YMCA of The Rockies

Independent Auditor’s Report and Financial Statements

December 31, 2017 and 2016

YMCA of The Rockies
December 31, 2017 and 2016

Contents

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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, 2017 and 2016, 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, 2017 and 2016, 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.

BKD, LLP

Denver, Colorado
March 13, 2018

YMCA of The Rockies
Statements of Financial Position
December 31, 2017 and 2016

Assets

	2017	2016
Cash and cash equivalents	$ 413,144	$ 281,681
Investments	24,211,899	18,808,324
Investments - restricted	5,344,516	7,697,852
Accounts receivable	739,433	892,796
Property taxes receivable	-	978,286
Inventories	687,651	703,419
Prepaid expenses	553,400	512,495
Contributions receivable, net	1,316,582	2,765,970
Property and equipment, net	101,181,661	97,216,977
Total assets	$ 134,448,286	$ 129,857,800

Liabilities

	2017	2016
Accounts payable	$ 1,160,514	$ 1,122,609
Accrued expenses	1,251,252	1,163,157
Deferred membership income	384,200	350,000
Deferred rental income	266,407	291,728
Advance deposits	4,094,946	3,918,899
Interest rate swap agreements	7,096,266	7,814,514
Long-term debt	36,381,947	37,458,547
Total liabilities	50,635,532	52,119,454

Net Assets

	2017	2016
Unrestricted		
Board-designated	21,288,006	9,018,380
Undesignated	55,863,651	59,574,356
	77,151,657	68,592,736
Temporarily restricted	5,796,686	8,293,160
Permanently restricted	864,411	852,450
Total net assets	83,812,754	77,738,346
Total liabilities and net assets	$ 134,448,286	$ 129,857,800

YMCA of The Rockies

Statement of Activities

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Public support				
Membership dues	$ 1,751,360	$ -	$ -	$ 1,751,360
Membership fees	-	89,063	-	89,063
Contributions	1,043,279	2,464,024	11,961	3,519,264
Total public support	2,794,639	2,553,087	11,961	5,359,687
Program service revenue				
Estes Park Center	24,798,593	-	-	24,798,593
Snow Mountain Ranch	11,740,036	-	-	11,740,036
Total program service revenue	36,538,629	-	-	36,538,629
Investment return	2,337,836	515,450	-	2,853,286
Other	57,788	-	-	57,788
	41,728,892	3,068,537	11,961	44,809,390
Net assets released from restrictions	5,565,011	(5,565,011)	-	-
Total revenue, gains and other support	47,293,903	(2,496,474)	11,961	44,809,390
Expenses				
Program services				
Estes Park Center	22,761,644	-	-	22,761,644
Snow Mountain Ranch	11,886,303	-	-	11,886,303
Total program services	34,647,947	-	-	34,647,947
Supporting services	5,438,804	-	-	5,438,804
Fundraising	586,193	-	-	586,193
Total expenses	40,672,944	-	-	40,672,944
Change in Net Assets Before Nonoperating Activities	6,620,959	(2,496,474)	11,961	4,136,446
Property tax recovery	1,219,714	-	-	1,219,714
Change in fair value of interest rate swap agreement	718,248	-	-	718,248
Change in Net Assets	8,558,921	(2,496,474)	11,961	6,074,408
Net Assets, Beginning of Year	68,592,736	8,293,160	852,450	77,738,346
Net Assets, End of Year	$ 77,151,657	$ 5,796,686	$ 864,411	$ 83,812,754

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 Functional Expenses

Year Ended December 31, 2017

	Program Services					
	Estes Park Center	Snow Mountain Ranch	Total	Supporting Services	Fundraising	Total Expenses
Cost of goods sold	$ 3,281,030	$ 1,886,465	$ 5,167,495	$ -	$ -	$ 5,167,495
Salary expense	8,171,631	4,443,857	12,615,488	1,959,106	293,789	14,868,383
Payroll taxes and benefits	1,820,559	951,713	2,772,272	541,325	83,925	3,397,522
Other employee expenses	135,196	158,465	293,661	64,355	40,197	398,213
Supplies	913,334	426,278	1,339,612	21,727	4,931	1,366,270
Equipment	531,740	410,653	942,393	38,900	14,307	995,600
Repair and replacement	1,291,695	481,731	1,773,426	-	-	1,773,426
Utilities	1,394,985	658,043	2,053,028	-	-	2,053,028
Telephone	285,789	135,297	421,086	31,522	2,271	454,879
Credit card fees	399,115	223,236	622,351	24,993	-	647,344
Bond fees	-	-	-	7,026	-	7,026
Insurance	398,095	191,678	589,773	-	-	589,773
Property taxes	27,655	14,413	42,068	-	-	42,068
Interest expense	-	-	-	1,734,199	-	1,734,199
Professional services	68,123	43,831	111,954	74,509	33,387	219,850
Communications	-	-	-	608,871	-	608,871
Other	605,309	306,745	912,054	332,271	23,119	1,267,444
Fundraising	-	-	-	-	90,267	90,267
Depreciation	3,437,388	1,553,898	4,991,286	-	-	4,991,286
	$ 22,761,644	$ 11,886,303	$ 34,647,947	$ 5,438,804	$ 586,193	$ 40,672,944

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

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
Change in net assets	$ 6,074,408	$ 15,285,380
Items not requiring (providing) cash		
Depreciation	4,991,286	4,696,971
Amortization of bond costs	13,400	13,400
Net realized and unrealized gains on investments	(2,624,698)	(739,369)
Gifts of investments	(1,003,857)	(843,960)
Bad debt expense	24,243	19,313
Change in fair value of interest rate swap agreements	(718,248)	(942,326)
Contributions restricted to investment in property and equipment	(2,170,230)	(3,329,551)
Contributions restricted for long-term investment	(11,961)	(13,883)
Gain on disposal of property and equipment	-	(39,044)
Changes in		
Accounts and contributions receivable	1,578,508	1,023,751
Property tax receivable	978,286	(978,286)
Inventories	15,768	34,485
Prepaid expenses	(40,905)	39,927
Accounts payable and accrued expenses	58,918	94,979
Disputed property taxes accrued	-	(7,784,413)
Deferred rental and membership income	8,879	(67,814)
Advanced deposits	176,047	73,051
Net cash provided by operating activities	7,349,844	6,542,611
Investing Activities		
Purchase of property and equipment	(8,888,888)	(6,830,796)
Proceeds from sale of property and equipment	-	72,200
Purchase of investment securities	(24,011,543)	(22,135,975)
Proceeds from sale and maturity of investment securities	24,589,859	19,898,471
Net cash used in investing activities	(8,310,572)	(8,996,100)
Financing Activities		
Principal payments on long-term debt	(1,090,000)	(1,040,000)
Contributions restricted to purchase of property and equipment	2,170,230	3,329,551
Contributions restricted for long-term investment	11,961	13,883
Net cash provided by financing activities	1,092,191	2,303,434
Change in Cash and Cash Equivalents	131,463	(150,055)
Cash and Cash Equivalents, Beginning of Year	281,681	431,736
Cash and Cash Equivalents, End of Year	$ 413,144	$ 281,681
Supplemental Cash Flows Information		
Interest paid	$ 1,724,699	$ 1,782,176
Property and equipment purchases in accounts payable	$ 472,726	$ 405,644

YMCA of The Rockies
Notes to Financial Statements
December 31, 2017 and 2016

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, 2017 and 2016, cash equivalents consisted primarily of money market accounts with a broker.

At December 31, 2017, the YMCA's cash accounts exceed federally insured limits by approximately $240,000.

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, 2017 and 2016, board-designated net assets consist of a board-designated endowment of $21,288,006 and $5,018,380, respectively, and emergency reserves of $4,000,000 in 2016 only.

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. Costs of inventories are determined using the first-in, first-out (FIFO) method. Inventories are stated at the lower of cost and net realizable value.

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 is 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.

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.

Reclassification

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 financial statement presentation. These reclassifications had no effect on net earnings.

Future Change in Accounting Principle

The Financial Accounting Standards Board recently issued three Accounting Standards Updates (ASUs) Nos. 2016-14, 2014-09, and 2016-02, *Presentation of Financial Statements of Not-for-Profit Entities*, *Revenue from Contracts with Customers*, and *Leases*, respectively, which change requirements for financial statements and notes of all not-for-profit (NFP) entities, will require the YMCA to recognize revenue as it transfers goods or services to customers in an amount that reflects the consideration it expects to receive, and to recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. YMCA expects to first apply the ASUs during its fiscal years ending December 31, 2018, December 31, 2019, and December 31, 2020, respectively, through retrospective application to previous years' statements for comparative purposes. The impact of applying the ASUs has not yet been determined.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment applies to not-for-profit entities. The amendment reduces the classes of net assets to *net assets with donor restrictions* and *net assets without donor restrictions*; removes the reconciliation of cash flows to the indirect method if using the direct method; requires the reporting of investment returns, net of expenses, with no disclosure of netted expenses required; requires the use, in the absence of explicit donor stipulations, of the placed-in-service approach for reporting expirations of restrictions on cash or other asset donations and requires disclosure of expenses by both their natural and functional classification on the face of the statements of activities, as a separate statement, or in the notes to the financial statements. In addition, the amendment provides enhanced disclosures on amounts and purposes of board designations and appropriations, composition of net assets with donor restrictions, discussion of liquidity for the year following year-end, discussion of liquidity of financial assets at year-end, methodology used to allocate costs between program and support functions, and underwater endowment funds. The amendment is effective for all fiscal years beginning after December 15, 2017 with early adoption allowed. Entities should apply the amendment in this update retrospectively to all periods presented. The YMCA is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The YMCA is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2019. The YMCA is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is not expected to have a material impact on the YMCA of the Rockies.

Subsequent Events

Subsequent events have been evaluated through March 13, 2018, which is the date the financial statements were available to be issued.

Note 2: Contributions Receivable

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

	2017	2016
Due within one year	$ 841,051	$ 1,497,551
Due in one to five years	498,606	1,318,850
	1,339,657	2,816,401
Less		
Unamortized discount	23,075	50,431
	$ 1,316,582	$ 2,765,970

Discount rates were 2% for 2017 and 2016.

Note 3: Investments and Investment Return

Investments at December 31 consisted of the following:

	2017	2016
Money market fund	$ 351,158	$ 906,272
Certificates of deposit	5,880,000	17,122,900
Mutual funds		
Balanced fund	2,088,473	2,053,647
Alternative investments, measured at net asset value		
Fixed income (A)	4,933,398	1,532,347
Equities (B)		
Large-cap	8,956,167	2,705,784
Small/mid-cap	3,226,752	1,047,451
International	3,998,443	1,132,637
Other	122,024	5,138
	$ 29,556,415	$ 26,506,176

Financial statements classification:

	2017	2016
Investments	$ 24,211,899	$ 18,808,324
Investments - restricted	5,344,516	7,697,852
	$ 29,556,415	$ 26,506,176

Total investment return during 2017 and 2016 consisted of the following:

	2017	2016
Interest and dividend income	$ 228,588	$ 212,023
Net realized and unrealized gains (losses) on investments reported at fair value	2,624,698	739,369
	$ 2,853,286	$ 951,392

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 bond was carried at $1,972,623 as of December 31, 2016. In February 2017, the YMCA filed a motion and the Court approved the release of the escrow, effectively eliminating the restriction after year-end. Remaining amounts in both 2017 and 2016 were made up of donor-restricted amounts for building projects, specific programs, pooled income fund, and permanent endowment funds.

Alternative Investments

The YMCA entered into an agreement with a foundation to provide investment management services for the YMCA. The foundation provides pooled investment fund options, which are fund of funds invested in underlying assets as discussed below. The underlying assets are liquid and can be redeemed as of the first business day of the calendar month following 10 days written notice.

(A) The fixed income fund is a diversified bond portfolio consisting principally of high quality, investment – grade corporate, mortgage, asset-backed and limited high-yield securities.

(B) The large cap equity fund is a broadly diversified portfolio of mostly U.S. and some international stocks that seek to provide opportunities for long-term growth, while avoiding speculation and undue risk.

The international equity fund consists of a broadly diversified portfolio of large, high quality non-U.S. companies that are either ordinary shares traded on securities exchanges around the world or American Depository Receipts traded on U.S. exchanges.

The small/mid cap equity fund consists of a blended-style portfolio of small U.S. companies allocated among managers with distinct growth, value and core strategies.

Note 4: Property and Equipment

Property and equipment at December 31 consists of the following:

	2017	2016
Buildings	$ 130,359,698	$ 126,279,280
Land and improvements	23,359,915	23,071,397
Transportation and other equipment	8,176,060	7,290,585
	161,895,673	156,641,262
Less accumulated depreciation	65,876,455	61,179,636
	96,019,218	95,461,626
Construction in progress	5,162,443	1,755,351
	$ 101,181,661	$ 97,216,977

Note 5: Long-term Debt

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

	2017	2016
Colorado Education and Cultural Facilities Authority Bonds - Series 2011 (A)	$ 36,660,000	$ 37,750,000
Less unamortized debt issuance costs	(278,053)	(291,453)
	$ 36,381,947	$ 37,458,547

(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 $278,053 and $291,453 at December 31, 2017 and 2016, 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, 2017:

2018	$ 1,130,000
2019	1,175,000
2020	1,235,000
2021	1,280,000
2022	1,330,000
Thereafter	30,510,000
	$ 36,660,000

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, 2017, was $36,660,000.

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 $7,096,266 and $7,814,514 as of December 31, 2017 and 2016, respectively. The corresponding gain related to the change in fair value was $718,248 and $942,326 for the years ended December 31, 2017 and 2016, 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, 2017 and 2016 were $787,839 and $562,365, respectively.

Note 8: Related Parties

The contributions receivable balance includes approximately $351,000 and $985,000 at December 31, 2017 and 2016, respectively, which were pledged by Board members and staff. Contributions of approximately $312,000 and $368,000 for the years ended December 31, 2017 and 2016, respectively, were received from Board members and staff for both unrestricted and temporarily restricted purposes.

Annual support contributions of approximately $236,000 and $187,000 for the years ended December 31, 2017 and 2016, 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:

	2017	2016
Program activities	$ 1,270,780	$ 1,213,853
Property and equipment	2,437,433	5,025,660
Life income agreements	2,088,473	2,053,647
	$ 5,796,686	$ 8,293,160

Life income agreements are accounted for as pooled income funds and 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 2017 or 2016.

Note 10: Permanently Restricted Net Assets

Permanently restricted net assets are restricted to the following:

	2017	2016
Investment in perpetuity, the revenue from which is expendable to support programs	$ 864,411	$ 852,450

Investment in perpetuity includes cash and investments in the amounts of $864,411 and $544,411, and pledge receivables in the amounts of $0 and $198,039 for the years ended December 31, 2017 and 2016, 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.

	2017	2016
Purpose restrictions accomplished		
Capital releases for property and equipment	$ 4,161,113	$ 1,868,466
Noncapital releases for property and equipment	353,519	233,743
Development expense	528,526	496,775
Program activities	521,853	266,341
	$ 5,565,011	$ 2,865,325

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

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, 2017 and 2016:

	2017			
		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	$ 351,158	$ 351,158	$ -	$ -
Certificates of deposit	5,880,000	-	5,880,000	-
Mutual funds				
Balanced fund	2,088,473	2,088,473	-	-
Alternative investments, measured at net asset value (A)				
Fixed income	4,933,398	-	-	-
Equities				
Large-cap	8,956,167	-	-	-
Small/mid-cap	3,226,752	-	-	-
International	3,998,443	-	-	-
Other	122,024	-	-	-
	$ 29,556,415	$ 2,439,631	$ 5,880,000	$ -
Liabilities				
Interest rate swap agreement	$ (7,096,266)	$ -	$ (7,096,266)	$ -

(A) Certain investments that are measured at fair value in 2017 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.

	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	$ -
Liabilities				
Interest rate swap agreement	$ (7,814,514)	$ -	$ (7,814,514)	$ -

(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.

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 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, 2017.

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 2017, there was one donor who accounted for a combined 10.2% 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, was 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 has been implemented and settlement discussions regarding previously paid property taxes and related interest have been resolved.

As of December 31, 2016, the YMCA was in discussions with Grand County and during 2017, held 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.

During 2017, 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.

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 at December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 193,046	$ 864,411	$ 1,057,457
Board-designated endowment funds	21,288,006	-	-	21,288,006
Total endowment funds	$ 21,288,006	$ 193,046	$ 864,411	$ 22,345,463

Changes in endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 5,018,380	$ 86,046	$ 852,450	$ 5,956,876
Investment return				
Investment gain	2,212,185	143,364	-	2,355,549
Total investment return	2,212,185	143,364	-	2,355,549
Contributions and other income	45,800	1,500	11,961	59,261
Transfer of net assets	14,198,525	(14,438)	-	14,184,087
Amounts released from restrictions	(186,884)	(23,426)	-	(210,310)
Endowment net assets, end of year	$ 21,288,006	$ 193,046	$ 864,411	$ 22,345,463

The composition of net assets by type of endowment fund at the YMCA at December 31, 2016:

	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.

Due to the significant additions made to the endowment fund in 2017, the Board of Directors has made a temporary exception to the three-year rolling average expenditure calculation for the years 2018 and 2019.