stockman kast ryan + CO LLP

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, 2016

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, 2016, 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.

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, 2016, 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 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

May 30, 2017

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, 2016 (with comparative totals for 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Cash and cash equivalents	$ 2,797,470	$ 353,545	$ 5,195	$ 3,156,210	$ 3,542,200
Accounts receivable	432,659			432,659	235,095
Promises to give, net		4,626,054		4,626,054	3,114,641
Investments	1,135,795	1,036	205,470	1,342,301	1,312,097
Prepaid expenses and other	323,561			323,561	563,609
Beneficial interest in trusts		12,000	1,158,477	1,170,477	1,166,255
Property and equipment, net	45,795,940		257,759	46,053,699	46,368,369
TOTAL ASSETS	$ 50,485,425	$ 4,992,635	$ 1,626,901	$ 57,104,961	$ 56,302,266
LIABILITIES AND NET ASSETS					
Accounts payable	$ 547,160			$ 547,160	$ 482,805
Accrued expenses	1,223,392			1,223,392	1,052,762
Deferred revenue	925,160			925,160	648,865
Charitable gift annuity	608,844			608,844	630,015
Interest rate swap agreements					714,518
Line of credit	2,023,275			2,023,275	
Notes payable	2,033,044			2,033,044	5,706,301
Bonds payable	14,569,365			14,569,365	13,917,733
Deferred rent	783,306			783,306	794,172
Total liabilities	22,713,546	$ —	$ —	22,713,546	23,947,171
NET ASSETS					
Unrestricted	27,771,879			27,771,879	27,112,691
Temporarily restricted		4,992,635		4,992,635	3,620,529
Permanently restricted			1,626,901	1,626,901	1,621,875
Total net assets	27,771,879	4,992,635	1,626,901	34,391,415	32,355,095
TOTAL LIABILITIES AND NET ASSETS	$ 50,485,425	$ 4,992,635	$ 1,626,901	$ 57,107,961	$ 56,302,266

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, 2016 (with comparative totals for 2015)

	2016				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**2015 Total**
PUBLIC SUPPORT AND REVENUE					
Contributions	$ 1,292,934	$ 3,545,292		$ 4,838,226	$ 9,631,285
Special events, net of expenses of $140,579 and $151,628 in 2016 and 2015, respectively	100,817			100,817	156,356
Total public support	1,393,751	3,545,292	$ —	4,939,043	9,787,641
Memberships	15,387,665			15,387,665	14,324,140
Program service fees	5,920,391			5,920,391	5,448,402
Rental income	559,510			559,510	422,100
Merchandise sales	95,551			95,551	77,155
Investment income (loss)	80,299		804	81,103	(48,428)
Investment income from split interest agreement	44,843			44,843	44,126
Change in value of split interest agreements	(18,618)		4,222	(14,396)	527,693
Gain (loss) on interest rate swap agreements	(131,641)			(131,641)	131,726
Other	216,569			216,569	201,893
Total revenue	22,154,569	—	5,026	22,159,595	21,128,807
Net assets released from restrictions	2,173,186	(2,173,186)			
Total public support and revenue	25,721,506	1,372,106	5,026	27,098,638	30,916,448
EXPENSES					
Program services	20,774,551			20,774,551	19,402,796
General and administrative	3,632,292			3,632,292	3,067,369
Fundraising	655,475			655,475	194,361
Total expenses	25,062,318	—	—	25,062,318	22,664,526
CHANGE IN NET ASSETS	659,188	1,372,106	5,026	2,036,320	8,251,922
NET ASSETS, Beginning of year	27,112,691	3,620,529	1,621,875	32,355,095	24,103,173
NET ASSETS, End of period	$ 27,771,879	$ 4,992,635	$ 1,626,901	$ 34,391,415	$ 32,355,095

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, 2016 (with comparative totals for 2015)

	2016							
	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total	Management and General	Fund Raising	Total	2015 Total
PAYROLL EXPENSE								
Salaries	$ 7,713,512	$ 2,391,403	$ 216,308	$ 10,321,223	$ 1,963,920	$ 124,556	$ 12,409,699	$ 10,971,478
Employee benefits	659,009	207,169	40,483	906,661	385,433	16,002	1,308,096	1,350,904
Payroll taxes	692,861	219,665	18,957	931,483	151,973	10,582	1,094,038	1,015,362
Total	9,065,382	2,818,237	275,748	12,159,367	2,501,326	151,140	14,811,833	13,337,744
OPERATING EXPENSE								
Occupancy	2,150,552	837,943	75,072	3,063,567	51,037	121,966	3,236,570	3,047,982
Supplies	609,307	433,868	105,021	1,148,196	101,682	63,503	1,313,381	1,260,089
Contractual services	315,210	193,159	21,882	530,251	437,894	65,130	1,033,275	851,956
Printing, publications and promotions	198,105	75,177	8,226	281,508	38,878	28,468	348,854	293,767
Insurance	216,797	75,415	7,016	299,228	31,972	9,050	340,250	286,123
Organization dues	214,654	58,456	5,960	279,070	31,617	5,126	315,813	258,105
Education, conferences and training	89,412	29,744	6,425	125,581	132,497	10,135	268,213	247,174
Telephone	136,717	49,877	5,359	191,953	29,097	1,714	222,764	220,175
Travel and transportation	56,913	52,532	4,953	114,398	39,237	5,703	159,338	134,710
Postage and shipping	2,669	1,252	142	4,063	18,975	1,635	24,673	25,246
Miscellaneous	25,946	15,237	887	42,070	31,259	607	73,936	78,337
Total operating expense	4,016,282	1,822,660	240,943	6,079,885	944,145	313,037	7,337,067	6,703,664
Total expenses before interest and depreciation	13,081,664	4,640,897	516,691	18,239,252	3,445,471	464,177	22,148,900	20,041,408
Depreciation	2,030,233	6,024	659	2,036,916	84,093	149,931	2,270,940	2,064,069
Interest	384,622	102,543	11,218	498,383	102,728	41,367	642,478	559,049
Total expenses	$ 15,496,519	$ 4,749,464	$ 528,568	$ 20,774,551	$ 3,632,292	$ 655,475	$ 25,062,318	
Percent of total	62%	19%	2%	83%	14%	3%	100%	
Comparative totals - 2015	$ 14,326,890	$ 4,449,503	$ 626,403	$ 19,402,796	$ 3,067,369	$ 194,361		$ 22,664,526
Percent of total	63%	20%	3%	86%	13%	1%		100%

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, 2016 (with comparative totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,036,320	$ 8,251,922
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,270,940	2,064,069
Contributions restricted for long-term purposes	(3,379,777)	(4,255,805)
Donated property and equipment		(3,842,000)
Bond issuance costs	125,017	
Other	8,786	
Net realized and unrealized (gain) loss on investments	(61,958)	78,756
(Gain) loss on interest rate swap agreements	131,641	(131,726)
Change in value of split interest agreement	14,396	(527,693)
Change in operating assets and liabilities:		
Accounts receivable	(197,564)	(40,414)
Pledges receivable	940,061	35,121
Prepaid expenses and other	240,048	(108,564)
Accounts payable and accrued expenses	234,985	(49,247)
Deferred revenue	276,295	20,109
Deferred rent	(10,866)	(10,867)
Net cash provided by operating activities	2,628,324	1,483,661
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from remainder trust		1,159,924
Proceeds from sale and maturities of investments	175,695	113,977
Purchase of investments	(143,941)	(173,950)
Purchase of property and equipment	(1,523,740)	(1,404,095)
Net cash used in investing activities	(1,491,986)	(304,144)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash collected restricted for long-term purposes	928,303	1,319,750
Payments on gift annuity	(38,856)	(40,901)
Principal payments on promissory note	(4,115,506)	(365,826)
Principal payments on bonds	(250,000)	(790,000)
Proceeds on bond issuance, net	14,819,365	
Extinguishment of bonds and interest note swap	(14,888,909)	
Borrowings on line of credit	2,023,275	
Net cash provided by (used in) financing activities	(1,522,328)	123,023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(385,990)	1,302,540
CASH AND CASH EQUIVALENTS, Beginning of year	3,542,200	2,239,660
CASH AND CASH EQUIVALENTS, End of year	$ 3,156,210	$ 3,542,200

(Continued)

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, 2016 (with comparative totals for 2015)

	2016	2015
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 614,207	$ 544,366
Assets acquired through issuance of promissory notes	$ 442,249	$ 5,193,788
Non-cash allowance for assets traded in	$ 29,000	$ —

(Concluded)

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, 2016, from which the summarized information was derived.

Change in Accounting Principle — During 2016, the Organization implemented Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The objective of ASU 2015-03 is to classify debt issuance costs that were previously reported as an asset as a direct deduction from the carrying amount of that debt liability. Amortization of the debt issuance costs, which were previously reported as amortization expense, are being reported as interest expense.

ASU 2015-03 was effective for fiscal years beginning after December 15, 2015 and the changes have been reflected in the 2016 and 2015 consolidated statement of financial position and statement of activities. The net bond issuance costs that were reclassified as a deduction of bonds payable at December 31, 2015 were $125,017. Amortization expense that was reclassified as interest expense for the year ended December 31, 2015 was $16,114.

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, 2016 and 2015 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 2013 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 2016 and 2015 were $348,854 and $293,767, 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.

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 2.48%.

Unconditional promises to give are as follows at December 31:

	2016	2015
Due in less than one year	$ 1,827,623	$ 1,462,086
Due in one to five years	3,211,150	1,911,500
Total	5,038,773	3,373,586
Allowance for uncollectible amounts	(238,798)	(159,650)
Discount to present value	(173,921)	(99,295)
Promises to give, net	$ 4,626,054	$ 3,114,641

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2016	2015
Land	$ 6,771,026	$ 6,771,026
Buildings and improvements	60,132,466	57,151,905
Furniture and equipment	4,959,119	5,809,798
Construction in progress	1,058,864	2,595,304
Total	72,921,475	72,328,033
Less accumulated depreciation	26,867,776	25,959,664
Net property and equipment	$ 46,053,699	$ 46,368,369

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 $1,158,477 and $1,154,255 as of December 31, 2016 and 2015, 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 is also a beneficiary under other charitable remainder trusts recorded at their estimated fair values of $12,000 at December 31, 2016 and 2015.

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 is recognized 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:

	2016	2015
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.	$ 1,387,179	1,574,788
Notes payable to vendors, payable in monthly installments of $34,685, including interest at various rates from 0.001% to 4.35%, due February 2016 through December 2019, secured by equipment carried at an amount approximately equal to the balance of the notes.	627,749	483,605
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.	18,116	28,908
Total	$ 2,033,044	$ 5,706,301

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

2017	$ 296,061
2018	201,532
2019	148,272
2020	
2021	
Thereafter	1,387,179
Total	$ 2,033,044

As of December 31, 2016 and 2015, the Organization owed $1,387,179 and $1,574,788, respectively, to a vendor for construction. In 2015, 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 was to 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. LINE OF CREDIT

In June 2016, the Organization entered into a $4,000,000 revolving line of credit agreement with a bank. The line bears interest at a variable rate of 2.90% in excess of LIBOR (effective rate of 3.52% at December 31, 2016) and is secured by the Organization's pledges receivable, revenues, and all deposit accounts. As of December 31, 2016, the outstanding borrowings were $2,023,275.

8. BONDS PAYABLE

Bonds payable consist of the following at December 31:

	2016	2015
Bonds payable, El Paso County Series 2006		$ 14,095,000
Bonds payable, Series 2016A, 2016B and 2016C	$ 14,750,000	
Less bond issuance costs, net	(180,635)	(125,017)
Less unamortized discount on Series 2006		(52,250)
Bonds payable, net of bond issuance costs	$ 14,569,365	$ 13,917,733

On December 26, 2006, El Paso County, Colorado (the County) issued $19,000,000 of Colorado Variable Rate Demand Revenue Bonds (the 2006 Bonds), the proceeds of which were loaned to the Organization. The Bonds originally were to mature on December 31, 2025. In 2016, El Paso County, Colorado (the County) issued $11,250,000 of Colorado Fixed Rate Refunding and Improvement bonds, Series 2016A; $3,250,000 of Colorado Variable Rate Refunding and Improvement bonds, Series 2016B; and $500,000 Colorado Variable Rate Refunding and Improvement bonds, Series 2016C, (together, 2016 Bonds) the proceeds of which were loaned to the Organization. The Bonds were issued to finance the costs of: 1) reimbursing the Organization for the construction, improvements and equipping of property located at 1750 Jackson Creek Parkway in connection with the construction in Monument, Co, 2) paying off the Series 2006 Bonds and 3) paying certain costs of issuance relating to the Bonds.

The County issued the 2016 Bonds under a Financing Agreement between the County and a financial institution. The 2016 Bonds bear interest as follows: Series 2016A bears interest at a fixed annual rate of 2.84%. Series 2016B bears interest at a variable rate of 1.55% in excess of adjusted LIBOR (effective rate of 1.95% at December 31, 2016), and Series 2016C bears interest at a variable rate of 2.38% in excess of adjusted LIBOR (effective rate of 3.00% at December 31, 2016).

The loan agreement 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, 2016, the Organization was in compliance with these covenants.

The Organization had interest rate swap agreements for the purpose of hedging the risk of interest rate fluctuations associated with the Series 2006 Bonds, not for speculation. In connection with the repayment of the Series 2006 Bonds, the interest note swap agreement was terminated. The Organization recorded unrealized (loss) and gain of $(131,641) and $131,726 due to changes in the fair value of the interest swap agreements during the years ended December 31, 2016 and 2015, respectively.

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

2017	$ 508,542
2018	629,647
2019	642,842
2020	656,416
2021	670,382
Thereafter	11,642,171
Total	$ 14,750,000

9. DEFERRED RENT

During 2016, 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 2016 and 2015, the Organization recognized rental income of $10,694 and $10,807, 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.

10. 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)
2016:				
ASSETS				
INVESTMENTS				
Bond mutual funds:				
Domestic	$ 261,582	$ 261,582		
International	51,436	51,436		
Corporate stocks:				
Domestic	167,729	167,729		
International	21,695	21,695		
Mixed strategy mutual funds	247,419	247,419		
Equity mutual funds:				
Domestic	193,465	193,465		
International	183,011	183,011		
Corporate bonds	10,502		$ 10,502	
REIT's and other mutual funds	205,462	205,462		
Total investments	1,342,301	1,331,799	10,502	$ —
OTHER ASSETS				
Beneficial interest in trusts	1,170,477		1,170,477	
Total	$ 2,512,778	$ 1,331,799	$ 1,180,979	$ —
LIABILITIES				
Charitable gift annuity	$ 608,844	$	$	$ 608,844
Total	$ 608,844	$ —	$ —	$ 608,844
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		
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	$ —

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LIABILITIES				
Interest rate swap agreement	$ 714,518			$ 714,518
Charitable gift annuity	630,015			630,015
Total	$ 1,344,533	$ —	$ —	$ 1,344,533

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, 2015	$ 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, 2015	$ 846,244
Change in value recognized as a gain	(131,726)
Interest rate swap agreements, December 31, 2015	714,518
Change in value recognized as a loss	131,641
Termination of agreement	(846,159)
Interest rate swap agreements, December 31, 2016	$ —

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

	2016	2015
Net realized and unrealized gains (losses)	$ 61,958	$ (78,756)
Interest and dividends	19,145	30,328
Total	$ 81,103	$ (48,428)

11. 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, are as follows:

	2016	2015
Designated for:		
Future maintenance	$ 779,693	$ 454,961
Endowment funds	703,324	672,656
Contingencies	232,500	182,500
Future building improvements	203,576	
Health and dental plans	145,717	177,770
Unemployment	139,952	139,952
Technology	48,769	7,690
Use in specific programs	48,000	45,795
Other	6,176	6,176
Total	$ 2,307,707	$ 1,687,500

12. RESTRICTIONS ON NET ASSETS

Restricted net assets are available for the following purposes as of December 31:

	2016	2015
Temporarily Restricted:		
Time restricted promises to give	$ 4,626,055	$ 3,114,641
Organization programs	354,580	493,888
Beneficial interest in trusts	12,000	12,000
Total temporarily restricted net assets	$ 4,992,635	$ 3,620,529
Permanently Restricted:		
Beneficial interest in perpetual trusts	$ 1,158,477	$ 1,154,255
Land for Briargate facility	257,759	257,759
Military program endowment fund	129,678	128,874
Organization endowment fund	43,987	43,987
Parson teen and youth endowment fund	25,000	25,000
Berwick memorial endowment fund	12,000	12,000
Total permanently restricted net assets	$ 1,626,901	$ 1,621,875

13. 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, 2016 is as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds		$ 1,101	$ 210,665	$ 211,766
Perpetual trust endowment funds			1,158,477	1,158,477
Board-designated endowment funds	$ 703,324			703,324
Total funds	$ 703,324	$ 1,101	$ 1,369,142	$ 2,073,567

Changes in Endowment Net Assets for the year ended December 31, 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 672,656	$ 1,101	$ 1,364,116	$ 2,037,873
Investment return:				
Investment income	8,590		804	9,394
Net appreciation (realized and unrealized)	35,700		4,222	39,922
Total investment return	44,290		5,026	49,316
Appropriation of endowment assets for expenditures	(13,622)			(13,622)
Endowment net assets, end of year	$ 703,324	$ 1,101	$ 1,369,142	$ 2,073,567

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

	2016	2015
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	$ 1,368,338	$ 1,364,116
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, 2016 or 2015.

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 $1,158,477 and $1,154,255 at December 31, 2016 and 2015, 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.

14. 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 Principles.

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 appraised values based on an independent appraisal.

15. 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.

16. RELATED PARTY TRANSACTIONS

The Organization receives contributions from time to time from their Board of Directors, with some in the form of promises to give. As of December 31, 2016, there were outstanding balances totaling $546,070.

17. 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 $685,634 and $576,343 in 2016 and 2015, respectively, of which $71,780 and $62,808 was payable at December 31, 2016 and 2015, 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.

18. 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.