Used By Investing Activities	<u>(7,763,608)</u>	<u>(601,421)</u>
Cash Flows from Financing Activities		
Payments on line of credit	-	(25,000)
Payments on bond obligation	(27,359)	(600,000)
Payment of bond financing costs	(209,110)	-
Proceeds from bonds	5,607,568	-
Proceeds from contributions restricted for purchases of property and equipment	751,137	500,000
Net Cash Provided (Used) By Financing Activities:	<u>6,122,236</u>	<u>(125,000)</u>
Net Decrease in Cash and Cash Equivalents	(79,104)	(18,754)
Cash and Cash Equivalents, Beginning of Year	<u>80,751</u>	<u>99,505</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,647</u>	<u>\$ 80,751</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 96,893</u>	<u>\$ 48,822</u>
Supplemental Disclosure of Investing and Financing Transactions:		
Property and equipment included in accounts payable	<u>\$ 745,300</u>	<u>\$ -</u>
Property and equipment included in accrued expenses	<u>\$ 14,245</u>	<u>\$ -</u>

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

Note A – Nature of Organization and 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, and 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 Child Care: 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.

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 and 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.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note A – Nature of Organization and Operations (Continued)

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.), and more emphasize the commitment to community partners. The Black Achievers program provides students in the 7th through 12th grades exposure to present educational and future 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.

Note B – Summary of Significant Accounting Policies

1. **Basis of Accounting:** The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Accounting Standards Codification (ASC) is the sole source of authoritative GAAP.
2. **Accounting Estimates:** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
3. **Cash and Cash Equivalents:** The Association considers all cash and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.
4. **Pledges Receivable:** Pledges receivable due in subsequent years are recorded at the present value of the net realizable value, using an applicable interest rate to discount the amount.
5. **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 the donor's financial condition. Amounts are charged against the allowance when management determines that collection is doubtful. The allowance for doubtful accounts was \$58,397 and \$49,291 as of December 31, 2015 and 2014, respectively.
6. **Investments:** Investments are reported at fair value. Unrealized gains and losses are calculated as the difference between fair value and cost. Realized and unrealized gains and losses are reported in the statements of activities. Investments are exposed to various risks such as interest rate, market risk and credit risk. Due to the level of uncertainty related to changes in these factors, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments.

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note B – Summary of Significant Accounting Policies (Continued)

7. Property and Equipment: The Association reports gifts of land, buildings and equipment as unrestricted support unless the donor specifies how the donated assets must be used. Gifts of long-lived assets with stipulations on use are reported as restricted support. Absent donor stipulations about the length of time such assets must be maintained, the Association reports expirations of donor restrictions when the assets are placed in service.

Property and equipment is stated at cost or fair-market value at date of receipt, if donated. The Association capitalizes property and equipment with a useful life of more than one year and a cost greater than \$1,500. Maintenance and repairs are expensed when incurred. Depreciation is calculated 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

8. Contributions: Contributions are recognized when the donor makes an unconditional promise to contribute. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the 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 time restriction ends or purpose restriction is accomplished, 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.

9. 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.

10. Net Assets: Net assets are reported in separate categories based on the existence or absence of donor-imposed restrictions. Net assets are grouped into the following categories in the accompanying financial statements:

Unrestricted net assets: Net assets that are not temporarily or permanently restricted by donor-imposed stipulations. Unrestricted net assets also include board designated amounts, such as funds set aside for endowment and capital maintenance purposes.

Temporarily restricted net assets: Net assets that result from contributions whose use is subject to donor or grantor imposed stipulations on use of the resources where such stipulations expire over time or by accomplishing the purpose restriction.

Permanently restricted net assets: Net assets that result from contributions whose use is subject to donor imposed stipulations which do not expire.

11. Advertising: Advertising costs are expensed as incurred. Advertising expense amounts to \$240,872 and \$261,136 for the years ended December 31, 2015 and 2014, respectively.

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note B – Summary of Significant Accounting Policies (Continued)

12. Functional Allocation of Expenses: Expenses are reported by functional area in the accompanying statements of functional expense. Expenses which directly and solely benefit a program are charged entirely to that program, while expenses benefiting multiple programs are allocated between program services and support services based on members served or space utilized for the related activity.
13. Income Taxes: The Association is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as an organization that is not a private foundation. The Association recognizes uncertain income tax positions using the “more-likely-than-not” approach as defined in the Accounting Standards Codification (“ASC”). No liability for uncertain tax positions has been recorded in the accompanying financial statements.
14. Reclassifications: Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation. These reclassifications had no impact on the change in net assets or net assets.
15. Subsequent Events: Subsequent events for the Association have been considered through the date of the Independent Auditor’s Report, which represents the date the financial statements were available to be issued.
16. New Pronouncements: In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), requiring all leases to be recognized on the Association’s balance sheet as a right-to-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Association will recognize: 1) a lease liability for the Association’s obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Association’s right to use, or control the use of, the specified asset for the lease term. Upon adopting the ASU, the Association will be required to recognize and measure its leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 will be effective for the Association in 2020, with early adoption permitted. The Association is currently evaluating the effect that the new standard will have on its financial statements.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606, as amended), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is permitted in 2018. The updated standard becomes effective for the Association in 2019. The Association has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note C – Pledges Receivable

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

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 744,467	\$ 1,277,117
Receivable in one to five years	40,000	65,000
Receivable in six to fifteen years	<u>30,000</u>	<u>42,000</u>
Total pledges receivable	\$ 814,467	\$ 1,384,117
Less allowance for doubtful accounts	(58,397)	(49,291)
Less discounts to net present value	<u>(19,570)</u>	<u>(94,553)</u>
Net pledges receivable	<u><u>\$ 736,500</u></u>	<u><u>\$ 1,240,273</u></u>

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

Note D – Investments and Fair Value Accounting

Investments as of December 31, 2015 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized/ Appreciation</u>
Equities	\$ 2,881,635	\$ 3,153,657	\$ 272,022
Fixed income	1,947,641	1,920,137	(27,504)
Cash equivalents	582,793	574,443	(8,350)
Alternative strategies	<u>276,363</u>	<u>270,652</u>	<u>(5,711)</u>
	<u><u>\$ 5,688,432</u></u>	<u><u>\$ 5,918,889</u></u>	<u><u>\$ 230,457</u></u>
Investments		3,396,236	
Perpetual trusts held by third parties		<u>2,522,653</u>	
		<u><u>\$ 5,918,889</u></u>	

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note D – Investments and Fair Value Accounting (Continued)

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

	<u>Cost</u>	<u>Fair Value</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	<u>345,008</u>	<u>350,125</u>	<u>5,117</u>
	<u>\$ 5,985,002</u>	<u>\$ 6,413,753</u>	<u>\$ 428,751</u>
Investments		\$ 3,674,016	
Perpetual trusts held by third parties		<u>2,739,737</u>	
		<u>\$ 6,413,753</u>	

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note D – 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, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income (net of distributions)				
YMCA Maintenance Reserve	\$ 18,664	\$ 15,183	\$ -	\$ 33,847
YMCA Endowment	43,942	720	110	44,772
Stoll Trust	-	-	(112,111)	(112,111)
Mitchell Trust	-	-	(18,747)	(18,747)
Coolidge Trust	-	-	(16,722)	(16,722)
Cooper Trust	-	-	(9,115)	(9,115)
Other	342	493	-	835
	<u>62,948</u>	<u>16,396</u>	<u>(156,585)</u>	<u>(77,241)</u>
Realized gains (losses):				
YMCA Maintenance Reserve	(5,094)	(5,255)	-	(10,349)
YMCA Endowment	(30,184)	(493)	(76)	(30,753)
Stoll Trust	-	-	28,638	28,638
Mitchell Trust	-	-	6,089	6,089
Coolidge Trust	-	-	45,083	45,083
Cooper Trust	-	-	3,412	3,412
Other	1,395	(756)	(2,148)	(1,509)
	<u>(33,883)</u>	<u>(6,504)</u>	<u>80,998</u>	<u>40,611</u>
Unrealized gains (losses):				
YMCA Maintenance Reserve	3,885	(10,386)	-	(6,501)
YMCA Endowment	12,459	204	31	12,694
Stoll Trust	-	-	(80,337)	(80,337)
Mitchell Trust	-	-	(17,079)	(17,079)
Coolidge Trust	-	-	(85,770)	(85,770)
Cooper Trust	-	-	(10,534)	(10,534)
Other	(5,207)	3,117	2,148	58
	<u>11,137</u>	<u>(7,065)</u>	<u>(191,541)</u>	<u>(187,469)</u>
Total Investment income	\$ 40,202	\$ 2,827	\$ (267,128)	\$ (224,099)
Less investment fees	(24,097)	(5,960)	(21,350)	(51,407)
Investment income, net	<u>\$ 16,105</u>	<u>\$ (3,133)</u>	<u>\$ (288,478)</u>	<u>\$ (275,506)</u>

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note D – 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>

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note D – Investments and Fair Value Accounting (Continued)

The fair value provisions of the ASC define fair value, provide a framework for measuring fair value, and expand disclosures required for fair value measurements. They also establish a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels. These levels, in order of highest to lowest priority are described below:

- Level 1 - Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. Level 1 includes equities. Equities are valued using quoted market prices.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data. Level 2 includes fixed income and alternative strategies. Fixed income securities are valued using pricing information obtained from a reputable third party service provider who may utilize valuation techniques that use current market-based or independently sourced parameters, such as bid prices, dealer-quoted prices or benchmark yield curves. Alternate strategies consist of hedge funds which are valued at the Net Asset Value of the month proceeding the investment period according to the methodology outlined in the operating agreement for each individual hedge fund.
- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Association’s own assumptions.

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
Investments				
Equities	\$ 1,960,494	\$ -	\$ -	\$ 1,960,494
Fixed income	-	929,850	-	929,850
Cash equivalents	505,892	-	-	505,892
	<u>2,466,386</u>	<u>929,850</u>	<u>-</u>	<u>3,396,236</u>
Perpetual trusts held by third parties				
Equities	1,193,163	-	-	1,193,163
Fixed income	-	990,287	-	990,287
Cash equivalents	68,551	-	-	68,551
Alternative strategies	-	270,652	-	270,652
	<u>1,261,714</u>	<u>1,260,939</u>	<u>-</u>	<u>2,522,653</u>
	<u>\$ 3,728,100</u>	<u>\$ 2,190,789</u>	<u>\$ -</u>	<u>\$ 5,918,889</u>

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note D – 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:

	Level 1	Level 2	Level 3	Total
Investments				
Equities	\$ 2,147,729	\$ -	\$ -	\$ 2,147,729
Fixed income	-	1,158,170	-	1,158,170
Cash equivalents	357,318	-	-	357,318
	<u>2,505,047</u>	<u>1,158,170</u>	<u>-</u>	<u>3,663,217</u>
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	-	350,125	-	350,125
	<u>1,414,504</u>	<u>1,336,032</u>	<u>-</u>	<u>2,750,536</u>
	<u>\$ 3,919,551</u>	<u>\$ 2,494,202</u>	<u>\$ -</u>	<u>\$ 6,413,753</u>

Note E – 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 trust, 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 can be used 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.

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note F – Property and Equipment, Net

Property and equipment as of December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 8,701,562	\$ 7,675,106
Buildings and building improvements	17,802,081	17,556,337
Furniture and equipment	1,007,089	968,917
Vehicles	11,466	11,466
Construction-in-progress	<u>7,493,523</u>	<u>588,186</u>
Total Property and Equipment	35,015,721	26,800,012
Less: Accumulated Depreciation	<u>(10,204,570)</u>	<u>(9,604,452)</u>
Net Property and Equipment	<u>\$ 24,811,151</u>	<u>\$ 17,195,560</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$600,134 and \$634,989, respectively.

Construction-in-progress primarily relates to costs incurred for the construction of a new YMCA facility located in the Hamburg area of Lexington, KY and improvements to an existing facility located in North Lexington. During 2015, the Board of Directors finalized all funding necessary to complete the \$18,777,900 in projected project costs. As of December 31, 2015, costs incurred for these two projects totaled \$7,449,566 which represented 99% of the \$7,493,523 total construction-in-progress balance. Both projects are scheduled to be completed during 2016 at a remaining cost of approximately \$11,300,000. Interest capitalized for the years ended December 31, 2015 and 2014 in relation to the construction in progress is approximately \$61,700 and \$0, respectively.

In addition, land valued at approximately \$1 million was purchased during the year ended December 31, 2015 for \$551,921 in cash and the remaining portion was recorded as a contribution. A third party appraisal was used to determine the fair value of the property acquired.

Note G – Line of Credit

In 2013, the Association secured a \$250,000 line of credit with a local bank. The line of credit bears interest at the bank’s prime rate (3.50% at December 31, 2015). There is no outstanding balance on the line of credit as of December 31, 2015.

Note H – Long-term Debt

On July 1, 1999, the Lexington-Fayette Urban County Government (the Issuer) issued 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 July 1, 1999 (the Indenture), between the Issuer and Fifth Third Bank (the Trustee). The Bonds were set to mature on July 1, 2019, and were subject to optional redemption prior to maturity. 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 Facility, and the High Street Facility.

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note H – Long-term Debt (Continued)

The Bonds required interest in one of several different adjustable interest rate methods that was paid monthly. The Association was required to pay \$600,000 annual principal payments until all of the bonds were redeemed.

On August 31, 2015, Scott County, Kentucky (the Issuer) issued Cultural and Recreational Revenue and Revenue Refunding Bonds, Series 2015, in two series. The Series 2015B bonds were issued in the aggregate principal amount of \$3,000,000. The bonds were issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. The proceeds were used to repay the Variable Rate Demand Industrial Development Revenue Bonds Series 1999 bonds. Interest on the new bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the fixed rate of 2.95% until August 31, 2030 then at either a floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2035. These new bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents.

Debt service requirements at December 31, 2015 are as follows:

2016	\$	112,005
2017		115,638
2018		119,136
2019		122,739
2020		126,246
Thereafter		<u>2,376,877</u>
		<u>\$ 2,972,641</u>

In addition to the above 2015B series, a Series 2015A was also issued on August 31, 2015 in the aggregate principal amount of \$16,000,000 to finance the costs of (i) the construction and equipping of a new facility to be located at 2681 Old Rosebud Road in Lexington, also known as the YMCA Hamburg and (ii) the expansion and renovation of the existing facility located at 381 West Loudon Avenue in Lexington known as YMCA North. The bonds were also issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. Interest on the bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the rate of 2.95% until August 31, 2030 and at either the floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2037. These bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The Series 2015A bonds have not been fully drawn as of December 31, 2015. The outstanding balance as of December 31, 2015 is \$5,607,568 and will begin amortization on November 30, 2017.

Total outstanding debt related to both bond issues as of December 31, 2015 was \$8,580,209.

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note I – 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, 2015 and 2014 was \$257,244 and \$238,520, respectively.

The following is a schedule of the future minimum operating lease and service agreement payments as of December 31, 2015:

2016	\$	217,018
2017		130,137
2018		126,861
2019		125,244
	\$	<u>599,260</u>

Note J – Endowment

The Association’s endowment consists of a fund established to support operations. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association’s Board of Directors serve as stewards of the endowment funds in accordance with their interpretation of the Uniform Prudent Management of Institutional Funds Act and applicable laws, and within the provisions of the Association’s constitution and by-laws. The Association’s Board of Directors 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, the Association classifies as permanently restricted net assets (a) the original value of donor-restricted gifts to the permanent endowment, (b) the original value of subsequent donor-restricted 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.

The Association has adopted investment and spending policies for endowment assets that attempt to optimize total return while retaining sufficient liquidity to meet projected cash requirements to allow for growth of capital and income, and to preserve the principal of the fund.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Association maintains an Investment Policy designed to safeguard its assets while maximizing total returns. The Association’s Board, through its Finance Committee, selects and monitors an Investment Advisor who determines the appropriate asset allocation and selects investments within the guidelines of the Investment Policy.

The Association’s practice is to appropriate a portion of the fund’s income for distribution during the year to be made available for expenditure. The Board establishes the annual distribution amount to be consistent with the Association’s objective to preserve the principal of endowment assets held in perpetuity

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note J – Endowment (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,532,377	\$2,532,377
Board designated endowment funds	<u>2,010,513</u>		<u>2,010,513</u>
Total Funds	<u>\$ 2,010,513</u>	<u>\$ 2,532,377</u>	<u>\$4,542,890</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 1,989,889	\$ 2,750,536	\$4,740,425
Investment income (loss), net of distributions	28,503	(177,980)	(149,477)
Net appreciation (realized and unrealized)	<u>(17,725)</u>	<u>(110,498)</u>	<u>(128,223)</u>
Total investment return	10,778	(288,478)	(277,700)
Contributions	<u>9,846</u>	<u>70,319</u>	<u>80,165</u>
Endowment net assets, end of the year	<u>\$ 2,010,513</u>	<u>\$ 2,532,377</u>	<u>\$4,542,890</u>

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note J – 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	<u>1,989,889</u>	<u>-</u>	<u>1,989,889</u>
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 the year	\$ 1,921,683	\$ 2,694,849	\$ 4,616,532
Investment income (loss), net of distributions	66,233	(71,470)	(5,237)
Net appreciation (realized and unrealized)	<u>-</u>	<u>116,954</u>	<u>116,954</u>
Total investment return	66,233	45,484	111,717
Contributions	<u>1,973</u>	<u>10,203</u>	<u>12,176</u>
Endowment net assets, end of the year	<u>\$ 1,989,889</u>	<u>\$ 2,750,536</u>	<u>\$ 4,740,425</u>

Note K – Board Designated, Temporarily Restricted, and Permanently Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Board designated endowments	\$ 2,010,513	\$ 1,989,889
Board designated net assets	1,040,911	931,273
Other unrestricted net assets	<u>14,659,467</u>	<u>13,195,018</u>
	<u>\$ 17,710,891</u>	<u>\$ 16,116,180</u>

Young Men’s Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note K – Board Designated, Temporarily Restricted, and Permanently Restricted Net Assets (Continued)

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Annual Giving campaign	\$ 94,563	\$ 199,743
Grants	80,010	56,714
Scholarship programs	87,659	93,629
Scott County facility	36,645	35,470
Capital Campaign	<u>2,008,368</u>	<u>2,280,494</u>
	<u>\$ 2,307,245</u>	<u>\$ 2,666,050</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:

	<u>2015</u>	<u>2014</u>
Endowments	<u>\$ 2,532,377</u>	<u>\$ 2,750,536</u>

Note L – Defined Contribution Plans

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 the 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 of the Retirement Plan.

Young Men's Christian Association of Central Kentucky, Inc.
Notes to Financial Statements (Continued)
December 31, 2015 and 2014

Note L – Defined Contribution Plans (Continued)

The Association elected to contribute 12% for the years ended December 31, 2015 and 2014, thereby making the required employee contribution rate to be 0%. The Association contributed \$351,439 and \$362,654 for the years ended December 31, 2015 and 2014, respectively, of which none was unpaid as of 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 contribution in this plan.

Note M – Related Party Transactions

As of December 31, 2015 and 2014, \$141,626 and \$109,000, respectively, was paid to the YMCA of the U.S.A for support services.