



April 17, 2015

Young Men's Christian Association of Dane County, Inc.
8001 Excelsior Drive, Suite 200
Madison, WI 53715

Attention: Ms. Carrie Wall, President and CEO
Ms. Karen Bindl, Director of Finance

In accordance with your request, we are transmitting the accompanying PDF file, which contains an electronic final version of the financial statements of Young Men's Christian Association of Dane County, Inc. which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements for the years then ended. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our reports on them are not to be modified in any manner. **This final version supersedes all prior drafts.** Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our Firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts" in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, Young Men's Christian Association of Dane County, Inc. will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, Young Men's Christian Association of Dane County, Inc. also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when Young Men's Christian Association of Dane County, Inc. seeks such consent, we will be under no obligation to grant such consent or approval.

McGladrey LLP

A handwritten signature in cursive script that reads 'Linda Dolezalek'.

Linda Dolezalek, Senior Manager

Young Men's Christian Association of Dane County, Inc.

Financial Report
12.31.2014

Young Men's Christian Association of Dane County, Inc.

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Independent Auditor's Report on the Financial Statements

To the Board of Directors
Young Men's Christian Association
of Dane County, Inc.
Madison, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of Dane County, Inc. which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities 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 of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Dane County, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McGladrey LLP

Madison, Wisconsin
April 17, 2015

Young Men's Christian Association of Dane County, Inc.

Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 873,265	\$ 693,456
Cash - endowment fund	71,005	42,669
Restricted cash - state alliance	345,929	287,323
Pledges receivable	48,986	103,635
Other receivables, net of allowance of \$20,000 in 2014 and \$0 in 2013	88,680	104,054
Prepaid expenses	111,775	91,568
Certificates of deposit designated for unemployment compensation	167,968	167,970
Investments - endowment fund	729,479	718,877
Beneficial interest in remainder trust	100,542	105,275
Interest in net assets of Foundation	114,315	113,510
Property and equipment, net	10,749,049	11,648,348
Unamortized debt issuance costs, less accumulated amortization of \$79,318 in 2014 and \$70,214 in 2013	117,048	126,152
Total assets	\$ 13,518,041	\$ 14,202,837
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 207,805	\$ 287,471
Due to State Alliance	345,929	287,323
Accrued vacation	4,010	252,610
Accrued salaries	428,618	389,920
Accrued interest and other	87,574	66,495
Deferred revenue:		
Grants	8,331	12,624
Programs	391,765	422,117
Memberships	61,761	126,452
Capital lease obligations	400,737	608,196
Long-term debt	5,447,668	5,817,505
Total liabilities	7,384,198	8,270,713
Net Assets		
Unrestricted:		
Available for general activities	3,475,113	3,484,742
Board designated:		
Unemployment compensation	167,904	167,904
Endowment fund	794,559	755,621
Repair and replacement	740,224	599,022
Total unrestricted	5,177,800	5,007,289
Temporarily restricted	950,118	918,910
Permanently restricted	5,925	5,925
Total net assets	6,133,843	5,932,124
Total liabilities and net assets	\$ 13,518,041	\$ 14,202,837

See Notes to Financial Statements.

Young Men's Christian Association of Dane County, Inc.

Statements of Activities

Years Ended December 31, 2014 and 2013

	2014	2013
Changes in Unrestricted Net Assets		
Support:		
United Way of Dane County	\$ 99,680	\$ 128,173
Contributions	364,531	421,666
Grants	229,628	177,429
Special events (net of expenditures of \$41,885 and \$48,336 in 2014 and 2013, respectively)	59,695	94,684
Net assets released from restrictions	54,649	25,559
Total support	<u>808,183</u>	<u>847,511</u>
Revenue:		
Membership dues	4,814,581	5,104,931
Program and other fees	5,093,086	5,485,121
Purchase of service contracts	66,036	68,048
Merchandise sales	11,426	22,401
Investment income	40,612	120,105
Other	52,844	54,376
Change in interest in net assets of Foundation	5,630	12,041
Total revenue	<u>10,084,215</u>	<u>10,867,023</u>
Total support and revenue	<u>10,892,398</u>	<u>11,714,534</u>
Expenses:		
Salaries	5,453,925	6,526,984
Payroll taxes	547,988	580,744
Employee benefits	401,634	810,178
Professional fees	129,276	98,594
Supplies	518,502	631,845
Telephone and postage	105,764	109,797
Printing and promotion	363,749	333,876
Occupancy	1,187,674	1,275,090
Interest expense	173,133	223,192
Depreciation and amortization	920,064	927,219
Minor equipment and equipment repair	357,101	429,989
Travel, conferences and meetings	190,855	243,083
National percentage support	107,708	136,010
Organizational dues	10,141	13,444
Bad debt expense	93,817	-
Other	160,556	143,920
Total expenses	<u>10,721,887</u>	<u>12,483,965</u>
Increase (decrease) in unrestricted net assets	<u>\$ 170,511</u>	<u>\$ (769,431)</u>

(Continued)

Young Men's Christian Association of Dane County, Inc.

Statements of Activities (Continued)
 Years Ended December 31, 2014 and 2013

	2014	2013
Changes in Temporarily Restricted Net Assets		
Change in value of beneficial interest in remainder trust	\$ (4,733)	\$ (389)
Contributions	90,590	-
Net assets released from restrictions	(54,649)	(25,559)
Increase (decrease) in temporarily restricted net assets	31,208	(25,948)
Changes in Permanently Restricted Net Assets		
Contributions, increase in permanently restricted net assets	-	100
Increase (decrease) in net assets	201,719	(795,279)
Net assets, beginning	5,932,124	6,727,403
Net assets, ending	\$ 6,133,843	\$ 5,932,124

See Notes to Financial Statements.

Young Men's Christian Association of Dane County, Inc.

Statements of Cash Flows
Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 201,719	\$ (795,279)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	910,960	917,906
Amortization of debt issue costs	9,104	9,313
Change in value of beneficial interest in remainder trust	4,733	389
Permanently restricted contribution revenue	-	(100)
Undistributed change in interest in net assets of Foundation	(805)	(12,041)
Unrealized and realized gains on investments	(32,698)	(111,000)
Increase (decrease) from changes in:		
Pledges receivable	54,649	25,559
Other receivables	15,374	(41,983)
Prepaid expenses	(20,207)	(42,154)
Accounts payable	(79,666)	20,663
Accrued expenses and other	(188,823)	(4,094)
Deferred revenue	(99,336)	(239,654)
Net cash provided by (used in) operating activities	775,004	(272,475)
Cash Flows From Investing Activities		
Purchases of property and equipment	(11,661)	(59,619)
Net proceeds from certificates of deposit designated for unemployment compensation	2	-
Purchase of investments	(238,439)	(899,730)
Proceeds from sales of investments	260,535	1,170,288
Net cash provided by investing activities	10,437	210,939
Cash Flows From Financing Activities		
Payments on capital leases	(207,459)	(201,658)
Principal payments on long-term debt	(369,837)	(430,657)
Permanently restricted contributions received	-	100
Net cash used in financing activities	(577,296)	(632,215)
Net increase (decrease) in cash and cash equivalents	208,145	(693,751)
Cash and cash equivalents:		
Beginning	736,125	1,429,876
Ending	\$ 944,270	\$ 736,125

(Continued)

Young Men's Christian Association of Dane County, Inc.

Statements of Cash Flows (Continued)
Years Ended December 31, 2014 and 2013

	2014	2013
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 170,792	\$ 223,183
Supplemental Schedule of Noncash Investing and Financing Activities		
Equipment acquired through issuance of capital lease	\$ -	\$ 809,854

See Notes to Financial Statements.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities: The Young Men's Christian Association of Dane County, Inc. (the Association) offers human services which include programs within the general areas of health enhancement, family support, child care, youth leadership development, social development, and community outreach to persons in the Dane County area.

A summary of the Association's significant accounting policies follows:

Cash Equivalents: Highly liquid investments with a maturity of three months or less when acquired or investments readily convertible to known amounts of cash are considered to be cash equivalents.

Cash - Endowment Fund: Cash equivalents held in the endowment fund investment account are classified as cash – endowment fund.

Restricted Cash: In April 2013, the Association entered into an agreement with the State Alliance of Wisconsin/UP YMCA's (State Alliance) wherein the Association agrees to hold State Alliance funds in a separate account and make disbursements on their behalf. This is presented as restricted cash and due to State Alliance on the statement of financial position.

Certificates of Deposit: Certificates of deposit are recorded at amortized cost.

Use of Estimates: The preparation of financial statements 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, including functional allocations during the reporting period. Actual results could differ from those estimates.

Receivables: Receivables including pledges are carried at original invoice amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Interest in Net Assets of Foundation: The Association has an ongoing economic interest in the net assets of the Madison Community Foundation, Inc. (the Foundation). Accordingly, the Association recognizes its interest in the net assets of the Foundation, which is included in the accompanying statement of financial position as interest in net assets of Foundation. The Association recognizes changes in its interest in net assets of the Foundation and presents those changes in the accompanying statements of activities as changes in interest in net assets of Foundation.

Concentration of Risk: Bank balances of cash and certificates of deposit generally exceed Federal Deposit Insurance Corporation insured limits. Management does not believe there is a risk of loss associated with these accounts.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Beneficial Interest in Remainder Trust: The Association received a contribution in which the donor has retained a life interest. The Remainder Trust gift is a time-restricted contribution not available to the Association until after the death of the donor and spouse, who, while living, receive quarterly payouts from the Trust based on a fixed percentage of the market value of the invested funds as of December 18, 2001, the date of the Trust. The assets are invested and administered by a trustee, and distributions are made to the beneficiaries. These funds are invested in debt and equity securities, and the Association records its interest in this trust at fair value based on estimated future cash receipts discounted at 2.2 percent, which approximates the rate of return on U.S. Government securities. Adjustments to the assets' carrying value is recognized as changes in value of beneficial interest in the Remainder Trust and is classified as temporarily restricted support.

Fair Value of Financial Instruments: The carrying amounts of certain of the Association's financial instruments including cash, receivables, certificates of deposit, accounts payable, and accrued liabilities approximate fair value due to their short maturities. Based upon borrowing rates currently available to market participants with similar terms, the carrying value of long-term debt approximates fair value.

Investments: Investments in mutual funds and corporate bonds held by the Association are carried at fair value which is based on quoted market prices, with gains and losses included in the statements of activities.

Property and Equipment: Property and equipment which exceeds \$2,500 is capitalized at cost. Donated assets are capitalized at their estimated fair value at the date donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Leasehold improvements are amortized over the shorter of the lease term or useful life. Interest expense incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Debt Issuance Costs: Debt issuance costs are deferred and amortized using the effective interest method over the term of the related debt.

Contributions: Contributions are recorded as revenue when received or when an unconditional pledge has been made. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received whose restrictions are met within the same year as received are recognized as unrestricted revenue in the period received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Grant Revenue: Grant revenue is recognized when allowable expenses related to a grant are incurred. Grants received in advance are recorded as deferred revenue - grants on the statements of financial position.

Membership Dues, Program Fees, and Supplies: Membership dues and program fees are recognized as revenue when earned. Supplies are charged to expense when used. Unused supplies are included in prepaid expenses and unearned membership and program fees are included in deferred revenue.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Basis of Presentation: The Association classifies its net assets into three categories which are unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets are reflective of revenues and expenses associated with the operating activities of the Association and are not subject to donor-imposed stipulations.

Funds received without donor restrictions may be designated by the Board of Directors for specific use and are included in unrestricted net assets. The Board has designated net assets for the deposit required for unemployment compensation, for repair and replacement, and for the YMCA endowment fund (the Fund) established by the Board in 2004. The purpose of the Fund is to provide continuing financial support for programs, scholarships, new initiatives, and general operating expenses for the Association and to ensure the future success and stability of the Association. Assets designated for the Fund are included in investments and cash on the statements of financial position.

Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time period or purpose. These assets are primarily restricted for capital additions, improvements, and general operations and will be reclassified to unrestricted net assets once individual donor restrictions have been satisfied or when time restrictions have expired.

Permanently restricted net assets result from donors who stipulate that their donated resources be maintained permanently.

The Association has presented its assets and liabilities on the statements of financial position in an unclassified manner, but in order of liquidity.

Advertising Costs: The Association expenses advertising costs as incurred. Advertising expenses were approximately \$325,000 and \$298,000 for the years ended December 31, 2014 and 2013, respectively.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and management and general activities.

Income Taxes: Young Men's Christian Association of Dane County, Inc., is classified as a publicly-supported organization by the Internal Revenue Service and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from local property taxes and state franchise or income taxes.

The Association follows the provisions of the Uncertainty in Income Taxes Section of the Income Taxes Topic of the FASB Accounting Standards Codification. These provisions address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

The Association files a Form 990 (Return of Organization Exempt from Income Tax) annually. When this return is filed it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would ultimately be sustained. Examples of tax positions include such matters as the following: the tax exempt status of the entity and various positions relative to potential sources of unrelated business taxable income (UBIT). UBIT is reported on Form 990T, as appropriate. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes that it is more likely than not that the positions will be sustained upon examination, including the resolution of appeals or litigation processes, if any.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Form 990 filed by the Association is subject to examination by the Internal Revenue Service up to three years from the extended due date of each return. Forms 990 filed by the Association are no longer subject to examination by the Internal Revenue Service for the years 2010 and prior.

Subsequent Events: The Association has evaluated subsequent events for potential recognition and/or disclosures through April 17, 2015, the date the financial statements were issued.

Note 2. Pledges Receivable

Included in pledges receivable as of December 31, 2014 and 2013 were the following unconditional promises to give:

	2014	2013
Pledges receivable - other	\$ 48,986	\$ 103,635

All pledges are due in one year, therefore no discount was considered necessary for unconditional pledges receivable in 2014 and 2013.

Note 3. Fair Value Measurements and Investments

Fair value is defined as 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the provisions as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the provisions are described below:

- Level 1. Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. This level of the fair value hierarchy provides for the most reliable evidence of fair value and is used to measure fair value whenever available.
- Level 2. Inputs other than quoted prices within Level 1 that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment, for example interest rate and yield curves, volatilities, prepayment speeds and credit risk among others. These are inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3. Inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment estimation.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entity requires judgment, and considers factors specific to the investment.

The Association invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy:

	December 31, 2014				December 31, 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Investments:								
Mutual funds:								
Equity securities:								
U.S. large-cap blend	\$ 81,642	\$ 81,642	\$ -	\$ -	\$ 65,655	\$ 65,655	\$ -	\$ -
U.S. large-cap growth	151,483	151,483	-	-	164,900	164,900	-	-
U.S. large-cap value	109,488	109,488	-	-	113,509	113,509	-	-
U.S. mid-cap growth	26,489	26,489	-	-	19,174	19,174	-	-
U.S. small-cap growth	23,713	23,713	-	-	19,602	19,602	-	-
U.S. small-cap value	20,371	20,371	-	-	28,714	28,714	-	-
Diversified emerging markets	12,723	12,723	-	-	18,387	18,387	-	-
World allocation	8,790	8,790	-	-	9,103	9,103	-	-
Foreign large-cap blend	22,167	22,167	-	-	-	-	-	-
Foreign large-cap value	28,992	28,992	-	-	48,461	48,461	-	-
Fixed income securities:								
Intermediate-term bond fund	98,072	98,072	-	-	116,686	116,686	-	-
Short-term bond fund	122,369	122,369	-	-	78,716	78,716	-	-
World bond	23,180	23,180	-	-	35,970	35,970	-	-
Beneficial interest in remainder trust	100,542	-	-	100,542	105,275	-	-	105,275
Interest in net assets of Foundation	114,315	-	-	114,315	113,510	-	-	113,510
	<u>\$ 944,336</u>	<u>\$ 729,479</u>	<u>\$ -</u>	<u>\$ 214,857</u>	<u>\$ 937,662</u>	<u>\$ 718,877</u>	<u>\$ -</u>	<u>\$ 218,785</u>

The Association's investment portfolio consists of debt and equity securities which are traded on the NASDAQ and the NYSE. Fair value of these securities is determined based on quoted market prices.

Note 3. Fair Value Measurements and Investments (Continued)

A donor has established an irrevocable charitable remainder trust, whereby the donated assets are invested and distributions made to the donor and/or other beneficiaries in accordance with the agreement for a specified period of time, after which the remaining assets and future investment return are retained by the Association. As these assets are held in a trust that is not administered by the Association, a receivable for its beneficial interest is established when the Association is notified of the trust's existence and when the third party trustee has provided the Association with sufficient reliable information to estimate the value of the receivable, which the Association considers a Level 3 investment.

Remainder interests are based on annual valuation reports received from the funds' trustees. The Association's interest in funds held in trust by others is considered Level 3, based on unobservable inputs, in the fair-value hierarchy.

For the years ended December 31, 2014 and 2013, valuation techniques for investment have been consistent with the prior year.

The Association assesses the levels of the investments at each measurement date, and the transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Association's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the year ended December 31, 2014, there were no such transfers.

Young Men’s Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 3. Fair Value Measurements and Investments (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2014	
	Beneficial Interest in Remainder Trust	Interest in Net Assets of Foundation
Beginning balance, January 1	\$ 105,275	\$ 113,510
Net realized and unrealized gain on investments	14,559	6,945
Distributions	(20,472)	(4,825)
Contributions	2,468	-
Interest, dividends, and other income	3,424	-
Fees and expenses	(4,712)	(1,315)
Ending balance, December 31	<u>\$ 100,542</u>	<u>\$ 114,315</u>

	2013	
	Beneficial Interest in Remainder Trust	Interest in Net Assets of Foundation
Beginning balance, January 1	\$ 105,664	\$ 101,469
Net realized and unrealized gain on investments	18,403	13,270
Distributions	(18,003)	-
Interest, dividends, and other income	3,871	-
Fees and expenses	(4,660)	(1,229)
Ending balance, December 31	<u>\$ 105,275</u>	<u>\$ 113,510</u>

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

	2014	2013
Interest and dividends	\$ 7,914	\$ 9,105
Net unrealized and realized gains	32,698	111,000
	<u>\$ 40,612</u>	<u>\$ 120,105</u>

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment as of December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Land	\$ 1,745,576	\$ 1,745,576
Buildings and improvements	18,209,686	18,209,686
Equipment and leasehold improvements	2,478,338	2,466,677
	<u>22,433,600</u>	<u>22,421,939</u>
Less accumulated depreciation and amortization	11,684,551	10,773,591
	<u>\$ 10,749,049</u>	<u>\$ 11,648,348</u>

Note 5. Pledged Assets, Long-Term Debt and Letter of Credit

Long-term notes payable included the following as of December 31, 2014 and 2013:

	2014	2013
City of Sun Prairie, Wisconsin Variable Rate Demand Development Revenue Bonds, Series 2006, 0.15% interest at December 31, 2014, annual payments varying in amounts from \$130,000 to \$370,000, due December 2036	\$ 5,050,000	\$ 5,170,000
8.75% bank promissory note; payable \$7,729 monthly, due June 2014	-	37,190
7.95% bank promissory note; payable \$15,417 monthly, due February 2017	293,129	448,055
3.65% bank promissory note; payable \$4,938 monthly, due February 2015	9,539	67,260
Interest free promissory note, payable to City of Madison only upon sale, change of use, or discontinuance of use of East facility	95,000	95,000
	<u>95,000</u>	<u>95,000</u>
Total	<u>\$ 5,447,668</u>	<u>\$ 5,817,505</u>

Substantially all the Association's assets are pledged as collateral to these bonds and notes. All of these agreements, except for the note payable to the City of Madison, contain various covenants including debt service coverage ratio.

The bonds can be called on a daily basis by the bondholder. The Association has a remarketing agreement with the underwriter that provides for a "best efforts" remarketing of the bonds. The Association anticipates that additional bonds will be issued to extend the maturities; however, there can be no guarantee that these bonds can or will be remarketed. The bonds are secured by a letter of credit, expiring January 2016 in the amount of the outstanding principal balance on the bonds plus accrued interest. The letter of credit is collateralized by substantially all of the Association's assets. If the letter of credit is drawn on to pay for the bonds that were not remarketed, such amounts are due immediately.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 5. Pledged Assets, Long-Term Debt and Letter of Credit (Continued)

Assuming no bonds are called by the bondholders, future maturities of long-term debt are as follows:

<u>Years Ending December 31,</u>	
2015	\$ 307,260
2016	260,408
2017	140,000
2018	150,000
2019	155,000
2020-2024	910,000
2025-2029	1,180,000
2030-2034	1,525,000
2035-2036	<u>820,000</u>
	<u>\$ 5,447,668</u>

Note 6. Capital Leases

The Association has capital leases for fitness office equipment. Principal and interest payments are due monthly in amounts ranging from \$2,148 to \$10,412. Future maturities of these leases are as follows:

<u>Years Ending December 31,</u>	
2015	\$ 254,244
2016	129,300
2017	65,971
2018	<u>5,498</u>
	455,013
Less: Amounts representing interest	<u>(54,276)</u>
	<u>\$ 400,737</u>

Asset under capital lease amounted to approximately \$809,900. Accumulated amortization was approximately \$421,600 and \$201,700 at December 31, 2014 and 2013, respectively. Amortization expense for the year ended December 31, 2014 and 2013 amounted to approximately \$220,000 and \$201,700, respectively.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 7. Operating Leases and Rent Expense

The Association rents various facilities, equipment, and vehicles under noncancelable operating leases which have expirations ranging from April 2015 through April 2016. The following is a schedule of future minimum rental payments as of December 31, 2014, due in future years under operating leases having initial lease terms in excess of one year:

<u>Years Ending December 31,</u>	
2015	\$ 130,882
2016	<u>45,393</u>
	<u>\$ 176,275</u>

Rent expense was approximately \$288,000 and \$363,000 in 2014 and 2013, respectively.

Note 8. Unemployment Compensation

The Association has elected the reimbursement (self-insured) method for unemployment compensation benefits. In order to guarantee payment of eligible benefits, the Treasurer, Wisconsin Unemployment Reserve Fund, requires that the Association provide adequacy of assurance deposits totaling approximately \$168,000 as of December 31, 2014 and 2013, respectively. To comply with this requirement, the Association has pledged a certificate of deposit in this amount.

Note 9. Retirement Plan

The Association participates in the YMCA Retirement Fund 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 which is a defined contribution church 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 (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1921) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout 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 agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary and are shared between the employee and employer. Employee contributions are mandatory for eligible employees and withheld from payroll after tax. Association contributions charged to expense aggregated approximately \$290,000 and \$373,000 for the years ended December 31, 2014 and 2013, respectively.

Contributions to the YMCA Retirement Fund 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.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 10. Functional Expenses

Functional expenses for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Program services:		
Child care and teen/family	\$ 5,524,468	\$ 6,252,432
Fitness, sports, etc.	2,211,178	2,588,970
Aquatics	1,435,638	1,746,805
Adaptive	132,689	118,661
Total program services	<u>9,303,973</u>	<u>10,706,868</u>
Management and general	1,284,563	1,574,519
Fundraising	<u>133,351</u>	<u>202,578</u>
	<u>\$ 10,721,887</u>	<u>\$ 12,483,965</u>

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets were limited to specific purposes or periods of time by donors as follows as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beneficial interest in remainder trust	\$ 100,542	\$ 105,275
Time restrictions	48,986	103,635
Maintenance and capital projects	90,590	-
Land - purpose restriction	<u>710,000</u>	<u>710,000</u>
	<u>\$ 950,118</u>	<u>\$ 918,910</u>

Temporarily restricted net assets were released in 2014 and 2013 for satisfaction of time restrictions and amounted to approximately \$54,600 and \$25,600, respectively.

Note 12. Endowment Fund

The Association's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 12. Endowment Fund (Continued)

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the *Wisconsin Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classified 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 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 Foundation in a manner consistent with the standard of prudence described by UPMIFA. For the Association's permanent endowment, investment return is unrestricted since donors provided no stipulations on earnings when the original gifts were received.

The Association's endowment net asset composition by type of fund is as follows for the years ended December 31, 2014 and 2013:

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ -	\$ 5,925	\$ 5,925	\$ -	\$ -	\$ 5,925	\$ 5,925
Board-designated	794,559	-	-	794,559	755,621	-	-	755,621
Total funds	\$ 794,559	\$ -	\$ 5,925	\$ 800,484	\$ 755,621	\$ -	\$ 5,925	\$ 761,546

The changes in endowment net assets for the Association were as follows for the years ended December 31, 2014 and 2013:

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 755,621	\$ -	\$ 5,925	\$ 761,546	\$ 1,137,990	\$ -	\$ 5,825	\$ 1,143,815
Investment return:								
Investment income	6,241	-	-	6,241	6,631	-	-	6,631
Net appreciation - realized and unrealized	32,697	-	-	32,697	111,000	-	-	111,000
Total investment return	38,938	-	-	38,938	117,631	-	-	117,631
Contributions	-	-	-	-	-	-	100	100
Assets appropriated for expenditure	-	-	-	-	(500,000)	-	-	(500,000)
Endowment net assets, end of year	\$ 794,559	\$ -	\$ 5,925	\$ 800,484	\$ 755,621	\$ -	\$ 5,925	\$ 761,546

Young Men's Christian Association of Dane County, Inc.

Notes to Financial Statements

Note 12. Endowment Fund (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of Wisconsin UPMIFA requires the Association to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in unrestricted net assets as of December 31, 2014 or 2013.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association 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 Association 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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution funds which are subject to limitations imposed in the investment policy and which the Endowment Committee will recommend to the Board for approval.

Note 13. Payments to Affiliated Organization

The Association serves the citizens of Dane County, Wisconsin and is independently governed by a local board of community leaders and volunteers. The Association is dedicated to creating positive change in its community and is a member of the national YMCA organization, YMCA of the USA. The Association paid annual national support fees of approximately \$108,000 and \$136,000 in 2014 and 2013, respectively.