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

Financial Statements

Years Ended December 31, 2017 and 2016

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

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Years Ended December 31, 2017 and 2016

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CPAs & ADVISORS

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 statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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.

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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, 2017 and 2016, 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.

MCM CPAs & Advisors LLP

Lexington, Kentucky
April 25, 2018

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Assets		
Cash and cash equivalents	$ 1,618,272	$ 839,375
Restricted cash accounts	489,371	110,978
Accounts receivable	288,364	374,763
Pledges receivable, net	1,016,678	1,272,036
Prepaid expenses	193,605	189,593
Investments	6,158,398	5,643,609
Property and equipment, net	36,320,021	36,540,208
Total Assets	$ 46,084,709	$ 44,970,562
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 364,066	$ 584,989
Accrued expenses	373,469	698,021
Other liabilities	24,728	30,411
Deferred income	402,112	370,327
Capital lease obligations	946,837	731,248
Long-term debt, net	18,391,810	18,301,990
Total Liabilities	20,503,022	20,716,986
Net Assets		
Unrestricted	21,169,445	20,046,804
Temporarily restricted	1,444,881	1,452,705
Permanently restricted	2,967,361	2,754,067
Total Net Assets	25,581,687	24,253,576
Total Liabilities and Net Assets	$ 46,084,709	$ 44,970,562

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and Revenues				
Public support-contributions	$ 167,460	$ 1,118,132	$ 22,400	$ 1,307,992
United Way allocations	94,684	-	-	94,684
Foundation and government grants	53,424	169,183	-	222,607
Membership dues	9,293,013	-	-	9,293,013
Rental revenues	11,475	-	-	11,475
Program fees	3,620,905	-	-	3,620,905
Sale of supplies and services	9,205	-	-	9,205
Investment income, net	315,544	46,480	190,894	552,918
Miscellaneous income	316,479	-	-	316,479
	13,882,189	1,333,795	213,294	15,429,278
Net assets released from restrictions	1,341,619	(1,341,619)	-	-
Total Support and Revenues	15,223,808	(7,824)	213,294	15,429,278
Expenses				
Program and membership services				
Youth development	5,004,598	-	-	5,004,598
Healthy living	5,967,335	-	-	5,967,335
Social responsibility	375,776	-	-	375,776
Total Program and Membership Services	11,347,709	-	-	11,347,709
Supporting services				
Management and general	2,331,986	-	-	2,331,986
Fundraising	421,472	-	-	421,472
Total Support Services	2,753,458	-	-	2,753,458
Total Expenses	14,101,167	-	-	14,101,167
Change in Net Assets	1,122,641	(7,824)	213,294	1,328,111
Net Assets, Beginning of Year	20,046,804	1,452,705	2,754,067	24,253,576
Net Assets, End of Year	$ 21,169,445	$ 1,444,881	$ 2,967,361	$ 25,581,687

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and Revenues				
Public support-contributions	$ 558,744	$ 1,681,833	$ 429,521	$ 2,670,098
United Way allocations	113,502	-	-	113,502
Foundation and government grants	19,803	191,771	-	211,574
Membership dues	6,816,358	-	-	6,816,358
Rental revenues	6,145	-	-	6,145
Program fees	3,124,820	-	-	3,124,820
Sale of supplies and services	10,874	-	-	10,874
Investment income, net	185,747	(1,389)	(207,831)	(23,473)
Miscellaneous income	267,465	-	-	267,465
	11,103,458	1,872,215	221,690	13,197,363
Net assets released from restrictions	2,726,755	(2,726,755)	-	-
Total Support and Revenues	13,830,213	(854,540)	221,690	13,197,363
Expenses				
Program and membership services				
Youth development	4,385,216	-	-	4,385,216
Healthy living	4,442,557	-	-	4,442,557
Social responsibility	385,578	-	-	385,578
Total Program and Membership Services	9,213,351	-	-	9,213,351
Supporting services				
Management and general	1,894,568	-	-	1,894,568
Fundraising	386,381	-	-	386,381
Total Support Services	2,280,949	-	-	2,280,949
Total Expenses	11,494,300	-	-	11,494,300
Change in Net Assets	2,335,913	(854,540)	221,690	1,703,063
Net Assets, Beginning of Year	17,710,891	2,307,245	2,532,377	22,550,513
Net Assets, End of Year	$ 20,046,804	$ 1,452,705	$ 2,754,067	$ 24,253,576

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017

	Youth Development	Healthy Living	Social Responsibility	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 2,295,740	$ 2,754,086	$ 91,595	$ 1,058,462	$ 287,268	$ 6,487,151
Employee benefits	181,025	222,839	13,092	225,325	44,860	687,141
Payroll taxes	202,900	244,316	7,998	85,691	24,197	565,102
Contracted labor and professional fees	97,964	140,807	8,304	93,784	4,010	344,869
Supplies/other program costs	283,448	63,427	77,159	14,691	1,248	439,973
Telephone and communication	14,373	17,030	1,072	16,365	762	49,602
Postage and shipping	1,774	2,102	132	9,177	2,290	15,475
Building occupancy	831,313	994,269	59,286	1,076	-	1,885,944
Equipment expenses	194,829	167,171	5,969	123,027	9,284	500,280
Advertising and publicity	121,916	124,186	12,411	2,870	35,288	296,671
Employee expenses	18,819	18,403	1,116	24,034	2,776	65,148
Conferences, conventions, and meetings	26,391	9,769	1,038	26,965	8,731	72,894
Association dues and memberships	100,201	112,337	7,074	7,601	313	227,526
Scholarships and awards	-	-	41,425	-	-	41,425
Financing costs	29	34	2	600,638	-	600,703
Insurance expense	60,104	73,519	4,328	1,034	-	138,985
Miscellaneous expense	61,630	73,795	5,436	9,880	445	151,186
Depreciation and amortization	512,142	949,245	38,339	31,366	-	1,531,092
Total Expenses	$ 5,004,598	$ 5,967,335	$ 375,776	$ 2,331,986	$ 421,472	$ 14,101,167

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statement of Functional Expenses
Year Ended December 31, 2016

	Youth Development	Healthy Living	Social Responsibility	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 2,073,597	$ 2,073,743	$ 97,724	$ 1,207,451	$ 240,896	$ 5,693,411
Employee benefits	186,237	180,838	14,147	219,826	26,840	627,888
Payroll taxes	178,088	179,160	8,194	11,210	19,537	396,189
Contracted labor and professional fees	75,109	100,334	5,030	91,480	4,681	276,634
Supplies/other program costs	289,232	63,180	75,491	14,883	1,089	443,875
Telephone and communication	18,165	17,223	1,473	17,186	777	54,824
Postage and shipping	2,353	2,334	241	6,738	4,111	15,777
Building occupancy	722,731	742,868	60,832	7,354	-	1,533,785
Equipment expenses	170,533	230,589	8,225	68,184	10,874	488,405
Advertising and publicity	121,876	119,900	20,968	-	22,296	285,040
Employee expenses	21,776	18,671	1,475	32,962	1,514	76,398
Conferences, conventions, and meetings	13,467	11,289	16,252	29,792	52,146	122,946
Association dues and memberships	75,890	76,781	6,664	9,644	1,275	170,254
Scholarships and awards	-	-	30,924	1,500	-	32,424
Financing costs	-	-	-	122,060	-	122,060
Insurance expense	51,095	54,099	4,254	841	-	110,289
Miscellaneous expense	57,716	60,765	5,030	9,445	345	133,301
Depreciation and amortization	327,351	510,783	28,654	44,012	-	910,800
Total Expenses	$ 4,385,216	$ 4,442,557	$ 385,578	$ 1,894,568	$ 386,381	$ 11,494,300

See accompanying notes.

Young Men's Christian Association of Central Kentucky, Inc.
Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 1,328,111	$ 1,703,063
Adjustments		
Depreciation and amortization	1,531,092	910,800
Contributions restricted for purchases of property and equipment	-	(200,000)
Unrealized and realized gain on investment	(630,941)	(233,975)
Gain on disposal of property and equipment	(6,078)	-
Bad debts	122,459	91,521
Changes in		
Accounts receivable	86,399	(138,500)
Pledges receivable	40,149	(1,065,513)
Prepaid expenses	(4,012)	(46,324)
Accounts payable	166,333	(845,778)
Accrued expenses and other current liabilities	(241,907)	248,989
Deferred income	31,785	73,052
Net Cash Provided By Operating Activities	2,423,390	497,335
Cash Flows from Investing Activities		
Restricted cash accounts	(378,393)	698,301
Proceeds from sales or maturities of investments	141,253	824,452
Acquisition of investments	4,580	(25,757)
Contributions of investments	(52,081)	(363,570)
Purchases of property and equipment	(1,176,874)	(11,274,894)
Proceeds from sale of equipment	4,031	-
Net Cash Used By Investing Activities	(1,457,484)	(10,141,468)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(266,023)	(112,005)
Proceeds from long-term debt	345,388	10,027,039
Proceeds from contributions restricted for endowment	22,400	74,130
Proceeds from contributions restricted for purchases of property and equipment	92,750	638,456
Principal payments on capital leases	(381,524)	(145,759)
Net Cash (Used by) Provided By Financing Activities	(187,009)	10,481,861
Net Increase in Cash and Cash Equivalents	778,897	837,728
Cash and Cash Equivalents, Beginning of Year	839,375	1,647
Cash and Cash Equivalents, End of Year	$ 1,618,272	$ 839,375
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 556,549	$ 352,064
Supplemental Disclosure of Investing and Financing Transactions:		
In-kind contributions of equipment	$ 8,868	$ -
Property and equipment included in accounts payable	-	387,256
Property and equipment included in accrued expenses	-	88,328
Equipment purchased through capital leases	597,113	877,007

See accompanying notes.

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 300 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.

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, 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. Accounts Receivable: Accounts receivable consists mainly of third party billings related to memberships and grants. At December 31, 2017 and 2016 management deemed that all accounts receivable were fully collectible.

6. 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 or member's financial condition. Amounts are charged against the allowance when management determines that collection is doubtful. The allowance for doubtful accounts was $105,064 and $104,247 as of December 31, 2017 and 2016, respectively and relates only to pledges receivable.

7. 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.

Note B - Summary of Significant Accounting Policies (Continued)

8. 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

9. 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.

10. Deferred Income: The Association defines deferred income as membership dues and activity fees received in advance of the performance of services. 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.

11. 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.

Note B - Summary of Significant Accounting Policies (Continued)

12. Advertising: Advertising costs are expensed as incurred. Advertising expense amounts to $296,671 and $285,040 for the years ended December 31, 2017 and 2016, respectively.

13. 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.

14. 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.

15. Financing Costs: Financing costs are netted with long-term debt in the financial statements. The Association incurred certain financing fees in the amount of $209,110 which are being amortized over the twenty-year term of the loan. Accumulated amortization is $24,396 and $13,940 as of December 31, 2017 and 2016, respectively.

16. 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.

17. Reclassifications: Certain reclassifications have been made to the 2016 financial statements to conform with the 2017 presentation. These reclassifications had no impact on the change in net assets or net assets.

18. New Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Association's statement of financial position 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.

Note B - Summary of Significant Accounting Policies (Continued)

18. New Pronouncements (Continued): In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958)*, which amends the guidance related to financial statement presentation for not-for-profit entities. The requirements of ASU No. 2016-14, provide changes in the net asset classification requirements and improvements in the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The provision of ASU No. 2016-14 will become effective for the Association in 2018. The Association is currently evaluating the impact of adopting ASU No. 2016-14.

Note C - Pledges Receivable

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

	2017	2016
Receivable in less than one year	$ 493,308	$ 528,219
Receivable in one to five years	676,000	790,000
Receivable in six to fifteen years	100,000	303,000
Total Pledges Receivable	1,269,308	1,621,219
Less allowance for doubtful accounts	(105,064)	(104,247)
Less discounts to net present value	(147,566)	(244,936)
Net Pledges Receivable	$ 1,016,678	$ 1,272,036

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

Note D - Investments and Fair Value Accounting

Investments as of December 31, 2017 consist of the following:

	Cost	Fair Value	Unrealized Appreciation
Equities	$ 2,548,420	$ 3,444,000	$ 895,580
Fixed income	2,419,018	2,446,671	27,653
Cash equivalents	161,943	161,943	-
Alternative strategies	101,205	105,784	4,579
	$ 5,230,586	$ 6,158,398	$ 927,812
Investments		$ 3,625,529	
Perpetual trusts held by third parties		2,532,869	
		$ 6,158,398	

Investments as of December 31, 2016 consist of the following:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Equities	$ 2,580,210	$ 3,058,250	$ 478,040
Fixed income	2,109,542	2,097,814	(11,728)
Cash equivalents	352,983	352,983	-
Alternative strategies	136,723	134,562	(2,161)
	$ 5,179,458	$ 5,643,609	$ 464,151
Investments		$ 3,305,621	
Perpetual trusts held by third parties		2,337,988	
		$ 5,643,609	

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, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income				
YMCA Maintenance Reserve	$ 21,318	$ 1,122	$ -	$ 22,440
YMCA Endowment	50,893	831	127	51,851
Stoll Trust	-	-	21,258	21,258
Mitchell Trust	-	-	10,439	10,439
Coolidge Trust	-	-	17,353	17,353
Cooper Trust	-	-	2,659	2,659
Other	229	745	(25)	949
	72,440	2,698	51,811	126,949
Distributions				
Stoll Trust	-	-	(82,034)	(82,034)
Mitchell Trust	-	-	(13,231)	(13,231)
Coolidge Trust	-	-	(60,964)	(60,964)
Cooper Trust	-	-	(9,791)	(9,791)
	-	-	(166,020)	(166,020)
Realized gains (losses):				
YMCA Maintenance Reserve	(5,566)	(316)	-	(5,882)
YMCA Endowment	61	1	-	62
Stoll Trust	-	-	92,298	92,298
Mitchell Trust	-	-	7,141	7,141
Coolidge Trust	-	-	37,616	37,616
Other	1,937	1,591	-	3,528
	(3,568)	1,276	137,055	134,763
Unrealized gains (losses):				
YMCA Maintenance Reserve	106,350	4,463	-	110,813
YMCA Endowment	182,534	3,287	504	186,325
Stoll Trust	-	-	75,636	75,636
Mitchell Trust	-	-	46,093	46,093
Coolidge Trust	-	-	43,332	43,332
Cooper Trust	-	-	17,195	17,195
Other	(18,778)	35,449	113	16,784
	270,106	43,199	182,873	496,178
Total Investment Income	338,978	47,173	205,719	591,870
Less investment fees	(23,434)	(693)	(14,825)	(38,952)
Investment Income, net	$ 315,544	$ 46,480	$ 190,894	$ 552,918

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, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income				
YMCA Maintenance Reserve	$ 17,186	$ 3,702	$ -	$ 20,888
YMCA Endowment	46,792	861	132	47,785
YMCA Stock Gift Fund	-	165	-	165
Stoll Trust	-	-	18,876	18,876
Mitchell Trust	-	-	16,713	16,713
Coolidge Trust	-	-	26,072	26,072
Cooper Trust	-	-	2,759	2,759
Other	11	398	-	409
	63,989	5,126	64,552	133,667
Distributions				
YMCA Maintenance Reserve	(1,532)	(381)	-	(1,913)
YMCA Endowment	(5,340)	(87)	(13)	(5,440)
YMCA Stock Gift Fund	-	(36)	-	(36)
Stoll Trust	-	-	(58,587)	(58,587)
Mitchell Trust	-	-	(21,522)	(21,522)
Coolidge Trust	-	-	(243,123)	(243,123)
Cooper Trust	-	-	(16,051)	(16,051)
Other	-	-	-	-
	(6,872)	(504)	(339,296)	(346,672)
Realized gains (losses):				
YMCA Maintenance Reserve	(4,720)	(11,009)	-	(15,729)
YMCA Endowment	(14,629)	(239)	(29)	(14,897)
YMCA Stock Gift Fund	(1,511)	62	-	(1,449)
Stoll Trust	-	-	8,346	8,346
Mitchell Trust	-	-	2,815	2,815
Coolidge Trust	-	-	(10,477)	(10,477)
Cooper Trust	-	-	14,766	14,766
	(20,860)	(11,186)	15,421	(16,625)
Unrealized gains (losses):				
YMCA Maintenance Reserve	50,490	(932)	-	49,558
YMCA Endowment	122,503	2,092	299	124,894
YMCA Stock Gift Fund	-	3,312	-	3,312
Stoll Trust	-	-	15,529	15,529
Mitchell Trust	-	-	(19)	(19)
Coolidge Trust	-	-	59,065	59,065
Cooper Trust	-	-	(4,107)	(4,107)
Other	-	2,368	-	2,368
	172,993	6,840	70,767	250,600
Total Investment Income	209,250	276	(188,556)	20,970
Less investment fees	(23,503)	(1,665)	(19,275)	(44,443)
Investment Income, net	$ 185,747	$ (1,389)	$ (207,831)	$ (23,473)

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. Cash equivalents are valued at the net asset value of the units held.
- 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, 2017:

	Level 1	Level 2	Level 3	Total
Investments				
Equities	$ 2,221,320	$ -	$ -	$ 2,221,320
Fixed income	-	1,281,626	-	1,281,626
Cash equivalents	122,583	-	-	122,583
	2,343,903	1,281,626	-	3,625,529
Perpetual trusts held by third parties				
Equities	1,222,680	-	-	1,222,680
Fixed income	-	1,165,045	-	1,165,045
Cash equivalents	39,360	-	-	39,360
Alternative strategies	-	105,784	-	105,784
	1,262,040	1,270,829	-	2,532,869
	$ 3,605,943	$ 2,552,455	$ -	$ 6,158,398

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, 2016:

	Level 1	Level 2	Level 3	Total
Investments				
Equities	$ 1,868,854	$ -	$ -	$ 1,868,854
Fixed income	-	1,114,096	-	1,114,096
Cash equivalents	322,671	-	-	322,671
	2,191,525	1,114,096	-	3,305,621
Perpetual trusts held by third parties				
Equities	1,189,396	-	-	1,189,396
Fixed income	-	983,718	-	983,718
Cash equivalents	30,312	-	-	30,312
Alternative strategies	-	134,562	-	134,562
	1,219,708	1,118,280	-	2,337,988
	$ 3,411,233	$ 2,232,376	$ -	$ 5,643,609

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.

Note F - Property and Equipment, Net

Property and equipment as of December 31, 2017 and 2016 consisted of the following:

	2017	2016
Land and land improvements	$ 8,740,850	$ 8,701,562
Buildings and building improvements	37,160,648	36,530,219
Furniture and equipment, including capital leases	2,874,884	2,164,918
Vehicles	6,290	11,466
Construction-in-progress	158,626	235,041
Total Property and Equipment	48,941,298	47,643,206
Less: Accumulated Depreciation	(12,621,277)	(11,102,998)
Net Property and Equipment	$ 36,320,021	$ 36,540,208

Depreciation expense for the years ended December 31, 2017 and 2016 was $1,520,637 and $898,428, respectively.

During 2016, the construction of the new YMCA facility located in the Hamburg areas of Lexington, Kentucky and the improvements to the existing facility located in North Lexington were completed. Interest capitalized for the year ended December 31, 2016 in relation to the construction in progress was approximately $274,158.

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 (4.50 % at December 31, 2017). There was no outstanding balance on the line of credit as of December 31, 2017 or 2016.

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.

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.

Note H - Long-term Debt (Continued)

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 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 bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The outstanding balance at December 31, 2017 was $2,744,997.

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 Whitaker Family YMCA and (ii) the expansion and renovation of the existing facility located at 381 West Louden 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 outstanding balance as of December 31, 2017 was $15,831,527 and began amortization on November 30, 2017.

Debt service requirements at December 31, 2017 are as follows:

2018	$ 720,346
2019	740,979
2020	764,419
2021	787,745
2022	811,572
Thereafter	14,751,463
Bond issuance costs	(184,714)
	$ 18,391,810

Total outstanding debt related to both bond issues was $18,576,524 and $18,497,160 as of December 31, 2017 and 2016, respectively. The long-term debt is recorded net of issuance costs of $184,714 and $195,170 for the years ended December 31, 2017 and 2016, respectively.

Note I - Operating Lease Obligations

The Association leases office equipment, cardiovascular fitness equipment and vehicles from non-related parties under operating lease agreements that expire at various dates through 2020. Lease expense for the years ended December 31, 2017 and 2016 was $73,075 and $60,041, respectively.

Note I - Operating Lease Obligations (Continued)

The following is a schedule of the future minimum operating lease and service agreement payments as of December 31, 2017:

2018	$	49,159
2019		37,657
2020		12,583
	$	99,399

Note J - Capital Lease Obligations

The Association has entered into leases for fitness equipment, copiers, and buses from non-related parties under capital lease agreements that expire at various dates through 2022. The lease terms vary from 3 to 5 years with total monthly payments of $37,189 for the year ended December 31, 2017, with interest rates ranging from 2.09% to 3.70%, as of December 31, 2017.

The cost of the leased equipment included in property and equipment at December 31, 2017 is $1,481,348. Amortization of assets under capital leases is included in depreciation expense in the accompanying financial statements. Accumulated depreciation on capital lease equipment at December 31, 2017 was $521,067.

The present value of minimum capital lease obligations as of December 31, 2017 are as follows:

2018	$	446,267
2019		312,468
2020		111,785
2021		116,673
2022		12,999
Total Mnimum Obligations		1,000,192
Less amounts representing interest		(53,355)
Present Value of Minimum Obligations	$	946,837

Note K - 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.

Note K - Endowment (Continued)

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

Endowment Net Asset Composition by Type of Fund as of December 31, 2017:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,967,361	$ 2,967,361
Board designated endowment funds	2,384,488	-	2,384,488
Total Funds	$ 2,384,488	$ 2,967,361	$ 5,351,849

Changes in Endowment Net Assets for the Year Ended December 31, 2017:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 2,149,754	$ 2,754,067	$ 4,903,821
Investment income	50,893	36,986	87,879
Net appreciation (realized and unrealized)	182,595	319,928	502,523
Total Investment Return	233,488	356,914	590,402
Contributions	1,246	22,400	23,646
Distributions	-	(166,020)	(166,020)
Endowment Net Assets, End of the Year	$ 2,384,488	$ 2,967,361	$ 5,351,849

Note K - Endowment (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2016:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,754,067	$ 2,754,067
Board designated endowment funds	2,149,754	-	2,149,754
Total Funds	$ 2,149,754	$ 2,754,067	$ 4,903,821

Changes in Endowment Net Assets for the Year Ended December 31, 2016:

	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 2,010,513	$ 2,532,377	$ 4,542,890
Investment income	36,707	45,277	81,984
Net appreciation (realized and unrealized)	107,874	86,188	194,062
Total Investment Return	144,581	131,465	276,046
Contributions	-	429,521	429,521
Distributions	(5,340)	(339,296)	(344,636)
Endowment Net Assets, End of the Year	$ 2,149,754	$ 2,754,067	$ 4,903,821

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

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

	2017	2016
Board designated endowments	$ 2,384,488	$ 2,149,754
Board designated net assets	1,067,061	971,707
Other unrestricted net assets	17,717,896	16,925,343
	$ 21,169,445	$ 20,046,804

The board designated net assets above are designated for future capital maintenance.

Temporarily restricted net assets are available for the following purposes:

	2017	2016
Annual Giving campaign	$ 495,102	$ 620,568
Grants	170,468	149,846
Scholarship programs	96,900	90,673
Scott and Jessamine Counties	36,645	125,655
Capital Campaign	645,766	465,963
	$ 1,444,881	$ 1,452,705

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:

	2017	2016
Endowments	$ 2,967,361	$ 2,754,067

Note M - 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.

Note M - Defined Contribution Plans (Continued)

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.

The Association elected to contribute 12% for the years ended December 31, 2017 and 2016, thereby making the required employee contribution rate to be 0%. The Association contributed $342,495 and $347,798 for the years ended December 31, 2017 and 2016, 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 N - Related Party Transactions

As of December 31, 2017 and 2016, $207,370 and $152,325, respectively, was paid to the YMCA of the U.S.A for support services.