YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED
DECEMBER 31, 2014)

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Officers and Executive Committee
December 31, 2015

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC.

Chairperson:	Candace Cummings
Chair-elect:	James Smith
Past Chair:	Rhonda Joyce
Secretary:	Charles McQueary
Treasurer:	James Mitchell, IV
Vice Chair:	Phil Barnhill
Vice Chair:	Glen Long
President and Chief Executive Officer:	Greg Jones

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.

Chairperson:	Dennis Stearns
Member at Large:	Adam Duggins
Member at Large:	Rick Lusk
Member at Large:	Dupont Kirven
Member at Large:	Ford Bowers
Member at Large:	Rhonda Joyce

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Table of Contents

Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of Greensboro, Inc.
Greensboro, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc. (collectively the "Association"), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the consolidated 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 Association'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc. as of December 31, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Young Men's Christian Association of Greensboro, Inc. and the Young Men's Christian Association of Greensboro Endowment Fund, Inc.'s December 31, 2014 consolidated financial statements, and our report dated March 31, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects with the audited consolidated financial statements from which it has been derived.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
April 14, 2016

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Financial Position
December 31, 2015
(With Comparative Totals as of December 31, 2014)

Assets

	2015	2014
Current Assets:		
Cash and cash equivalents	**$ 4,848,249**	$ 5,400,842
Funds held for others	**16,434**	30,439
Investments	**8,700,828**	10,016,286
Current portion of unconditional promises to give, net	**1,163,376**	1,470,214
Grants receivable	**-**	15,000
Other receivables	**109,433**	369,689
Prepaid expenses and other assets	**123,919**	130,664
Total Current Assets	**14,962,239**	17,433,134
Other Assets:		
Unconditional promises to give, less current portion	**1,050,030**	1,556,626
Property and equipment, net of accumulated depreciation	**40,996,784**	41,825,296
Rental real estate property, net of accumulated depreciation	**360,800**	375,200
Deposit on fixed assets	**-**	49,736
Total Other Assets	**42,407,614**	43,806,858
Total Assets	**$ 57,369,853**	$ 61,239,992

Liabilities and Net Assets

	2015	2014
Current Liabilities:		
Funds held for others	**$ 16,434**	$ 30,439
Current maturities of long-term debt	**2,558,287**	2,755,988
Current maturities of obligations under capitalized leases	**390,519**	331,778
Accounts payable and accrued expenses	**673,314**	1,467,757
Deferred revenue	**233,125**	260,706
Total Current Liabilities	**3,871,679**	4,846,668
Other Liabilities:		
Interest rate swap payable	**134,871**	192,103
Long-term debt, less current maturities	**18,190,546**	20,732,298
Obligations under capitalized leases, less current maturities	**508,961**	525,491
Total Other Liabilities	**18,834,378**	21,449,892
Total Liabilities	**22,706,057**	26,296,560
Net Assets:		
Unrestricted:		
Undesignated	**27,493,861**	27,295,934
Designated for reserves	**2,446,550**	2,905,945
Temporarily restricted	**3,790,414**	4,121,377
Permanently restricted	**932,971**	620,176
Total Net Assets	**34,663,796**	34,943,432
Total Liabilities and Net Assets	**$ 57,369,853**	$ 61,239,992

See Notes to Consolidated Financial Statements

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Public Support:					
The United Way	$ 120,369	$ 114,278	$ -	$ 234,647	$ 238,586
Government grants	86,873	-	-	86,873	104,595
Annual support	527,231	-	-	527,231	538,089
Contributions and private grants	179,527	780,679	312,795	1,273,001	947,234
Total Public Support	914,000	894,957	312,795	2,121,752	1,828,504
Revenue:					
Membership dues	7,771,519	-	-	7,771,519	7,013,878
Program and service fees	4,430,690	-	-	4,430,690	3,878,491
Vending and other food related	32,695	-	-	32,695	36,148
Rental of real estate and facilities, net	252,747	-	-	252,747	256,355
Merchandise sales	10,682	-	-	10,682	12,641
Investment income, net	570,760	42,026	-	612,786	528,588
Gain on sale of property and equipment	60,864	-	-	60,864	54,599
Management fees	82,800	-	-	82,800	-
Other events	33,896	-	-	33,896	32,640
Miscellaneous	19,238	-	-	19,238	13,882
Unrealized gain (loss) on investments, net	(666,059)	(67,424)	-	(733,483)	72,971
Total Revenue	12,599,832	(25,398)	-	12,574,434	11,900,193
Net Assets Released from Restrictions:					
Satisfaction of program restrictions	258,041	(258,041)	-	-	-
Satisfaction of time restrictions	116,637	(116,637)	-	-	-
Satisfaction of property acquisition restrictions	825,844	(825,844)	-	-	-
Total Net Assets Released from Restrictions	1,200,522	(1,200,522)	-	-	-
Total Public Support, Revenue, and Net Assets Released from Restrictions	14,714,354	(330,963)	312,795	14,696,186	13,728,697
Functional Expenses:					
Program Services:					
Adult	5,995,162	-	-	5,995,162	5,272,072
Child care	3,419,151	-	-	3,419,151	3,167,288
Youth	3,765,669	-	-	3,765,669	3,244,998
Total Program Services	13,179,982	-	-	13,179,982	11,684,358
Supporting Services:					
Management and general	1,457,542	-	-	1,457,542	1,221,146
Fund-raising	228,429	-	-	228,429	209,133
Total Supporting Services	1,685,971	-	-	1,685,971	1,430,279
Total Functional Expenses	14,865,953	-	-	14,865,953	13,114,637
Other Expenses:					
Payments to affiliated organizations	167,101	-	-	167,101	131,946
Total Expenses	15,033,054	-	-	15,033,054	13,246,583
Change in net assets from operating activities	(318,700)	(330,963)	312,795	(336,868)	482,114
Change in fair value of interest swap agreement	57,232	-	-	57,232	66,721
Changes in net assets	(261,468)	(330,963)	312,795	(279,636)	548,835
Net assets, beginning	30,201,879	4,121,377	620,176	34,943,432	34,394,597
Net assets, ending	$ 29,940,411	$ 3,790,414	$ 932,971	$ 34,663,796	$ 34,943,432

See Notes to Consolidated Financial Statements

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015								
	Program Services				Supporting Services				
	Adult Programs	Child Care	Youth Programs	Total	Management and General	Fund-Raising	Total	TOTAL	2014 TOTAL
Salaries and wages	$ 2,316,370	$ 1,271,178	$ 1,468,917	$ 5,056,465	$ 593,217	$ 99,370	$ 692,587	$ 5,749,052	$ 5,149,145
Employee benefits	339,962	186,565	215,586	742,113	87,064	15,745	102,809	844,922	713,943
Payroll taxes	168,896	92,687	107,105	368,688	43,254	9,291	52,545	421,233	386,839
Total Salaries and Related Expenses	2,825,228	1,550,430	1,791,608	6,167,266	723,535	124,406	847,941	7,015,207	6,249,927
Professional fees	60,696	37,200	39,158	137,054	58,737	-	58,737	195,791	156,503
Supplies	322,475	176,968	204,496	703,939	82,585	78,670	161,255	865,194	788,705
Telephone	25,856	14,189	16,397	56,442	6,622	-	6,622	63,064	58,535
Postage and shipping	9,880	5,423	6,266	21,569	2,531	-	2,531	24,100	26,570
Occupancy	69,925	38,374	44,343	152,642	17,908	-	17,908	170,550	178,503
Printing and publication	89,808	49,285	56,952	196,045	23,000	-	23,000	219,045	184,068
Travel	26,024	14,282	16,504	56,810	6,665	-	6,665	63,475	64,952
Conferences, conventions and meetings	42,918	23,552	27,216	93,686	10,991	13,570	24,561	118,247	104,427
Interest	192,897	105,858	122,325	421,080	49,401	-	49,401	470,481	351,748
Bank service charges	41,265	22,645	26,168	90,078	10,568	-	10,568	100,646	86,065
Rental	61,422	33,707	38,951	134,080	15,730	-	15,730	149,810	111,345
Repairs and maintenance	143,242	78,609	90,837	312,688	36,684	-	36,684	349,372	300,379
Other events	34,756	19,073	22,040	75,869	8,901	11,783	20,684	96,553	65,258
Insurance	79,655	43,713	50,513	173,881	20,399	-	20,399	194,280	199,088
Depreciation	806,204	442,429	511,251	1,759,884	206,467	-	206,467	1,966,351	1,590,756
Amortization	6,796	3,730	4,310	14,836	1,740	-	1,740	16,576	16,576
Utilities	375,989	206,336	238,432	820,757	96,290	-	96,290	917,047	853,612
Contracted services	470,562	258,235	298,405	1,027,202	120,510	-	120,510	1,147,712	1,041,429
Bad debt recovery	-	-	-	-	(70,528)	-	(70,528)	(70,528)	(98,862)
Food and beverage	93,547	51,337	59,322	204,206	23,957	-	23,957	228,163	192,554
Scholarships	197,081	233,384	88,167	518,632	-	-	-	518,632	551,561
Dues	13,232	7,261	8,390	28,883	3,388	-	3,388	32,271	27,542
Training	5,704	3,131	3,618	12,453	1,461	-	1,461	13,914	13,396
Total Functional Expenses	$ 5,995,162	$ 3,419,151	$ 3,765,669	$ 13,179,982	$ 1,457,542	$ 228,429	$ 1,685,971	$ 14,865,953	$ 13,114,637

See Notes to Consolidated Financial Statements

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO, INC. AND
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREENSBORO ENDOWMENT FUND, INC.
Consolidated Statements of Cash Flows
Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash flows from operating activities:		
Changes in net assets	**$ (279,636)**	$ 548,835
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Allowance for uncollectible accounts	**(70,529)**	(98,844)
Depreciation	**1,980,751**	1,605,157
Amortization	**16,576**	16,576
Gain on sale of property and equipment	**(60,864)**	(53,369)
Donated land	**-**	(15,000)
Investment income reinvested	**(298,318)**	(363,291)
Gain on sale of investments, net	**(148,026)**	(42,858)
Unrealized (gain) loss on investments, net	**733,483**	(72,971)
Change in fair value of interest rate swap	**(57,232)**	(66,721)
(Increase) decrease in:		
Unconditional promises to give	**883,963**	1,111,850
Grants receivable	**15,000**	(15,000)
Other receivables	**260,256**	(252,371)
Prepaid expenses and other assets	**6,745**	(24,456)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(985,480)**	(179,330)
Deferred revenue	**(27,581)**	18,444
Net cash provided by operating activities	**1,969,108**	2,116,651
Cash flows from investing activities:		
Purchase and construction of property and equipment	**(555,420)**	(9,038,394)
Deposit on fixed assets	**49,736**	(49,736)
Proceeds from sale of property and equipment	**68,228**	53,900
Proceeds from sale of investments	**1,781,247**	824,413
Purchase of investments	**(752,928)**	(537,402)
Net cash provided by (used in) investing activities	**590,863**	(8,747,219)
Cash flows from financing activities:		
Payments on capitalized leases	**(356,535)**	(292,337)
Borrowings on long-term debt	**-**	6,800,000
Payments on long-term debt	**(2,756,029)**	(1,453,833)
Net cash provided by (used in) financing activities	**(3,112,564)**	5,053,830
Net decrease in cash and cash equivalents	**(552,593)**	(1,576,738)
Cash and cash equivalents, beginning	**5,400,842**	6,977,580
Cash and cash equivalents, ending	**$ 4,848,249**	$ 5,400,842

See Notes to Consolidated Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Young Men's Christian Association of Greensboro, Inc. ("YMCA") is a voluntary health and welfare organization incorporated in 1910 to establish, equip, maintain, conduct and operate various YMCA branches and to perform any acts reasonably incidental thereto in the greater Greensboro and Reidsville, North Carolina area.

The Young Men's Christian Association of Greensboro Endowment Fund, Inc. ("Endowment Fund") was incorporated in 1994 as a support organization for the benefit of the YMCA to hold and invest permanently restricted net assets. This corporation states in its articles of incorporation that it is organized for and at all times shall operate exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the YMCA. The articles also state that the Endowment Fund shall be operated, supervised, or controlled by the YMCA, and that the Directors of the Endowment Fund shall be elected or appointed by the Board of Directors of the YMCA. Because of the oversight authority of the YMCA Board over the actions of the Endowment Fund, the two entities have been consolidated for financial statement presentation purposes.

The consolidated financial statements include the accounts of the YMCA and the Endowment Fund. All material intercompany transactions have been eliminated. The consolidated entities will be referred to as the "Association" for purposes of these consolidated financial statements.

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

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, depending on the existence and/or nature of donor-imposed restrictions. Unrestricted net assets are those funds presently available for use by the Association at the discretion of the Board of Directors. Temporarily restricted net assets are subject to donor-imposed restrictions and may be used only for the purposes specified by the donor. Permanently restricted net assets are those funds which have permanent restrictions placed on the principal balance by the donor.

Comparative Financial Information

The financial statements include certain prior period summarized comparative information in totals but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of reporting the consolidated statements of cash flows, the Association considers all highly liquid investments, except those held by the Endowment Fund, purchased with maturities of three months or less to be cash equivalents.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds Held for Others

The Association administers various organizational funds. The funds are established by assets received as transfers from other organizations/clubs which specifies itself as the beneficiary of the fund.

Investments

Investments in marketable securities with readily determinable values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met, either by passage of time or by use, in the reporting period in which the income and gains are recognized.

Investments in limited liability companies (LLC's) are recorded at cost, due to the fact they don't have a readily determinable fair value and the Association doesn't have control. The agreements underlying participation in the limited liability companies may limit the Association's ability to liquidate its interests in such investments for a period of time.

Receivables

The Association records unconditional promises to give and other receivables at total unpaid balance, which approximates estimated fair value, less any allowance for doubtful accounts. The Association determines past due status of individual receivables based on the contractual terms of the original grant agreement or pledge commitment. The Association estimates its allowance for doubtful accounts based on a combination of factors, including historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of receivables. Receivables that management believes to be ultimately not collectible are written off upon such determination.

Property and Equipment

The Association generally capitalizes expenditures of $1,000 or more for property and equipment whose life exceeds one year. Property and equipment are stated at cost or, in the case of donated assets, at estimated fair value at date of donation.

Depreciation, including amortization of capital lease assets, is provided for using the straight-line method over the shorter of its estimated useful lives of the assets or its related lease term.

Bond Issuance Costs

Bond issuance costs are being amortized on a straight-line basis over 20 years. Accumulated amortization amounted to $91,167. Estimated amortization for each of the next five years is $16,576. Bond issuance costs have been netted against long term debt in accordance with ASU 2015-03, "Interest Imputation of Interest".

Advertising

Advertising, printing and publication costs are expensed as incurred. During the year, costs related to these activities totaled $219,045.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue represents advance payments on annual memberships to the Association. Under the current payment options, the members can either pay monthly through bank drafts or pay the entire membership amount upon joining. The unearned portion of any advance payment is deferred until such time that the revenue is earned.

Revenue Recognition

Contributions are generally recognized as revenue when they are received or unconditionally pledged. Revenue related to unconditional promises to give are recorded at their net realizable value. The Association 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. In that case, the contributions and expenditures are included in unrestricted net assets. Conditional promises to give are recognized as revenue when the condition stipulated by the pledge has been met.

The Association reports gifts of long-lived assets as unrestricted support at the estimated fair market value of the asset unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support.

Endowment

The Endowment Fund consists of various fixed income funds, equity funds, and cash equivalents established for a variety of purposes. The endowment consists of donor-restricted endowment funds as well as board designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Endowment Fund 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. 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 meet funding requirements while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Endowment Fund 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 endowment portfolio is invested across multiple asset classes with emphasis on equities and fixed income as well as alternative investments, real estate and a low level of exposure to money market cash instruments.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Fund (Continued)

The Endowment Fund has a policy for appropriating for distribution each year approximately 5% of its endowment funds average market value plus or minus 1.5% over the 3 year trailing average market value of the Endowment Fund. In establishing this policy, the Endowment Fund considered the long-term expected return of the endowment. Accordingly, over the long-term the Endowment Fund expects the current spending policy to preserve the purchasing power of the endowment funds over time, and to provide a reasonably stable and predictive revenue stream for use in connection with the charitable purposes of the Association. The Board of Directors annually adopts a spending rate.

Donated Services and Materials

The Association occasionally benefits from the services of volunteers in various programs. The services donated are not identical to services the donor would usually charge a fee to provide; therefore, a monetary amount cannot be assigned to the value of these services. Significant donated materials are recorded at their fair value as a contribution and related purchase.

Functional Allocation of Expenses

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

Use of Estimates

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

Tax Status

The Association is classified as a public charity and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements. Contributions to the Association are tax deductible by the donor.

It is the Association's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the consolidated financial statements. No material uncertain tax positions were identified for 2015 and 2014. Currently, the statute of limitations remains open subsequent to and including 2012; however, no examinations are in process or anticipated. Any changes in the amount of a tax provision will be recognized in the period the change occurs.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure through April 14, 2016, which is the date the consolidated financial statements were available to be issued.

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give amounts to be received in future periods are discounted to a present value using an interest rate of 5.0%.

Unconditional promises to give are as follows:

Amounts receivable less than one year	$ 1,163,376
Amounts receivable in one to five years	1,036,193
Amounts receivable more than five years	330,000
Total unconditional promises to give	2,529,569
Less - discount to present value for future pledges	(144,450)
Less - allowance for uncollectible pledges	(171,713)
	$ 2,213,406

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair values, the Association uses various methods including market, income and cost approaches. Based on these approaches, the Association often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 Inputs — Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 Inputs — Observable prices that are based on inputs not quoted on active markets, but corroborated by market data, discounted cash flow models or similar techniques.

Level 3 Inputs — Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The following summarizes the fair value measurements:

	Level 1	Level 2	Level 3
Asset:			
Investments (See Note 4 for major categories)	$ 8,193,171	$ -	$ -
Liability:			
Derivative - Interest rate swap agreement	$ -	$ 134,871	$ -

NOTE 4 - INVESTMENTS

A breakdown of the investments held are as follows:

Description	Reported Value	Cost
Restricted cash	$ 43,631	$ 43,631
Equity securities	8,149,540	6,780,687
Investment in limited liability companies	507,657	507,657
	$ 8,700,828	$ 7,331,975

Investment income consists of the following:

	Unrestricted	Temporarily Restricted	Total
Income:			
Dividends	$ 115,742	$ 29,952	$ 145,694
Capital gain distribution	238,842	17,211	256,053
Other interest	72,366	117	72,483
Capital gains on sales of securities	144,568	3,458	148,026
	571,518	50,738	622,256
Expenses: Investment fees	758	8,712	9,470
	$ 570,760	$ 42,026	$ 612,786

NOTE 5 - RENTAL REAL ESTATE PROPERTY

The Association owns and leases five residential properties that are leased on an annual basis. An unrelated management company is responsible for leasing and managing the properties. Property held for investment consists of the following:

Land	$ 44,000
Houses	396,000
	440,000
Less accumulated depreciation	79,200
	$ 360,800

NOTE 5 - RENTAL REAL ESTATE PROPERTY (Continued)

The following summarizes the revenue and expenses at year end:

Rental income	$ 35,115
Expenses:	
Real estate taxes	6,372
Interest	6,064
Repairs and maintenance	6,845
Insurance	863
Depreciation	14,400
	34,544
Net income	$ 571

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land and improvements	$ 5,179,735
Buildings	44,877,728
Equipment	2,193,306
Software costs	137,306
Furniture, fixtures and office equipment	782,587
Transportation vehicles	214,287
Leasehold improvements	1,248,618
Construction in progress	109,128
	54,742,695
Less accumulated depreciation	14,647,584
	40,095,111
Equipment under capitalized leases, less accumulated amortization of $814,437	901,673
	$ 40,996,784

NOTE 7 - LONG-TERM DEBT

Long-term debt consists of the following:

Unsecured bank qualified loan payable to a financial institution calling for 240 equal monthly principal installments through the maturity date of November 2030. Interest is payable monthly at 68% of the 1-month LIBOR rate plus 1.2025% (the 1-month LIBOR rate was 0.42%).	$ 15,352,933
Note payable to a bank in monthly installments of $4,852 including interest at 4.35%. The note matures in 2018 and is collateralized by real estate with a carrying value of $2,968,800.	136,250

NOTE 7 - LONG-TERM DEBT (Continued)

Unsecured nonbank qualified loan payable to a financial institution. The bond accrues interest at 78% of 1-month LIBOR plus 1.588% per annum (the 1-month LIBOR rate was 0.42%). Principal payments are due in annual installments starting in February 2015 through 2019, ranging from $65,000 to $1,300,000. Starting in March 2019, the Association will pay monthly principal payments ranging from $13,417 to $20,238 with the final payment due February 2034.	$ 5,500,000
	20,989,183
Less bond issuance cost, net of accumulated amortization	240,350
	20,748,833
Less current maturities	2,558,287
	$ 18,190,546

The provisions of the bank qualified loan contains various financial covenants related to minimum levels of liquidity and net assets that the Association must maintain. The covenant also includes provisions related to borrowing leverage and other liquidity ratios. The Association was in compliance with all covenant provisions.

Future maturities of long-term debt, including bond issuance cost, for each of the next five years and thereafter are as follows:

2016	$ 2,558,287
2017	2,285,689
2018	1,957,303
2019	1,469,996
2020	1,565,996
Thereafter	11,151,912
	$ 20,989,183

NOTE 8 - DERIVATIVES

To reduce the impact of changes in interest rates on its variable rate bonds payable, the Association has entered into an interest rate swap agreement. Under the agreement, interest is payable at a fixed rate of 2.65% based on the outstanding balance of the bank qualified loan payable, and is effective through November 18, 2017. The annual gain or loss on the fair value of the swap agreement is reported as revenue or expense in the consolidated statement of activities and changes in net assets. The interest rate swap agreement had a notional principal amount of $9,282,010.

The fair value of the interest rate swap agreement was derived from proprietary models as of a given date, supplied by the bank. The valuation is calculated on a mid market basis and does not include bid/offered spread that would be reflected in an actual price quotation. This model relies on certain assumptions regarding past, present, and future market conditions.

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The Association has eight capital lease agreements with varying expiration dates through 2020. The leases are payable to financial institutions in monthly installments totaling $33,136, including interest at approximately 3.67%. The capital leases are secured by the equipment leased.

Future minimum capital lease payments are as follows:

2016	$	390,519
2017		271,271
2018		186,909
2019		100,177
2020		3,300
		952,176
Amount representing interest		(52,696)
Present value of lease obligations	$	899,480

Subsequent to year-end, the Association entered into a capital lease agreement totaling $77,500, through February 2021. The lease is payable to a financial institution in monthly installments of $1,407, including interest at 3.39%. The capital lease is secured by the equipment leased.

NOTE 10 - OPERATING LEASES

The Association leases office space, land and use of other program facilities under various operating lease agreements with varying expiration dates through 2019. The Association also rents equipment on an as needed basis for program use. Total rental expense was $320,360.

Future minimum lease payments for these operating leases are as follows:

2016	$	171,136
2017		101,054
2018		79,028
2019		80,986
	$	432,204

The Association also leases its facilities to various organizations and individuals on a regular basis. Except as described below, these leasing transactions are normally short-term and on a case-by-case or month-to-month basis.

The Association rented portions of its Ragsdale facility under two non-cancelable lease agreements. The facility had a purchase price of $6,001,376 and accumulated depreciation of $1,466,207 at the time of lease. Depreciation expense was $151,826 for the year. The first agreement calls for monthly rents of $8,500 through February 2019, with one five-year extension option. The second lease calls for monthly rents of $1,700, adjusted by the Consumer Price Index, throughout the lease term expiring April 2019. Rental income for the year totaled $252,176.

NOTE 10 - OPERATING LEASES (Continued)

Future minimum rental income to be received under the sub-rental agreements is as follows:

2016	$ 122,400
2017	122,400
2018	122,400
2019	23,800
	$ 391,000

NOTE 11 - DESIGNATED NET ASSETS

The Board of Directors has designated certain amounts of unrestricted net assets to be used for future activities, repairs and maintenance, and other purposes on a branch-by-branch basis. These reserves are funded by designated cash balances. The Board retains the right to undesignate these funds as they deem appropriate. The reserve cash balances was $90,719.

The Board of Directors has also designated $2,000,000 of unrestricted net assets to be set aside for future operations. These reserves have been funded by purchasing designated investments. Market value of these funds was $2,355,831. The Board retains the right to undesignate these funds as they deem appropriate.

NOTE 12 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets, consist of the following:

Promises to give not available for use until subsequent year	$ 114,278
Hayes-Taylor capital campaign	2,628,525
Building and building improvements	94,213
Repairs and maintenance	64,974
Scholarships	95,859
Healthy Living	266,679
Unappropriated Endowment Fund	243,303
Youth Development	146,819
Diabetes Program	124,434
Other	11,330
	$ 3,790,414

NOTE 13 - ENDOWMENT NET ASSETS

The Board of Directors of the Association has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") 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 classifies permanently restricted net assets as (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 Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purpose of the Association and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investment; (6) other resources of the Association; and (7) the investment policies of the Association.

The Association's endowment is held with an investment bank. Under the endowment agreement, the principal balance in the fund is permanently restricted to ensure that resources would be available to provide for future operations.

The Association has the following donor-restricted endowment net assets:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ -	$ 300,518	$ 620,176	$ 920,694
Investment return:				
Investment income	-	50,590	-	50,590
Net appreciation (realized and unrealized)	-	(63,966)	-	(63,966)
Investment fees	-	(8,712)	-	(8,712)
Total investment return	-	(22,088)	-	(22,088)
Appropriations	-	(35,127)	-	(35,127)
Contributions	-	-	312,795	312,795
End of year	$ -	$ 243,303	$ 932,971	$ 1,176,274

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies of this kind during the year.

NOTE 14 - COMMUNITY POOL

The Association, the City of Reidsville (the "City"), and Reidsville Community Pool Association ("RCPA") have entered into an agreement, whereas, the Association will operate and manage a community pool adjacent to the Association's Reidsville facility for the benefit of residents of the greater Reidsville area. Under the agreement, the Association receives a fee for the management of the pool. The management fee is intended to be a reimbursement for the cost of administrative overhead directly attributable to aquatic activities, and shall be based on a formula agreed upon by all parties. The agreement calls for the fee to be waived if the City continues to make its annual contribution for pool activities.

The agreement also calls for three percent of user fees to be deposited into a repair account and matched equally by both the Association and the City. Accumulated funds greater than $30,000 in this account may be disbursed at the discretion of RCPA for aquatic programs or services. Operating surpluses are to be deposited in the repair account or may be specifically designated by RCPA for other public purposes. At year end, the accumulated fund amounted to $11,909.

The following summarizes the revenue and expenses for the pool for the year:

Revenue:		
User fees	$	28,348
City of Reidsville contribution		33,684
Pool rental		3,635
Total revenue		65,667
Expenses:		
Payroll (including payroll taxes and benefits)		90,309
Supplies		13,032
Utilities		39,230
Maintenance		1,014
Other		7,416
Total expenses		151,001
Operating deficit	$	(85,334)

NOTE 15 - PENSION PLAN

The Association is a participant in a multi-employer National YMCA Retirement Fund Plan (the "Fund Plan") for all eligible employees. Employees are eligible if they are at least 21 years old and have worked at least 1,000 hours in any 2 twelve-month periods beginning on the employee's hire date. The Association has a two-year waiting period for enrollment and immediate vesting schedule. The Association's contributions to the Fund Plan are computed as a percentage of covered employees' annual salaries and the Association is not liable for any other amounts. Total retirement costs for the year totaled $393,883.

NOTE 16 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the year, the Association paid interest of $470,481.

During the year, the Association entered into the following non-cash investing transactions:

Property and equipment acquired through capital lease obligations	$ 398,746
Property and equipment in accounts payable	$ 191,037

NOTE 17 - CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation. Deposit accounts, at times, may exceed federally insured limits. In addition, all of the Association's borrowings are concentrated with a single financial institution.

The Association's investments potentially subject it to market risk and concentrations of credit risk. The Association maintains various types of investments that encompass many different companies with varied industry and geographical characteristics designed to limit exposure to any one industry, company or geographical location. However, as most of the Association's investments are traded in public markets, they are subject to general fluctuations in the market's overall performance. The Association retains investment managers who perform periodic evaluations of the relative credit standing of the companies and financial institutions in which the Association invests.

NOTE 18 - SUBSEQUENT EVENTS

As of January 1, 2016, the Association entered into a management agreement with the Eden Family YMCA, Inc. ("Eden Y"). The YMCA of Greensboro will provide executive leadership of the operation by providing the Executive Director, as well as support and consultation in the areas of Human Resources, Finance, Financial Development, Information Technology and Property Management. The Eden Y is solely responsible to pay all costs and expenses associated with the operation of the Eden Y. The YMCA of Greensboro will receive a monthly management fee of $7,068 throughout the agreement term expiring on December 31, 2016. At the end of the term of the agreement, the YMCAs have the option to terminate or extend the agreement or move forward with a merger. The agreement and potential merger would allow the YMCA of Greensboro to expand its services and programs throughout Rockingham County.

NOTE 19 - RECLASSIFICATIONS

Certain balances as previously reported have been reclassified to be consistent with those classifications used in the current year. These reclassifications had no effect on previously reported results of activities or net assets.

NOTE 20 - RECENT ACCOUNTING PRONOUNCEMENTS

In February of 2016, the FASB issued ASU 2016-02, *Leases.* This update is effective for fiscal periods beginning after December 15, 2019 for nonpublic entities. Under the new standard, lessees will be required to recognize an asset and liability on the statement of financial position for the rights and obligations created by all leases with terms of more than 12 months. The lease asset will be amortized over the live of the lease, while the liability will be deducted as lease payments are made, with a portion be recognized as interest expense. The YMCA of Greensboro has not determined the impact of this new standard as of year end.