YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION

AND

YMCA FOUNDATION OF THE PIKES PEAK REGION

Consolidated Financial Statements

For the Year Ended December 31, 2015

And

Independent Auditors' Report

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Young Men's Christian Association of the Pikes Peak Region

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of the Pikes Peak Region and YMCA Foundation of the Pikes Peak Region (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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.

Certified Public Accountants and Business Advisors | 102 N. Cascade Avenue, Suite 400, Colorado Springs, CO 80903
www.skrco.com
telephone: (719) 630-1186
facsimile: (719) 630-1187

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

May 19, 2016

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015 (with comparative totals for 2014)

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
ASSETS					
Cash and cash equivalents	$ 3,043,657	$ 492,880	$ 5,663	$ 3,542,200	$ 2,239,660
Accounts receivable	235,095			235,095	194,681
Promises to give, net		3,114,641		3,114,641	213,707
Investments	1,316,891	1,008	204,198	1,522,097	1,540,880
Prepaid expenses and other	353,609			353,609	228,931
Beneficial interest in trusts		12,000	1,154,255	1,166,255	1,778,554
Bond issuance costs, net	125,017			125,017	136,382
Property and equipment, net	46,110,610		257,759	46,368,369	37,992,554
TOTAL ASSETS	$ 51,184,879	$ 3,620,529	$ 1,621,875	$ 56,427,283	$ 44,325,349
LIABILITIES AND NET ASSETS					
Accounts payable	$ 482,805			$ 482,805	$ 695,912
Accrued expenses	1,052,762			1,052,762	888,902
Deferred revenue	648,865			648,865	628,756
Charitable gift annuity	630,015			630,015	650,984
Interest rate swap agreements	714,518			714,518	846,244
Notes payable	5,706,301			5,706,301	878,339
Bonds payable	14,042,750			14,042,750	14,828,000
Deferred rent	794,172			794,172	805,039
Total liabilities	24,072,188	$ —	$ —	24,072,188	20,222,176
NET ASSETS					
Unrestricted	27,112,691			27,112,692	21,392,191
Temporarily restricted		3,620,529		3,620,529	1,009,058
Permanently restricted			1,621,875	1,621,874	1,701,924
Total net assets	27,112,691	3,620,529	1,621,875	32,355,095	24,103,173
TOTAL LIABILITIES AND NET ASSETS	$ 51,184,879	$ 3,620,529	$ 1,621,875	$ 56,427,283	$ 44,325,349

See notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015 (with comparative totals for 2014)

	2015				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**2014 Total**
PUBLIC SUPPORT AND REVENUE					
Contributions	$ 6,273,857	$ 3,357,428		$ 9,631,285	$ 1,846,012
Special events, net of expenses of $151,628 and $156,524 in 2015 and 2014, respectively	156,356			156,356	135,187
Total public support	6,430,213	3,357,428	$ —	9,787,641	1,981,199
Memberships	14,324,140			14,324,140	13,145,663
Program service fees	5,448,402			5,448,402	4,846,800
Change in value of split interest agreements	1,139,992	(532,250)	(80,049)	527,693	(88,086)
Rental income	422,100			422,100	408,507
Gain on interest rate swap agreements	131,726			131,726	60,175
Merchandise sales	77,155			77,155	91,370
Investment income from split interest agreement	44,126			44,126	52,062
Investment income (loss)	(48,428)			(48,428)	31,586
Other	201,893			201,893	87,134
Total revenue	21,741,106	(532,250)	(80,049)	21,128,807	18,635,211
Net assets released from restrictions	213,707	(213,707)	—	—	—
Total public support and revenue	28,385,026	2,611,471	(80,049)	30,916,448	20,616,410
EXPENSES					
Program services	19,402,796			19,402,796	17,731,348
General and administrative	3,067,369			3,067,369	2,853,119
Fundraising	194,361			194,361	126,036
Total expenses	22,664,526	—	—	22,664,526	20,710,503
CHANGE IN NET ASSETS	5,720,500	2,611,471	(80,049)	8,251,922	(94,093)
NET ASSETS, Beginning of year	21,392,191	1,009,058	1,701,924	24,103,173	24,197,266
NET ASSETS, End of period	$ 27,112,691	$ 3,620,529	$ 1,621,875	$ 32,355,095	$ 24,103,173

See notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2015 (with comparative totals for 2014)

	2015							
	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total	Management and General	Fund Raising	Total	2014 Total
PAYROLL EXPENSE								
Salaries	$ 6,827,476	$ 2,189,996	$ 265,638	$ 9,283,110	$ 1,622,146	$ 66,222	$ 10,971,478	$ 10,022,403
Employee benefits	677,961	233,636	49,656	961,253	368,753	20,898	1,350,904	1,065,969
Payroll taxes	644,929	201,224	25,021	871,174	138,512	5,676	1,015,362	982,472
Total	8,150,366	2,624,856	340,315	11,115,537	2,129,411	92,796	13,337,744	12,070,844
OPERATING EXPENSE								
Occupancy	2,128,164	821,017	90,257	3,039,438	8,544		3,047,982	2,905,942
Supplies	590,680	401,224	113,609	1,105,513	102,869	51,707	1,260,089	1,118,777
Contractual services	236,915	157,925	25,103	419,943	427,027	4,986	851,956	873,960
Printing, publications and promotions	172,546	67,247	6,662	246,455	28,889	18,423	293,767	246,357
Insurance	187,833	63,384	7,587	258,804	27,319		286,123	225,344
Organization dues	172,652	48,946	5,720	227,318	25,043	5,744	258,105	231,834
Education, conferences and training	96,358	36,263	8,770	141,391	96,648	9,135	247,174	217,550
Telephone	133,582	47,481	6,610	187,673	30,432	2,070	220,175	205,801
Travel and transportation	46,950	42,462	4,623	94,035	33,640	7,035	134,710	135,262
Postage and shipping	3,663	1,355	223	5,241	17,660	2,345	25,246	18,360
Miscellaneous	36,989	22,923	1,514	61,426	16,791	120	78,337	55,688
Total operating expense	3,806,332	1,710,227	270,678	5,787,237	814,862	101,565	6,703,664	6,234,875
Total expenses before interest, depreciation and amortization	11,956,698	4,335,083	610,993	16,902,774	2,944,273	194,361	20,041,408	18,305,719
Depreciation and amortization	1,987,658	3,638	490	1,991,786	88,397		2,080,183	1,828,187
Interest	382,534	110,782	14,920	508,236	34,699		542,935	576,597
Total expenses	$ 14,326,890	$ 4,449,503	$ 626,403	$ 19,402,796	$ 3,067,369	$ 194,361	$ 22,664,526	
Total expenses - 2014	$ 13,028,015	$ 4,140,664	$ 562,669	$ 17,731,348	$ 2,853,119	$ 126,036		$ 20,710,503

See notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2015 (with comparative totals for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 8,251,922	$ (94,093)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,080,183	1,828,187
Contributions restricted for long-term purposes	(4,255,805)	
Donated property and equipment	(3,842,000)	
Other		(15,316)
Net realized and unrealized (gain) loss on investments	78,756	(8,910)
Gain on interest rate swap agreements	(131,726)	(60,175)
Change in value of split interest agreement	(527,693)	88,086
Change in operating assets and liabilities:		
Accounts receivable	(40,414)	(41,950)
Pledges receivable	35,121	(77,721)
Prepaid expenses and other	(124,678)	3,672
Accounts payable and accrued expenses	(49,247)	80,038
Deferred revenue	20,109	45,255
Deferred rent	(10,867)	(9,961)
Net cash provided by operating activities	1,483,661	1,737,112
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from remainder trust	1,159,924	
Proceeds from lease transaction		815,000
Proceeds from sale and maturities of investments	113,977	179,584
Proceeds on sale of property and equipment		15,316
Purchase of investments	(173,950)	(144,433)
Purchase of property and equipment	(1,404,095)	(1,642,925)
Net cash used in investing activities	(304,144)	(777,458)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash collected restricted for long-term purposes	1,319,750	
Payments on gift annuity	(40,901)	(34,540)
Principal payments on promissory note	(365,826)	(248,399)
Principal payments on bonds	(790,000)	(760,000)
Net cash provided by (used in) financing activities	123,023	(1,042,939)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,302,540	(83,285)
CASH AND CASH EQUIVALENTS, Beginning of year	2,239,660	2,322,945
CASH AND CASH EQUIVALENTS, End of year	$ 3,542,200	$ 2,239,660

SUPPLEMENTAL CASH FLOW INFORMATION

	2015	2014
Cash paid for interest	$ 544,366	$ 578,140
Assets acquired through issuance of promissory notes	$ 5,193,788	$ 775,597

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Young Men's Christian Association of the Pikes Peak Region's (YMCA) purpose and objectives are to operate institutions exclusively for religious, charitable, scientific and educational purposes, including the rehabilitation and welfare of youth and to establish and maintain a fellowship of individuals and families of all faiths. Including, helping persons develop Christian personalities and to aid in building a Christian society through the improvement of physical, mental, social, moral and educational conditions of persons who participate in YMCA programs and the community served by the YMCA. The YMCA currently has seventeen centers operating out of eight facilities (including Camp Shady Brook) serving individuals in the Colorado Springs and surrounding El Paso County area.

The YMCA Foundation of the Pikes Peak Region (Foundation) was established as a supporting organization of the YMCA.

Principles of Consolidation — The consolidated financial statements include the accounts of the YMCA and the Foundation (collectively referred to as the Organization). The Foundation is consolidated since the YMCA has both an economic interest in and control over the Foundation. All material interorganization transactions have been eliminated.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Organization considers cash, amounts due from banks and highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

Accounts Receivable — Accounts receivable relate to amounts due for various services. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. At December 31, 2015 and 2014 no allowance had been recorded on the accounts receivable.

Promises to Give — Unconditional promises to give are recognized as revenues in the period received as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments — Investments are recorded at fair value, with realized and unrealized gains and losses included as unrestricted revenue in the consolidated statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated investments are recorded at fair value on the date of donation. Fair values for mutual funds and common stocks are determined principally through quoted market prices. Fair values for fixed income securities are determined principally through pricing services.

Property and Equipment — Property and equipment are stated at cost or, if donated, at the fair market value at the date of the donation. Acquisitions of property and equipment in excess of $3,000 and having a useful life exceeding one year and expenditures, repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of ten to fifty years for buildings and improvements and three to twenty-five years for furniture, fixtures and equipment.

Contributions — Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue.

Donation of Long-Lived Assets — The Organization has recorded donations of the use of long-lived assets in which the donor retains legal title as contribution revenue in the period in which the contribution or promise to give is received and expenses in the period the long-lived assets are used. The Organization has adopted a policy of not implying a time restriction and has recorded donated assets as increases in unrestricted net assets.

Income Tax Status — The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements. Tax years that remain subject to examination include 2012 through the current period.

Revenue Recognition— Income from membership dues is deferred and recognized over the periods to which the dues relate.

Functional Allocation of Expense — The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated statements of functional expenses provide a detail of the natural classifications of those functional expenses.

Marketing — The Organization expenses marketing costs as they are incurred. Total marketing expenses for 2015 and 2014 were $298,305 and $248,435, respectively.

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

Reclassifications — Certain reclassifications have been made to the 2014 report amounts to conform with the presentation in the current year.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

2. PROMISES TO GIVE

The Organization instituted a capital campaign to improve existing facilities. Cash and promises to give raised through the capital campaign are restricted to payment of costs related to the facilities and campaign costs. Those restrictions are deemed to expire as payments are made. In addition, the Organization received promises to give through its annual Community Support Campaign which may be used for operations. Discounts on future promises to give are recorded using a discount rate of 1.78%.

Unconditional promises to give are as follows at December 31:

	2015	2014
Due in less than one year	$ 1,462,086	$ 213,707
Due in one to five years	1,911,500	
Total	3,373,586	213,707
Allowance for uncollectible amounts	(159,650)	
Discount to present value	(99,295)	
Promises to give, net	$ 3,114,641	$ 213,707

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2015	2014
Land	$ 6,771,026	$ 5,203,026
Buildings and improvements	57,151,905	49,291,237
Furniture and equipment	5,809,798	5,727,793
Construction in progress	2,595,304	1,666,096
Total	72,328,033	61,888,152
Less accumulated depreciation	25,959,664	23,895,598
Net property and equipment	$ 46,368,369	$ 37,992,554

Included in buildings and improvements is $4,600,000 paid by the City of Colorado Springs for the aquatics portion of the Southeast facility. Under the terms of the contribution the City will retain title for 25 years at which time the Organization will receive title. However, the Organization has unrestricted use of the aquatics facilities and is responsible for its operation and management.

4. BENEFICIAL INTEREST IN TRUSTS

The Organization is the beneficiary of various irrevocable, perpetual trusts held and administered by third parties. Under the terms of the trust agreements, the Organization is to receive a stated percentage of the interest earned on the corpus of the trust assets in perpetuity for its unrestricted use. The Organization's share of the assets held in the trusts totaled $1,154,255 and $1,234,304 as of December 31, 2015 and 2014, respectively, and are reported at fair value and included in permanently restricted net assets in the Organization's consolidated statement of financial position. Fair value in the trusts is determined primarily based in the Organization's proportionate share of the fair value of the underlying assets of the trusts. Fair value of the underlying assets is determined using quoted market prices and pricing services.

The Organization was a remainder beneficiary under a charitable remainder trust, for which a local bank served as the trustee and made annual distributions to the lead beneficiary. The distributions were to continue for the lifetime of the lead beneficiary. Upon the death of such beneficiary, the trust's remaining principal would be distributed to the Organization. Based on the beneficiary's life expectancy, an estimated annual investment return of approximately 7% and a discount rate of approximately 15%, the present value and future benefits to be received by the Organization was estimated to be $532,250 at December 31, 2014. During 2015, the lead beneficiary passed away and the trust's remaining principal of $1,159,924 was distributed to the Organization.

The Organization is also a beneficiary under other charitable remainder trusts recorded at their estimated fair values of $12,000 at December 31, 2015 and 2014.

5. CHARITABLE GIFT ANNUITY

In a prior year, the Organization entered into a charitable gift annuity under which the Organization obtained ownership of land and a building, valued at $1,260,000. In exchange for the gift, the Organization is obligated to pay the donor monthly payments of $6,300 for as long as the donor lives. A liability was recorded for the present value of future payments over the donor's estimated remaining life expectancy of 9.83 years, using a discount rate of 6%.

6. NOTES PAYABLE

Notes payable consist of the following at December 31:

	2015	2014
Note payable to a company, payable in one lump sum without interest, due June 2016, secured by land.	$ 3,619,000	
Promissory note due to vendor, see additional information below.	1,574,788	
Notes payable to vendors, payable in monthly installments of $34,979, including interest at 3.25% to 4.35%, due March 2016 through 2019, secured by equipment carried at an amount approximately equal to the balance of the notes.	483,605	$ 839,564
Note payable to an individual, payable in monthly installments of $1,080, including interest at 9.0%, due June 2018, secured by land carried at $251,149.	28,908	38,775
Total	$ 5,706,301	$ 878,339

Required annual minimum principal payments on the above notes are as follows:

2016	$ 3,892,119
2017	157,025
2018	52,810
2019	29,559
2020	—
Thereafter	700,000
Total	4,831,513
Amount to be repaid through contributions from vendor	874,788
Total	$ 5,706,301

As of December 31, 2015, the Organization owed $1,574,788 to a vendor for construction. Subsequent to year end, the vendor presented and agreed to the following repayment terms with the Organization: $700,000 of the total amount owed is to be repaid within seven years, and the remaining $874,788 will be contributed by the vendor to cover the remaining outstanding balance through discounted fees on future projects over a ten year period. The outstanding balance will accrue interest at 5%. Any unpaid balance at December 31, 2025 will be forgiven by the vendor.

7. BONDS PAYABLE

Bonds payable consist of the following at December 31:

	2015	**2014**
Bonds payable	$ 14,095,000	$ 14,885,000
Less unamortized discount	52,250	57,000
Bonds payable, net	$ 14,042,750	$ 14,828,000

On December 26, 2006, El Paso County, Colorado (the County) issued $19,000,000 of Colorado Variable Rate Demand Revenue Bonds (the Bonds), the proceeds of which were loaned to the Organization. The Bonds mature on December 31, 2025. An additional $16,000,000 of 2006 bonds is available to be issued in the future, if the Organization proceeds with development of new facilities. The Bonds were issued to finance the costs of: 1) acquiring, constructing, completing and equipping real and personal property in connection with the construction of the Tri-Lakes facility and to finance additional improvements and renovations to other facilities; 2) refinancing the Issuer's outstanding Variable Rate Demand Revenue Bonds, Series 2002; and 3) paying certain costs of issuance relating to the Bonds.

The County issued the Bonds under an Indenture of Trust between the County and Wells Fargo Bank West, National Association (Wells Fargo), the Trustee. Payment of principal and interest on the Bonds, and purchase price of the Bonds upon optional and mandatory tender, are secured by an irrevocable direct-pay letter of credit from Wells Fargo in the amount of $15,837,884.

The bonds bear interest at a weekly interest rate determined by the Remarketing Agent (effective weekly rate at December 31, 2015 is 0.02%) payable on the first business day of each March, June, September and December.

The Letter of Credit is secured by the Organization's real property and improvements. Under the Indenture of Trust and the Mortgage and Loan Agreement, on a quarterly basis the Organization shall deposit into the Bond Principal Fund, an amount equal to one-forth of the annual principal reduction coming due on the immediately succeeding December 1 (whether at maturity or upon a sinking fund redemption) and into the Bond Interest Fund on the business day next preceding each interest payment date, an amount equal to the interest coming due on the Bonds on the immediately succeeding interest payment date.

The loan agreement under the bonds payable and the related reimbursement agreement under letters of credit contain certain restrictive covenants including limitations on new indebtedness, disposal of assets or investments and a minimum rate of net income available for debt service to current debt expenses. As of December 31, 2015, the Organization was in compliance with these covenants.

The Organization has interest rate swap agreements outstanding for the purpose of hedging the risk of interest rate fluctuations associated with the bonds payable, not for speculation. In July 2010, the Organization entered into an interest rate swap agreement associated with its Variable Rate Demand Obligation Bonds, Series 2002. Pursuant to this agreement, the Organization pays a rate of 2.67% on the outstanding balance of the bonds and receives interest at the Bond Market Association (BMA) municipal swap index rate. The swap matures July 1, 2020. In December 2007, the Organization entered into an interest rate swap agreement associated with its Variable Rate Demand Obligation Bonds. Pursuant to the agreement, the Organization pays a rate of 3.74% on the outstanding balance of the bonds and receives interest at the BMA index rate. The swap matures December 1, 2017. The Organization recorded unrealized gains of $131,726 and $60,175 due to changes in the fair value of the interest swap agreements during the years ended December 31, 2015 and 2014, respectively.

Amounts required to be deposited into the Bond Principal Fund are as follows:

2016	$ 825,000
2017	865,000
2018	900,000
2019	940,000
2020	980,000
Thereafter	9,585,000
Total	$ 14,095,000

8. DEFERRED RENT

During 2014, the Organization entered into a 75 year land lease which can be extended by the lessee for two 10-year periods. The lessee prepaid base rent of $815,000 which the Organization has deferred and is recognizing on a straight line basis over the term of the lease. During 2015 and 2014, the Organization recognized rental income of $10,807 and $9,961, respectively, under the lease agreement.

The lessee constructed a building on the leased land to be used for healthcare related services. At the end of the lease term, the lessee will convey the building to the Organization.

9. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by Level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015:				
ASSETS				
INVESTMENTS				
Bond mutual funds:				
Domestic	$ 256,591	$ 256,591		
International	69,974	69,974		
Corporate stocks:				
Domestic	220,754	220,754		
International	61,401	61,401		
Mixed strategy mutual funds	230,670	230,670		

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015 (continued):				
Equity mutual funds:				
Domestic	116,184	116,184		
International	132,557	132,557		
Corporate bonds	20,923		$ 20,923	
REIT's and other mutual funds	203,043	203,043		
Total investments	1,312,097	1,291,174	20,923	$ —
OTHER ASSETS				
Beneficial interest in trusts	1,166,255		1,166,255	
Total	$ 2,478,352	$ 1,291,174	$ 1,187,178	$ —
LIABILITIES				
Interest rate swap agreement	$ 714,518			$ 714,518
Charitable gift annuity	630,015			630,015
Total	$ 1,344,533	$ —	$ —	$ 1,344,533
2014:				
ASSETS				
INVESTMENTS				
Bond mutual funds:				
Domestic	$ 243,620	$ 243,620		
International	78,157	78,157		
Corporate stocks:				
Domestic	162,497	162,497		
International	17,442	17,442		
Mixed strategy mutual funds	229,960	229,960		
Equity mutual funds:				
Domestic	181,172	181,172		
International	173,664	173,664		
Corporate bonds	26,413		$ 26,413	
REIT's and other mutual funds	217,955	217,955		
Total investments	1,330,880	1,304,467	26,413	$ —
OTHER ASSETS				
Beneficial interest in trusts	1,778,554		1,246,304	532,250
Total	$ 3,109,434	$ 1,304,467	$ 1,272,717	$ 532,250
LIABILITIES				
Interest rate swap agreement	$ 846,244			$ 846,244
Charitable gift annuity	650,984		$ 650,984	
Total	$ 1,497,228	$ —	$ 650,984	$ 846,244

The following table show quantitative information about significant unobservable inputs related to Level 3 fair value measurements used as of December 31, 2015:

	Valuation Techniques	Unobservable Input	Range
Beneficial investment in trust	Discounted cash	Expected life of lead beneficiary	4.03 years
		Estimated annual distributions to lead beneficiary	$ 60,000
		Return on assets	7 %
		Discount rate	15 %

The methodology to record the interest rate swap agreement at fair value was based on discounted cash flows based on information received from the counterparty.

Activity relating to assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is summarized below:

Beneficial interest in trust, January 1, 2014	$ 567,600
Change in value recognized as a loss	(35,350)
Beneficial interest in trust, December 31, 2014	532,250
Gain on beneficial interest in trust	627,674
Distribution received	(1,159,924)
Beneficial interest in trust, December 31, 2015	$ —

Activity relating to liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is summarized below:

Interest rate swap agreements, January 1, 2014	$ 906,419
Change in value recognized as a gain	(60,175)
Interest rate swap agreements, December 31, 2014	846,244
Change in value recognized as a gain	(131,726)
Interest rate swap agreements, December 31, 2015	$ 714,518

Included in investments are water rights which are carried at cost of $210,000 at December 31, 2015 and 2014. The water rights consist of 143.2 shares of Mountain Mutual Reservoir Company purchased by the Organization to help insure a water supply for Camp Shadybrook.

Investment income consists of the following for the years ended December 31:

	2015	2014
Net realized and unrealized gains (losses)	$ (78,756)	$ 8,910
Interest and dividends	30,328	22,676
Total	$ (48,428)	$ 31,586

10. BOARD DESIGNATED UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of the Organization to review its plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the Board of Directors for specific future needs are treated as board designated unrestricted net assets. The balance can be transferred to the undesignated portion of unrestricted net assets at the Board's discretion.

Board designated amounts included in unrestricted net assets as of December 31, 2015 are as follows:

Designated for:	
Endowment funds	$ 672,656
Future maintenance	454,961
Health and dental plans	177,770
Unemployment	139,952
Contingencies	182,500
Use in specific programs	45,795
Technology	7,690
Future equipment purchases	3,227
Future vehicle purchases	2,949
Total	$ 1,687,500

11. RESTRICTIONS ON NET ASSETS

Restricted net assets are available for the following purposes:

Temporarily Restricted:	
Beneficial interest in trusts	$ 12,000
Time restricted promises to give	3,114,641
Organization programs	493,888
Total temporarily restricted net assets	$ 3,620,529
Permanently Restricted:	
Beneficial interest in perpetual trusts	$ 1,154,255
Land for Briargate facility	257,759
Military program endowment fund	128,874
Organization endowment fund	43,987
Parson teen and youth endowment fund	25,000
Berwick memorial endowment fund	12,000
Total permanently restricted net assets	$ 1,621,875

12. ENDOWMENT FUNDS

The Organization's endowment consists of nine individual funds established for a variety of purposes. Its endowment includes both donor-related 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, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Organization and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Organization
7) The investment policies of the Organization

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,101	$ 209,861	$ 210,962
Perpetual trust endowment funds			1,154,255	1,154,255
Board-designated endowment funds	$ 672,656			672,656
Total funds	$ 672,656	$ 1,101	$ 1,364,116	$ 2,037,873

Changes in Endowment Net Assets for the year ended December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 712,957	$ 1,101	$ 1,444,165	$ 2,158,223
Investment return:				
Investment income	14,425			14,425
Net depreciation (realized and unrealized)	(40,984)		(80,049)	(121,033)
Total investment return	(26,559)	—	(80,049)	(106,608)
Appropriation of endowment assets for expenditures	(13,742)			(13,742)
Endowment net assets, end of year	$ 672,656	$ 1,101	$ 1,364,116	$ 2,037,873

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,101	$ 209,861	$ 210,962
Perpetual trust endowment funds			1,234,304	1,234,304
Board-designated endowment funds	$ 712,957			712,957
Total funds	$ 712,957	$ 1,101	$ 1,444,165	$ 2,158,223

Changes in Endowment Net Assets for the year ended December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 708,902	$ 1,101	$ 1,461,766	$ 2,171,769
Investment return:				
Investment income	6,039	1,532	595	8,166
Net appreciation (depreciation) (realized and unrealized)	7,829	1,988	(18,196)	(8,379)
Total investment return	13,868	3,520	(17,601)	(213)
Appropriation of endowment assets for expenditures	(9,813)	(3,520)	—	(13,333)
Endowment net assets, end of year	$ 712,957	$ 1,101	$ 1,444,165	$ 2,158,223

	2015	2014
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	$ 1,364,116	$ 1,444,165
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	$ 1,101	$ 1,101

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency existed as of December 31, 2015 or 2014.

The Organization has adopted investment and spending policies for endowment assets with a balanced objective with an emphasis on long-term capital appreciation over current income to insure preservation of real purchasing power and growth of principal. Included in endowments are perpetual trusts held by third parties, these trusts are controlled by the third party and the investment policies of the Organization does not apply to them. The balance of perpetual trusts held by third parties was $1,154,255 and $1,234,304 at December 31, 2015 and 2014, respectively. Endowment assets also include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

13. DONATED SERVICES, FACILITIES AND MATERIALS

The Organization recognizes donated services as contributions if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed materials are recorded in the financial statements at their estimated fair value on the date of receipt.

A school district has provided local school facilities for use in YMCA programs at no charge to the Organization. No value has been placed on this donation of space and accordingly no contribution or expense is recorded because management does not believe it to have material value.

In addition, a substantial number of volunteers have donated significant amounts of their time in the Organization's fundraising and membership development programs. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Generally Accepted Accounting Standards.

During 2015, the Organization received a partial contribution of a building and land through a reduction of the final purchase price. The land and building were recorded in the financial statements at their respective assessed values based on an independent appraisal.

14. COMMITMENTS AND CONTINGENCIES

The Organization is primarily self-insured for health costs and believes adequate accruals are maintained to cover the retained liability. The accruals for self-insurance liabilities are determined by management based on claims filed and an estimate of material claims incurred but not yet reported and are not discounted. The Organization maintains third-party stop-loss insurance policies to cover health costs in excess of $25,000 per employee in each year.

15. RETIREMENT PLAN

The Organization participates in The YMCA Retirement Fund Retirement Plan (the Retirement Plan) which is a defined contribution, money purchase, church 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 (Tax-Deferred 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 through-out the United States. The Plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the Retirement Plan agreement, contributions for the Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the Organization. Total contributions charged to retirement costs were $576,343 and $563,289 in 2015 and 2014, respectively, of which $62,808 and $56,345 was payable at December 31, 2015 and 2014, respectively.

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

16. CONCENTRATIONS OF CREDIT RISK

The Organization has various money market accounts with brokerage firms which are not insured. The Organization has not experienced any losses in such accounts.

The Organization has significant investments in mutual funds, common stock, and corporate debt securities and is, therefore, subject to concentrations of credit risk. Investments are made by investment managers engaged by the Organization and the investments are monitored by the Organization. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.