YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.
Milwaukee, Wisconsin

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.

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YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Young Men's Christian Association
of Metropolitan Milwaukee, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Young Men's Christian Association of Metropolitan Milwaukee, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Board of Directors
Young Men's Christian Association
of Metropolitan Milwaukee, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of Metropolitan Milwaukee, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, certain errors resulting in the misclassification of net assets as of December 31, 2015, were discovered by management during the current year. Accordingly, amounts reported as permanently restricted net assets have been reclassified to board designated unrestricted net assets and temporarily restricted net assets in the 2015 financial statements now presented. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
June 12, 2017

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015 (Restated)
ASSETS		
Cash and Cash Equivalents	$ 885,027	$ 996,583
Investments	3,745,434	3,958,991
Accounts Receivable, Net	679,719	194,503
Grants Receivable	208,801	274,483
Pledges Receivable, Net	501,135	486,802
Prepaid Expenses	54,842	53,556
Property and Equipment, Net	14,161,774	14,600,894
Other Assets	435,302	482,872
Total Assets	$ 20,672,034	$ 21,048,684
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 840,047	$ 1,356,442
Accrued Liabilities	639,116	711,522
Deferred Revenue	679,668	493,530
Other Liabilities	1,623,839	1,700,399
Capital Lease Obligations	359,611	103,886
Total Liabilities	4,142,281	4,365,779
NET ASSETS		
Unrestricted:		
Undesignated	6,081,301	6,779,577
Board Designated	2,294,635	2,294,635
Temporarily Restricted	6,554,357	6,009,233
Permanently Restricted	1,599,460	1,599,460
Total Net Assets	16,529,753	16,682,905
Total Liabilities and Net Assets	$ 20,672,034	$ 21,048,684

See accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND PUBLIC SUPPORT				
Contributions	$ 534,730	$ 1,343,962	$ -	$ 1,878,692
Government and Private Grants	144,705	-	-	144,705
United Way	213,548	213,548	-	427,096
Membership and Program Fees	13,062,949	-	-	13,062,949
Services and Sales	406,879	-	-	406,879
Net Investment Income Appropriated	73	-	-	73
Other	117,609	183,445	-	301,054
Satisfaction of Restrictions	1,267,474	(1,267,474)	-	-
Total Revenues, Gains, and Public Support	15,747,967	473,481	-	16,221,448
EXPENSES				
Program	12,061,513	-	-	12,061,513
Management and General	3,853,642	-	-	3,853,642
Fundraising	531,088	-	-	531,088
Total Expenses	16,446,243	-	-	16,446,243
CHANGES IN NET ASSETS FROM OPERATIONS	(698,276)	473,481	-	(224,795)
NONOPERATING REVENUES AND EXPENSES				
Net Investment Income Restricted	-	61,329	-	61,329
Change in Cash Surrender Value of Life Insurance	-	10,314	-	10,314
Total Nonoperating Revenues and Expenses	-	71,643	-	71,643
CHANGE IN NET ASSETS	(698,276)	545,124	-	(153,152)
Net Assets - Beginning of Year	9,074,212	6,009,233	1,599,460	16,682,905
NET ASSETS - END OF YEAR	$ 8,375,936	$ 6,554,357	$ 1,599,460	$ 16,529,753

See accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	Unrestricted (Restated)	Temporarily Restricted (Restated)	Permanently Restricted (Restated)	Total (Restated)
REVENUES, GAINS, AND PUBLIC SUPPORT				
Contributions	$ 1,091,923	$ 433,874	$ -	$ 1,525,797
Government and Private Grants	124,513	-	-	124,513
United Way	225,979	225,978	-	451,957
Membership and Program Fees	12,579,328	-	-	12,579,328
Services and Sales	449,999	-	-	449,999
Net Investment Loss Appropriated	(130,778)	-	-	(130,778)
Other	654,268	54,105	-	708,373
Satisfaction of Restrictions	-	-	-	-
Total Revenues, Gains, and Public Support	14,995,232	713,957	-	15,709,189
EXPENSES				
Program	12,458,423	-	-	12,458,423
Management and General	5,619,052	-	-	5,619,052
Fundraising	766,089	-	-	766,089
Total Expenses	18,843,564	-	-	18,843,564
CHANGES IN NET ASSETS FROM OPERATIONS	(3,848,332)	713,957	-	(3,134,375)
NONOPERATING REVENUES AND EXPENSES				
Net Investment Loss Restricted	-	(15,474)	-	(15,474)
Change in Cash Surrender Value of Life Insurance	-	(3,043)	-	(3,043)
Net Loss on Disposal of Capital Assets	(8,336,324)	-	-	(8,336,324)
Gain on Extinguishment of Debt	17,704,601	-	-	17,704,601
Bankruptcy Related Expenses	(362,193)	-	-	(362,193)
Disbursement of Endowment Funds including Interest	(200,473)	-	-	(200,473)
Total Nonoperating Revenues and Expenses	8,805,611	(18,517)	-	8,787,094
CHANGE IN NET ASSETS	4,957,279	695,440	-	5,652,719
Net Assets - Beginning of Year, as Previously Stated	1,681,117	4,771,532	4,577,537	11,030,186
Prior Period Adjustment	2,435,816	542,261	(2,978,077)	-
Net Assets - Beginning of Year, as Restated	4,116,933	5,313,793	1,599,460	11,030,186
NET ASSETS - END OF YEAR	$ 9,074,212	$ 6,009,233	$ 1,599,460	$ 16,682,905

See accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program	Management and General	Fundraising	Total Functional Expenses
EXPENSES - GENERAL OPERATIONS				
Salaries, Wages, and Related Expenses	$ 7,244,839	$ 1,979,160	$ 470,704	$ 9,694,703
Professional Fees	91,692	502,231	70	593,993
Program and Supplies Expense	949,108	43,228	7,635	999,971
Postage and Shipping	1,807	96,358	8,734	106,900
Occupancy	1,647,364	39,590	-	1,686,954
Utilities and Telephone	798,547	67,942	-	866,489
Insurance	237,307	980	-	238,287
Equipment Leases, Rental, and Maintenance	93,751	445,780	-	539,531
Advertising, Printing, and Promotion	15,029	195,106	41,476	251,611
Conferences, Training, and Employee Expense	106,749	59,706	2,109	168,563
Dues	-	199,723	360	200,083
Interest Expense	541	8,509	-	9,050
Depreciation	874,778	215,330	-	1,090,108
Total Expenses - General Operations	$ 12,061,513	$ 3,853,642	$ 531,088	$ 16,446,243

See accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program	Management and General	Fundraising	Total Functional Expenses
EXPENSES - GENERAL OPERATIONS				
Salaries, Wages, and Related Expenses	$ 7,699,699	$ 3,364,536	$ 643,709	$ 11,707,944
Professional Fees	227,280	515,746	57,315	800,341
Program and Supplies Expense	901,705	75,599	2,295	979,599
Postage and Shipping	9,282	9,485	11,577	30,344
Occupancy	1,548,803	44,316	-	1,593,119
Utilities and Telephone	870,384	62,222	-	932,606
Insurance	237,422	11,755	-	249,177
Equipment Leases, Rental, and Maintenance	64,819	488,377	76	553,272
Advertising, Printing, and Promotion	33,083	538,992	46,379	618,454
Conferences, Training, and Employee Expense	88,219	70,680	3,688	162,587
Dues	-	181,981	1,050	183,031
Interest Expense	12,304	7,452	-	19,756
Depreciation	765,423	247,911	-	1,013,334
Total Expenses - General Operations	$ 12,458,423	$ 5,619,052	$ 766,089	$ 18,843,564

See accompanying Notes to Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN MILWAUKEE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (153,152)	$ 5,652,719
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,090,108	1,013,334
Loss on Sale of Property and Equipment	-	8,336,324
Deferred Gain on Sale Leaseback	(81,304)	(81,304)
Gain on Extinguishment of Debt	-	(17,704,601)
Change in Cash Surrender Value of Life Insurance	10,314	(3,043)
Realized Gain (Loss) on Investments	24,122	(1,313,445)
Unrealized Gain (Loss) on Investments	(31,253)	1,630,369
Effects of Changes in Operating Assets and Liabilities:		
Accounts and Grants Receivable	(419,534)	534,257
Pledges Receivable	(14,333)	(369,951)
Prepaid Expenses and Other Assets	35,970	134,315
Accrued Liabilities and Other Liabilities	(67,662)	(1,122,126)
Accounts Payable	(516,395)	(2,119,866)
Deferred Revenue	186,138	14,200
Net Cash Provided (Used) by Operating Activities	63,019	(5,398,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Purchase of Fixed Assets	(241,162)	(468,152)
Purchases of Investments	(3,751,371)	(6,257,568)
Proceeds from the Sale of Investments	3,972,059	9,440,791
Net Cash Provided (Used) by Investing Activities	(20,474)	2,715,071
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	-	(6,200,000)
Payments on Revolving Line of Credit	-	(3,000,000)
Capitalized Lease Payments	(154,101)	(124,848)
Net Cash Used by Financing Activities	(154,101)	(9,324,848)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(111,556)	(12,008,595)
Cash and Cash Equivalents, Beginning of Year	996,583	13,005,178
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 885,027	$ 996,583

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

During 2016, the Organization entered into two capital lease agreements to acquire gym equipment in the amount of $482,148, with down payments totaling $72,322.

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Young Men's Christian Association of Metropolitan Milwaukee, Inc. (the YMCA) is a nonprofit, volunteer-led, human development charitable organization whose mission is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all.

The YMCA is a diverse organization of men, women, and children joined together by a shared commitment to nurturing the potential of kids, promoting healthy living, and fostering a sense of social responsibility. Since no two communities are exactly alike, no two YMCA's are exactly alike. They are united by a deep commitment to strengthening their communities and to ensure that those they serve learn, grow, and thrive. Core programs include health and well-being, early childhood education, elementary education and academic mentoring, camping, aquatics, youth leadership, and family programs. The YMCA's financial assistance program provides funds for those in need – everyone is welcome to participate in YMCA programs.

During 2015, the YMCA sold two properties pursuant to a bankruptcy reorganization plan (see Note 11). The accompanying financial statements reflect the operating results of the membership centers, day care center, overnight camps for children and families, and programing at numerous community-based locations through the date of sale or transfer.

Use of Estimates

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

Basis of Presentation

Net assets of the YMCA and changes therein are classified and reported as follows:

Unrestricted

Undesignated - Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted. Gains or losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

Board designated - Those resources over which the board of directors has discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

Temporarily Restricted

Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organizations or the passage of time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Permanently Restricted

Those resources subject to a donor imposed restriction that they be maintained permanently by the YMCA. The donors of these resources permit the YMCA to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

Unconditional promises to give cash and other assets are accrued at estimated fair market value at the date each promise is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, net assets are released and reported as an increase in unrestricted net assets. Donor-restricted contributions whose restrictions are met within the same reporting period as received are recorded as unrestricted contributions.

Cash and Cash Equivalents

The YMCA defines cash and cash equivalents as highly liquid, short-term investments with a maturity, at the date of acquisition, of three months or less. Excluded from this definition are cash equivalents held for long-term purposes.

The YMCA may at times have funds on deposit at one financial institution that exceeds the federally insured limits.

Investments and Investment Income

Investments are generally recorded at fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The YMCA records the change of ownership of bonds and stocks on the day a trade is made.

Investment income is reported as operating revenue and is included in the changes in unrestricted net assets unless the income or loss is restricted by donor or law.

Accounts Receivable

Accounts receivable are generally uncollateralized member/client obligations due upon receipt. Accounts receivable are carried at the original invoice amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The allowance for uncollectible accounts is $50,000 as of December 31, 2016 and 2015.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

Grants receivable consist of various federal and state grant funds passed through governmental agencies to the YMCA for various programs. Management believes no allowance for uncollectible grants is required based upon management's judgment and consideration of the collectability of each grant.

Pledges Receivable

Unconditional promises to give to the YMCA are recorded as receivables in the year the pledge was made. Pledges and other promises to give whose eventual uses are restricted by the donor are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase in temporarily restricted net assets and reclassified to unrestricted net assets when received.

Unconditional promises to give are reported in the statement of financial position net of unamortized discounts and an allowance for uncollectible pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate that approximates the rate of government securities. Amortization of the discount is recorded as an increase or decrease in contribution revenue. An allowance for uncollectible accounts is determined by management based on past collection history.

Credit Risk

Financial instruments, which potentially subject the YMCA to concentrations of credit risk, consist of cash and cash equivalents, receivables, and investments. These financial instruments are carried at their approximate fair value. The YMCA's policy is to limit credit exposure on financial instruments and place its cash with financial institutions deemed as being credit worthy.

Concentration of credit risk with respect to receivables is limited due to the large member base and the expectation that government programs will make timely payments.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value at date of the gift, if donated. All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, improvements and betterments that materially prolong the estimated useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The principal depreciation rates are based upon the following estimated useful lives:

Land Improvements	15 Years
Buildings and Improvements	10 - 50 Years
Machinery and Equipment	5 - 12 Years
Leasehold Improvements	30 - 50 Years

Impairment of Long-Lived Assets

The YMCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less cost to sell.

Deferred Revenue

Program service fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the program service fees are earned. Revenue from membership dues is recognized on a pro rata basis over the period to which the membership relates.

Deferred revenue consisted of the following at December 31, 2016 and 2015:

	2016	2015
Membership	$ 172,578	$ 157,710
Program	507,090	335,820
Total Deferred Revenue	$ 679,668	$ 493,530

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

The YMCA is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the IRC. The YMCA had no unrelated business income for the years ended December 31, 2016 and 2015. None of the YMCA's federal or state informational returns are currently under examination.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The YMCA reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Program service fees applying to services are reflected as support in the year when the program service fees are earned. Revenue from membership dues is recognized on a pro rata basis over the period to which the membership relates.

Grant revenue is recognized as revenue in the period in which it is expended for cost-reimbursed agreements.

Donated Services and Assets

The YMCA receives contributions of services for its programs. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed services that were recognized as revenue for the years ended December 31, 2016 and 2015.

Donated assets are recorded at fair value at the date of donation or, if sold immediately after receipt, at the amount of sales proceeds received, which are considered a reasonable approximation of the fair value at the date of donation.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was $251,611 and $618,454 for the years ended December 31, 2016 and 2015, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 INVESTMENTS

A summary of investments was as follows at December 31, 2016

	Cost or Gift Value	Unrealized Gains (Losses)	Investments at Fair Value
Money Market Funds	$ 126,901	$ -	$ 126,901
Equity Mutual Funds	1,647,386	206,077	1,853,463
Fixed Income Mutual Funds	1,783,832	(18,762)	1,765,070
Total Investments	$ 3,558,119	$ 187,315	$ 3,745,434

A summary of investments was as follows at December 31, 2015:

	Cost or Gift Value	Unrealized Gains (Losses)	Investments at Fair Value
Money Market Funds	$ 28,223	$ -	$ 28,223
Equity Mutual Funds	2,616,832	192,723	2,809,555
Fixed Income Mutual Funds	1,157,032	(35,819)	1,121,213
Total Investments	$ 3,802,087	$ 156,904	$ 3,958,991

Net investment income was as follows at December 31, 2016 and 2015:

	2016	2015
Interest and Dividends	$ 70,923	$ 195,989
Net Realized Gain (Loss)	(24,122)	1,313,445
Net Unrealized Gain (Loss)	31,253	(1,630,369)
Less: Investment Fees	(16,652)	(25,327)
Total Investment Income, Net	61,402	(146,262)
Less: Investment (Income) Loss Appropriated	(73)	130,788
Total Net Investment Income (Loss) Restricted	$ 61,329	$ (15,474)

NOTE 3 FAIR VALUE MEASUREMENTS

In determining fair value, the YMCA uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets, such as dealer or broker markets.

Level 3 – Inputs to the valuation methodology are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions, or are supported by little or no market activity.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Equity Securities and Mutual Funds

Money market funds are valued using $1 as the net asset value (NAV).

Equity and fixed income mutual funds are valued at the daily closing price as reported by the mutual fund. Mutual funds held by the YMCA are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish daily NAV and to transact at that price. The mutual funds held by the YMCA are deemed to be actively traded.

United States treasury notes are valued based on quoted prices from active markets.

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents the balances of assets and liabilities measured at fair value on a nonrecurring basis by level within the hierarchy at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 126,901	$ -	$ -	$ 126,901
Fixed Income Mutual Funds:				
Short-Term Bond Funds	25,099	-	-	25,099
Intermediate Term Bond Funds	839,060	-	-	839,060
High Yield Bond Funds	695	-	-	695
Fixed Income				
United States Treasury Notes	900,216			900,216
Equity Mutual Funds:				
ETF Large Index Funds	1,103,104	-	-	1,103,104
ETF Mid-Cap Index Funds	238,623	-	-	238,623
ETF Small-Cap Index Funds	250,888	-	-	250,888
Foreign Equity Funds	201,179	-	-	201,179
Real Estate Fund	59,669			59,669
Total Investments	$ 3,745,434	$ -	$ -	$ 3,745,434

The table below presents the balances of assets and liabilities measured at fair value on a nonrecurring basis by level within the hierarchy at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 28,223	$ -	$ -	$ 28,223
Fixed Income Mutual Funds:				
Short-Term Bond Funds	26,928	-	-	26,928
Intermediate Term Bond Funds	995,905	-	-	995,905
Nontraditional Bonds	98,380	-	-	98,380
Equity Mutual Funds:				
ETF Large Index Funds	1,518,892	-	-	1,518,892
ETF Mid-Cap Index Funds	442,142	-	-	442,142
ETF Small-Cap Index Funds	298,084	-	-	298,084
Foreign Equity Funds	405,926	-	-	405,926
Commodity-Linked Derivatives Funds	144,511	-	-	144,511
Total Investments	$ 3,958,991	$ -	$ -	$ 3,958,991

NOTE 4 PLEDGES RECEIVABLE

Unconditional promises to give consisted of the following at December 31, 2016 and 2015:

	2016	2015
Less than One Year	$ 336,135	$ 396,802
One to Five Years	175,000	100,000
Total	511,135	496,802
Less: Allowance for Uncollectible Promises to Give	10,000	10,000
Total Pledges Receivable, Net	$ 501,135	$ 486,802

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016 and 2015:

	2016	2015
Land and Land Improvements	$ 1,644,401	$ 1,640,401
Buildings and Improvements	17,517,072	17,303,678
Machinery and Equipment	9,099,080	8,595,853
Leasehold Improvements	500,000	500,000
Construction in Progress	45,424	115,057
Total - at Cost	28,805,977	28,154,989
Less: Accumulated Depreciation	(14,644,203)	(13,554,095)
Total Property and Equipment, Net	$ 14,161,774	$ 14,600,894

Total depreciation expense for the years ended December 31, 2016 and 2015 was $1,090,108 and $1,013,334, respectively.

NOTE 6 LEASES

Capital Leases

As of December 31, 2015, the YMCA had a capital lease agreement with an imputed interest rate of 3.10%. Monthly payments of principal and interest are $8,401. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The capitalized cost of the leased property at December 31, 2016 and 2015 was $378,782. Assets are amortized over their estimated productive lives or the lease term, if shorter, for leases that transfer ownership or contain bargain purchase clauses. Amortization expense on the capital lease is included with depreciation expense. Accumulated amortization was $378,782 and $233,583 as of December 31, 2016 and 2015, respectively.

NOTE 6 LEASES (CONTINUED)

Capital Leases (Continued)

During 2016, the YMCA entered into two capital lease agreements with an imputed interest rate of 4.95%. Monthly payments of principal and interest are $5,909 and $6,365. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The capitalized cost of the leased property at December 31, 2016 was $482,148. Assets are amortized over their estimated productive lives or the lease term, if shorter, for leases that transfer ownership or contain bargain purchase clauses. Amortization expense on capital leases is included with depreciation expense. Accumulated amortization was $75,900 as of December 31, 2016.

Sales Leaseback

In February 2008, the YMCA sold 14.86 acres of land with a carrying value of $127,718 for $3,750,000. Total gain on the sale was $3,622,282. The YMCA maintained ownership of two buildings located on 2.9 acres of the land sold and entered into a 25-year lease with the purchaser for use of land. The gain on the sale in excess of the present value of the minimum lease payments in the amount of $1,589,687 was recognized at the time of the sale, and the remaining gain of $2,032,595 was deferred and will be amortized over the life of the lease. The YMCA will recognize $81,304 of the deferred gain on an annual basis until the lease expires in January 2033. The YMCA recognized $81,304 of the deferred gain in 2016 and 2015. At December 31, 2016 and 2015, the remaining deferred gain was $1,307,636 and $1,388,940, respectively. The current portion, in the amount of $81,304, is included in accrued liabilities as of December 31, 2016 and 2015, and the remainder is included in other liabilities in the accompanying statements of financial position.

The lease agreement requires the YMCA to make payments of $120,000 per year. Beginning January 2014, the lease payments will increase by the consumer price index every five years. The Organization paid $134,400 in lease payments in 2016 and 2015. The YMCA recognized lease expense of $139,145 and an increased accrued rent expense of $4,745 in 2016 and 2015. Accrued rent expense of $397,507 and $392,763 as of December 31, 2016 and 2015, respectively, is included in other liabilities in the accompanying statements of financial position.

Operating Leases

The YMCA leases various facilities and equipment under leases accounted for as operating leases. Rent expense on the operating leases was $700,245 and $710,953 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6 LEASES (CONTINUED)

Operating Leases (Continued)

The following is a schedule of future minimum lease payments under all leases with an initial term in excess of one year at December 31, 2016:

Year Ending December 31,	Capital Leases	Sale Leaseback	Operating Leases
2017	$ 147,288	$ 134,400	$ 396,964
2018	147,288	134,400	119,421
2019	90,003	150,528	119,421
2020	-	150,528	119,421
2021	-	150,528	119,421
Thereafter	-	1,915,037	408,507
Total Future Minimum Lease Payments	384,579	$ 2,635,421	$ 1,283,155
Less: Amount Representing Interest	24,968		
Total Present Value of Future Minimum Lease Payments	$ 359,611		

Sublease

In July 2008, the YMCA sold one of the buildings, as part of the sale leaseback noted above, located on the 2.9 acres of land leased for $1,125,000. The carrying value of the building was $2,262,796, and a loss on the sale of $1,137,796 was recorded. The building sold sits on 1.88 acres of the 2.9 acres leased by the YMCA. The YMCA entered into a 25-year sublease with the purchaser for use of this land. The lease requires the purchaser to make payments of $35,000 per year to the YMCA with the first payment due July 15, 2013. Beginning July 15, 2014, the lease payments will increase by the consumer price index annually. The YMCA received lease payments of $36,717 and $35,998 in 2016 and 2015, respectively; however, it recognized lease revenue of $34,016 and an increase in other assets in the accompanying statements of financial position of the same amount.

Estimated future payments to be received relative to this agreement as of December 31, 2016, are as follows:

Year Ending December 31,	Amount
2017	$ 37,452
2018	38,201
2019	38,965
2020	39,744
2021	40,539
Thereafter	532,918
Total	$ 727,819

NOTE 7 NET ASSETS

Temporarily restricted net assets are composed of the following at December 31, 2016 and 2015:

	2016	2015
United Way	$ 213,548	$ 225,982
Scholarships and Programs	2,295,746	1,809,831
Endowment Accumulated Earnings Not Appropriated for Distribution	3,896,563	3,824,920
Capital Campaigns	148,500	148,500
	$ 6,554,357	$ 6,009,233

Permanently restricted net assets consist of funds invested in perpetuity, income from which is used to fund various YMCA programs as specified by the donors. The amounts totaled $1,599,460 at December 31, 2016 and 2015.

NOTE 8 ENDOWMENT FUNDS

The YMCA's endowment funds consist of donor-restricted funds established for the YMCA.

The YMCA has interpreted Wisconsin's adoption of the 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. The YMCA classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard prudence prescribed by UPMIFA. If the market value of the permanently restricted net asset at year-end is below the original fair value, the deficit is recorded as a loss to the unrestricted net assets.

The primary long-term financial objective for the YMCA's endowments is to preserve the real purchasing power of endowment assets and income after accounting for endowment spending and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three, and five years.

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

The endowment funds are managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the YMCA's existing spending policy. Over the short-term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The endowment assets are governed by a spending policy that seeks to distribute specific payout rate of the endowment base to support the YMCA's programs. The endowment base will be defined as the three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of December for the prior three years). The distribution of payout rate will be calculated at a specific fixed percentage of the base. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term. Spending in a given year will reduce the unit value of each endowment element by the payout percentage. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below the designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal, without drawing from the original corpus of a particular gift.

The endowment is invested in cash and cash equivalents and equity and fixed income mutual funds. The total endowment will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation.

Donor-restricted endowment net asset composition by type of fund as of December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Purpose:				
Building Maintenance	$ -	$ 28,792	$ 151,137	$ 179,929
Operations and Programs	2,294,635	3,866,792	1,331,385	7,492,812
International Programs	-	979	116,938	117,917
Total	$ 2,294,635	$ 3,896,563	$ 1,599,460	$ 7,790,658

NOTE 8 ENDOWMENT FUNDS (CONTINUED)

Donor-restricted endowment net asset composition by type of fund as of December 31, 2015 (as restated):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Purpose:				
Building Maintenance	$ -	$ 34,638	$ 151,137	$ 185,775
Operations and Programs	2,294,635	3,789,303	1,331,385	7,415,323
International Programs	-	979	116,938	117,917
Total	$ 2,294,635	$ 3,824,920	$ 1,599,460	$ 7,719,015

Changes in endowment net assets were as follows for the year ended December 31, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at January 1, 2015	$ -	$ 3,257,983	$ 4,577,537	$ 7,835,520
Restatements	2,435,816	542,261	(2,978,077)	-
Endowment Net Assets at January 1, 2015, as restated	2,435,816	3,800,244	1,599,460	7,835,520
Investment Income	(3,043)	(15,474)	-	(18,517)
Change in Cash Surrender Value				-
of Life Insurance	-	(3,043)	-	(3,043)
Contributions	467	300,302	-	300,769
Appropriation of Endowment Assets				-
for Expenditure	(138,605)	(257,109)	-	(395,714)
Endowment Net Assets at December 31, 2015	2,294,635	3,824,920	1,599,460	7,719,015
Investment Income		61,329		61,329
Change in Cash Surrender Value of Life Insurance		10,314		10,314
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	-	-	-
Total Endowment Net Assets as December 31, 2016	$ 2,294,635	$ 3,896,563	$ 1,599,460	$ 7,790,658

NOTE 9 PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2016, the YMCA determined that the accounting for net assets was not being handled in accordance with accounting principles generally accepted in the United States of America, as certain funds were determined to not be permanently restricted as defined in Note 1. The financial statements for the year ended December 31, 2015 have been restated to reflect the corrected amounts. The effects of reclassifying net assets were to increase board designated unrestricted net assets by $2,435,816, increase temporarily restricted net assets by $542,261, and decrease permanently restricted net assets by $2,978,077 as of January 1, 2015. Also, the change in permanently restricted net assets of $(90,938) and the change in temporaritly restricted net assets of $(1,735,000) for the year ended December 31, 2015 have been reclassified to be a change in unrestricted net assets.

NOTE 10 RETIREMENT PLAN

The YMCA participates in a defined contribution, individual account, money purchase retirement plan covering all eligible employees. The plan is administered by the Young Men's Christian Association Retirement Fund (a separate corporation). The YMCA makes monthly contributions to the Young Men's Christian Association Retirement Fund based on a percentage of the participating employee's salary. Plan expense totaled $539,482 and $645,459 for the years ended December 31, 2016 and 2015, respectively.

The Young Men's Christian Association Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation (1922). Participation is available to all duly organized or reorganized Ys in the United States of America. As a defined contribution plan, the retirement fund has no unfunded benefit obligations.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Financial Awards from Grantors

Financial awards from federal, state, and local governments in the form of grants are subject to special audit. Such audits could result in claims against the YMCA for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Letter of Credit

The YMCA utilizes one letter of credit to satisfy requirements of the Wisconsin Unemployment Reserve Fund in the amount of $446,726 for the YMCA.

NOTE 12 DISPOSAL OF PROPERTIES

During 2015, the Organization had two properties assumed by the bank as a result of their bankruptcy proceeding, Downtown YMCA and South Shore YMCA. Total loss on the assumed properties at December 31, 2015 is $8,336,324.

NOTE 13 SUBSEQUENT EVENTS

Management evaluated subsequent events through June 12, 2017, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2016, but prior to June 12, 2017 that provided additional evidence about conditions that existed at December 31, 2016, have been recognized in the financial statements for the year ended December 31, 2016. Events or transactions that provided evidence about conditions that did not exist at December 31, 2016 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2016.