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

Financial Report
12.31.2016

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

Contents

RSM

Independent Auditor's Report

RSM US LLP

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. (the Association), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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.

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Madison, Wisconsin
April 20, 2017

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

Statements of Financial Position
December 31, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 797,807	$ 1,036,230
Cash - endowment fund	33,898	49,555
Pledges receivable	101,854	92,596
Other receivables, net of allowance of $25,000 in 2016 and 2015	160,293	116,352
Prepaid expenses and other	118,498	104,941
Certificates of deposit designated for unemployment compensation	167,904	167,904
Investments - endowment fund	937,181	741,574
Beneficial interest in remainder trust	91,222	89,349
Interest in net assets of Foundation	113,123	112,300
Property and equipment, net	10,447,919	10,286,122
Total assets	$ 12,969,699	$ 12,796,923
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 427,731	$ 153,116
Accrued salaries and benefits	478,561	443,725
Accrued interest and other	101,850	67,529
Deferred revenue:		
Grants	12,331	19,013
Programs	425,663	413,537
Memberships	37,858	49,448
Capital lease obligations	487,551	523,880
Long-term debt, net of unamortized debt issuance costs of $99,521 in 2016 and $108,167 in 2015	4,822,325	5,032,293
Total liabilities	6,793,870	6,702,541
Net assets:		
Unrestricted:		
Available for general activities	3,373,543	3,424,280
Board designated:		
Unemployment compensation	167,904	167,904
Endowment fund	965,154	785,204
Repair and replacement	740,227	740,224
Total unrestricted	5,246,828	5,117,612
Temporarily restricted	923,076	970,845
Permanently restricted	5,925	5,925
Total net assets	6,175,829	6,094,382
Total liabilities and net assets	$ 12,969,699	$ 12,796,923

See notes to financial statements.

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

Statements of Activities
Years Ended December 31, 2016 and 2015

	2016	2015
Changes in Unrestricted Net Assets		
Support:		
Contributions	**$ 258,019**	$ 249,430
Grants	**140,660**	161,017
Special events (net of expenditures of $58,312 and $55,313 in 2016 and 2015, respectively)	**80,171**	46,979
United Way of Dane County	**18,337**	21,266
Net assets released from restrictions	**151,496**	60,676
Total support	**648,683**	539,368
Revenue:		
Program and other fees	**5,400,642**	5,125,339
Membership dues	**4,731,807**	4,711,364
Purchase of service contracts	**58,948**	58,539
Merchandise sales	**11,010**	11,165
Investment income (loss)	**61,738**	(7,206)
Other	**347,778**	58,366
Change in interest in net assets of Foundation	**6,178**	(2,015)
Total revenue	**10,618,101**	9,955,552
Total support and revenue	**11,266,784**	10,494,920
Expenses:		
Salaries	**5,801,129**	5,376,581
Payroll taxes and insurance	**560,238**	460,002
Employee benefits	**606,326**	610,246
Professional fees	**213,998**	154,387
Supplies	**435,380**	454,460
Telephone and postage	**113,178**	43,816
Printing and promotion	**172,326**	229,965
Occupancy	**1,253,559**	1,293,202
Technology	**199,694**	221,772
Interest expense	**131,938**	130,711
Depreciation and amortization	**928,861**	895,928
Minor equipment and equipment repair	**81,635**	74,257
Travel, conferences and meetings	**212,188**	185,037
National percentage support	**126,251**	152,339
Organizational dues	**17,500**	16,561
Bad debt expense	**107,767**	75,596
Other	**175,600**	180,248
Total expenses	**11,137,568**	10,555,108
Change in unrestricted net assets	**129,216**	(60,188)

(Continued)

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

Statements of Activities (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Changes in Temporarily Restricted Net Assets		
Change in value of beneficial interest in remainder trust	**$ 1,873**	$ (11,193)
Contributions	**101,854**	92,596
Net assets released from restrictions	**(151,496)**	(60,676)
Change in temporarily restricted net assets	**(47,769)**	20,727
Change in net assets	**81,447**	(39,461)
Net assets, beginning	**6,094,382**	6,133,843
Net assets, ending	**$ 6,175,829**	$ 6,094,382

See notes to financial statements.

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

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 81,447**	$ (39,461)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation and amortization	**928,861**	895,928
Loss on disposal of capital lease	**-**	9,690
Amortization of debt issue costs included in interest	**8,646**	8,881
Change in value of beneficial interest in remainder trust	**(1,873)**	11,193
Undistributed change in interest in net assets of Foundation	**(823)**	2,015
Unrealized and realized (gains) losses on investments	**(50,321)**	13,525
Changes in assets and liabilities:		
Pledges receivable	**(9,258)**	(43,610)
Other receivables	**(43,941)**	(27,672)
Prepaid expenses and other	**(13,557)**	6,834
Accounts payable	**99,933**	(54,689)
Accrued expenses and other	**69,157**	(8,948)
Deferred revenue	**(6,146)**	20,141
Net cash provided by operating activities	**1,062,125**	793,827
Cash flows from investing activities:		
Purchases of property and equipment	**(727,524)**	(87,178)
Net proceeds from certificates of deposit designated		
for unemployment compensation	**-**	64
Purchase of investments	**(849,831)**	(94,179)
Proceeds from sales of investments	**704,545**	68,559
Net cash used in investing activities	**(872,810)**	(112,734)
Cash flows from financing activities:		
Payments on capital lease obligations	**(224,781)**	(232,370)
Principal payments on long-term debt	**(218,614)**	(307,208)
Net cash used in financing activities	**(443,395)**	(539,578)
Net (decrease) increase in cash and cash equivalents	**(254,080)**	141,515
Cash and cash equivalents, including endowment fund cash:		
Beginning	**1,085,785**	944,270
Ending	**$ 831,705**	$ 1,085,785

(Continued)

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

Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

		2016		2015
Supplemental disclosures of cash flow information:				
Cash payments for interest	**$**	**131,057**	$	170,792
Supplemental schedule of noncash investing and financing activities:				
Equipment acquired through issuance of capital lease	**$**	**188,452**	$	355,513
Acquisition of equipment included in accounts payable		**174,682**		-

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:

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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.

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.

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.

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, 2016 and 2015.

Other receivables: Receivables 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.

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

Investments: Investments are carried at fair value with gains and losses included in the statements of activities.

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. 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.

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

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.

Property and equipment: Property and equipment whose cost 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. Amortization of assets acquired under capital leases is included with depreciation expense on owned assets. 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.

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.

Other revenue: The Association incurred damage from a flood resulting in property damage. The operating gain from an insurance recovery of $289,106 is included in other revenue on the 2016 statement of activities.

Reclassification: Certain amounts reported on the 2015 statement of activities have been reclassified, with no effect on net assets, to be consistent with the classifications adopted as of December 31, 2016.

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.

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

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 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 $140,000 and $212,000 for the years ended December 31, 2016 and 2015, 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: The Association 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 Financial Accounting Standards Board (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 Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, is effective for the Association's fiscal year ending December 31, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Association has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 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*, which changes the presentation and disclosure of debt issuance costs in the financial statements by requiring these amounts to be presented as a direct deduction from the carrying amount of the related debt. Previous U.S. GAAP required debt issuance costs to be reported as an asset. The new guidance does not change the subsequent accounting for debt issuance costs and these amounts will continue to be amortized over the term of the related debt. However, amortization of debt issuance costs will now be required to be reported as a component of interest expense. The Association reclassified the debt issuance costs of $99,521 and $108,167 at December 31, 2016 and 2015, respectively, as a contra-account to the liability.

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 the Association's fiscal year ending December 31, 2020. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for the Association's fiscal year ending December 31, 2018, with early adoption permitted. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for Association's fiscal year ending December 31, 2018. Early adoption is permitted. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Association is currently evaluating the impact the adoption of this guidance will have on its statement of cash flows.

Subsequent events: The Association has evaluated subsequent events for potential recognition and/or disclosures through April 20, 2017, 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.

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.

Note 2. Fair Value Measurements and Investments (Continued)

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

	December 31, 2016				December 31, 2015			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Investments:								
Mutual funds:								
Equity securities:								
U.S. Equities	$ 483,693	$ 483,693	$ -	$ -	$ 425,973	$ 425,973	$ -	$ -
Developed Foreign	126,927	126,927	-	-	78,259	78,259	-	-
Fixed income securities:								
Taxable U.S.	316,245	316,245	-	-	215,805	215,805	-	-
World Bond	-	-	-	-	21,537	21,537	-	-
U.S. listed real estate	10,316	10,316	-	-	-	-	-	-
Beneficial interest in remainder trust	91,222	-	-	91,222	89,349	-	-	89,349
Interest in net assets of Foundation	113,123	-	-	113,123	112,300	-	-	112,300
	$ 1,141,526	$ 937,181	$ -	$ 204,345	$ 943,223	$ 741,574	$ -	$ 201,649

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

The beneficial interest in remainder trust 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 1.8 percent, which approximates the rate of return on U.S. Government securities. The Association considers these funds as Level 3 investment.

The interest in net assets of the Foundation is based on an annual valuation reports received from the Foundation's 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, 2016 and 2015, 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, 2016, there were no such transfers.

Note 2. Fair Value Measurements and Investments (Continued)

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

	2016	
	Beneficial Interest in Remainder Trust	Interest in Net Assets of Foundation
Beginning balance, January 1	$ 89,349	$ 112,300
Net realized and unrealized gain on investments	20,171	7,308
Distributions	(18,003)	(5,356)
Contributions	56	-
Interest, dividends, and other income	4,149	-
Fees and expenses	(4,500)	(1,129)
Ending balance, December 31	$ 91,222	$ 113,123

	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

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

	2016	2015
Interest and dividends	$ 11,417	$ 6,319
Net unrealized and realized gains (loss)	50,321	(13,525)
Total investment income (loss) at December 31	$ 61,738	$ (7,206)

Note 3. Property and Equipment

Property and equipment as of December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Land	$ 1,750,670	$ 1,750,670
Buildings and improvements	18,774,214	18,258,877
Equipment and leasehold improvements	2,692,969	2,517,892
	23,217,853	22,527,439
Less accumulated depreciation and amortization	12,769,934	12,241,317
Property and equipment, net	$ 10,447,919	$ 10,286,122

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

Long-term debt included the following as of December 31, 2016 and 2015:

	2016	2015
City of Sun Prairie, Wisconsin Variable Rate Demand Development Revenue Bonds, Series 2006, 0.76% interest at December 31, 2016, annual payments varying in amounts from $140,000 to $370,000, due December 2036	$ 4,785,000	$ 4,920,000
7.95% bank promissory note; payable $15,417 monthly, due February 2017	-	125,460
3.33% bank promissory note; payable $4,709 monthly, due September 2017	41,846	-
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
	4,921,846	5,140,460
Unamortized debt issuance cost	(99,521)	(108,167)
Total	$ 4,822,325	$ 5,032,293

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 a fixed charge 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 2018 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,	
2017	$ 181,846
2018	150,000
2019	155,000
2020	165,000
2021	175,000
2022-2026	1,005,000
2027-2031	1,310,000
2032-2036	1,780,000
	4,921,846
Unamortized debt issuance cost	(99,521)
	$ 4,822,325

Note 5. Capital Leases

The Association has capital leases for fitness and office equipment. Principal and interest payments are due monthly in amounts ranging from $2,148 to $10,725. Future maturities of these leases are as follows:

Years Ending December 31,	
2017	$ 266,146
2018	193,729
2019	69,537
	529,412
Less: Amounts representing interest	(41,861)
	$ 487,551

Asset under capital leases amounted to approximately $774,800. Accumulated amortization was approximately $314,500 and $312,400 at December 31, 2016 and 2015, respectively. Amortization expense for the year ended December 31, 2016 and 2015 amounted to approximately $232,200 and $230,000, respectively.

Note 6. Operating Leases and Rent Expense

The Association rents various facilities and vehicles under noncancelable operating leases which have expirations through August 2019. The future minimum rental payments due under operating leases are as follows:

Years Ending December 31,		
2017	$	6,530
2018		6,530
2019		3,809
	$	16,869

Rent expense was approximately $236,000 and $268,000 in 2016 and 2015, 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, 2016 and 2015, 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 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 defined contribution plans, 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 pre-tax. Association contributions charged to expense aggregated approximately $317,000 and $255,000 for the years ended December 31, 2016 and 2015, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are voluntary and are withheld from participating 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, 2016 and 2015 were as follows:

	2016	2015
Program services:		
Child care and teen/family	$ 6,015,801	$ 5,562,106
Fitness and sports	2,248,593	2,048,914
Aquatics	1,440,110	1,460,348
Adaptive	134,234	133,093
Total program services	9,838,738	9,204,461
Management and general	980,760	1,132,693
Fundraising	318,070	217,954
	$ 11,137,568	$ 10,555,108

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, 2016 and 2015:

	2016	2015
Beneficial interest in remainder trust	$ 91,222	$ 89,349
Time restrictions	101,854	92,596
Maintenance and capital projects	20,000	78,900
Land - purpose restriction	710,000	710,000
	$ 923,076	$ 970,845

Temporarily restricted net assets were released in 2016 and 2015 for satisfaction of time or donor restrictions and amounted to approximately $151,500 and $60,700, 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, 2016 and 2015:

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	$ -	$ -	$ 5,925	$ 5,925	$ -	$ -	$ 5,925	$ 5,925
Board-designated	965,154	-	-	965,154	785,204	-	-	785,204
Total funds	$ 965,154	$ -	$ 5,925	$ 971,079	$ 785,204	$ -	$ 5,925	$ 791,129

The changes in endowment net assets for the Association were as follows for the years ended December 31, 2016 and 2015:

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 785,204	$ -	$ 5,925	$ 791,129	$ 794,559	$ -	$ 5,925	$ 800,484
Investment return:								
Investment income	9,629	-	-	9,629	4,405	-	-	4,405
Net appreciation (depreciation) - realized and unrealized	50,321	-	-	50,321	(13,760)	-	-	(13,760)
Total investment return (loss)	59,950	-	-	59,950	(9,355)	-	-	(9,355)
Reallocation from operating account	120,000	-	-	120,000	-	-	-	-
Endowment net assets, end of year	$ 965,154	$ -	$ 5,925	$ 971,079	$ 785,204	$ -	$ 5,925	$ 791,129

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 was no deficiency reported in unrestricted net assets as of December 31, 2016 and 2015, respectively.

Note 11. Endowment Fund (Continued)

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 $126,000 and $152,000 in 2016 and 2015, respectively.

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