YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE GREATER TWIN CITIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Young Men's Christian Association of
the Greater Twin Cities
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of the Greater Twin Cities (YMCA), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 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 auditors' 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 entity'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 YMCA'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.

Audit Committee
Young Men's Christian Association of the Greater Twin Cities

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the YMCA as of December 31, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 29, 2015

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and Cash Equivalents	$ 9,853,409	$ 6,473,381
Accounts Receivable, Net	2,645,397	1,999,935
Contributions Receivable, Net	21,190,343	17,543,687
Receivable on Sale - Leaseback Transaction	3,000,000	3,000,000
Leverage Loan Receivable	8,396,400	8,396,400
Investments	91,891,530	75,836,668
Prepaid Expenses and Other Assets	2,055,806	2,087,939
Interest in Beneficiary Trusts	2,820,908	2,869,721
Funds Held in Escrow	35,000	343,075
Land, Building and Equipment, Net	144,405,561	146,294,414
Total Assets	$ 286,294,354	$ 264,845,220
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 3,109,205	$ 3,395,529
Accrued Expenses	5,126,338	5,006,848
Annuity Obligations	479,540	437,772
Bonds and Notes Payable	39,769,882	42,283,287
Capital Lease Payable	19,648,249	20,312,168
Deferred Swap Rate Liability	570,062	565,675
Deferred Gain on Sale - Leaseback Transaction	3,402,568	4,536,758
Deferred Revenue	10,462,741	4,663,604
Total Liabilities	82,568,585	81,201,641
NET ASSETS		
Unrestricted	139,261,108	126,669,274
Temporarily Restricted	37,305,143	30,272,707
Permanently Restricted	27,159,518	26,701,598
Total Net Assets	203,725,769	183,643,579
Total Liabilities and Net Assets	$ 286,294,354	$ 264,845,220

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE				
Public Support:				
Contributions	$ 3,120,930	$ 9,642,653	$ 484,320	$ 13,247,903
United Way	-	1,699,134	-	1,699,134
Grants	106,250	6,275,657	-	6,381,907
Total Public Support	3,227,180	17,617,444	484,320	21,328,944
Revenue:				
Youth Development	48,652,984	-	-	48,652,984
Less: Specific Assistance to Individuals	(2,749,479)	-	-	(2,749,479)
Healthy Living	68,050,731	-	-	68,050,731
Less: Specific Assistance to Individuals	(4,444,179)	-	-	(4,444,179)
Social Responsibility	2,281,096	-	-	2,281,096
Sale of Supplies	1,506,013	-	-	1,506,013
Investment Income	752,612	1,141,379	-	1,893,991
Other	1,941,541	-	-	1,941,541
Total Revenue	115,991,319	1,141,379	-	117,132,698
Net Assets Released from Restrictions - Program	7,994,528	(7,994,528)	-	-
Total Operating Support and Revenue	127,213,027	10,764,295	484,320	138,461,642
OPERATING EXPENSES				
Program Services:				
Youth Development	49,692,989	-	-	49,692,989
Healthy Living	43,199,470	-	-	43,199,470
Social Responsibility	2,308,610	-	-	2,308,610
Total Program Services	95,201,069	-	-	95,201,069
Support Services:				
Management and General	24,060,249	-	-	24,060,249
Fundraising	5,481,828	-	-	5,481,828
Total Support Services	29,542,077	-	-	29,542,077
Total Operating Expenses	124,743,146	-	-	124,743,146
EXCESS OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	2,469,881	10,764,295	484,320	13,718,496
NONOPERATING REVENUES AND EXPENDITURES				
Investment Income	3,093,086	(1,186,413)	18,946	1,925,619
Change in Value of Beneficiary Agreements	-	(87,308)	(45,346)	(132,654)
Change in Value of Deferred Swap Rate Liability	(4,387)	-	-	(4,387)
Gain on Asset Disposition	4,575,116	-	-	4,575,116
Capital Lease Refinancing	-	-	-	-
Net Assets Released from Restrictions - Capital	2,458,138	(2,458,138)	-	-
CHANGE IN NET ASSETS	12,591,834	7,032,436	457,920	20,082,190
Net Assets - Beginning of Year	126,669,274	30,272,707	26,701,598	183,643,579
NET ASSETS - END OF YEAR	$ 139,261,108	$ 37,305,143	$ 27,159,518	$ 203,725,769

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE				
Public Support:				
Contributions	$ 3,207,801	$ 3,706,377	$ 1,766,916	$ 8,681,094
United Way	-	1,710,575	-	1,710,575
Grants	106,863	4,222,366	-	4,329,229
Total Public Support	3,314,664	9,639,318	1,766,916	14,720,898
Revenue:				
Youth Development	46,747,245	-	-	46,747,245
Less: Specific Assistance to Individuals	(2,911,412)	-	-	(2,911,412)
Healthy Living	63,375,209	-	-	63,375,209
Less: Specific Assistance to Individuals	(4,463,690)	-	-	(4,463,690)
Social Responsibility	2,099,082	-	-	2,099,082
Sale of Supplies	1,228,433	-	-	1,228,433
Investment Income	1,386,180	1,044,679	-	2,430,859
Other	1,861,723	-	-	1,861,723
Total Revenue	109,322,770	1,044,679	-	110,367,449
Net Assets Released from Restrictions - Program	7,061,409	(7,061,409)	-	-
Total Operating Support and Revenue	119,698,843	3,622,588	1,766,916	125,088,347
OPERATING EXPENSES				
Program Services:				
Youth Development	49,877,894	-	-	49,877,894
Healthy Living	40,313,026	-	-	40,313,026
Social Responsibility	2,349,026	-	-	2,349,026
Total Program Services	92,539,946	-	-	92,539,946
Support Services:				
Management and General	21,541,806	-	-	21,541,806
Fundraising	4,789,318	-	-	4,789,318
Total Support Services	26,331,124	-	-	26,331,124
Total Operating Expenses	118,871,070	-	-	118,871,070
EXCESS OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	827,773	3,622,588	1,766,916	6,217,277
NONOPERATING REVENUES AND EXPENDITURES				
Investment Income	1,991,548	3,399,433	44,140	5,435,121
Change in Value of Beneficiary Agreements	-	(22,542)	267,163	244,621
Change in Value of Deferred Swap Rate Liability	455,270	-	-	455,270
Gain on Asset Disposition	2,278,751	-	-	2,278,751
Capital Lease Refinancing	(460,000)	306,667	-	(153,333)
Net Assets Released from Restrictions - Capital	3,516,315	(3,516,315)	-	-
CHANGE IN NET ASSETS	8,609,657	3,789,831	2,078,219	14,477,707
Net Assets - Beginning of Year	118,059,617	26,482,876	24,623,379	169,165,872
NET ASSETS - END OF YEAR	$ 126,669,274	$ 30,272,707	$ 26,701,598	$ 183,643,579

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	Program Services				Support Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Total
OPERATING EXPENSES								
Salaries and Wages	$ 25,555,649	$ 19,015,299	$ 1,369,538	$ 45,940,486	$ 12,475,697	$ 2,942,119	$ 15,417,816	$ 61,358,302
Employee Benefits	1,991,508	2,182,573	207,219	4,381,300	2,046,815	599,702	2,646,517	7,027,817
Payroll Taxes	2,522,529	1,745,548	128,556	4,396,633	1,286,244	236,427	1,522,671	5,919,304
Total Salaries and Related Benefits	30,069,686	22,943,420	1,705,313	54,718,419	15,808,756	3,778,248	19,587,004	74,305,423
Professional Fees and Contract Services	1,526,789	1,318,096	82,886	2,927,771	4,390,520	295,309	4,685,829	7,613,600
Supplies	6,705,620	1,249,984	148,314	8,103,918	482,037	54,743	536,780	8,640,698
Telephone	141,746	83,062	37,154	261,962	819,517	8,573	828,090	1,090,052
Postage and Shipping	155,186	149,678	8,816	313,680	17,373	38,766	56,139	369,819
Occupancy	4,498,932	6,066,300	-	10,565,232	92,291	150	92,441	10,657,673
Expendable Equipment	636,908	2,681,625	4,663	3,323,196	65,332	8,454	73,786	3,396,982
Printing, Publications and Promotions	336,000	796,020	10,740	1,142,760	885,572	637,193	1,522,765	2,665,525
Travel and Employee Expense	249,447	305,175	140,729	695,351	703,787	51,730	755,517	1,450,868
Conferences and Meetings	6,365	3,837	864	11,066	37,734	95,884	133,618	144,684
Membership Dues	148,825	144,275	7,662	300,762	107,858	32,104	139,962	440,724
Awards and Grants	673,523	26,094	161,329	860,946	88,256	297,103	385,359	1,246,305
Financing	566,181	1,321,088	-	1,887,269	-	-	-	1,887,269
Other	15,858	(200)	140	15,798	299,554	183,571	483,125	498,923
Depreciation	3,961,923	6,111,016	-	10,072,939	261,662	-	261,662	10,334,601
Total Operating Expenses	$ 49,692,989	$ 43,199,470	$ 2,308,610	$ 95,201,069	$ 24,060,249	$ 5,481,828	$ 29,542,077	$ 124,743,146

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services				Support Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Total
OPERATING EXPENSES								
Salaries and Wages	$ 25,964,507	$ 17,116,891	$ 1,293,989	$ 44,375,387	$ 11,849,780	$ 2,579,967	$ 14,429,747	$ 58,805,134
Employee Benefits	2,235,207	1,907,320	214,176	4,356,703	1,889,071	489,246	2,378,317	6,735,020
Payroll Taxes	2,669,083	1,632,660	127,435	4,429,178	1,284,129	210,214	1,494,343	5,923,521
Total Salaries and Related Benefits	30,868,797	20,656,871	1,635,600	53,161,268	15,022,980	3,279,427	18,302,407	71,463,675
Professional Fees and Contract Services	1,564,628	1,119,557	87,246	2,771,431	2,796,431	329,566	3,125,997	5,897,428
Supplies	6,400,204	912,751	193,469	7,506,424	481,177	52,228	533,405	8,039,829
Telephone	110,970	68,738	36,306	216,014	802,989	6,816	809,805	1,025,819
Postage and Shipping	144,105	138,363	8,135	290,603	16,069	37,895	53,964	344,567
Occupancy	4,036,393	5,545,241	-	9,581,634	34,999	-	34,999	9,616,633
Expendable Equipment	673,734	2,943,691	6,518	3,623,943	66,331	6,803	73,134	3,697,077
Printing, Publications and Promotions	308,557	845,597	10,012	1,164,166	801,789	628,869	1,430,658	2,594,824
Travel and Employee Expense	291,652	303,932	130,242	725,826	682,003	43,572	725,575	1,451,401
Conferences and Meetings	7,586	5,863	1,054	14,503	43,156	91,697	134,853	149,356
Membership Dues	124,547	123,289	8,889	256,725	97,838	25,581	123,419	380,144
Awards and Grants	731,048	35,739	231,492	998,279	44,127	104,589	148,716	1,146,995
Financing	639,102	1,491,239	-	2,130,341	-	-	-	2,130,341
Other	869	952	63	1,884	408,370	182,275	590,645	592,529
Depreciation	3,975,702	6,121,203	-	10,096,905	243,547	-	243,547	10,340,452
Total Operating Expenses	$ 49,877,894	$ 40,313,026	$ 2,349,026	$ 92,539,946	$ 21,541,806	$ 4,789,318	$ 26,331,124	$ 118,871,070

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 20,082,190	$ 14,477,707
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,334,601	10,340,452
Bad Debt Expense	476,375	475,471
Permanently Restricted Contributions	(484,320)	(1,766,916)
Gain on Asset Disposition	(4,575,116)	(2,278,751)
Net Realized and Unrealized Gains on Investments	(2,093,597)	(6,421,637)
Change in Cash Surrender Value of Life Insurance Policies	(8,350)	12,946
Contributed Land, Building and Equipment	(1,872,289)	-
Change in Value of Beneficiary Agreements	132,654	(244,621)
Change in Value of Deferred Swap Rate Liability	4,387	(455,270)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(1,121,837)	(689,233)
Contributions Receivable	(6,508,342)	(3,724,079)
Prepaid Expenses and Other Assets	40,483	(252,022)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(286,324)	(178,749)
Accrued Expenses	119,490	157,028
Deferred Revenue	5,799,137	(68,085)
Net Cash Provided by Operating Activities	20,039,142	9,384,241
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(7,122,221)	(7,533,590)
(Increase) Decrease in Funds Held in Escrow	308,075	(40,000)
Proceeds from Sale of Investments	71,557,578	53,616,150
Purchases of Investments	(85,518,843)	(51,685,479)
Proceeds from Sale of Land, Building and Equipment	4,040,045	1,171,956
Net Cash Used by Investing Activities	(16,735,366)	(4,470,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Purposes	1,686,263	1,583,069
Proceeds from Permanently Restricted Contributions	1,659,743	206,261
Payments of Annuity Obligations	(92,430)	(215,529)
Payments on Capital Lease	(663,919)	(618,368)
Payments on Bonds and Notes Payable	(2,513,405)	(2,640,423)
Net Cash Provided (Used) by Financing Activities	76,252	(1,684,990)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,380,028	3,228,288
Cash and Cash Equivalent - Beginning of Year	6,473,381	3,245,093
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,853,409	$ 6,473,381
SUPPLEMENTAL DATA		
Interest Paid	$ 1,874,862	$ 2,117,562
NON-CASH ITEMS		
Refinancing of Debt Non-Cash Payoff	$ -	$ 3,067,219
Refinancing of Capital Lease	$ -	$ 460,000
Equipment Acquired by Capital Lease	$ -	$ 758,186
Contributions of Property	$ 1,872,289	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Young Men's Christian Association of the Greater Twin Cities (YMCA) is a leading Minnesota not-for-profit, charitable association dedicated to strengthening communities through youth development, healthy living and social responsibility. Established in 1856 in St. Paul, 159 years ago, and a decade later in Minneapolis, the YMCA provides life-strengthening services across 12 counties of the greater Twin Cities metro region and western Wisconsin communities. The 27 YMCA locations and program sites, seven overnight camps, 10 day camps, and more than 90 child care sites engage nearly a quarter million men, women and children of all ages, incomes and backgrounds. To learn more about the Y’s mission and work, visit ymcatwincities.org.

The consolidated financial statements include the activities of the YMCA, Twin Cities YMCA Partners, LLC and Urban YMCA, LLC. All significant intercompany transactions have been eliminated.

Financial Statement Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the YMCA and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control. The board designated amounts represent those revenues which 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 YMCA or the passage of time.

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.

Measure of Operations

In its consolidated statement of activities, the YMCA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of investment returns above the amounts designated for operation, change in value of beneficiary agreements, change in deferred swap rate liability, gains and losses from asset dispositions, capital lease refinancing and capital releases from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The YMCA's financial instruments are cash and cash equivalents, accounts receivable, contributions receivable, investments, interest in beneficiary trusts, annuity obligations, accounts payable, notes payable and the deferred swap rate liability. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based on their short-term nature. The fair value of contributions receivable, which is based on discounted cash flows using current interest rates and the risks at the time of gift, approximates the carrying value at December 31, 2014 and 2013. Fair values of investments, interest in beneficiary trusts, and the deferred swap rate liability are based on quoted market prices as of December 31, 2014 and 2013. The fair value of the YMCA's bonds, notes payable, and capital leases are estimated based on the current rates offered to the YMCA for debt of similar terms and maturities. Under this method, the YMCA's fair value of long-term debt was approximately $400,000 and $645,000 less than the carrying value at December 31, 2014 and 2013. The fair value of the YMCA's bonds, notes payable, and capital leases is estimated using Level 3 inputs.

Cash and Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less with the exception of cash designated for investment purposes.

Accounts Receivable

The YMCA provides an allowance for bad debts using the allowance method. Services are sold on an unsecured basis. Accounts past due more than 60 days are analyzed for collectability. Accounts are written off after collection activities are exhausted. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. At December 31, 2014 and 2013, the allowance was $212,217 and $245,947, respectively.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments

Investments, including alternative investments, are stated at fair value based either on quoted market prices, or for certain investments with no readily available quoted market prices, on fair values as determined by management based on review of inputs provided by the investment manager and evaluated by an independent reporting service on a monthly basis. The alternative investment may include derivative instruments embedded in the fund that could expose the YMCA to potential investment risk.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The YMCA invests in a variety of investment vehicles, including U.S. government securities, corporate bonds, common and preferred stocks, commodity index funds, real estate funds, hedge fund of funds and private equity.

Realized and unrealized gains and losses are recorded in the period in which they occur. A majority of the restricted and unrestricted investments are invested in a combined investment pool. Interest income and realized and unrealized gains and losses are allocated using the market value method.

Investment securities, 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 investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future consolidated statement of activities.

Interest in Beneficiary Trusts

Interest in beneficiary trusts consist of assets held in charitable remainder trusts, charitable gift annuities and perpetual trusts.

Beneficial Interests in Charitable Remainder Trusts – Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts’ terms. Upon termination of the trusts, the YMCA receives the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts’ assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Changes in net assets of the trusts are recorded as gains or losses (change in value of beneficiary agreements) in the consolidated statements of activities.

Beneficial Interests in Charitable Gift Annuities –The annuity agreements specify that an annuity is to be paid to a donor-identified annuitant until such annuitant’s death. The annuity obligation is measured at the present value of the expected future payments to be made to the beneficiary. The investments held in the annuities are carried at market value. The changes in the market values of the investments and the annuity obligation are reflected in the consolidated statements of activities as a change in value of beneficiary agreements. The trusts and annuity obligation are classified based upon the donor’s stipulation as to the use of the funds after the death of the donor/annuitant.

Beneficial Interest in Perpetual Trusts – The YMCA is the beneficiary of perpetual trusts held by a third party. Under the terms of the trusts, the YMCA has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interest in the perpetual trusts is recorded at the fair value. Changes in net assets of the trusts are recorded as gain or losses (change in value of beneficiary agreements) on the consolidated statements of activities. Net assets and changes in the net assets are recorded as permanently restricted. Distributions received from these trusts are recorded as unrestricted investment income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held in Escrow

Funds held in escrow represent cash held by others to guarantee the timely completion of capital improvements and for future capital projects. Funds held in escrow consist of cash and cash equivalents valued using Level 1 inputs.

Land, Building and Equipment

Land, building and equipment acquisitions of $2,500 or greater are recorded at cost. Donated items are recorded at fair value on the date of the contribution. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Buildings	30 Years
Building and Land Improvements	15-20 Years
Equipment	5 Years
Vehicles	5 Years
Technology	3 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 costs to sell. There was an impairment loss of $212,000 and $-0- recorded for the years ended December 31, 2014 and 2013, respectively.

Deferred Revenue

Membership dues and program fees that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which the revenue is earned.

The YMCA, during 2008, sold approximately 86 acres of land and simultaneously entered into a ground lease on the same property to continue to provide services to youth. The lease term is a minimum of 10 years and a maximum of 25 years at a rate of one dollar per year. The YMCA incurred a gain on sale of $11,341,893, which is being amortized over the minimum lease term. $3 million of the $11,341,893 gain is contingent upon the YMCA leaving the premises after the minimum lease term of 10 years. At December 31, 2014 and 2013, the unamortized portion of the gain was $3,402,568 and $4,536,767, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue (Continued)

An agreement with the City of White Bear Lake was signed on December 2, 2009 in which the City agrees to provide $2,725,000 to renovate the facility in exchange for services to be provided to its residents over the five years beginning the day of the Grand Re-Opening of the White Bear Area YMCA. The revenue relating to this agreement will be treated as deferred revenue and recognized as services are provided. As of December 31, 2014 and 2013, $2,270,833 and $1,725,833 of revenue has been recognized, respectively.

An agreement with the City of Forest Lake was signed on October 20, 2014 in which the City agrees to provide land and $9,000,000 to build a facility. The YMCA is required to begin construction by July 31, 2015, with opening of the facility by July 31, 2016. The YMCA has agreed to utilize the facility as a full service YMCA for 30 years after completion. The YMCA has also agreed to provide various benefits to all residents of the City of Forest Lake for 30 years. The revenue relating to this agreement will be treated as deferred revenue for the estimated value of the benefits that the YMCA will provide to all residents of the City and recognized over the 30 years. This was estimated to be $5,712,000. The remaining $3,288,000 was recognized as contribution revenue.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were $1,918,716 and $1,442,410 for the years ended December 31, 2014 and 2013, respectively.

Functional Expenses

The costs of providing the various programs and other activities of the YMCA have been summarized on a functional basis in the consolidated statements of functional expenses. Building maintenance and depreciation expenses are allocated among the programs and supporting services benefited.

Tax Status

The YMCA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota Statutes. The YMCA is not considered a private foundation and contributions are considered tax deductible. Twin Cities YMCA Partners, LLC and Urban YMCA, LLC are wholly owned limited liability corporations of the YMCA and all activities are included in the filings of the YMCA.

The YMCA follows a policy that clarified the accounting for uncertainty in income taxes recognized in an organization’s consolidated financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The application of this policy has no impact on the YMCA’s consolidated financial statements.

The YMCA files as a tax exempt organization. The YMCA’s 2011, 2012, and 2013 tax years are open for examination by the Internal Revenue Service.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The vast majority of contributions and receivables are located in the greater Twin Cities area and its surrounding suburbs as well as those in which the YMCA has a camp presence.

The YMCA holds cash at several institutions. The amounts on hand may at times exceed federally insured limits.

Fair Value Measurements

The YMCA measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The YMCA may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Financial assets recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the YMCA has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments and interests in beneficial trusts).

Derivatives and Hedging Activities

The YMCA uses derivative instruments principally to minimize the risks associated with outstanding bonds payable due to market rate fluctuations. The following is a summary of the YMCA's risk management strategy and the effect on the consolidated financial statements.

The YMCA accounts for its derivative and hedging activities by requiring that every derivative instrument, including those embedded in other contracts, be recorded in the consolidated statement of financial position as either an asset or liability measured at its fair value. Changes in the derivative instrument's fair value are recognized currently in the consolidated statement of activities unless specific hedge accounting criteria are met. The interest rate swap agreement does not qualify as a cash flow hedge.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effects on the change in net assets or total net assets as previously reported.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these consolidated financial statements, the YMCA has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through April 29, 2015, the date the consolidated financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

The YMCA's pledges represent contributions for facilities and equipment and to support the ongoing operations of the YMCA. Outstanding pledge contributions from various corporations, foundations, and individuals were discounted at rates between 1% and 5% based on imputed interest rates applicable to the year in which the promise was received and were as follows at December 31:

	2014			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 1,355,816	$ 3,299,766	$ 602,648	$ 5,258,230
In One to Five Years	1,516,850	5,660,054	88,194	7,265,098
In More Than Five Years	5,782,908	3,626,053	100	9,409,061
Total	$ 8,655,574	$ 12,585,873	$ 690,942	21,932,389
Less: Allowance for Uncollectible Pledges				(656,993)
Less: Unamortized Discount				(85,053)
Total Pledges Receivable, Net				$ 21,190,343

	2013			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 1,219,748	$ 1,769,973	$ 577,985	$ 3,567,706
In One to Five Years	2,252,840	1,688,145	1,377,742	5,318,727
In More Than Five Years	6,128,979	3,466,430	200	9,595,609
Total	$ 9,601,567	$ 6,924,548	$ 1,955,927	18,482,042
Less: Allowance for Uncollectible Pledges				(792,535)
Less: Unamortized Discount				(145,820)
Total Pledges Receivable, Net				$ 17,543,687

Contributions receivable includes properties and technology that are to be received in future years in the amount of $15,298,188 and $10,920,705 as of December 31, 2014 and 2013, respectively. This amount is not discounted.

NOTE 2 CONTRIBUTIONS RECEIVABLE (CONTINUED)

In addition to the property and technology contribution receivables included above, 9% of the YMCA's receivables was from one donor at December 31, 2014. Total contributions and grants during 2014 consist of 45% from two donors. As of December 31, 2013, 11% of the YMCA's receivables were from one donor. Total contributions and grants during 2013 consist of 28% from two donors.

NOTE 3 INVESTMENTS

The following is a summary of the YMCA's investments at December 31, 2014 and 2013:

	2014	2013
Cash and Cash Equivalents	$ 7,958,650	$ 2,312,843
Certificates of Deposit	17,429,471	7,851,133
U.S. Government Securities	3,809,553	3,153,345
U.S. Corporate Bonds	9,630,796	7,874,421
Non-U.S. Corporate Bonds	2,238,744	2,583,116
U.S. Common and Preferred Stocks	24,644,432	25,879,367
Non-U.S. Common and Preferred Stocks	12,906,495	14,038,022
Commodity Index Fund	2,550,309	2,763,135
Global Real Estate Fund	3,186,700	2,897,534
Multi-Strategy Hedge Fund of Funds	6,704,052	6,206,723
Private Equity	832,328	277,029
Total Investments	$ 91,891,530	$ 75,836,668

The following schedule summarizes the investment return at December 31, 2014 and 2013:

	2014	2013
Investment Income:		
Interest and Dividends	$ 1,780,461	$ 1,488,578
Realized Gains	2,932,705	1,285,158
Unrealized Gains (Losses)	(839,108)	5,136,479
Investment Fees	(54,448)	(44,235)
Total Investment Income	$ 3,819,610	$ 7,865,980
Investment Return Designated for Current Operations	$ 1,893,991	$ 2,430,859
Investment Return Less Amounts Designated for Current Operations	1,925,619	5,435,121
Total Investment Income	$ 3,819,610	$ 7,865,980

NOTE 4 LAND, BUILDING AND EQUIPMENT

A summary of land, building and equipment at December 31, 2014 and 2013 are as follows:

	2014	2013
Land and Land Improvements	$ 18,760,035	$ 16,804,515
Buildings and Building Improvements	227,795,333	226,519,717
Property Held for Future Use	454,000	454,000
Equipment	23,578,248	22,925,407
Vehicles	1,459,389	1,421,217
Technology	7,208,078	5,533,204
Construction-in-Progress	741,346	249,237
Total Land, Building, and Equipment	279,996,429	273,907,297
Less: Accumulated Depreciation	(135,590,868)	(127,612,883)
Net Total Land, Building, and Equipment	$ 144,405,561	$ 146,294,414
Depreciation Expense	$ 10,334,601	$ 10,340,452

Property held for future use consists of an intangible asset for airspace rights at a branch location, allowing the YMCA to expand the branch in the future if necessary.

Construction-in-progress consists of building modifications and improvements currently in progress, which are being financed through operations, debt financing or capital leases.

Property held for future use and construction-in-progress are not subject to depreciation.

In 2015, the YMCA will begin construction on Midway and has signed a construction contract for approximately $8.4 million.

NOTE 5 BONDS AND NOTES PAYABLE

A summary of bonds and notes payable at December 31, 2014 and 2013 are as follows:

Description	2014	2013
Minneapolis Community Development Agency, Minnesota Revenue Note, fixed interest rate of 1.9%, principal and interest due in semi-annual installments of $296,120 through October 1, 2015	$ 583,906	$ 1,156,874
MMCDC New Markets Fund X, LLC, Construction and Term Loan, interest fixed at 1.46%, quarterly interest payments, principal payments quarterly starting April 1, 2015 through February 28, 2038	11,400,000	11,400,000
City of Burnsville, Variable Rate Revenue Bond, interest at 0.04% at December 31, 2014, with principal payments due annually through August 1, 2016	1,530,000	2,255,000
Minnesota Agriculture and Development Board, Bank Qualified Debt, interest at 1.21% at December 31, 2014, with principal payments due annually starting December 1, 2015 through December 1, 2033	18,000,000	18,000,000
City of Andover, non-interest bearing, principal balance due in 2034	1,302,698	1,302,698
City of White Bear Lake, interest only payable quarterly through September 2011 with principal and interest due in monthly installments beginning December 2011 of $143,439 through 2019. Secured by related property. Refinanced in September 2013 to fixed rate of 2.6%. Principal and interest paid quarterly	2,526,956	2,961,813
City of Woodbury, Minnesota Revenue Note, interest at 2.44%, payable monthly through January 1, 2021. Interest fixed at 2.44% and will be reset on January 1, 2016 to 75% of the current prime rate. Secured by building and equipment.	1,692,547	2,054,048
Housing and Redevelopment Authority of City of St. Paul, Commercial Development Revenue Note. Note can be extended through June 21, 2021. Interest was reset at June 21, 2011 to 2.46% and will be reset June 21, 2016 to 1.5% above the LIBOR swap rate.	238,855	270,750

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

Description	2014	2013
City of Lino Lakes, Revenue Note, monthly principal and interest through January 2021. Interest at fixed rate of 2.28% and will be reset June 28, 2016 to 70% of the current prime rate. Secured by building.	1,818,270	2,078,196
Housing and Redevelopment Authority City of Hastings, Commercial Development Revenue Note, monthly principal and interest through December 2019. Interest at fixed rate of 2.075% and will be reset in December 2017 at .125% above 60% of the current prime rate.	676,650	803,908
Total	$ 39,769,882	$ 42,283,287

The summary of annual future maturities of principal on bonds and notes payable as of December 31, 2014 are as follows:

Year Ending December 31,	Scheduled Payment Amount	Contractual Payment Amount
2015	$ 15,194,738	$ 15,969,738
2016	2,672,701	1,897,701
2017	2,041,271	2,041,271
2018	2,086,477	2,086,477
2019	1,880,607	1,880,607
Thereafter	15,894,088	15,894,088
Total	$ 39,769,882	$ 39,769,882

The contractual payment amount reflects the full value of the YMCA's $1,530,000 revenue bond to the City of Burnsville. The contractual payment arises from accounting standards that require debt obligations, which are subject to a remarketing agreement and secured by a letter of credit containing an annual renewal, be reflected as a current debt obligation.

Revenue Bond

During 1996, the City of Burnsville issued $10,300,000 of Variable Rate Demand Revenue Bonds, Series 1996, on behalf of the YMCA. The interest rate of the bonds at December 31, 2014 and 2013 was .04% and .06%. The bonds are the sole responsibility of the YMCA and are secured through a $2,989,398 letter of credit. On April 21, 2015, the letter of credit was extended to expire on August 1, 2016 and can be extended for one-year terms. However, it is subject to non-renewal with a 90-day advance written notice from the bank.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

Revenue Bond (Continued)

Upon certain circumstances, the interest rate may be converted to a fixed rate. As long as the bonds carry a variable interest rate, they can be redeemed at the option of the bondholders. The YMCA has entered into an agreement that provides for the remarketing, to the extent possible, of the bonds in the event of redemption. The bonds are remarketed every seven days. In the event remarketing is unsuccessful, the letter of credit will be drawn upon to pay the trustee. The letter of credit is due the earlier of its expiration date or 366 days from the date of draw.

The YMCA has entered into a reimbursement agreement that provides for payments to the bank for draws, if any, that may be made upon the letter of credit. The reimbursement agreement contains covenants that restrict the YMCA’s ability, among other things, to issue additional debt; the YMCA must also maintain a market value of the board-designated endowment investments of at least $3,600,000 and meet certain other financial ratios. The YMCA is in compliance with these financial covenants as of December 31, 2014. The YMCA had board-designated endowment investments of $13,610,105 at December 31, 2014. Additionally, the YMCA has pledged land, buildings and equipment with a book value of $4,858,496 and $5,204,884 at December 31, 2014 and 2013, respectively, as collateral for the debt.

Bank Qualified Debt

During 2008, the Minnesota Agriculture and Development Board issued $35 million of variable rate demand revenue bonds, series 2008 on behalf of the YMCA. The interest rate at December 31, 2014 and 2013 was 1.21% and 1.22%, respectively. The bonds are the sole responsibility of the YMCA and were originally secured through a letter of credit until December 28, 2010. On December 28, 2010, the YMCA refinanced the existing $35 million of variable rate demand revenue bonds and entered into an $18 million bank qualified debt. The agreement contains covenants that restrict the YMCA’s ability, among other things, to issue additional debt; the YMCA must also meet certain financial ratios. The YMCA is in compliance with these financial covenants as of December 31, 2014. Additionally, the YMCA has pledged land, buildings and equipment with a book value of $43,792,582 and $46,496,026 at December 31, 2014 and 2013, respectively, as collateral for the debt.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

New Market Tax Credit Financing

In 2008, MMCDC New Market Tax Credit Fund X, LLC, a Delaware limited liability company (the CDE), made a new market tax credit enhanced mortgage loan of $11,400,000 to Urban YMCA LLC, a Minnesota limited liability company and wholly owned subsidiary of the YMCA, to finance project costs of the North Community and Blaisdell branches (the NMTC Loan). The CDE received an allocation of new market tax credit (NMTC) pursuant to Section 45D of the Code in order to assist eligible businesses in making new investments in certain communities. The availability of the NMTC allowed U.S. Bancorp Community Development Corporation, a Missouri limited liability company, to invest $3,603,600 in Minneapolis Y Investment Fund, LLC (the Investment Fund), a Missouri limited liability company. The YMCA committed $8,396,400 to its subsidiary Twin Cities YMCA Partners, LLC, in order for it to make a loan of $8,396,400 to the Investment Fund (the Leverage Loan). Additionally, the YMCA has pledged land and buildings with a book value of $11,160,462 and $11,529,522 at December 31, 2014 and 2013, respectively, as collateral for the debt.

The Investment Fund contributed the combined $12,000,000 to the CDE as a capital contribution, which in turn made the NMTC Loan to Urban YMCA LLC, a Minnesota limited liability company. The structure of this NMTC transaction is standard for the NMTC industry. The completion of this transaction provided a significant cash benefit to the YMCA.

Future Transactions: After the seven-year NMTC period expires, it is anticipated the CDE will liquidate and distribute its assets to the Investment Fund. It is also anticipated that Urban YMCA, LLC will acquire all the interests in the Investment Fund for a predetermined amount, and that the Investment Fund will be liquidated. After the “exit” transactions are completed, Twin Cities YMCA Partners, LLC will be the holder of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loan will be owed by the YMCA to its subsidiary. One other effect of the “exit” transactions is that the Twin Cities YMCA Partners, LLC would be both lender and borrower of Leverage Loan and, therefore, such debt will be eliminated. Effective March 3, 2015, the NMTC period expired and the loans were eliminated.

Loan Terms: The NMTC Loan, dated February 29, 2008, stipulates the Urban YMCA LLC pay interest at an annual rate of 1.46% per quarter payable in arrears on the first day of April, July, October and January until April 1, 2038 (Maturity Date). Interest costs associated with the loan amounted to $194,800 and $194,801 for the years ended December 31, 2014 and 2013, respectively. The Note calls for a principal payment of $240,000 on February 28, 2015, with outstanding balance due and payable on the Maturity Date. The Loan is not eligible for prepayment until February 28, 2015.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

New Market Tax Credit Financing

Subsequent to year-end, YMCA entered into a new market tax credit financing arrangement with both Sunrise New Market Fund VII, LLC and Capital City New Markets Fund VII, LLC. The financing was issued on April 27, 2015, for a total debt and equity investment of $15,062,964. Interest only payments will be made over the seven-year NMTC period.

Interest Rate Swap Agreement

The YMCA follows the *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, which establishes accounting and reporting standards for derivative instruments and for hedging activities. These standards require that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair market value.

On December 28, 2010, in conjunction with the Minnesota Agriculture and Development Board, Variable Rate Revenue Bond, the YMCA entered into two interest rate swap agreements with Wells Fargo Bank, N.A. (the Swap Provider) with the objective to minimize the risks associated with market rate fluctuations. One agreement is a 5-year term and the other is a 10-year term each at $6 million. Pursuant to the terms of the swap agreement (Interest Rate Swap), the YMCA pays the Swap Provider interest at a fixed rate of 1.732% on the 5-year term swap agreement, and a fixed rate of 2.53% on the 10-year term agreement. The Swap Provider will pay the YMCA interest at a variable rate equal to the product of the BQ Multiplier (67.01%) and the monthly LIBOR Rate. The 5-year and 10-year term swap agreements will expire January 1, 2016, and January 1, 2021, respectively. The fair value of the swap agreement liability was $570,062 and $565,675 at December 31, 2014 and 2013, respectively.

NOTE 6 NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2014 and 2013:

	2014	2013
Capital	$ 14,124,463	$ 10,305,762
Time and Program	14,074,735	11,507,122
Endowment	8,591,855	8,106,888
Beneficiary Agreements	514,090	352,935
Total Temporarily Restricted Net Assets	$ 37,305,143	$ 30,272,707

NOTE 6 NET ASSETS (CONTINUED)

Net assets released from restriction for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Time - Annual Support	$ 1,931,813	$ 1,701,571
Purpose - Program and Capital	7,378,756	7,834,681
Spending Rate Release of Endowment Funds	1,142,097	1,041,472
Total Releases from Restriction	$ 10,452,666	$ 10,577,724

Permanently restricted net assets are restricted for the following purposes as of December 31, 2014 and 2013:

	2014	2013
Endowment	$ 24,287,164	$ 23,802,843
Beneficiary Agreements	2,872,354	2,898,755
Total Permanently Restricted Net Assets	$ 27,159,518	$ 26,701,598

NOTE 7 ENDOWMENT

Board Designated and Donor Restricted Endowments

The YMCA has board designated and donor restricted endowment funds established for the purpose of securing the YMCA’s long-term financial viability and continuing to meet the needs of children and families in the community. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the YMCA has interpreted the state’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) as maintaining 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 YMCA classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. 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 YMCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the YMCA to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $155,691 and $193,229 as of December 31, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations in the endowment fund’s investments and continued appropriations that were deemed prudent by the board of directors.

NOTE 7 ENDOWMENT (CONTINUED)

Board Designated and Donor Restricted Endowments (Continued)

The YMCA 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 YMCA must hold in perpetuity or for a donor-specified period 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 a portfolio containing diverse asset classes without concentration in any particular class or holding while assuming a moderate level of investment risk. The YMCA expects its endowment funds, over time, to provide an average rate of return of approximately 5% more than the consumer price index. Actual returns in any given year may vary from this amount.

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

The YMCA has a policy of targeting for distribution each year an average of 4.5% of the endowment's market value calculated as of the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the YMCA considered the long-term expected return on its endowment. Accordingly, over the long term, the YMCA expects the current spending policy to allow its endowment to grow to outpace the distribution. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The endowment payout was $1,655,198 and $1,537,636 for the years ended December 31, 2014 and 2013, respectively.

The composition of endowment funds by type of fund as of December 31, 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (155,691)	$ 8,591,855	$ 25,942,089	$ 34,378,253
Board Designated Endowment Funds	13,610,105	-	-	13,610,105
Total Endowment Funds	$ 13,454,414	$ 8,591,855	$ 25,942,089	$ 47,988,358

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (193,229)	$ 8,106,888	$ 24,363,107	$ 32,276,766
Board Designated Endowment Funds	13,333,388	-	-	13,333,388
Total Endowment Funds	$ 13,140,159	$ 8,106,888	$ 24,363,107	$ 45,610,154

NOTE 7 ENDOWMENT (CONTINUED)

Board Designated and Donor Restricted Endowments (Continued)

The summary of changes in endowment net assets for the years ended December 31, 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, December 31, 2013	$ 13,140,159	$ 8,106,888	$ 24,363,107	$ 45,610,154
Change in Value of Perpetual Trusts	-	-	(40,434)	(40,434)
Contributions	69,854	-	1,619,416	1,689,270
Earnings (Losses) and Expenses:				
Investment Income	289,037	676,902	-	965,939
Investment Expenses	(7,863)	(18,383)	-	(26,246)
Realized Gains	464,544	1,096,978	-	1,561,522
Unrealized Gains (Losses)	(25,754)	(90,895)	-	(116,649)
Total Earnings (Losses) and Expenses	719,964	1,664,602	-	2,384,566
Transfer of Temporary Restricted Earnings and Expenses to Unrestricted	37,538	(37,538)	-	-
Appropriations	(513,101)	(1,142,097)	-	(1,655,198)
Endowment Fund Balance, December 31, 2014	$ 13,454,414	$ 8,591,855	$ 25,942,089	$ 47,988,358

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, December 31, 2012	$ 11,828,925	$ 5,797,869	$ 23,930,119	$ 41,556,913
Change in Value of Perpetual Trusts	-	-	272,163	272,163
Contributions	50,171	-	160,825	210,996
Earnings (Losses) and Expenses:				
Investment Income	245,369	572,382	-	817,751
Investment Expenses	(9,527)	(22,216)	-	(31,743)
Realized Gains	253,367	591,674	-	845,041
Unrealized Gains (Losses)	1,042,942	2,433,727	-	3,476,669
Total Earnings (Losses) and Expenses	1,532,151	3,575,567	-	5,107,718
Transfer of Temporary Restricted Earnings and Expenses to Unrestricted	225,076	(225,076)	-	-
Appropriations	(496,164)	(1,041,472)	-	(1,537,636)
Endowment Fund Balance, December 31, 2013	$ 13,140,159	$ 8,106,888	$ 24,363,107	$ 45,610,154

NOTE 8 DONOR ADVISED FUNDS

The Orange County Community Foundation holds and administers a donor advised fund from an individual for the benefit of the YMCA. Total contributions received from the Orange County Community Foundation for the years ended December 31, 2014 and 2013 were $35,000 and $35,000, respectively. As of December 31, 2014 and 2013, the value of the trust assets was $1,662,384 and $1,678,614, respectively. The YMCA does not have “variance powers” over these funds and, therefore, the assets are not recorded by the YMCA until received.

NOTE 9 LEASES

The YMCA leases various pieces of equipment and facilities under operating lease agreements which expire on various dates. Rent expense totaled $2,226,280 and $2,413,673 for the years ended December 31, 2014 and 2013, respectively.

The future minimum operating lease payments are as follows:

Year Ending December 31,	Amount
2015	$ 2,718,684
2016	1,695,716
2017	932,628
2018	120,412
2019	122,001
Thereafter	674,682
Total	$ 6,264,123

In 2004, the YMCA entered into a long-term lease for a new facility. The lease has an initial term of 30 years with 6 optional renewal periods of 10 years each and a final renewal term of 9 years. The lease is accounted for as a capital lease. The maximum lease payment in any year of the lease term is $635,000 including both principal and interest. Interest expense was $400,887 and $411,013 for the years ended December 31, 2014 and 2013, respectively. The cost of the building recorded under the capital lease was $9,672,643. Accumulated depreciation was $3,047,940 and $2,726,226 at December 31, 2014 and 2013, respectively. As part of the lease agreement the City of Andover donated the use of the land for the project. The value of the land was valued at $317,643 and is amortized over the initial 30-year lease period. Accumulated amortization was $116,469 and $105,881 as of December 31, 2014 and 2013, respectively. The amortization is included with depreciation expense.

NOTE 9 LEASES (CONTINUED)

On August 20, 2007, the YMCA entered into a lease agreement with the Economic Development Authority for the City of Elk River, Minnesota (EDA). The EDA built an approximately 55,000 square foot facility and the YMCA will provide health, wellness and youth programs in the facility. The initial lease term is 31 years with an evergreen provision up to a maximum of 99 years. The YMCA's lease payment is equal to one-third of the interest and principal on two separate debt issuances – a 25-year $10 million issuance on November 8, 2007 and a 7-year $2 million dollar issuance on February 20, 2008. The debt payments began August 1, 2008 and cease February 1, 2033. The agreement obligates the city to re-pay two-thirds of the debt and interest, while the YMCA is obligated for one-third of the debt and interest.

On February 12, 2013, the EDA refinanced the $10 million issuance. The YMCA obligation remains one-third of the debt and interest under the new agreement.

Interest expense and principal payments for the years ended December 31, 2014 and 2013 were as follows:

	2014		
	YMCA	City of Elk River	Total
Interest	$ 140,807	$ 281,615	$ 422,422
Principal	105,000	210,000	315,000
	$ 245,807	$ 491,615	$ 737,422
	2013		
	YMCA	City of Elk River	Total
Interest	$ 144,390	$ 288,780	$ 433,170
Principal	100,000	200,000	300,000
	$ 244,390	$ 488,780	$ 733,170

The cost of the facility under the capital lease was $12,906,013. Accumulated depreciation was $4,194,131 and $3,619,815 as of December 31, 2014 and 2013, respectively.

On January 22, 2013, the YMCA entered into a capital lease agreement for office equipment. The lease term is 63 months with lease payments of $26,999 per month. The cost of the equipment recorded under the capital lease was $758,186. Interest expense was $114,454 for the year ended December 31, 2014. Accumulated depreciation was $264,763 and $120,347 as of December 31, 2014 and 2013, respectively.

NOTE 9 LEASES (CONTINUED)

Future minimum capital lease payments are as follows:

Year Ending December 31,	Andover	Elk River	Office Equipment	Total
2015	$ 635,000	$ 248,656	$ 222,784	$ 1,106,440
2016	635,000	261,060	222,784	1,118,844
2017	633,399	235,266	222,784	1,091,449
2018	634,774	241,863	92,828	969,465
2019	635,000	241,796	-	876,796
Thereafter	9,120,037	3,438,359	-	12,558,396
Total Capital Lease Payments	12,293,210	4,667,000	761,180	17,721,390
Less: Interest Expense	(3,997,036)	(1,070,344)	(199,105)	(5,266,485)
Non-Cash Donation of Long-Term Facility Use	-	7,193,344	-	7,193,344
Total Minimum Capital Lease Payments	$ 8,296,174	$ 10,790,000	$ 562,075	$ 19,648,249

NOTE 10 RETIREMENT BENEFITS

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (the Retirement Fund). This plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements. The Retirement fund is operated as a church pension plan and is a not-for-profit, tax-exempt New York state corporation. Participation is available to all duly organized or reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

In accordance with the agreement with the Retirement Fund, contributions made by the YMCA are a percentage of the participating employees' salaries and are remitted to the Retirement Fund monthly. Contribution expense was $4,034,972 and $3,837,214 in 2014 and 2013, respectively.

NOTE 11 CONTINGENCIES AND COMMITMENTS

Contracts

The YMCA receives fees and grants from various federal, state and city government agencies for services performed under contracts. Such contracts are subject to governmental compliance audits and may, from time to time, result in adjustments to fees and grants received. In the opinion of the YMCA's management, the disposition of all such matters should not have a material adverse effect on the YMCA's financial position or changes in net assets.

NOTE 11 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Program Services

A rent agreement with White Bear Lake Area Schools was signed on October 12, 2009, in which the school district will pay $163,000 annually for 10 years beginning in 2010 for use of the aquatics facility at the White Bear Area YMCA.

Litigation and Insurance

The YMCA is involved in certain legal claims incidental to the normal course of its activities. As a result, the YMCA maintains liability insurance coverage. Although the ultimate outcome of these claims cannot be determined, management believes based on their current assessment, that the final disposition of these claims will not have a material adverse effect on the financial position of the YMCA.

NOTE 12 FAIR VALUE MEASUREMENTS

The YMCA uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the YMCA measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013 are as follows:

	2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ -	$ 17,429,471	$ -	$ 17,429,471
U.S. Government Securities	3,809,553	-	-	3,809,553
U.S. Corporate Bonds	9,630,796	-	-	9,630,796
Non-U.S. Corporate Bonds	2,238,744	-	-	2,238,744
U.S. Common and Preferred Stocks	24,644,432	-	-	24,644,432
Non-U.S. Common and Preferred Stocks	12,906,495	-	-	12,906,495
Commodity Index Fund	2,550,309	-	-	2,550,309
Global Real Estate Fund	3,186,700	-	-	3,186,700
Multi-Strategy Hedge Fund of Funds	-	6,704,052	-	6,704,052
Private Equity	-	-	832,328	832,328
Total	58,967,029	24,133,523	832,328	83,932,880
Funds Held in Escrow	35,000	-	-	35,000
Interest in Beneficiary Trusts	-	-	2,820,908	2,820,908
Deferred Swap Rate Liability	-	(570,062)	-	(570,062)
Total	$ 59,002,029	$ 23,563,461	$ 3,653,236	$ 86,218,726

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	2013			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ -	$ 7,851,133	$ -	$ 7,851,133
U.S. Government Securities	3,153,345	-	-	3,153,345
U.S. Corporate Bonds	7,874,421	-	-	7,874,421
Non-U.S. Corporate Bonds	2,583,116	-	-	2,583,116
U.S. Common and Preferred Stocks	25,879,367	-	-	25,879,367
Non-U.S. Common and Preferred Stocks	14,038,022	-	-	14,038,022
Commodity Index Fund	2,763,135	-	-	2,763,135
Global Real Estate Fund	2,897,534	-	-	2,897,534
Multi-Strategy Hedge Fund of Funds	-	6,206,723	-	6,206,723
Private Equity	-	-	277,029	277,029
Total	59,188,940	14,057,856	277,029	73,523,825
Funds Held in Escrow	343,075	-	-	343,075
Interest in Beneficiary Trusts	-	-	2,869,721	2,869,721
Deferred Swap Rate Liability	-	(565,675)	-	(565,675)
Total	$ 59,532,015	$ 13,492,181	$ 3,146,750	$ 76,170,946

Level 3 Assets

Level 3 assets are valued based on the traded values of the underlying securities in the investment pool. The changes in value attributable to gains and losses of Level 3 investments are reflected under investment income on the statement of activities.

The following table provides a summary of changes in fair value of the YMCA's Level 3 financial assets for the years ended December 31, 2014 and 2013:

	2014		
	Private Equity	Interest in Beneficiary Trusts	Total
Balances as of January 1, 2014	$ 277,029	$ 2,869,721	$ 3,146,750
Change in Value of Beneficiary Agreements	-	(48,813)	(48,813)
Net Realized and Unrealized Gains (Losses) on Investments	(26,852)	-	(26,852)
Proceeds from Sale of Investments	-	-	-
Purchases of Investments	582,151	-	582,151
Balances as of December 31, 2014	$ 832,328	$ 2,820,908	$ 3,653,236

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 Assets (Continued)

	2013		
	Private Equity	Interest in Beneficiary Trusts	Total
Balances as of January 1, 2013	$ -	$ 2,562,225	$ 2,562,225
Change in Value of Beneficial Agreements	-	307,496	307,496
Net Realized and Unrealized Gains (Losses) on Investments	-	-	-
Proceeds from Sale of Investments	-	-	-
Purchases of Investments	277,029	-	277,029
Balances as of December 31, 2013	$ 277,029	$ 2,869,721	$ 3,146,750

Quantitative Information about Level 3 Fair Value Measurements

The unobservable inputs used to determine the fair value of the investment in CIG are the underlying assets of the partnership, which consist of fixed income securities, mutual funds, stocks, futures, private capital investments, real estate and absolute return investments.

The unobservable inputs used to determine the fair value of fund of private equity funds has been estimated based on the capital account balances reported by underlying partnerships subject to the private equity fund of funds management review and judgment.

The unobservable inputs used to determine the fair value of the interest in beneficiary trusts are the underlying assets controlled by the trustee. The underlying assets consist of marketable securities that are either classified as Level 1 or Level 2 assets and the YMCA's fair value is determined by taking the trust's total value multiplied by their interest in the trust, as stated in the trust document.

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of December 31, 2014 and 2013:

	2014			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 6,704,052	$ -	Investments prior to April 1, 2006 - quarterly; subsequent investments - semi-annually	95 days regardless of date of investment
Private Equity	832,328	3,050,000	N/A	N/A

	2013			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 6,206,723	$ -	Investments prior to April 1, 2006 - quarterly; subsequent investments - semi-annually	95 days regardless of date of investment
Private Equity	277,029	3,760,000	N/A	N/A

Multi-Strategy Hedge Fund of Funds focus on building and maintaining low volatility, multi-manager portfolios which have little or no correlation to the broader debt and equity markets. Investments are primarily with institutional quality hedge fund managers who invest in a diversified historically uncorrelated strategy such as relative value, event-driven investing, equity market neutral, credit opportunities and distressed. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Private Equity includes venture capital, buyouts, mezzanine and special situation funds. The unobservable inputs used to determine the fair value of the fund of private equity funds has been estimated based on the capital account balances reported by underlying partnerships subject to the private equity fund of funds management review and judgment.