YMCA of The Rockies

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015

YMCA of The Rockies
December 31, 2016 and 2015

Contents

BKD LLP
CPAs & Advisors

1801 California Street, Suite 2900 // Denver, CO 80202-2606
303.861.4545 // fax 303.832.5705 // bkd.com

Independent Auditor's Report

Board of Directors
YMCA of The Rockies
Estes Park, Colorado

We have audited the accompanying financial statements of YMCA of The Rockies (the YMCA), which comprise the statements of financial position as of December 31, 2016 and 2015, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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.

Board of Directors
YMCA of The Rockies

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA of The Rockies 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2015 financial statements have been restated to correct an error in the cash flow statement. Our opinion is not modified with respect to this matter.

BKD, LLP

Denver, Colorado
April 10, 2017

YMCA of The Rockies

Statements of Financial Position

December 31, 2016 and 2015

Assets

	2016	2015
Cash and cash equivalents	$ 281,681	$ 431,736
Investments	24,533,553	20,735,351
Investments - restricted	1,972,623	1,949,992
Accounts receivable	892,796	515,669
Property taxes receivable	978,286	-
Inventories	703,419	737,904
Prepaid expenses	512,495	552,422
Contributions receivable, net	2,765,970	4,186,161
Property and equipment, net	97,216,977	95,129,671
Total assets	$ 129,857,800	$ 124,238,906

Liabilities

	2016	2015
Accounts payable	$ 1,122,609	$ 1,220,437
Accrued expenses	1,163,157	983,713
Deferred membership income	350,000	391,301
Deferred rental income	291,728	318,241
Advance deposits	3,918,899	3,845,848
Disputed property taxes accrued	-	7,784,413
Interest rate swap agreements	7,814,514	8,756,840
Long-term debt	37,458,547	38,485,147
Total liabilities	52,119,454	61,785,940

Net Assets

	2016	2015
Unrestricted		
Board-designated	9,018,380	8,476,163
Undesignated	59,574,356	46,048,139
	68,592,736	54,524,302
Temporarily restricted	8,293,160	7,090,097
Permanently restricted	852,450	838,567
Total net assets	77,738,346	62,452,966
Total liabilities and net assets	$ 129,857,800	$ 124,238,906

YMCA of The Rockies
Statement of Activities
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Public support				
Membership dues	$ 1,746,591	$ -	$ -	$ 1,746,591
Membership fees	-	71,875	-	71,875
Contributions	932,339	3,610,083	13,883	4,556,305
Total public support	2,678,930	3,681,958	13,883	6,374,771
Program service revenue				
Estes Park Center	24,153,183	-	-	24,153,183
Snow Mountain Ranch	11,373,539	-	-	11,373,539
Total program service revenue	35,526,722	-	-	35,526,722
Investment return	564,962	386,430	-	951,392
Other	404,933	-	-	404,933
	39,175,547	4,068,388	13,883	43,257,818
Net assets released from restrictions	2,865,325	(2,865,325)	-	-
Total revenue, gains and other support	42,040,872	1,203,063	13,883	43,257,818
Expenses				
Program services				
Estes Park Center	20,845,596	-	-	20,845,596
Snow Mountain Ranch	11,091,157	-	-	11,091,157
Total program services	31,936,753	-	-	31,936,753
Supporting services	5,240,459	-	-	5,240,459
Fundraising	537,900	-	-	537,900
Total expenses	37,715,112	-	-	37,715,112
Change in Net Assets Before Nonoperating Activities	4,325,760	1,203,063	13,883	5,542,706
Property tax recovery	8,800,348	-	-	8,800,348
Change in fair value of interest rate swap agreement	942,326	-	-	942,326
Change in Net Assets	14,068,434	1,203,063	13,883	15,285,380
Net Assets, Beginning of Year	54,524,302	7,090,097	838,567	62,452,966
Net Assets, End of Year	$ 68,592,736	$ 8,293,160	$ 852,450	$ 77,738,346

YMCA of The Rockies

Statement of Activities

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Public support				
Membership dues	$ 1,746,166	$ -	$ -	$ 1,746,166
Membership fees	-	75,312	-	75,312
Contributions	902,673	3,434,235	15,768	4,352,676
Total public support	2,648,839	3,509,547	15,768	6,174,154
Program service revenue				
Estes Park Center	23,366,852	-	-	23,366,852
Snow Mountain Ranch	10,931,519	-	-	10,931,519
Total program service revenue	34,298,371	-	-	34,298,371
Investment return	(73,969)	(147,110)	-	(221,079)
Other	343,195	-	-	343,195
	37,216,436	3,362,437	15,768	40,594,641
Net assets released from restrictions	2,969,743	(2,969,743)	-	-
Total revenue, gains and other support	40,186,179	392,694	15,768	40,594,641
Expenses				
Program services				
Estes Park Center	20,788,339	-	-	20,788,339
Snow Mountain Ranch	11,041,311	-	-	11,041,311
Total program services	31,829,650	-	-	31,829,650
Supporting services	5,363,824	-	-	5,363,824
Fundraising	570,882	-	-	570,882
Total expenses	37,764,356	-	-	37,764,356
Change in Net Assets Before Nonoperating Activities	2,421,823	392,694	15,768	2,830,285
Change in fair value of interest rate swap agreement	(74,598)	-	-	(74,598)
Transfer of net assets	(47,268)	47,268	-	-
Change in Net Assets	2,299,957	439,962	15,768	2,755,687
Net Assets, Beginning of Year	52,224,345	6,650,135	822,799	59,697,279
Net Assets, End of Year	$ 54,524,302	$ 7,090,097	$ 838,567	$ 62,452,966

YMCA of The Rockies

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services					
	Estes Park Center	Snow Mountain Ranch	Total	Supporting Services	Fundraising	Total Expenses
Cost of goods sold	$ 3,128,943	$ 1,712,991	$ 4,841,934	$ -	$ -	$ 4,841,934
Salary expense	7,228,743	4,067,572	11,296,315	1,825,529	275,760	13,397,604
Payroll taxes and benefits	1,643,244	887,634	2,530,878	462,534	72,116	3,065,528
Other employee expenses	157,601	133,031	290,632	55,353	35,611	381,596
Supplies	897,272	424,119	1,321,391	20,771	5,751	1,347,913
Equipment	493,510	372,776	866,286	35,613	15,868	917,767
Repair and replacement	1,191,659	509,589	1,701,248	-	-	1,701,248
Utilities	1,175,577	661,336	1,836,913	-	-	1,836,913
Telephone	215,349	101,406	316,755	23,762	1,547	342,064
Credit card fees	400,172	210,352	610,524	17,139	-	627,663
Bond fees	-	-	-	5,191	-	5,191
Insurance	425,511	204,498	630,009	-	-	630,009
Property taxes	28,835	9,945	38,780	-	-	38,780
Interest expense	-	-	-	1,793,021	-	1,793,021
Professional services	87,089	46,254	133,343	140,451	27,721	301,515
Communications	-	-	-	560,608	-	560,608
Other	492,781	331,993	824,774	300,487	16,980	1,142,241
Fundraising	-	-	-	-	86,546	86,546
Depreciation	3,279,310	1,417,661	4,696,971	-	-	4,696,971
	$ 20,845,596	$ 11,091,157	$ 31,936,753	$ 5,240,459	$ 537,900	$ 37,715,112

YMCA of The Rockies

Statement of Functional Expenses

Year Ended December 31, 2015

	Program Services					
	Estes Park Center	Snow Mountain Ranch	Total	Supporting Services	Fundraising	Total Expenses
Cost of goods sold	$ 3,243,015	$ 1,645,642	$ 4,888,657	$ -	$ -	$ 4,888,657
Salary expense	6,749,225	3,866,582	10,615,807	1,840,756	300,913	12,757,476
Payroll taxes and benefits	1,522,175	852,411	2,374,586	445,535	82,263	2,902,384
Other employee expenses	126,047	110,885	236,932	63,621	27,466	328,019
Supplies	963,086	439,922	1,403,008	20,982	3,292	1,427,282
Equipment	539,055	432,541	971,596	44,642	13,341	1,029,579
Repair and replacement	929,470	539,847	1,469,317	-	-	1,469,317
Utilities	1,173,097	673,515	1,846,612	-	-	1,846,612
Telephone	271,897	127,212	399,109	30,949	1,099	431,157
Credit card fees	410,833	192,217	603,050	13,031	-	616,081
Bond fees	-	-	-	5,240	-	5,240
Insurance	435,139	207,383	642,522	-	-	642,522
Property taxes	720,861	248,614	969,475	-	-	969,475
Interest expense	-	-	-	1,838,981	-	1,838,981
Professional services	121,691	38,428	160,119	128,150	52,968	341,237
Communications	-	-	-	588,081	-	588,081
Other	299,616	291,924	591,540	343,856	17,012	952,408
Fundraising	-	-	-	-	72,528	72,528
Depreciation	3,283,132	1,374,188	4,657,320	-	-	4,657,320
	$ 20,788,339	$ 11,041,311	$ 31,829,650	$ 5,363,824	$ 570,882	$ 37,764,356

YMCA of The Rockies

Statements of Cash Flows

Years Ended December 31, 2016 and 2015

	2016	2015 Restated
Operating Activities		
Change in net assets	$ 15,285,380	$ 2,755,687
Items not requiring (providing) cash		
Depreciation	4,696,971	4,657,320
Amortization of bond costs	13,400	13,400
Net realized and unrealized losses (gains) on investments	(739,369)	395,177
Gifts of investments	(843,960)	(859,958)
Bad debt expense	19,313	33,948
Change in fair value of interest rate swap agreements	(942,326)	74,598
Contributions restricted to investment in property and equipment	(3,329,551)	(3,206,792)
Contributions restricted for long-term investment	(13,883)	(15,768)
Gain on disposal of property and equipment	(39,044)	-
Changes in		
Accounts and contributions receivable	1,023,751	(359,063)
Property tax receivable	(978,286)	-
Inventories	34,485	(32,491)
Prepaid expenses	39,927	32,385
Accounts payable and accrued expenses	94,979	(94,620)
Disputed property taxes accrued	(7,784,413)	968,445
Deferred rental and membership income	(67,814)	(61,508)
Advanced deposits	73,051	449,834
Net cash provided by operating activities	6,542,611	4,750,594
Investing Activities		
Purchase of property and equipment	(6,830,796)	(5,778,002)
Proceeds from sale of property and equipment	72,200	-
Purchase of investment securities	(22,135,975)	(16,735,184)
Proceeds from sale and maturity of investment securities	19,898,471	14,836,139
Net cash used in investing activities	(8,996,100)	(7,677,047)
Financing Activities		
Principal payments on long-term debt	(1,040,000)	(1,005,000)
Contributions restricted to purchase of property and equipment	3,329,551	3,206,792
Contributions restricted for long-term investment	13,883	15,768
Net cash provided by financing activities	2,303,434	2,217,560
Change in Cash and Cash Equivalents	(150,055)	(708,893)
Cash and Cash Equivalents, Beginning of Year	431,736	1,140,629
Cash and Cash Equivalents, End of Year	$ 281,681	$ 431,736
Supplemental Cash Flows Information		
Interest paid	$ 1,782,176	$ 1,834,766
Property and equipment purchases in accounts payable	$ 405,644	$ 419,007

YMCA of The Rockies
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

YMCA of The Rockies (the YMCA) is a not-for-profit organization whose mission and principal activities are to promote family relationships, healthy lifestyles and youth leadership by providing a Christian environment and programming for religious, educational and recreational conferences, as well as family gatherings of all sizes and overnight summer camps for children. The YMCA's principal operations are in Grand and Larimer Counties in Colorado.

Use of Estimates

Preparation of financial statements in conformity 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The YMCA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2016 and 2015, cash equivalents consisted primarily of money market accounts.

At December 31, 2016, the YMCA's cash accounts did not exceed federally insured limits.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in temporarily restricted revenue and net assets until released from restrictions. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. Accounts receivable are ordinarily due upon receipt of the service. Accounts past due more than 90 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Property and Equipment

Property and equipment are stated at cost or at fair market value at the date of donation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset as follows:

	Years
Buildings	33 years
Improvements	25 years
Transportation and other equipment	5 years

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those resulting from contributions and other in-flows of assets whose use by the YMCA is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the YMCA pursuant to those stipulations. Permanently restricted net assets have been restricted by donors to be maintained by the YMCA in perpetuity.

Board-designated Net Assets

The Board has designated a portion of the YMCA's unrestricted net assets as board-designated net assets. As of December 31, 2016 and 2015, board-designated net assets consist of a board-designated endowment of $5,018,380 and $4,476,163, respectively, and emergency reserves of $4,000,000.

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Under the YMCA's policies, endowment assets are invested in a manner that is intended to produce results that exceed a long-term growth rate in excess of the rate of inflation to allow consistent withdrawals to support operational spending.

The YMCA has a spending policy of appropriating for expenditure each year an amount not to exceed 4% of the endowment fund's fair market value.

Contributions Receivable and Revenue Recognition

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets at their net realizable value. 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 and investment income having donor stipulations that are satisfied in the period the gift is received are reported as temporarily restricted revenue and net assets until released from restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Inventory Pricing

Inventories consist of food service items, retail merchandise, outdoor equipment and museum items. Inventories are stated at the lower of cost or market. Costs of inventories are determined using the first-in, first-out (FIFO) method.

Deferred Rental Income

Rents received in advance are recorded as deferred revenue and recognized as revenue at the time usage occurs.

Deferred Membership Income

Income from membership dues are deferred and recognized over the periods in which the memberships relate.

Income Taxes

The YMCA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the YMCA is subject to federal income tax on any unrelated business taxable income.

The YMCA files tax returns in the U.S. federal jurisdiction and in the State of Colorado. With a few exceptions, the YMCA is no longer subject to U.S. federal examinations by tax authorities for years before 2013.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, supporting services, and fundraising categories based on the direct use of expenses.

YMCA of The Rockies

Notes to Financial Statements

December 31, 2016 and 2015

Restatement of 2015 Cash Flow Statement

In 2015, the YMCA reported gifts of stock and the impact of property, plant and equipment purchased through accounts payable in the operating and investing sections of the cash flow statement. These amounts were inadvertently reported as increases rather than decreases from the change in net assets to cash from operations, resulting in a shift of results between operating and investing cash flows.

The following financial statement line items for 2015 were affected by the correction.

	As Restated	As Previously Reported	Effect of Change
Cash Flow Statement			
Operating Activities			
Items not requiring (providing) cash			
Gifts of investments	$ (859,958)	$ 859,958	$ (1,719,916)
Changes in			
Accounts payable and accrued expenses	873,825	1,240,705	(366,880)
Net cash provided by operating activities	4,750,594	6,837,390	(2,086,796)
Investing Activities			
Purchase of property and equipment	(5,778,002)	(6,144,882)	366,880
Purchase of investment securities	(16,735,184)	(18,455,100)	1,719,916
Net cash used in investing activities	(7,677,047)	(9,763,843)	2,086,796

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

YMCA of The Rockies
Notes to Financial Statements
December 31, 2016 and 2015

Note 2: Contributions Receivable

Contributions receivable consisted of unconditional promises to give that were considered fully collectible and were due as follows:

	2016	2015
Due within one year	$ 1,497,551	$ 768,651
Due in one to five years	1,318,850	3,548,482
	2,816,401	4,317,133
Less		
Unamortized discount	50,431	130,972
	$ 2,765,970	$ 4,186,161

Discount rates were 2% for 2016 and 2015.

Note 3: Investments and Investment Return

Investments at December 31 consisted of the following:

	2016	2015
Money market accounts	$ 906,272	$ 351,650
Certificates of deposit	17,122,900	14,689,000
Mutual funds		
Balanced Fund	2,053,647	
Fixed income	-	998,779
International	-	1,398,974
Hybrid	-	1,602,635
Large-cap	-	1,359,017
Small/mid-cap	-	2,280,868
Other	-	4,420
Alternative investments, measured at net asset value		
Fixed income	1,532,347	-
Equities		
Large-cap	2,705,784	-
Small/mid-cap	1,047,451	-
International	1,132,637	-
Other	5,138	-
	$ 26,506,176	$ 22,685,343

Financial statement classification:

	2016	2015
Investments	$ 24,533,553	$ 20,735,351
Investments - restricted	1,972,623	1,949,992
	$ 26,506,176	$ 22,685,343

Total investment return during 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividend income	$ 212,023	$ 174,098
Net realized and unrealized gains (losses) on investments reported at fair value	739,369	(395,177)
	$ 951,392	$ (221,079)

Restricted Investments

In relation to the property tax dispute (Note 14), the Court ordered the YMCA to tender a supersedeas bond in the form of certificates of deposit. The escrow account and related bonds are carried at $1,972,623 and $1,949,992, respectively, as of December 31, 2016 and 2015. In February 2017, the YMCA filed a motion and the Court approved the release of the escrow, effectively eliminating the restriction after year-end.

YMCA of The Rockies
Notes to Financial Statements
December 31, 2016 and 2015

Note 4: Property and Equipment

Property and equipment at December 31 consists of the following:

	2016	2015
Buildings	$ 126,279,280	$ 119,624,523
Land and improvements	23,071,397	22,700,982
Transportation and other equipment	7,290,585	6,355,004
	156,641,262	148,680,509
Less accumulated depreciation	61,179,636	56,898,548
	95,461,626	91,781,961
Construction in progress	1,755,351	3,347,710
	$ 97,216,977	$ 95,129,671

Note 5: Long-term Debt

Long-term debt at December 31 consisted of the following:

	2016	2015
Colorado Education and Cultural Facilities Authority Bonds - Series 2011 (A)	$ 37,750,000	$ 38,790,000
Less unamortized debt issuance costs	(291,453)	(304,853)
	$ 37,458,547	$ 38,485,147

(A) Colorado Educational and Cultural Facilities Authority Variable Rate Demand Refunding Bonds (YMCA of the Rockies Project), Series 2011 (original aggregate principal of $43,420,000), with a stated maturity of October 1, 2038. Principal payments began in October 2011 and are to be paid on an annual basis ranging from $850,000 to $2,535,000. Unamortized debt issuance costs based on an imputed interest rate of 3.52% were $291,453 and $304,853 at December 31, 2016 and 2015, respectively.

In connection with the Series 2011 bonds, the YMCA entered into an agreement with a financial institution for the direct purchase of $43,420,000 in outstanding bonds associated with the Series 2011 bonds. The Series 2011 bonds bear interest at an initial index floating rate mode reset on a weekly basis payable monthly at a rate equal to 70% of one-month Libor plus 1.10%. The Series 2011 bonds are subject to a mandatory tender at the end of the extended index floating rate mode (December 2019).

The YMCA also entered into a Continuing Covenants Agreement with the financial institution containing several covenants, including compliance of certain financial ratios, liquidity provisions and limitations on additional indebtedness.

Aggregate maturities of long-term debt at December 31, 2016:

2017	$ 1,090,000
2018	1,130,000
2019	1,175,000
2020	1,235,000
2021	1,280,000
Thereafter	31,840,000
	$ 37,750,000

Note 6: Interest Rate Swap Agreement

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the YMCA entered into an interest rate swap agreement to fix the interest rate on related bonds.

2011 Swap Agreement

The YMCA entered into a swap agreement to fix the interest rate on the Series 2011 Colorado Education and Cultural Facilities Authority Variable Rate Demand Refunding Bonds through October 1, 2038. Under the 2011 swap agreement, the YMCA is to receive interest from the counterparty at 70% of Libor and to pay interest to the counterparty at a fixed rate of 3.52% on an original notional amount of $43,420,000. The notional amount as of December 31, 2016, was $37,750,000.

The agreement is recorded at its fair value with subsequent changes in fair value included in the statements of activities. The fair value of the 2011 swap agreement was a liability of $7,814,514 and $8,756,840 as of December 31, 2016 and 2015, respectively. The corresponding gain (loss) related to the change in fair value was $942,326 and ($74,598) for the years ended December 31, 2016 and 2015, respectively, and was reported in the statements of activities.

Note 7: Pension Plan

The YMCA participates in a defined contribution (individual account) money purchase retirement plan. The plan is for the benefit of substantially all full-time professional and support staff of the YMCA who have completed 1,000 hours of service within 12 months and two full years of employment.

The YMCA Retirement Fund (Retirement Fund) is operated as a church pension plan and is a not-for-profit, tax-exempt New York State corporation. Participation is open to all duly organized or re-organized YMCAs in the United States. As a defined contribution plan, the Retirement Fund does not have any unfunded benefit obligations.

In accordance with the agreement with the Retirement Fund, contributions made by the YMCA are a percentage of the participating employee's salary and are to be remitted to the Retirement Fund monthly. The YMCA contributes 8% of the participating employee's salary, although the Board approved increasing that rate to 9% effective January 1, 2017. Effective June 1, 2017, the Board approved increasing the rate of 9% to a rate of 12%. Participants are not required to make contributions but may elect to contribute an additional amount. The YMCA pension plan contributions for the years ended December 31, 2016 and 2015, were $562,365 and $542,054, respectively.

Note 8: Related Parties

The contributions receivable balance includes approximately $985,000 and $1,454,000 at December 31, 2016 and 2015, respectively, which were pledged by Board members and staff. Contributions of approximately $368,000 and $628,000 for the years ended December 31, 2016 and 2015, respectively, were received from Board members and staff for both unrestricted and temporarily restricted purposes.

The accounts payable balance includes approximately $0 and $25,000 at December 31, 2016 and 2015, respectively, which represents amounts due to the YMCA of the USA organization for annual support. Annual support contributions of approximately $187,000 and $223,000 for the years ended December 31, 2016 and 2015, respectively, were paid to the YMCA of the USA for annual support.

Note 9: Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31 were available for the following purposes or periods:

	2016	2015
Program activities	$ 1,213,853	$ 1,064,124
Property and equipment	5,025,660	4,221,117
Life income agreements	2,053,647	1,804,856
	$ 8,293,160	$ 7,090,097

Life income agreements are accounted for as pooled income funds and, as of December 31, 2016, consist of the contributions of four donors who made contributions in 1996 and prior. The earnings on these funds are distributed to the donor's designated beneficiaries. The funds are released to the YMCA upon the death of the donor. No donors passed away in 2015 or 2016.

Note 10: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following:

	2016	2015
Investment in perpetuity, the revenue from which is expendable to support programs	$ 852,450	$ 838,567

Investment in perpetuity includes cash and investments in the amounts of $654,411 and $544,411, and pledge receivables in the amounts of $198,039 and $294,156 for years ended December 31, 2016 and 2015, respectively.

Note 11: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2016	2015
Purpose restrictions accomplished		
Capital releases for property and equipment	$ 1,868,466	$ 2,069,663
Noncapital releases for property and equipment	233,743	132,281
Development expense	496,775	570,883
Program activities	266,341	196,916
	$ 2,865,325	$ 2,969,743

Note 12: Disclosures about Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

YMCA of The Rockies
Notes to Financial Statements
December 31, 2016 and 2015

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2016 and 2015:

	2016			
		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	$ 906,272	$ 906,272	$ -	$ -
Certificates of deposit	17,122,900	-	17,122,900	-
Mutual funds				
Balanced Fund	2,053,647	2,053,647	-	-
Alternative investments, measured at net asset value (A)				
Fixed income	1,532,347	-	-	-
Equities				
Large-cap	2,705,784	-	-	-
Small/mid-cap	1,047,451	-	-	-
International	1,132,637	-	-	-
Other	5,138	-	-	-
	$ 26,506,176	$ 2,959,919	$ 17,122,900	$ -

(A) Certain investments that are measured at fair value in 2016 using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

	2015			
		Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Money market funds	$ 351,650	$ 351,650	$ -	$ -
Certificates of deposit	14,689,000	-	14,689,000	-
Mutual funds				
Fixed income	998,779	998,779	-	-
International	1,398,974	1,398,974	-	-
Hybrid	1,602,635	1,602,635	-	-
Large-cap	1,359,017	1,359,017	-	-
Small/mid-cap	2,280,868	2,280,868	-	-
Other	4,420	4,420	-	-
	$ 22,685,343	$ 7,996,343	$ 14,689,000	$ -
Liabilities				
Interest rate swap agreements	$ (8,756,840)	$ -	$ (8,756,840)	$ -

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money market and mutual funds. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. Level 2 securities include government and corporate bonds and certificates of deposit. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The YMCA did not have any Level 3 securities as of December 31, 2016.

Interest Rate Swap Agreement

The fair value is estimated using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

During 2015, there were two donors who accounted for a combined 22% of the YMCA's total contributions.

Litigation

In the ordinary course of business, the YMCA is a party to legal proceedings, the outcome of which, individually or in aggregate, is not expected to be material to the YMCA's business or its financial condition.

Note 14: Commitments and Contingencies

Property Tax

In 2005 and 2009, determinations were made by the Colorado Property Tax Administrator that a substantial portion of the YMCA's property, both real and personal, is exempt from property taxes beginning in 2002. The YMCA, Grand County Board of Commissioners and Larimer County Board of Commissioners (the Counties) went through the appeals process and a hearing was held during June 2010 with the Board of Assessment Appeals. During February 2011, the Board of Assessment Appeals overturned the Property Tax Administrator's original determination. The YMCA filed a motion to stay during June 2011 and the stay was granted by the Court conditioned upon the YMCA's motion to tender a supersedeas bond.

In April 2013, the Court of Appeals vacated the Board of Assessment Appeals' orders and the Colorado Supreme Court decided not to review the case, resulting in the matter being remanded to the Board of Assessment Appeals with instructions from the Court of Appeals. On remand, the Board of Assessment Appeals granted the property tax exemption. The Court of Appeals subsequently affirmed this order and the Colorado Supreme Court declined to review the decision. As a result, the exemption is now being implemented and settlement discussions regarding previously paid property taxes and related interest are being pursued.

As of December 31, 2016, the YMCA was in discussions with Grand County and subsequent to December 31, 2016, began discussions with Larimer County regarding the amounts due to the YMCA. While the YMCA believes it is due both a refund of taxes paid in 2002 through 2004 along with statutorily required interest, the Counties indicated, among other things, that the payment of the full amounts would result in financial hardship to the counties and their constituents.

As of December 31, 2016, the YMCA has recorded the following transactions to reflect the current status of this matter. The amounts ultimately collected by the YMCA could differ from these amounts.

- Previously accrued property taxes totaling $7,822,062 that would have been owed for the period subsequent to 2004 if the exemptions had not been granted have been reversed.

- In addition, the YMCA has recorded $978,286 of property tax receivables related to both Counties. The amounts reported for both Counties represent management's estimates of what would be undisputed property taxes previously paid by the YMCA, excluding any interest accrued. The amounts recorded include net amounts of $423,143 for Grand County (properties associated with Snow Mountain Ranch) and $555,143 for Larimer County (properties associated with the Estes Park Center).

The total, including previously accrued taxes and the tax refund of $8,800,348 is reported as property tax recovery as an item in nonoperating activity in the statement of activities for 2016.

Subsequent to December 31, 2016, a final payment from Grand County was received. The amount received included the amounts discussed above, plus accrued interest. Management considers the interest collected the resolution of a contingent gain and has recorded the amount received in 2017. While Larimer County has not made a payment, the County has responded subsequent to year-end affirming that the interest is owed and not in dispute, but requesting that the YMCA agree to a lesser amount. Similar to Grand County, whatever payment is received from Larimer County will be reported in 2017 as the resolution of a contingent gain.

Note 15: Endowment

YMCA's endowment consists of approximately three individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board has interpreted the State of Colorado Prudent Management of Institutional Funds Act (SPMIFA) as requiring 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, 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) 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 donor-restricted endowment funds 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 SPMIFA. In accordance with SPMIFA, the YMCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the YMCA and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the YMCA
7. Investment policies of the YMCA

The composition of net assets by type of endowment fund at the YMCA:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 86,046	$ 852,450	$ 938,496
Board-designated endowment funds	5,018,380	-	-	5,018,380
Total endowment funds	$ 5,018,380	$ 86,046	$ 852,450	$ 5,956,876

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 4,476,163	$ 27,975	$ 838,567	$ 5,342,705
Investment return				
Investment gain	417,122	55,274	-	472,396
Total investment return	417,122	55,274	-	472,396
Contributions and other income	46,551	3,291	13,883	63,725
Transfer of net assets	307,500	-	-	307,500
Amounts released from restrictions	(228,956)	(494)	-	(229,450)
Endowment net assets, end of year	$ 5,018,380	$ 86,046	$ 852,450	$ 5,956,876

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the YMCA must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the YMCA's policies, endowment assets are invested with a long-term strategy with a balanced portfolio of equity and fixed income assets. The YMCA expects its endowment funds to provide an average rate of return of approximately 8% annually over time, reduced by inflation, management fees, and the YMCA administrative fee. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the YMCA relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The YMCA 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.

The YMCA has an endowment spending policy that went into effect in May 2011 of appropriating for expenditure each year an amount not to exceed 4% of the three-year rolling average of the market value of each eligible endowment fund calculated as of September 30 of the prior fiscal year. An endowment that is less than its permanently restricted principal value as of September 30 of the prior fiscal year shall not be eligible for granting unless reviewed by the Executive Committee and presented and approved by the Board of Directors. In establishing this policy, the YMCA considered the long-term expected return on its endowment. Accordingly, over the long-term, the YMCA expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the YMCA's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 16: Change in Accounting Principle

In 2016, the YMCA retroactively adopted new requirements to present debt issuance costs as a reduction of the carrying amount of the related debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense rather than as amortization expense. The effect of the change for 2016 was to decrease other assets and long-term debt by $291,453. The financial statements of 2015 have been retroactively restated for this change, which resulted in a decrease to other assets and long-term debt of $304,853. The change does not impact the previously reported net assets.