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RSM US LLP

April 25, 2016

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

Attention: Ms. Carrie Wall, President and CEO
Mr. Mike Mohoney, CFO and VP 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, 2015 and 2014, 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previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.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.

RSM US LLP

Linda Dolezalek

Linda Dolezalek, Senior Manager

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

Financial Report
12.31.2015

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AUDIT | TAX | CONSULTING

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

Contents

Independent Auditor's Report

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, 2015 and 2014, 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, 2015 and 2014, 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.

RSM US LLP

Madison, Wisconsin
April 20, 2016

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

Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	**$ 1,036,230**	$ 873,265
Cash - endowment fund	**49,555**	71,005
Restricted cash - state alliance	**-**	345,929
Pledges receivable	**92,596**	48,986
Other receivables, net of allowance of $25,000 in 2015 and $20,000 in 2014	**116,352**	88,680
Prepaid expenses	**104,941**	111,775
Certificates of deposit designated for unemployment compensation	**167,904**	167,968
Investments - endowment fund	**741,574**	729,479
Beneficial interest in remainder trust	**89,349**	100,542
Interest in net assets of Foundation	**112,300**	114,315
Property and equipment, net	**10,286,122**	10,749,049
Unamortized debt issuance costs, less accumulated amortization of $88,199 in 2015 and $79,318 in 2014	**108,167**	117,048
Total assets	**$ 12,905,090**	$ 13,518,041
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 153,116**	$ 207,805
Due to State Alliance	**-**	345,929
Accrued salaries and benefits	**443,725**	432,628
Accrued interest and other	**67,529**	87,574
Deferred revenue:		
Grants	**19,013**	8,331
Programs	**413,537**	391,765
Memberships	**49,448**	61,761
Capital lease obligations	**523,880**	400,737
Long-term debt	**5,140,460**	5,447,668
Total liabilities	**6,810,708**	7,384,198
Net assets:		
Unrestricted:		
Available for general activities	**3,424,280**	3,475,113
Board designated:		
Unemployment compensation	**167,904**	167,904
Endowment fund	**785,204**	794,559
Repair and replacement	**740,224**	740,224
Total unrestricted	**5,117,612**	5,177,800
Temporarily restricted	**970,845**	950,118
Permanently restricted	**5,925**	5,925
Total net assets	**6,094,382**	6,133,843
Total liabilities and net assets	**$ 12,905,090**	$ 13,518,041

See notes to financial statements.

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

Statements of Activities
Years Ended December 31, 2015 and 2014

	2015	2014
Changes in Unrestricted Net Assets		
Support:		
United Way of Dane County	**$ 21,266**	$ 99,680
Contributions	**249,430**	315,545
Grants	**161,017**	229,628
Special events (net of expenditures of $55,313 and $41,885 in 2015 and 2014, respectively)	**46,979**	59,695
Net assets released from restrictions	**60,676**	103,635
Total support	**539,368**	808,183
Revenue:		
Membership dues	**4,711,364**	4,814,581
Program and other fees	**5,125,339**	5,093,086
Purchase of service contracts	**58,539**	66,036
Merchandise sales	**11,165**	11,426
Investment (loss) income	**(7,206)**	40,612
Other	**58,366**	52,844
Change in interest in net assets of Foundation	**(2,015)**	5,630
Total revenue	**9,955,552**	10,084,215
Total support and revenue	**10,494,920**	10,892,398
Expenses:		
Salaries	**5,376,581**	5,453,925
Payroll taxes	**460,002**	547,988
Employee benefits	**610,246**	401,634
Professional fees	**154,387**	129,276
Supplies	**454,460**	518,502
Telephone and postage	**43,816**	105,764
Printing and promotion	**229,965**	363,749
Occupancy	**1,514,974**	1,187,674
Interest expense	**121,830**	173,133
Depreciation and amortization	**904,809**	920,064
Minor equipment and equipment repair	**74,257**	357,101
Travel, conferences and meetings	**185,037**	190,855
National percentage support	**152,339**	107,708
Organizational dues	**16,561**	10,141
Bad debt expense	**75,596**	93,817
Other	**180,248**	160,556
Total expenses	**10,555,108**	10,721,887
(Decrease) increase in unrestricted net assets	**$ (60,188)**	$ 170,511

(Continued)

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

Statements of Activities (Continued)
Years Ended December 31, 2015 and 2014

	2015	2014
Changes in Temporarily Restricted Net Assets		
Change in value of beneficial interest in remainder trust	**$ (11,193)**	$ (4,733)
Contributions	**92,596**	139,576
Net assets released from restrictions	**(60,676)**	(103,635)
Increase in temporarily restricted net assets	**20,727**	31,208
(Decrease) increase in net assets	**(39,461)**	201,719
Net assets, beginning	**6,133,843**	5,932,124
Net assets, ending	**$ 6,094,382**	$ 6,133,843

See notes to financial statements.

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

Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
(Decrease) increase in net assets	**$ (39,461)**	$ 201,719
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**895,928**	910,960
Loss on disposal of capital lease	**9,690**	-
Amortization of debt issue costs	**8,881**	9,104
Change in value of beneficial interest in remainder trust	**11,193**	4,733
Undistributed change in interest in net assets of Foundation	**2,015**	(805)
Unrealized and realized losses (gains) on investments	**13,525**	(32,698)
Changes in assets and liabilities:		
Pledges receivable	**(43,610)**	54,649
Other receivables	**(27,672)**	15,374
Prepaid expenses	**6,834**	(20,207)
Accounts payable	**(54,689)**	(79,666)
Accrued expenses and other	**(8,948)**	(188,823)
Deferred revenue	**20,141**	(99,336)
Net cash provided by operating activities	**793,827**	775,004
Cash flows from investing activities:		
Purchases of property and equipment	**(87,178)**	(11,661)
Net proceeds from certificates of deposit designated for unemployment compensation	**64**	2
Purchase of investments	**(94,179)**	(238,439)
Proceeds from sales of investments	**68,559**	260,535
Net cash (used in) provided by investing activities	**(112,734)**	10,437
Cash flows from financing activities:		
Payments on capital leases	**(232,370)**	(207,459)
Principal payments on long-term debt	**(307,208)**	(369,837)
Net cash used in financing activities	**(539,578)**	(577,296)
Net increase in cash and cash equivalents	**141,515**	208,145
Cash and cash equivalents:		
Beginning	**944,270**	736,125
Ending	**$ 1,085,785**	$ 944,270

(Continued)

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

Statements of Cash Flows (Continued)
Years Ended December 31, 2015 and 2014

		2015		2014
Supplemental disclosures of cash flow information:				
Cash payments for interest	**$**	**145,769**	$	170,792
Supplemental schedule of noncash investing and financing activities:				
Equipment acquired through issuance of capital lease	**$**	**355,513**	$	-

See 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 agreed 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. As of December 31, 2015 the State Alliance became its own 501(c)(3) and funds are no longer held by, or distributed on behalf of, the State Alliance by the Association.

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.

Pledges receivable: Pledge receivables are unconditional promises to give that depend only on the passage of time. Pledges are due in less than one year, therefore, future cash flows are not discounted for unconditional pledges receivable at December 31, 2015 and 2014.

Other 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 periodic 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.

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 2.0 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.

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 $212,000 and $325,000 for the years ended December 31, 2015 and 2014, 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.

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

Recent Accounting Pronouncement: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Association has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In April 2015, the FASB issued ASU 2015-03, *Interest— Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015. This ASU will be effective for the Association for fiscal years beginning after December 15, 2015. The adoption of this standard is not expected to have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: The Association has evaluated subsequent events for potential recognition and/or disclosures through April 20, 2016, the date the financial statements were issued.

Note 2. 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.

Note 2. Fair Value Measurements and Investments (Continued)

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.

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, 2015				December 31, 2014			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Investments:								
Mutual funds:								
Equity securities:								
U.S. large-cap blend	$ 81,510	$ 81,510	$ -	$ -	$ 81,642	$ 81,642	$ -	$ -
U.S. large-cap growth	162,048	162,048	-	-	151,483	151,483	-	-
U.S. large-cap value	107,495	107,495	-	-	109,488	109,488	-	-
U.S. mid-cap growth	26,025	26,025	-	-	26,489	26,489	-	-
U.S. small-cap growth	20,955	20,955	-	-	23,713	23,713	-	-
U.S. small-cap value	18,089	18,089	-	-	20,371	20,371	-	-
U.S. mid-cap blend	9,851	9,851	-	-	-	-	-	-
Diversified emerging markets	25,008	25,008	-	-	12,723	12,723	-	-
World allocation	-	-	-	-	8,790	8,790	-	-
Foreign large-cap blend	24,211	24,211	-	-	22,167	22,167	-	-
Foreign large-cap value	29,040	29,040	-	-	28,992	28,992	-	-
Fixed income securities:								
Intermediate-term bond fund	94,585	94,585	-	-	98,072	98,072	-	-
Short-term bond fund	121,220	121,220	-	-	122,369	122,369	-	-
World bond	21,537	21,537	-	-	23,180	23,180	-	-
Beneficial interest in remainder trust	89,349	-	-	89,349	100,542	-	-	100,542
Interest in net assets of Foundation	112,300	-	-	112,300	114,315	-	-	114,315
	$ 943,223	$ 741,574	$ -	$ 201,649	$ 944,336	$ 729,479	$ -	$ 214,857

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.

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.

Note 2. Fair Value Measurements and Investments (Continued)

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, 2015 and 2014, 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, 2015, there were no such transfers.

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

	2015	
	Beneficial Interest in Remainder Trust	Interest in Net Assets of Foundation
Beginning balance, January 1	$ 100,542	$ 114,315
Net realized and unrealized gain (losses) on investments	6,579	(865)
Distributions	(18,003)	-
Interest, dividends, and other income	4,772	-
Fees and expenses	(4,541)	(1,150)
Ending balance, December 31	$ 89,349	$ 112,300

	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	$ 100,542	$ 114,315

Note 2. Fair Value Measurements and Investments (Continued)

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

	2015	2014
Interest and dividends	$ 6,319	$ 7,914
Net unrealized and realized (loss) gains	(13,525)	32,698
	$ (7,206)	$ 40,612

Note 3. Property and Equipment

Property and equipment as of December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Land	$ 1,750,670	$ 1,745,576
Buildings and improvements	18,258,877	18,209,686
Equipment and leasehold improvements	2,517,892	2,478,338
	22,527,439	22,433,600
Less accumulated depreciation and amortization	12,241,317	11,684,551
Property and equipment, net	$ 10,286,122	$ 10,749,049

Note 4. Pledged Assets, Long-Term Debt and Letter of Credit

Long-term notes payable included the following as of December 31, 2015 and 2014:

	2015	2014
City of Sun Prairie, Wisconsin Variable Rate Demand Development Revenue Bonds, Series 2006, 0.11% interest at December 31, 2015, annual payments varying in amounts from $135,000 to $370,000, due December 2036	$ 4,920,000	$ 5,050,000
7.95% bank promissory note; payable $15,417 monthly, due February 2017	125,460	293,129
3.65% bank promissory note; payable $4,938 monthly, due February 2015	-	9,539
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
Total	$ 5,140,460	$ 5,447,668

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 March 2017 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.

Note 4. 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:

Years Ending December 31,	
2016	$ 260,460
2017	140,000
2018	150,000
2019	155,000
2020	165,000
2021-2025	955,000
2026-2030	1,245,000
2031-2035	1,605,000
2036-2037	465,000
	$ 5,140,460

Note 5. 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:

Years Ending December 31,	
2016	$ 258,005
2017	194,675
2018	124,193
	576,873
Less: Amounts representing interest	(52,993)
	$ 523,880

Asset under capital leases amounted to approximately $816,500. Accumulated amortization was approximately $312,400 and $421,600 at December 31, 2015 and 2014, respectively. Amortization expense for the year ended December 31, 2015 and 2014 amounted to approximately $230,000 and $220,000, respectively.

Note 6. Operating Leases and Rent Expense

The Association rents various facilities, equipment, and vehicles under noncancelable operating leases which have expirations through September 2016. The future minimum rental payments due in 2016 under operating leases is $45,393.

Rent expense was approximately $268,000 and $288,000 in 2015 and 2014, respectively.

Note 7. 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, 2015 and 2014, respectively. To comply with this requirement, the Association has pledged a certificate of deposit in this amount.

Note 8. 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 $255,000 and $290,000 for the years ended December 31, 2015 and 2014, 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.

Note 9. Functional Expenses

Functional expenses for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Program services:		
Child care and teen/family	$ 5,562,106	$ 5,524,468
Fitness, sports, etc.	2,048,914	2,211,178
Aquatics	1,460,348	1,435,638
Adaptive	133,093	132,689
Total program services	9,204,461	9,303,973
Management and general	1,132,693	1,284,563
Fundraising	217,954	133,351
	$ 10,555,108	$ 10,721,887

Note 10. 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, 2015 and 2014:

	2015	2014
Beneficial interest in remainder trust	$ 89,349	$ 100,542
Time restrictions	92,596	48,986
Maintenance and capital projects	78,900	90,590
Land - purpose restriction	710,000	710,000
	$ 970,845	$ 950,118

Temporarily restricted net assets were released in 2015 and 2014 for satisfaction of time or donor restrictions and amounted to approximately $60,700 and $103,700, respectively.

Note 11. 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.

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, 2015 and 2014:

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ -	$ 5,925	$ 5,925	$ -	$ -	$ 5,925	$ 5,925
Board-designated	785,204	-	-	785,204	794,559	-	-	794,559
Total funds	$ 785,204	$ -	$ 5,925	$ 791,129	$ 794,559	$ -	$ 5,925	$ 800,484

Note 11. Endowment Fund (Continued)

The changes in endowment net assets for the Association were as follows for the years ended December 31, 2015 and 2014:

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 794,559	$ -	$ 5,925	$ 800,484	$ 755,621	$ -	$ 5,925	$ 761,546
Investment return:								
Investment income	4,405	-	-	4,405	6,241	-	-	6,241
Net appreciation - realized and unrealized	(13,760)	-	-	(13,760)	32,697	-	-	32,697
Total investment return	(9,355)	-	-	(9,355)	38,938	-	-	38,938
Endowment net assets, end of year	$ 785,204	$ -	$ 5,925	$ 791,129	$ 794,559	$ -	$ 5,925	$ 800,484

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 deficiencies of $13,760 and $0 reported in unrestricted net assets as of December 31, 2015 and 2014, respectively.

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 12. 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 $152,000 and $108,000 in 2015 and 2014, respectively.