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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, 2017

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, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017, 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 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated May 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stockman Kast Ryan & Co., LLP

May 17, 2018

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, 2017 (with comparative totals for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
ASSETS					
Cash and cash equivalents	$ 3,086,827	$ 2,761,834	$ 7,538	$ 5,856,199	$ 3,156,210
Accounts receivable	593,994			593,994	432,659
Promises to give, net	2,002	3,851,083		3,853,085	4,626,054
Investments	1,300,407	1,015	210,136	1,511,558	1,342,301
Prepaid expenses and other	400,338			400,338	323,561
Beneficial interest in trusts		12,000	1,244,067	1,256,067	1,170,477
Property and equipment, net	44,379,719		257,759	44,637,478	46,053,699
TOTAL ASSETS	$ 49,763,287	$ 6,625,932	$ 1,719,500	$ 58,108,719	$ 57,104,961
LIABILITIES AND NET ASSETS					
Accounts payable	$ 649,928			$ 649,928	$ 547,160
Accrued expenses	1,363,499			1,363,499	1,223,392
Deferred revenue	786,036			786,036	925,160
Charitable gift annuity	546,099			546,099	608,844
Line of credit	2,023,275			2,023,275	2,023,275
Notes payable	1,033,277			1,033,277	2,033,044
Bonds payable	14,028,905			14,028,905	14,569,365
Deferred rent	772,439			772,439	783,306
Total liabilities	21,203,458	—	—	21,203,458	22,713,546
NET ASSETS					
Unrestricted	28,559,829			28,559,829	27,771,879
Temporarily Restricted		6,625,932		6,625,932	4,992,635
Permanently Restricted			1,719,500	1,719,500	1,626,901
Total net assets	28,559,829	6,625,932	1,719,500	36,905,261	34,391,415
TOTAL LIABILITIES AND NET ASSETS	$ 49,763,287	$ 6,625,932	$ 1,719,500	$ 58,108,719	$ 57,104,961

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, 2017 (with comparative totals for 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT AND REVENUE					
Contributions	$ 2,636,220	$ 2,472,645		$ 5,108,865	$ 4,838,226
Special events, net of expenses of $130,640 and $140,579 in 2017 and 2016, respectively	141,473			141,473	100,817
Total public support	2,777,693	2,472,645	$ —	5,250,338	4,939,043
Memberships	15,985,409			15,985,409	15,387,665
Program service fees	7,437,719			7,437,719	6,176,340
Rental income	189,753			189,753	303,561
Investment income	180,394		7,009	187,403	81,103
Merchandise sales	126,786			126,786	95,551
Change in value of split interest agreements	21,272		85,590	106,862	(14,396)
Investment income from split interest agreement	47,061			47,061	44,843
Loss on interest rate swap agreements					(131,641)
Other	222,504			222,504	216,569
Total revenue	24,210,898	—	92,599	24,303,497	22,159,595
Net assets released from restrictions	839,348	(839,348)			
Total public support and revenue	27,827,939	1,633,297	92,599	29,553,835	27,098,638
EXPENSES					
Program services	22,312,349			22,312,349	20,774,551
General and administrative	4,284,083			4,284,083	3,961,994
Fundraising	443,557			443,557	325,773
Total expenses	27,039,989	—	—	27,039,989	25,062,318
CHANGE IN NET ASSETS	787,950	1,633,297	92,599	2,513,846	2,036,320
NET ASSETS, beginning of year	27,771,879	4,992,635	1,626,901	34,391,415	32,355,095
NET ASSETS, end of year	$ 28,559,829	$ 6,625,932	$ 1,719,500	$ 36,905,261	$ 34,391,415

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
FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

	2017							
	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total	Management and General	Fund Raising	Total	2016 Total
OPERATING EXPENSES								
Salaries, benefits and payroll taxes	$ 9,902,095	$ 3,336,141	$ 227,395	$ 13,465,631	$ 2,397,283	$ 269,452	$ 16,132,366	$ 14,811,833
Occupancy	2,290,329	953,095	61,011	3,304,435	268,969		3,573,404	3,236,570
Supplies	589,557	495,036	134,571	1,219,164	102,531	63,753	1,385,448	1,313,381
Contractual services	330,819	231,622	14,223	576,664	548,367	61,263	1,186,294	1,033,275
Printing, publications and promotions	124,919	35,597	3,431	163,947	209,175	18,557	391,679	348,854
Organization dues	246,396	62,343	6,051	314,790	42,362	9,076	366,228	315,813
Education, conferences and training	111,055	47,895	4,035	162,985	138,830	13,043	314,858	268,213
Insurance	193,696	72,525	5,388	271,609	38,061		309,670	340,250
Telephone	133,626	51,551	3,874	189,051	29,664	1,650	220,365	222,764
Travel and transportation	53,692	73,528	3,854	131,074	51,818	5,219	188,111	159,338
Miscellaneous	29,092	12,050	1,326	42,468	27,017	1,544	71,029	98,609
Total operating expenses before interest and depreciation	14,005,276	5,371,383	465,159	19,841,818	3,854,077	443,557	24,139,452	22,148,900
Depreciation	2,032,942	4,769	415	2,038,126	221,050		2,259,176	2,270,940
Interest	329,347	94,809	8,249	432,405	208,956		641,361	642,478
Total expenses	$ 16,367,565	$ 5,470,961	$ 473,823	$ 22,312,349	$ 4,284,083	$ 443,557	$ 27,039,989	
Percent of total	61%	20%	2%	83%	15%	2%	100%	
Comparative totals - 2016	$ 15,496,519	$ 4,749,464	$ 528,568	$ 20,774,551	$ 3,961,994	$ 325,773		$ 25,062,318
Percent of total	62%	19%	2%	83%	16%	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
FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,513,846	$ 2,036,320
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,259,176	2,270,940
Contributions restricted for long term purposes	(3,277,965)	(3,379,777)
Other	10,662	133,803
Net realized and unrealized gain on investments	(157,275)	(61,958)
Gain on interest rate swap agreements		131,641
Change in value of split interest agreement	(106,862)	14,396
Change in operating assets and liabilities:		
Accounts receivable	(161,335)	(197,564)
Pledges receivable	667,262	940,061
Prepaid expenses and other	(76,777)	240,048
Accounts payable and accrued expenses	242,875	234,985
Deferred revenue	(139,124)	276,295
Deferred rent	(10,867)	(10,866)
Net cash provided by operating activities	1,763,616	2,628,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale and maturities of investments	423,330	175,695
Purchase of investments	(435,312)	(143,941)
Purchase of property and equipment	(964,176)	(1,523,740)
Proceeds from insurance claim	346,709	
Net cash used in investing activities	(629,449)	(1,491,986)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash collected restricted for long-term purposes	2,474,724	928,303
Payment on gift annuity	(41,473)	(38,856)
Principal payments on promissory note	(326,969)	(4,115,506)
Principal payments on bonds	(540,460)	(250,000)
Proceeds on bond issuance, net		14,819,365
Extinguishment of bonds and interest rate swap		(14,888,909)
Borrowings on line of credit		2,023,275
Net cash provided by (used in) financing activities	1,565,822	(1,522,328)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,699,989	(385,990)
CASH AND CASH EQUIVALENTS, Beginning of year	3,156,210	3,542,200
CASH AND CASH EQUIVALENTS, End of year	$ 5,856,199	$ 3,156,210

(Continued)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017 (with comparative totals for 2016)

	2017	2016
SUPPLEMENTAL CASH FLOW INFORMATION		
Debt forgiveness	$ 908,948	$ —
Cash paid for interest	$ 550,309	$ 614,207
Assets acquired through issuance of promissory notes	$ 236,150	$ 442,249
Non-cash allowance for assets traded in	$ 42,000	$ 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. Subsequent to year end, the Foundation is actively in the process of dissolution, and all net assets will be transferred to the YMCA during 2018.

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.

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, 2017 and 2016 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 2014 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 2017 and 2016 were $391,679 and $348,854, respectively.

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

Reclassifications — Certain prior year amounts have been reclassified to conform with current year presentation.

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. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2017	**2016**
Land	$ 7,271,634	$ 6,771,026
Buildings and improvements	60,128,142	60,132,466
Furniture and equipment	4,467,898	4,959,119
Construction in progress	1,044,709	1,058,864
Total	72,912,383	72,921,475
Less accumulated depreciation	28,274,905	26,867,776
Net property and equipment	$ 44,637,478	$ 46,053,699

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.

3. 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 2.4%.

Unconditional promises to give are as follows at December 31:

	2017	**2016**
Due in less than one year	$ 2,085,113	$ 1,827,623
Due in one to five years	2,049,984	3,211,150
Total	4,135,097	5,038,773
Allowance for uncollectible amounts	(196,313)	(238,798)
Discount to present value	(85,699)	(173,921)
Promises to give, net	$ 3,853,085	$ 4,626,054

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 $1,244,067 and $1,158,477 as of December 31, 2017 and 2016, 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, 2017 and 2016.

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 7.58 years, using a discount rate of 6%.

6. LINE OF CREDIT

In June 2016, the Organization entered into a $4,000,000 revolving line of credit agreement with a bank which expires in June 2018. The line bears interest at a variable rate of 2.90% in excess of LIBOR (effective rate of 4.14% and 3.52% at December 31, 2017 and 2016, respectively) and is secured by the Organization's pledges receivable, revenues, and all deposit accounts. As of December 31, 2017 and 2016, the outstanding borrowings were $2,023,275.

7. 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 2017 and 2016, the Organization recognized rental income of $10,867 and $10,694, 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.

8. NOTES PAYABLE

Notes payable consist of the following at December 31:

	2017	**2016**
Promissory note due to vendor, see additional information below.	$ 466,521	$ 1,387,179
Notes payable to vendors, payable in monthly installments of $41,578, including interest at various rates from 0.001% to 4.345%, due February 2017 through October 2020, secured by equipment carried at an amount approximately equal to the balance of the notes.	560,444	627,749
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.	6,312	18,116
Total	$ 1,033,277	$ 2,033,044

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

2018	$ 258,500
2019	233,666
2020	74,590
2021	
2022	
Thereafter	466,521
Total	$ 1,033,277

As of December 31, 2017 and 2016, the Organization owed $466,521 and $1,387,179, respectively, to a vendor for construction. In 2017, the vendor forgave $908,948 of the balance of the loan principal and $91,052 of accrued interest. The outstanding balance of $466,521 is to be repaid within six years. The Organization recognized $1,000,000 in contributions related to the forgiveness of debt.

9. BONDS PAYABLE

Bonds payable consist of the following at December 31:

	2017	2016
Bonds payable, Series 2016A, 2016B and 2016C	$ 14,189,470	$ 14,750,000
Less bond issuance costs, net	(160,565)	(180,635)
Bonds payable, net of bond issuance costs	$ 14,028,905	$ 14,569,365

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 Series 2016A and Series 2016B Bonds are set to mature on July 1, 2026. As of December 31, 2017, the Series 2016C were paid in full.

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 2.36 % and 1.95% at December 31, 2017 and 2016, respectively), and Series 2016C, (which was paid in full in 2017) bore 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 contains 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, 2017 and 2016, the Organization was in compliance with these covenants.

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

2018	$ 629,647
2019	642,842
2020	656,416
2021	670,382
2022	684,749
Thereafter	10,905,434
Total	$ 14,189,470

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)
2017:				
ASSETS				
INVESTMENTS				
Bond mutual funds:				
Domestic	$ 263,925	$ 263,925		
International	55,802	55,802		
Corporate stocks:				
Domestic	326,257	326,257		
International	28,400	28,400		
Mixed strategy mutual funds	284,218	284,218		
Equity mutual funds:				
Domestic	158,787	158,787		
International	170,389	170,389		

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds	10,130		$ 10,130	
REIT's and other mutual funds	213,650	213,650		
Total investments	1,511,558	1,501,428	10,130	$ —
OTHER ASSETS				
Beneficial interest in trusts	1,256,067		1,256,067	
Total	$ 2,767,625	$ 1,501,428	$ 1,266,197	$ —
LIABILITIES				
Charitable gift annuity	$ 546,099	$ —	$ —	$ 546,099
Total	$ 546,099	$ —	$ —	$ 546,099

	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

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

	2017	2016
Net realized and unrealized gains	$ 157,275	$ 61,958
Interest and dividends	30,128	19,145
Total	$ 187,403	$ 81,103

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:

	2017	2016
Designated for:		
Endowment funds	$ 793,493	$ 703,324
Future maintenance	674,006	779,693
Contingencies	391,983	232,500
Future building improvements	290,881	203,576
Health and dental plans	279,237	145,717
Unemployment	139,952	139,952
Use in specific programs	48,000	48,000
Technology	37,190	48,769
Other	6,176	6,176
Total	$ 2,660,918	$ 2,307,707

12. RESTRICTIONS ON NET ASSETS

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

	2017	2016
Temporarily Restricted:		
Time restricted promises to give	$ 3,851,083	$ 4,626,055
Capital campaign funds collected	2,762,849	354,580
Beneficial interest in trusts	12,000	12,000
Total temporarily restricted net assets	$ 6,625,932	$ 4,992,635

Permanently Restricted:		
Beneficial interest in perpetual trusts	$ 1,244,067	$ 1,158,477
Land for Briargate facility	257,759	257,759
Military program endowment fund	136,687	129,678
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	$ 1,719,500	$ 1,626,901

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, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 1,101	$ 217,674	$ 218,775
Perpetual trust endowment funds			1,244,067	1,244,067
Board-designated endowment funds	$ 814,521			814,521
Total funds	$ 814,521	$ 1,101	$ 1,461,741	$ 2,277,363

Changes in Endowment Net Assets for the year ended December 31, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 703,324	$ 1,101	$ 1,369,142	$ 2,073,567
Investment return:				
Investment income	9,448		490	9,938
Net appreciation (realized and unrealized)	114,236		92,109	206,345
Total investment return	123,684	—	92,599	216,283
Appropriation of endowment assets for expenditures	(12,487)			(12,487)
Endowment net assets, end of year	$ 814,521	$ 1,101	$ 1,461,741	$ 2,277,363

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

	2017	2016
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	$ 1,461,741	$ 1,369,142
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, 2017 or 2016.

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 do not apply to them. The balance of perpetual trusts held by third parties was $1,244,067 and $1,158,477 at December 31, 2017 and 2016, 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.

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, 2017 and 2016, there were outstanding balances totaling $431,417 and $546,070, respectively.

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 $669,806 and $685,634 in 2017 and 2016, respectively, of which $76,020 and $71,780 was payable at December 31, 2017 and 2016, 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.