

**YOUNG MEN'S
CHRISTIAN ASSOCIATION**

GRAND ISLAND, NEBRASKA

Financial Statements

December 31, 2016 and 2015

YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

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Independent Auditors' Report

Board of Directors
Young Men's Christian Association
Grand Island, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association (YMCA) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Contryman Associates P.C.
Certified Public Accountants
Grand Island, Nebraska

May 25, 2017

**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Unrestricted cash	96,364	43,683
Restricted cash	1,732	43,714
Accounts receivable		
Members, net of allowance of \$0 and \$0 at December 31, 2016 and 2015, respectively	10,432	6,540
Restricted grants	9,680	26,450
Pledges receivable, net	3,081	1,280
Prepaid expenses and other current assets	21,457	13,459
Total current assets	142,746	135,126
Investments, at fair value	996,604	975,382
Restricted investments, at fair value	7,190	7,114
Prepaid lease and other assets	8,288	10,844
Property, plant, and equipment, net	1,895,006	1,964,800
Total assets	3,049,834	3,093,266
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	11,576	16,969
Current portion of capital leases	21,777	20,315
Accrued liabilities	45,382	46,911
Total current liabilities	78,735	84,195
Long term capital leases, less current portion	31,886	53,663
Total liabilities	110,621	137,858
Net assets		
Unrestricted		
Undesignated	1,915,978	1,924,336
Board-designated	766,157	715,319
Total unrestricted	2,682,135	2,639,655
Temporarily restricted	18,603	77,278
Permanently restricted	238,475	238,475
Total net assets	2,939,213	2,955,408
Total liabilities and net assets	3,049,834	3,093,266

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating activities				
Public support				
Contributions and sponsorships	18,310	0	0	18,310
Sustaining campaign	57,376	0	0	57,376
United Way allocations	26,586	0	0	26,586
Net assets released from restriction	69,432	(69,432)	0	0
Total public support	171,704	(69,432)	0	102,272
Revenue				
Membership fees, net	1,145,899	0	0	1,145,899
Program fees, net	675,923	0	0	675,923
Rental fees	14,271	0	0	14,271
Merchandise and vending sales	3,132	0	0	3,132
Miscellaneous	3,938	0	0	3,938
Total revenue	1,843,163	0	0	1,843,163
Total public support and revenue	2,014,867	(69,432)	0	1,945,435
Expenses				
Program services				
Youth development	646,305	0	0	646,305
Healthy living	1,132,146	0	0	1,132,146
Total program services	1,778,451	0	0	1,778,451
Support services				
Management and general	297,350	0	0	297,350
Fundraising	1,956	0	0	1,956
Total support services	299,306	0	0	299,306
Total expenses	2,077,757	0	0	2,077,757
Non-operating activities				
Facility fees	17,745	0	0	17,745
Grants for capital assets	17,120	10,680	0	27,800
Interest and dividends	28,679	77	0	28,756
Realized gain (loss) on investments	14,154	0	0	14,154
Unrealized gain (loss) on investments	35,920	0	0	35,920
Investment fees	(8,248)	0	0	(8,248)
Total non-operating activities	105,370	10,757	0	116,127
Changes in net assets	42,480	(58,675)	0	(16,195)
Net assets at beginning of year	2,639,655	77,278	238,475	2,955,408
Net assets at end of year	2,682,135	18,603	238,475	2,939,213

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

STATEMENT OF ACTIVITIES

Year Ended December 31, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating activities				
Public support				
Contributions	11,901	2,970	0	14,871
Sustaining campaign	57,266	0	0	57,266
United Way allocations	26,368	0	0	26,368
Net assets released from restriction	1,782	(1,782)	0	0
Total public support	<u>97,317</u>	<u>1,188</u>	<u>0</u>	<u>98,505</u>
Revenue				
Membership fees, net	1,218,736	0	0	1,218,736
Program fees, net	653,425	0	0	653,425
Rental fees	11,208	0	0	11,208
Merchandise and vending sales	3,031	0	0	3,031
Miscellaneous	4,810	0	0	4,810
Total revenue	<u>1,891,210</u>	<u>0</u>	<u>0</u>	<u>1,891,210</u>
Total public support and revenue	<u>1,988,527</u>	<u>1,188</u>	<u>0</u>	<u>1,989,715</u>
Expenses				
Program services				
Youth development	675,679	0	0	675,679
Healthy living	1,183,377	0	0	1,183,377
Total program services	<u>1,859,056</u>	<u>0</u>	<u>0</u>	<u>1,859,056</u>
Support services				
Management and general	311,425	0	0	311,425
Fundraising	1,380	0	0	1,380
Total support services	<u>312,805</u>	<u>0</u>	<u>0</u>	<u>312,805</u>
Total expenses	<u>2,171,861</u>	<u>0</u>	<u>0</u>	<u>2,171,861</u>
Non-operating activities				
Facility fees	23,347	0	0	23,347
Grants for capital assets	33,596	34,775	0	68,371
Contributions for capital assets	1,000	0	0	1,000
Interest and dividends	37,154	46	0	37,200
Realized gain (loss) on investments	849	0	0	849
Unrealized gain (loss) on investments	(35,524)	0	0	(35,524)
Investment fees	(7,903)	0	0	(7,903)
Total non-operating activities	<u>52,519</u>	<u>34,821</u>	<u>0</u>	<u>87,340</u>
Changes in net assets	(130,815)	36,009	0	(94,806)
Net assets at beginning of year	<u>2,770,470</u>	<u>41,269</u>	<u>238,475</u>	<u>3,050,214</u>
Net assets at end of year	<u><u>2,639,655</u></u>	<u><u>77,278</u></u>	<u><u>238,475</u></u>	<u><u>2,955,408</u></u>

See accompanying notes.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	Program Services			Support Services			Totals
	Youth Development	Healthy Living	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel costs							
Salaries and wages	311,054	570,265	881,319	155,527	0	155,527	1,036,846
Employee benefits	39,989	73,313	113,302	19,995	0	19,995	133,297
Payroll taxes	25,141	46,092	71,233	12,570	0	12,570	83,803
Total personnel costs	<u>376,184</u>	<u>689,670</u>	<u>1,065,854</u>	<u>188,092</u>	<u>0</u>	<u>188,092</u>	<u>1,253,946</u>
Non-personnel costs							
Program costs	51,605	41,868	93,473	0	0	0	93,473
Professional fees	4,835	8,863	13,698	2,417	0	2,417	16,115
Office expenses	16,676	30,573	47,249	8,339	0	8,339	55,588
Supplies	9,257	16,971	26,228	4,629	0	4,629	30,857
Telephone	3,005	5,508	8,513	1,502	0	1,502	10,015
Postage and shipping	1,444	2,647	4,091	721	0	721	4,812
Off-site rental and maintenance	33,053	60,597	93,650	16,527	0	16,527	110,177
Occupancy	43,841	80,376	124,217	21,921	0	21,921	146,138
Equipment rental and maintenance	25,272	46,331	71,603	12,636	0	12,636	84,239
Printing, publications, and promotions	3,216	5,895	9,111	1,608	0	1,608	10,719
Staff board expense	1,580	2,896	4,476	790	0	790	5,266
Membership dues	11,890	21,798	33,688	5,945	0	5,945	39,633
Insurance	12,541	22,992	35,533	6,271	0	6,271	41,804
Bad debt	498	913	1,411	249	0	249	1,660
Depreciation and amortization	43,397	79,562	122,959	21,699	0	21,699	144,658
Interest	1,449	2,656	4,105	724	0	724	4,829
Other expenses	6,562	12,030	18,592	3,280	0	3,280	21,872
Sustaining campaign	0	0	0	0	1,956	1,956	1,956
Total non-personnel costs	<u>270,121</u>	<u>442,476</u>	<u>712,597</u>	<u>109,258</u>	<u>1,956</u>	<u>111,214</u>	<u>823,811</u>
Total expenses	<u>646,305</u>	<u>1,132,146</u>	<u>1,778,451</u>	<u>297,350</u>	<u>1,956</u>	<u>299,306</u>	<u>2,077,757</u>

See accompanying notes.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	Program Services			Support Services			Totals
	Youth Development	Healthy Living	Total Program Services	Management and General	Fundraising	Total Support Services	
Personnel costs							
Salaries and wages	320,405	587,410	907,815	160,203	0	160,203	1,068,018
Employee benefits	39,688	72,762	112,450	19,844	0	19,844	132,294
Payroll taxes	26,240	48,107	74,347	13,121	0	13,121	87,468
<i>Total personnel costs</i>	<u>386,333</u>	<u>708,279</u>	<u>1,094,612</u>	<u>193,168</u>	<u>0</u>	<u>193,168</u>	<u>1,287,780</u>
Non-personnel costs							
Program costs	52,828	41,481	94,309	0	0	0	94,309
Professional fees	4,310	7,902	12,212	2,156	0	2,156	14,368
Office expenses	15,811	28,987	44,798	7,905	0	7,905	52,703
Supplies	11,704	21,457	33,161	5,851	0	5,851	39,012
Telephone	3,238	5,936	9,174	1,618	0	1,618	10,792
Postage and shipping	1,851	3,394	5,245	925	0	925	6,170
Off-site rental and maintenance	32,320	59,253	91,573	16,160	0	16,160	107,733
Occupancy	45,016	82,529	127,545	22,508	0	22,508	150,053
Equipment rental and maintenance	28,215	51,728	79,943	14,108	0	14,108	94,051
Printing, publications, and promotions	3,982	7,301	11,283	1,991	0	1,991	13,274
Staff board expense	2,300	4,217	6,517	1,151	0	1,151	7,668
Membership dues	14,227	26,083	40,310	7,114	0	7,114	47,424
Insurance	18,435	33,798	52,233	9,217	0	9,217	61,450
Bad debt	128	234	362	63	0	63	425
Depreciation	45,933	84,211	130,144	22,967	0	22,967	153,111
Interest	1,503	2,755	4,258	751	0	751	5,009
Other expenses	7,545	13,832	21,377	3,772	0	3,772	25,149
Sustaining campaign	0	0	0	0	1,380	1,380	1,380
<i>Total non-personnel costs</i>	<u>289,346</u>	<u>475,098</u>	<u>764,444</u>	<u>118,257</u>	<u>1,380</u>	<u>119,637</u>	<u>884,081</u>
Total expenses	<u><u>675,679</u></u>	<u><u>1,183,377</u></u>	<u><u>1,859,056</u></u>	<u><u>311,425</u></u>	<u><u>1,380</u></u>	<u><u>312,805</u></u>	<u><u>2,171,861</u></u>

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	(16,195)	(94,806)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	144,658	153,111
Net realized and unrealized (gain) loss on investments	(50,074)	34,675
Contributions and grants restricted for capital assets	(27,800)	(68,371)
Gifts in kind	0	(1,000)
Change in operating assets and liabilities		
Accounts receivable	(3,892)	2,366
Grants receivable	16,770	(11,450)
Pledges receivable	(1,801)	(1,219)
Prepaid expenses and other current assets	(7,998)	(4,427)
Prepaid lease and other assets	2,556	1,000
Accounts payable	(5,393)	(17,658)
Accrued liabilities	(1,529)	(1,080)
Net cash from operating activities	49,302	(8,859)
Cash flows from investing activities		
Purchase of investments	(144,531)	(36,154)
Proceeds from the sale of investments	173,307	62,903
Purchases of property, plant, and equipment	(74,864)	(38,237)
Net cash from investing activities	(46,088)	(11,488)
Cash flows from financing activities		
Contributions and grants restricted for capital assets	27,800	68,371
Principal payments under capital lease obligations	(20,315)	(14,124)
Net cash from financing activities	7,485	54,247
Net change in cash	10,699	33,900
Cash, beginning of year	87,397	53,497
Cash, end of year	98,096	87,397
Cash Reconciliation:		
Unrestricted cash	96,364	43,683
Restricted cash	1,732	43,714
Total cash	98,096	87,397
Supplemental cash flow information		
Cash paid during the period for interest	4,829	5,009
Contributed equipment	0	1,000
Capital lease obligation incurred for acquisition of equipment	0	88,102

See accompanying notes.

**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1: NATURE OF OPERATIONS

Nature of the Organization

The Young Men's Christian Association (YMCA) was opened in Grand Island in 1885. The mission of the YMCA is to advance our cause of strengthening community through youth development and healthy living. The YMCA is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation's health and well-being and providing opportunities to give back and support neighbors, the YMCA enables youth, adults, families and communities to be healthy, confident, connected and secure. Most of its members and participants are drawn from central Nebraska.

As part of our mission our programs are accessible, affordable and open to all faiths, backgrounds, abilities and income levels. We provide financial assistance to people who otherwise may not have been able to afford to participate.

Program Activities

Youth Development – Our YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills and relationships that lead to positive behaviors, better health and educational achievement. Our YMCA programs, such as youth sports, child care and after school programs, offer a range of experiences that enrich cognitive, social, physical and emotional growth.

Healthy Living – The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun and shared interests. As a result, people in our community are receiving the support, guidance and resources they need to achieve greater health in spirit, mind and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance and individuals search for personal fulfillment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The YMCA records resources for accounting and reporting purposes into three net asset categories: unrestricted, temporarily restricted, and permanently restricted, based on the existence or absence of donor-imposed restrictions.

(Continued on next page)

YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the YMCA's mission.

Temporarily Restricted Net Assets - Net assets subject to specific, donor-imposed restrictions that must be met by actions of the YMCA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as released from restriction. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted support.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restriction requiring they be maintained permanently by the YMCA. Such net assets are normally restricted to long-term investment, with income earned and appreciation available for specific or general YMCA purposes.

Operating Activities

Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investments such as contributions for endowment and facilities and equipment, and investment returns in excess of amounts designated for current operations.

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent matters at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Revenue Recognition

Membership dues and program fees are recognized as revenue ratably over the period of membership or the duration of the program.

Contributions and Pledges

The YMCA records unconditional promises to give (pledges) as receivables and contributions within the appropriate net asset category based on the existence or absence of donor-imposed restrictions. The YMCA recognizes conditional promises to give when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. Contributions of donated non-cash assets are recorded at their fair values in the period received.

(Continued on next page)

**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

The YMCA recognizes contributions of services received if such services: (a) create or enhance nonfinancial assets (b) require specialized skills (c) are provided by individuals possessing those skills and (d) would typically need to be purchased if not contributed. The YMCA did not receive contributed services for the years ended December 31, 2016 and 2015.

The YMCA received services from a large number of volunteers who give significant amounts of their time to the programs of the YMCA. No amounts have been reflected for these types of donated services, however, as they do not meet the criteria for recognition.

Functional Allocation of Expenses

Expenses are charged directly to program, management or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on consideration of full time equivalent expenses and facility square footage usages.

Advertising

The YMCA expenses advertising and promotional costs as incurred. Advertising and promotional costs for the years ended December 31, 2016 and 2015, were \$9,346 and \$11,370, respectively. These amounts are included in the Statement of Functional Expenses under printing, publications, and promotions.

Income Taxes

The YMCA has received a favorable determination letter from the Internal Revenue Service stating that it is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 (IRC), as an organization described in Section 501(c)(3), except for income taxes pertaining to unrelated business income, if any.

The Financial Accounting Standards Board (FASB) guidance requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected in these financial statements. Interest and penalties would be recognized as tax expense, however, there is no interest or penalties recognized in the statements of activities.

Cash and Cash Equivalents

The YMCA considers all demand deposit accounts and money market accounts, excluding invested money market funds, to be cash. Restricted cash is limited in use to payment of costs for various projects and programs as restricted by the donor.

(Continued on next page)

YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Pledges Receivable

Accounts receivable consists primarily of receivables from program registrants. An allowance is determined by management based on historical collections, specific participants' circumstances, and economic conditions. Member receivables are written off when management has exhausted collections efforts and deems the accounts uncollectible. The YMCA does not accrue interest on unpaid accounts receivable. As of December 31, 2016 and 2015, management did not determine any receivables to be uncollectible.

In addition, pledges receivable that are expected to be collected within one year from the date of the pledge are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. There are no discounted pledges in these financial statements, as all pledges are considered receivable in less than one year.

Investments

Investments are considered available for sale and are reported at fair value and are based primarily on quoted market prices or estimated fair value. Investment earnings, including earnings from endowment funds, are recorded as unrestricted or temporarily restricted, depending on the terms of the original gift. Unrealized gains and losses are included in the change in net assets.

Property, Plant, and Equipment

Investment in property, plant, and equipment is stated at cost less accumulated depreciation or at fair value if donated. Buildings and building improvements are depreciated using the straight-line method over 10-39 years based upon useful lives. Equipment, furniture, vehicles and software are depreciated or amortized using the straight-line method over 3-10 years. Only major replacements and improvements with a cost in excess of \$500 are capitalized and included in investment property, plant, and equipment.

Impairment of Long-lived Assets

The carrying value of the YMCA's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The YMCA considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value.

Subsequent Events

The YMCA has evaluated subsequent events through May 25, 2017, the date which the financial statements were available to be issued.

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YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 3: INVESTMENTS AND FAIR VALUE MEASUREMENTS

The FASB defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the YMCA's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The standard establishes a fair value hierarchy which requires the YMCA to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the YMCA has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect the YMCA's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in valuation methodologies and related inputs at December 31, 2016 and 2015.

Certificates of deposit and other: The fair value of these investments is based on quoted market rates.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the YMCA are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the YMCA are deemed to be actively traded.

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**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 3: INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the YMCA's assets at fair value as of December 31, 2016 and 2015:

<u>December 31, 2016:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	0	7,190	0	7,190
Common stock	29,109	0	0	29,109
Mutual funds:				
Money market funds	46,838	0	0	46,838
U.S. Gov't and agency funds	121,799	0	0	121,799
Multi-sector bond funds	313,953	0	0	313,953
Small/Mid cap funds	52,234	0	0	52,234
Large cap funds	349,740	0	0	349,740
International funds	82,931	0	0	82,931
TOTAL	996,604	7,190	0	1,003,794

<u>December 31, 2015:</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of deposit	0	7,114	0	7,114
Common stock	53,437	0	0	53,437
Mutual funds:				
Money market funds	19,766	0	0	19,766
U.S. Gov't and agency funds	121,524	0	0	121,524
Multi-sector bond funds	206,266	0	0	206,266
Small/Mid cap funds	106,773	0	0	106,773
Large cap funds	328,443	0	0	328,443
International funds	133,738	0	0	133,738
Other investments	0	5,435	0	5,435
TOTAL	969,947	12,549	0	982,496

NOTE 4: PREPAID LEASE

The YMCA signed a 20 year prepaid lease with Union Pacific Railroad at the end of 2002. The lease term is January 1, 2003 through December 31, 2022. Each year, \$1,000 of the prepaid amount is allocated to rent expense.

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**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 5: PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at December 31, 2016 and 2015, were as follows:

	<u>2016</u>	<u>2015</u>
Buildings and building improvements	2,889,142	2,827,128
Equipment and furniture	896,477	883,626
Leasehold improvements	11,088	11,088
Leased equipment under capital leases	89,102	89,102
Total investment in property, plant, and equipment	3,885,809	3,810,944
Less accumulated depreciation and amortization	(1,990,803)	(1,846,144)
Net investment in property, plant, and equipment	1,895,006	1,964,800

Depreciation expense for the years ended December 31, 2016 and 2015, totaled \$131,929 and \$142,504, respectively. Amortization expense on equipment acquired under capital leases for the years ended December 31, 2016 and 2015, totaled \$12,729 and \$10,607, respectively.

NOTE 6: PERMANENTLY RESTRICTED NET ASSETS

The earnings from the permanently restricted net assets are available for the general purposes of the YMCA.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2016, the YMCA has funds in the amount of \$5,580 restricted for the installation of new HVAC units, \$7,190 that have been restricted for the expansion of the pool, \$80 restricted for emergency exit doors, \$653 restricted for pool equipment, \$1,000 restricted for an industrial dryer, and \$4,100 restricted for childcare furniture.

As of December 31, 2015, the YMCA had funds in the amount of \$51,516 restricted for the installation of new HVAC units, \$7,114 that have been restricted for the expansion of the pool, \$12,576 restricted for emergency exit doors, \$5,602 restricted for pool equipment and \$470 restricted for fitness supplies.

NOTE 8: RESTRICTIONS ON ASSETS

All of the temporarily restricted assets relate to funds received from donors that are restricted for use on a specific project. The restrictions are considered to be released as funds are expended.

The YMCA's endowments consist of funds established for a variety of purposes. Its endowments include both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 8: RESTRICTIONS ON ASSETS (CONTINUED)

The Board of Directors of the YMCA has interpreted the Uniform Prudent Management of Institutional Funds Act (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 YMCA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation 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 YMCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the YMCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 YMCA, and (7) the YMCA's investment policies.

Investment Return Objective, Risk Parameters and Strategies

The YMCA has adopted investment and spending policies, approved by the Board of Directors, for endowment assets which attempt to preserve and protect the assets of the Endowment Fund, and to earn a rate of return on the assets that is competitive with the returns available from the various types of investments deemed appropriate for investment by the endowment fund. The objectives of the Endowment Fund are preservation of capital, growth of the principal, and production of a satisfactory level of income. Endowment assets are invested in a well-diversified asset mix, which includes a 50/50 blend of equity and fixed income investments that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions as necessary. Investment risk is measured in terms of the total endowment fund, and investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The YMCA determines the amount of spending from the earnings of the endowment funds annually based on the needs of operations. The YMCA considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. Annual spending from the Endowment Fund shall not exceed 10% of the fund's December 31 prior year value. Withdrawals for spending shall be taken from interest income, then dividends, then from mutual fund distributions. The earned income not distributed shall be retained within the Endowment Fund and added to the principal assets of the Endowment Fund.

As needed, and with Board approval, the YMCA may borrow funds from the Board-designated endowment to fund operations with the intent of repayment to the fund as determined by the Board of Directors. As these transactions represent a receivable to the endowment and payable from operations, the balance has been eliminated in the financial statements.

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**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 8: RESTRICTIONS ON ASSETS (CONTINUED)

Endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	0	238,475	238,475
Board-designated endowment funds	<u>758,129</u>	<u>0</u>	<u>758,129</u>
Total funds	<u><u>758,129</u></u>	<u><u>238,475</u></u>	<u><u>996,604</u></u>

Changes in endowment net assets as of December 31, 2016 are as follows:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets - beginning	706,995	238,475	945,470
Investment income	27,804	0	27,804
Realized gain on sale	7,375	0	7,375
Net appreciation (depreciation)	24,088	0	24,088
Fees	<u>(8,133)</u>	<u>0</u>	<u>(8,133)</u>
Endowment net assets - ending	<u><u>758,129</u></u>	<u><u>238,475</u></u>	<u><u>996,604</u></u>

Endowment net asset composition by type of fund as of December 31, 2015, is as follows:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	0	238,475	238,475
Board-designated endowment funds	<u>706,995</u>	<u>0</u>	<u>706,995</u>
Total funds	<u><u>706,995</u></u>	<u><u>238,475</u></u>	<u><u>945,470</u></u>

Changes in endowment net assets as of December 31, 2015 are as follows:

	<u>Unrestricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets - beginning	763,837	238,475	1,002,312
Investment income	35,997	0	35,997
Realized gain on sale	849	0	849
Net appreciation (depreciation)	(30,785)	0	(30,785)
Fees	(7,903)	0	(7,903)
Appropriated for expenditure	<u>(55,000)</u>	<u>0</u>	<u>(55,000)</u>
Endowment net assets - ending	<u><u>706,995</u></u>	<u><u>238,475</u></u>	<u><u>945,470</u></u>

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**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 9: FINANCIAL ASSISTANCE PROVIDED

The YMCA provides financial assistance, through contributions and other fundraising, to help defray the costs of membership and program and other fees for individuals with need. Membership dues and program fees are recorded net of such assistance in the accompanying statements of activities. Such amounts were as follows for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Membership dues	1,287,313	1,440,370
Less: financial assistance provided	<u>(141,414)</u>	<u>(221,634)</u>
Membership dues, net	<u>1,145,899</u>	<u>1,218,736</u>
Program fees	721,163	699,162
Less: financial assistance provided	<u>(45,240)</u>	<u>(45,737)</u>
Program fees, net	<u>675,923</u>	<u>653,425</u>

NOTE 10: DEFINED CONTRIBUTION PLAN

The YMCA participates in a defined contribution, individual account, money purchase retirement plan that is administered by the YMCA Retirement Fund (a separate corporation). This plan is for the benefit of all eligible professional and support staff of the YMCA who qualify under applicable participation requirements.

The YMCA Retirement Fund is operated as a church pension plan and is a not-for-profit, tax exempt, state of New York Corporation. Participation is available to all duly organized and recognized YMCAs in the United States. As a defined contribution plan, the YMCA Retirement Fund has no unfunded benefit obligations. In accordance with the agreement with the YMCA Retirement Fund, the YMCA and employee contributions are a percentage of the participating employees' salaries, paid for by the YMCA, and are remitted to the YMCA Retirement Fund monthly. The YMCA currently contributes 8% of gross salary to the National YMCA Retirement Fund for its participating employees. Employees are also allowed to make voluntary contributions. The YMCA contributions charged to retirement expense were \$47,121 and \$49,450 for the years ended December 31, 2016 and 2015, respectively.

NOTE 11: RELATED PARTIES

The YMCA pays dues to YMCA of the USA. Dues paid to YMCA of the USA for the years ended December 31, 2016 and 2015, were \$38,610 and \$46,406, respectively.

The YMCA receives contributions from staff and Board members to assist in funding its operations. Contributions from these parties totaled \$6,388 and \$5,802 for the years ended December 31, 2016 and 2015, respectively.

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**YOUNG MEN'S CHRISTIAN ASSOCIATION
GRAND ISLAND, NEBRASKA**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE 12: LEASE COMMITMENTS

Operating Leases

The YMCA has several operating leases for equipment with terms of less than one year. There are also two equipment operating leases with Provident Equipment Leasing commencing January 25, 2010 for 48 months, and December 17, 2012 for 36 months, with monthly payments including sales tax of \$1,666 and \$4,535, respectively. The lease dated January 25, 2010 was extended under the terms of the lease agreement until March 31, 2015. The lease dated December 17, 2012 was extended until June 30, 2016. The YMCA has an equipment operating lease with Macrolease Corporation commencing May 15, 2016 for 36 months with monthly payments including sales tax of \$3,367. Total equipment lease expense for the years ended December 31, 2016 and 2015 was \$55,998 and \$59,414, respectively, and is reflected in equipment rental.

The YMCA also has an operating lease for their YMCA Express location commencing December 31, 2012 for a term of ten years at a variable rate based on square feet of floor space. Lease expense for this location for the years ended December 31, 2016 and 2015 was \$88,358 and \$88,358, respectively, and is reflected in off-site rental expense.

Total operating lease expense for the years ended December 31, 2016 and 2015 was \$164,313 and \$147,772, respectively. Minimum future payments on non-cancellable leases as of December 31, 2016, for the next five years and in the aggregate are:

2017	128,765
2018	128,765
2019	101,827
2020	92,565
2021	92,565
Thereafter	<u>92,565</u>
Total	<u>637,052</u>

Capital Leases

The YMCA has entered into various capital lease agreements for office and fitness equipment. The cost of equipment under capital leases is included in the statements of financial position as property, plant and equipment and was \$89,102 and \$89,102 at December 31, 2016 and 2015, respectively. Accumulated amortization of the lease equipment at December 31, 2016 and 2015 was \$23,336 and \$10,607 respectively. Amortization of assets under capital leases is included in depreciation and amortization expense. Future minimum payments required under these agreements are as follows:

2017	25,144
2018	25,144
2019	8,277
2020	<u>664</u>
Total	59,229
Amount representing interest	<u>(5,566)</u>
Present value of minimum lease payments	53,663
Less: current maturities	<u>(21,777)</u>
Long-term capital lease obligations	<u>31,886</u>