

YMCA of Greater Omaha

**Financial Statements and
Independent Auditors' Report**

December 31, 2015 and 2014



YMCA of Greater Omaha

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INDEPENDENT AUDITORS' REPORT

Board of Directors
YMCA of Greater Omaha
Omaha, Nebraska

Report on the Financial Statements

We have audited the accompanying statements of financial position of YMCA of Greater Omaha as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA of Greater Omaha as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lutz & Company, P.C.

April 25, 2016

YMCA of Greater Omaha

Statements of Financial Position

December 31, 2015 and 2014

ASSETS		
	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,325,120	\$ 783,774
Restricted Cash and Cash Equivalents	1,950,496	830,223
Current Portion of Contributions Receivable (Note 2)	4,354,267	9,794,445
Program Receivables, Less Allowance for Doubtful Accounts of \$0 and \$46,844, respectively	411,590	114,418
Marketable Securities (Notes 3, 4 and 7)	2,807,809	2,844,789
Prepaid Expenses	55,108	96,396
Total Current Assets	10,904,390	14,464,045
PROPERTY AND EQUIPMENT, NET (Notes 5, 7 and 8)	25,742,087	26,283,395
OTHER ASSETS		
Contribution Receivable, Less Current Portion (Note 2)	5,828,625	1,884,913
Other	42,033	19,677
Total Other Assets	5,870,658	1,904,590
TOTAL ASSETS	\$ 42,517,135	\$ 42,652,030
LIABILITIES		
CURRENT LIABILITIES		
Revolving Bank Line of Credit (Note 6)	\$ -	\$ 119,236
Current Portion of Long-Term Debt (Note 7)	682,579	409,892
Current Portion of Capitalized Lease Obligations (Note 8)	188,114	458,412
Accounts Payable	471,907	567,318
Accrued Expenses	195,293	171,096
Deferred Revenue	643,279	600,965
Total Current Liabilities	2,181,172	2,326,919
LONG TERM LIABILITIES		
Long-Term Debt, Less Current Portion (Note 7)	9,206,290	9,129,317
Capital Lease Obligations, Less Current Portion (Note 8)	88,761	270,951
Total Long Term Liabilities	9,295,051	9,400,268
Total Liabilities	11,476,223	11,727,187
COMMITMENTS (Notes 11 and 13)		
NET ASSETS		
Unrestricted	17,141,375	16,993,617
Temporarily Restricted (Note 9)	13,215,950	13,247,639
Permanently Restricted (Note 10)	683,587	683,587
Total Net Assets	31,040,912	30,924,843
TOTAL LIABILITIES AND NET ASSETS	\$ 42,517,135	\$ 42,652,030

See Notes to Financial Statements.

YMCA of Greater Omaha

Statements of Activities and Changes in Net Assets

Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support				
Operating Contributions	\$ 650,551	\$ 227,141	\$ -	\$ 877,692
Capital Campaign Contributions	-	(73,935)	-	(73,935)
Grant Revenues	98,122	1,065,148	-	1,163,270
Allocations from United Way of the Midlands	-	658,395	-	658,395
Total Public Support	748,673	1,876,749	-	2,625,422
Revenues				
Program Service Fees	5,252,425	-	-	5,252,425
Membership Dues	9,936,597	-	-	9,936,597
Investment Return (Note 10)	(27,536)	-	-	(27,536)
Merchandise Sales	8,312	-	-	8,312
Miscellaneous	253,129	-	-	253,129
Loss on Sale of Equipment	(13,839)	-	-	(13,839)
Total Revenues	15,409,088	-	-	15,409,088
Net Assets Released From Restrictions (Note 9)	1,908,438	(1,908,438)	-	-
Total Revenues, Gains and Other Support	18,066,199	(31,689)	-	18,034,510
EXPENSES				
Program Services	15,898,147	-	-	15,898,147
Management and General	1,345,732	-	-	1,345,732
Fund Raising	472,043	-	-	472,043
Payment to National Organization (Note 13)	202,519	-	-	202,519
Total Expenses	17,918,441	-	-	17,918,441
Increase (Decrease) in Net Assets	147,758	(31,689)	-	116,069
Net Assets, Beginning of Year	16,993,617	13,247,639	683,587	30,924,843
Net Assets, End of Year	\$ 17,141,375	\$ 13,215,950	\$ 683,587	\$ 31,040,912

See Notes to Financial Statements.

YMCA of Greater Omaha

Statements of Activities and Changes in Net Assets

Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support				
Operating Contributions	\$ 573,467	\$ 230,070	\$ 5,000	\$ 808,537
Capital Campaign Contributions	-	11,337,344	-	11,337,344
Grant Revenues	85,842	815,460	-	901,302
Allocations from United Way of the Midlands	-	798,357	-	798,357
Total Public Support	659,309	13,181,231	5,000	13,845,540
Revenues				
Program Service Fees	4,926,973	-	-	4,926,973
Membership Dues	9,193,778	-	-	9,193,778
Investment Return (Note 10)	171,283	-	-	171,283
Merchandise Sales	10,995	-	-	10,995
Miscellaneous	171,637	-	-	171,637
Gain on Sale of Equipment	2,968	-	-	2,968
Total Revenues	14,477,634	-	-	14,477,634
Net Assets Released From Restrictions (Note 9)	1,950,722	(1,950,722)	-	-
Total Revenues, Gains and Other Support	17,087,665	11,230,509	5,000	28,323,174
EXPENSES				
Program Services	15,086,473	-	-	15,086,473
Management and General	1,456,983	-	-	1,456,983
Fund Raising	409,133	-	-	409,133
Payment to National Organization (Note 13)	171,495	-	-	171,495
Total Expenses	17,124,084	-	-	17,124,084
Increase (Decrease) in Net Assets	(36,419)	11,230,509	5,000	11,199,090
Net Assets, Beginning of Year	17,030,036	2,017,130	678,587	19,725,753
Net Assets, End of Year	\$ 16,993,617	\$ 13,247,639	\$ 683,587	\$ 30,924,843

See Notes to Financial Statements.

YMCA of Greater Omaha

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 116,069	\$ 11,199,090
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	1,556,558	1,469,038
Loss (Gain) on Sale of Equipment	13,839	(2,968)
Realized and Unrealized Loss (Gain) on Marketable Securities	133,012	(75,060)
Forgiveness of Long-Term Debt	(3,490)	(3,291)
Expenses (Contributions) Restricted for Capital Additions	73,935	(11,342,344)
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Contributions Receivable	1,496,466	(10,543,442)
Increase in Program Receivables	(297,172)	(63,182)
Decrease (Increase) in Prepaid Expenses	41,288	(13,735)
Decrease (Increase) in Other Assets	(22,356)	6,761
Increase (Decrease) in Accounts Payable	(95,411)	84,171
Increase (Decrease) in Accrued Expenses	24,197	(203,262)
Increase in Deferred Revenue	42,314	40,624
Net Cash Provided by (Used in) Operating Activities	3,079,249	(9,447,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Marketable Securities	(265,718)	(332,424)
Proceeds from Sale of Marketable Securities	169,686	502,696
Purchase of Property and Equipment	(271,615)	(787,268)
Proceeds from Sale of Property and Equipment	51,900	9,275
Net Cash Used in Investing Activities	(315,747)	(607,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Advances on (Repayments of) Revolving Bank Line of Credit	(119,236)	119,236
Repayments of Long-Term Debt	(448,891)	(397,186)
Repayments of Capitalized Lease Obligation	(459,821)	(481,324)
Capital Campaign Contributions (Expenses)	(73,935)	11,342,344
Net Cash Provided by (Used in) Financing Activities	(1,101,883)	10,583,070
Net Increase in Cash and Cash Equivalents	1,661,619	527,749
Cash and Cash Equivalents, Beginning of Year	1,613,997	1,086,248
Cash and Cash Equivalents, End of Year	\$ 3,275,616	\$ 1,613,997
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 383,251	\$ 409,614
NONCASH INVESTING AND FINANCING ACTIVITIES		
Long-Term Debt Incurred to Purchase Property and Equipment	\$ 802,041	\$ -
Capitalized Lease Obligations Incurred to Purchase Property and Equipment	7,333	275,694
Forgiveness of Capital Lease Obligation on Returned Equipment	-	28,005

See Notes to Financial Statements.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

Nature of Activities

The YMCA of Greater Omaha (the Association) is a nonprofit organization governed by a Board of Directors. The Association is a human services organization whose mission is to put Christian principles into practice through programs that build healthy spirit, mind and body for all.

The following is a description of the key areas of the Association:

Youth Development – Aims to nurture the potential of every child and teen through programs such as childcare, education and leadership, swim, and camp.

Healthy Living – Aims to improve the community's health and well-being through programs that focus on family time, well-being and fitness, sports and recreation.

Social Responsibility – Incorporates giving back and providing support to our neighbors with programs that include social services, volunteerism and advocacy.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to grant or donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to grant or donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to grant or donor-imposed stipulations that they be maintained permanently by the Association, and primarily consist of the historical dollar value of grants and contributions to establish or add to donor-restricted endowment funds.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all investments with an original maturity of three months or less to be cash and cash equivalents.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents includes cash restricted by donors for the capital campaign.

Contributions Receivable

Contributions receivable consist primarily of pledges and grants. The receivables are carried at original pledge or grant amount, are unsecured and due upon terms of the pledge or grant. The Association considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Program Receivables

Program receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering financial condition, credit history, and current economic conditions. Program receivables are written off when deemed uncollectible. Recoveries are recorded when received.

Marketable Securities

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included as an increase or decrease to unrestricted net assets unless the income or loss is restricted by donor or law. Marketable securities are carried at fair value (See Notes 3 and 4). Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date.

Concentration of Credit and Market Risk

The Association's financial instruments consisting of cash and cash equivalents and investments potentially expose them to concentrations of credit and market risk.

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Notes to Financial Statements

December 31, 2015 and 2014

The Association maintains both its unrestricted and restricted cash and cash equivalents in bank accounts in which the balances sometimes exceed federally insured limits. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) which covers interest bearing and non-interest bearing accounts up to \$250,000 per bank under the FDIC's general deposit insurance rules.

The Association invests in a professionally managed portfolio that contains marketable investment securities. Such investments are exposed to various risks such as credit and market. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	5 - 40
Equipment	5 - 15
Land Improvements	10 - 25
Software	5

Projects in progress are recorded at cost and no depreciation is recorded until the assets are placed in service.

Revenue Recognition

Public Support and Contributions

Public support is considered to be available for unrestricted use unless specifically restricted by the donor. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. Donated properties and materials are recorded as public support at their estimated fair value at the date of donation.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value determined using the discounted present value of the estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

Membership and Program Revenue Recognition

Membership dues are recognized as revenue on the straight-line method over the life of the membership period. Revenue from Association programs is recognized over the duration of the offered programs.

Deferred Revenue

Deferred revenue represents billings and payments to the Association for membership fees and other program fees received for future periods. As amounts are earned they are taken to income on a monthly basis.

Functional Expense Allocation

The costs of providing the various programs and other activities of the Association have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. All fundraising expenses include an allocation of Association services expense.

Income Taxes

The Association is exempt from federal income taxes as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

The financial statements will not reflect a provision for income taxes except for the tax on unrelated business income. As of December 31, 2015 and 2014, the Association had no tax liability for unrelated business income.

The Association follows the provisions of FASB Codification Topic 740-10 related to uncertain income tax positions. Management believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain positions that are material to the financial statements.

The Association is no longer subject to income tax examinations by federal, state, or local tax authorities for years before December 31, 2012.

Reclassification

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through April 25, 2016, noting no items requiring disclosure.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

2. Contributions Receivable

Contributions receivable at December 31, includes the following:

	<u>2015</u>	<u>2014</u>
Contributions Receivable Due in:		
Less than One Year	\$ 4,354,267	\$ 9,794,445
Two Years to Five Years	6,247,596	2,020,185
	<u>10,601,863</u>	<u>11,814,630</u>
Less Discount to Present Value	418,971	135,272
Present Value of Contributions Receivable	10,182,892	11,679,358
Less Current Portion	4,354,267	9,794,445
Contributions Receivable, Less Current Portion	<u>\$ 5,828,625</u>	<u>\$ 1,884,913</u>

3. Marketable Securities

Marketable securities at December 31, consists of the following:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
2015				
Money Market Funds	\$ 266,244	\$ -	\$ -	\$ 266,244
Beneficial Interest in Assets Held by Community Foundation	27,116	-	(767)	26,349
Mutual Funds	1,496,848	322,962	(9,058)	1,810,752
Common Stocks	517,526	214,297	(27,359)	704,464
Total Marketable Securities	<u>\$ 2,307,734</u>	<u>\$ 537,259</u>	<u>\$ (37,184)</u>	<u>\$ 2,807,809</u>
2014				
Money Market Funds	\$ 229,882	\$ -	\$ -	\$ 229,882
Municipal Bonds	25,065	711	-	25,776
Beneficial Interest in Assets Held by Community Foundation	10,000	16,829	-	26,829
Mutual Funds	1,396,498	450,577	(2,613)	1,844,462
Common Stocks	513,288	223,305	(18,753)	717,840
Total Marketable Securities	<u>\$ 2,174,733</u>	<u>\$ 691,422</u>	<u>\$ (21,366)</u>	<u>\$ 2,844,789</u>

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

4. Fair Value Measurements

FASB Codification Topic 820-10 on *Fair Value Measurements* (FASB 820-10) establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability, and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Money Market and Mutual Funds: Valued at the net asset value of the underlying investments.

Municipal Bonds: Valued using pricing models and quoted prices of securities with similar characteristics.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial Interest in Assets Held by Community Foundation: Valued using pricing models and quoted prices of securities with similar characteristics.

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Notes to Financial Statements

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The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents by level, within the fair value hierarchy, the Association's assets and liabilities at fair value as of December 31, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 266,244	\$ -	\$ -	\$ 266,244
Beneficial Interest in Assets Held by Community Foundation	-	26,349	-	26,349
Mutual Funds:				
Fixed Income	544,564	-	-	544,564
Large-Cap Equity	1,003,517	-	-	1,003,517
Small-Cap Equity	89,566	-	-	89,566
International Equity	173,105	-	-	173,105
Total Mutual Funds	1,810,752	-	-	1,810,752
Common Stocks:				
Common Stock	18,340	-	-	18,340
Consumer Discretion	58,032	-	-	58,032
Consumer Staples	91,415	-	-	91,415
Energy	66,280	-	-	66,280
Financial	41,220	-	-	41,220
Health Care	142,254	-	-	142,254
Industrials	84,056	-	-	84,056
Information Technology	157,918	-	-	157,918
Materials	14,400	-	-	14,400
Technology	30,549	-	-	30,549
Total Common Stocks	704,464	-	-	704,464
Total at Fair Value	\$ 2,781,460	\$ 26,349	\$ -	\$ 2,807,809

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

The following table presents by level, within the fair value hierarchy, the Association's assets and liabilities at fair value as of December 31, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 229,882	\$ -	\$ -	\$ 229,882
Municipal Bonds	-	25,776	-	25,776
Beneficial Interest in Assets Held by Community Foundation	-	26,829	-	26,829
Mutual Funds:				
Fixed Income	545,906	-	-	545,906
Large-Cap Equity	1,029,708	-	-	1,029,708
Small-Cap Equity	94,724	-	-	94,724
International Equity	174,124	-	-	174,124
Total Mutual Funds	1,844,462	-	-	1,844,462
Common Stocks:				
Basic Materials	40,667	-	-	40,667
Common Stock	20,888	-	-	20,888
Consumer Discretion	49,383	-	-	49,383
Consumer Staples	104,757	-	-	104,757
Energy	56,953	-	-	56,953
Financial	40,570	-	-	40,570
Health Care	109,690	-	-	109,690
Industrials	73,891	-	-	73,891
Information Technology	162,205	-	-	162,205
Materials	27,544	-	-	27,544
Technology	31,292	-	-	31,292
Total Common Stocks	717,840	-	-	717,840
Total at Fair Value	\$ 2,792,184	\$ 52,605	\$ -	\$ 2,844,789

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

5. Property and Equipment, Net

Property and equipment at December 31, consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 3,363,232	\$ 3,363,232
Buildings	40,414,972	40,311,520
Equipment	3,852,849	3,281,717
Land Improvements	1,238,916	1,238,916
Software	527,034	510,673
Projects in Progress	322,437	278,288
Total Cost	<u>49,719,440</u>	<u>48,984,346</u>
Less Accumulated Depreciation	<u>23,977,353</u>	<u>22,700,951</u>
Net Book Value	<u>\$ 25,742,087</u>	<u>\$ 26,283,395</u>

6. Financing Arrangement

The Association's financing arrangement consists of a \$750,000 unsecured revolving bank line of credit due July 2016 with interest payable monthly at the bank's index rate, not to be lower than 5.00%. There was \$0 and \$119,236 outstanding against this line of credit at December 31, 2015 and 2014, respectively.

7. Long-Term Debt

Long-term debt at December 31, consists of the following:

	<u>2015</u>	<u>2014</u>
Note payable to the Barbara L. Richardson Trust, payable in monthly installments of \$888, including interest at 6%, through March 2020, collateralized by certain land and building.	\$ 39,894	\$ 47,896
Note payable to the City of Council Bluffs, with interest discounted at 5%, collateralized by certain land and building. The note is to be forgiven in annual \$4,000 increments over an 8-year period if the Association retains title to the related land and building. At any time the related land and building are sold or transferred the remaining balance of the note shall become due.	7,438	10,893

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Notes to Financial Statements

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Note payable to a bank, payable in monthly installments of \$62,559, including interest at 3.75%, through March 2017, collateralized by the Armbrust, Butler-Gast, Southwest, Maple and Sarpy buildings, as well as certain investment securities that are permanently restricted in nature.	9,081,939	9,479,177
Note payable to a bank, payable in monthly installments of \$23,611, including interest at 3.75%, through October 2018, collateralized by certain equipment.	759,598	-
Interest free note payable to a bank, payable in monthly installments of \$601. This note was paid in full during 2015.	-	1,243
Total Long-Term Debt	9,888,869	9,539,209
Less Current Portion	682,579	409,892
Long-Term Debt, Less Current Portion	<u>\$ 9,206,290</u>	<u>\$ 9,129,317</u>

The aggregate maturities of long-term debt for the years ending after December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 682,579
2017	8,952,128
2018	241,359
2019	10,166
2020	2,637
	<u>\$ 9,888,869</u>

The Company has an \$8,000,000 construction loan that was executed in October of 2015 for the construction of a new facility in Council Bluffs, IA. No amounts have been drawn on this loan as of December 31, 2015. The organization anticipates construction to commence in 2016 and be complete in 2017. This note payable to a bank is due in monthly installments of \$53,644, including interest at 3.830%, though October 2022, when a balloon payment is due. The payments start in November of 2017. During construction monthly interest only payments are due based on the outstanding monthly balance.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

8. Capitalized Lease Obligations

The Association has entered into various capitalized equipment leases, payable in monthly installments totaling \$18,010, including imputed interest at rates at 5.00%, maturing on various dates through March 2019, collateralized by the equipment being leased. The cost of capitalized leased equipment was \$1,583,393 and \$1,712,728 at December 31, 2015 and 2014, respectively, which is being depreciated over their useful lives. Accumulated depreciation on this equipment was \$786,377 and \$975,937 at December 31, 2015 and 2014, respectively. Depreciation expense was \$327,034 and \$311,980 for the years ended December 31, 2015 and 2014, respectively. These leases contain purchase options, which have generally been set at prices approximating the expected fair value for the equipment at the expiration of the lease term.

Future minimum lease payments for the years ending after December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 194,960
2017	70,695
2018	10,666
2019	9,997
	<hr/>
	286,318
Less Amounts Representing Interest	<hr/>
	9,443
Present Value of Future Minimum Lease Payment	276,875
Less Current Portion	<hr/>
	188,114
Capitalized Lease Obligations, Less Current Portion	<hr/>
	<u>\$ 88,761</u>

9. Restrictions and Limitations on Net Asset Balances

Temporarily restricted net assets at December 31, consist of the following:

	<u>2015</u>	<u>2014</u>
Capital Campaign	\$ 12,120,688	\$ 12,273,877
Sustaining Campaign	213,987	217,469
Diabetes Grant	53,348	87,682
United Way Allocation:		
Youth Development	247,803	288,374
Healthy Living	53,556	58,908
Social Responsibility	64,150	64,150
Other - Grants	453,892	253,179
Other - Operation Contributions	8,526	4,000
	<hr/>	<hr/>
	<u>\$ 13,215,950</u>	<u>\$ 13,247,639</u>

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors during the years ended December 31, consists of the following:

	<u>2015</u>	<u>2014</u>
Operating:		
Sustaining Campaign	\$ 217,469	\$ 115,553
United Way Allocation	704,318	827,084
Other	908,768	639,045
Total Operating	<u>1,830,555</u>	<u>1,581,682</u>
Capital Campaign	77,883	369,040
	<u>\$ 1,908,438</u>	<u>\$ 1,950,722</u>

Permanently restricted net assets (see Note 10) at December 31, the income from which is expendable for program services, consist of the following:

	<u>2015</u>	<u>2014</u>
Peter Kiewit Trust	\$ 500,000	\$ 500,000
Marshall Trust	103,587	103,587
Henry Ogram Trust	75,000	75,000
Credit Shelter Family Trust	5,000	5,000
	<u>\$ 683,587</u>	<u>\$ 683,587</u>

10. Endowment Funds

The Association's endowment consists of certain funds established for various donor-restricted purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association follows the provisions of the State of Nebraska Prudent Management of Institutional Funds Act (SPMIFA). SPMIFA requires the preservation of the fair value of the original gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Association classifies as permanently restricted net assets (a) the original value of the 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 instruments at the time the accumulation is added to the fund.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

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 appreciation of investments
6. Other resources of the Association
7. The investment policies of the Association

As there are no donor-restrictions on interest and dividends from the Marguerite Marshall Trust or the Peter Kiewit Endowment, income earned on these endowments is available annually to be spent on operations and is reflected in unrestricted net asset activity. Donor restrictions on the Henry C. Ogram Trust require that all earnings be spent on Needy Children at the YMCA Camp. Income from this endowment is available annually to be spent on day camp scholarships and is reflected in temporarily restricted net assets until all scholarships have been awarded. As of December 31, 2015, all scholarships had been awarded according to the decedent's wishes and no earnings were held in temporarily restricted net assets.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets included those assets of donor-restricted endowment funds the Association must hold in perpetuity or for donor-specified periods. Under the Association's policies, endowment assets are invested in a manner that is intended to preserve inflation adjusted values and provide annual budgetary support that is both stable and growing.

To satisfy its long-term rate of return objective, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and a current yield (interest and dividends). The Association targets a diversified asset allocation, including, but not limited to, equity and fixed income instruments.

All permanently restricted funds are required to be retained permanently by explicit donor stipulation or SPMIFA and the composition of these net assets are set forth in Note 9.

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. Deficiencies of this nature, if any, would be reported in unrestricted net assets. These deficiencies could result from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Association. Subsequent gains that would restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

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

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, Beginning of Year	\$ 2,161,202	\$ 683,587	\$ 2,844,789
Contributions	1,000	-	1,000
Investment Return			
Investment Income, Net	105,476	-	105,476
Realized and Unrealized Gains (Losses) on Investments, Net	(133,012)	-	(133,012)
Total Investment Return	<u>(27,536)</u>	<u>-</u>	<u>(27,536)</u>
Appropriation of Endowment Assets for Expenditure	<u>(10,444)</u>	<u>-</u>	<u>(10,444)</u>
Endowment, End of Year	<u>\$ 2,124,222</u>	<u>\$ 683,587</u>	<u>\$ 2,807,809</u>

Changes in endowment net assets for the year ended December 31, 2014 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, Beginning of Year	\$ 2,261,414	\$ 678,587	\$ 2,940,001
Contributions	32,181	5,000	37,181
Investment Return			
Investment Income, Net	96,223	-	96,223
Realized and Unrealized Gains (Losses) on Investments, Net	75,060	-	75,060
Total Investment Return	<u>171,283</u>	<u>-</u>	<u>171,283</u>
Appropriation of Endowment Assets for Expenditure	<u>(303,676)</u>	<u>-</u>	<u>(303,676)</u>
Endowment, End of Year	<u>\$ 2,161,202</u>	<u>\$ 683,587</u>	<u>\$ 2,844,789</u>

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2015 and 2014

11. Commitments

Lease Obligations

The Association has entered into various operating leases for parking lot space and office equipment used by the Association. The future minimum lease payments under these noncancelable operating leases as of December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 65,264
2017	29,041
	<u>\$ 94,305</u>

Lease expense under these operating leases was approximately \$73,000 and \$55,000 for the years ended December 31, 2015 and 2014, respectively.

Legal Proceedings

The Association is party to legal proceedings arising in the ordinary course of its business. In the opinion of management and its legal counsel, disposition of these matters will not materially affect the Association's financial position or results of operations.

12. Benefit Plan

The Association participates in the Young Men's Christian Association Retirement Fund, a defined contribution retirement plan available to all duly organized or reorganized YMCA's in the United States of America. The plan covers substantially all employees upon completion of two years of service and attainment of 21 years of age. The Association makes contributions to the plan of 9% of a participant's annual wages. The Association's benefit plan costs were approximately \$308,000 and \$246,000 for the years ended December 31, 2015 and 2014, respectively.

13. Sharing of Public Support

In accordance with the affiliation agreement with the Association's national organization, a percentage of total unrestricted public support and revenue (as adjusted for certain direct costs of producing revenue) shall be shared with the national organization as determined by the Association's Board of Directors. In accordance with the agreement, approximately 1.0% of such support and revenue was subject to these provisions for 2015 and 2014. Such amounts are used as directed by the national organization's Board of Directors for national programs of research, education and community services, and for management and general and fund-raising expenses.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
YMCA of Greater Omaha
Omaha, Nebraska

We have audited the financial statements of YMCA of Greater Omaha as of and for the years ended December 31, 2015 and 2014, and have issued our report thereon, dated April 25, 2016, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lutz & Company, P.C.

April 25, 2016

YMCA of Greater Omaha

Schedules of Functional Expenses

Year Ended December 31, 2015

	Program Services				Supporting Services			Grand Total
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,744,140	\$ 4,111,341	\$ 272,013	\$ 7,127,494	\$ 654,376	\$ 164,841	\$ 819,217	\$ 7,946,711
Employee Health and Retirement Benefits	221,924	339,156	23,926	585,006	89,907	15,248	105,155	690,161
Payroll Taxes	208,237	309,907	19,761	537,905	56,732	12,357	69,089	606,994
Total Salaries and Related Expenses	3,174,301	4,760,404	315,700	8,250,405	801,015	192,446	993,461	9,243,866
Professional Fees and Contract Services	357,243	184,225	14,803	556,271	99,714	148,960	248,674	804,945
Supplies	577,811	247,556	94,316	919,683	32,636	4,564	37,200	956,883
Telephone and Internet	45,278	77,266	3,929	126,473	33,174	-	33,174	159,647
Postage and Shipping	17,941	39,840	609	58,390	8,217	2,862	11,079	69,469
Occupancy Expenses	1,067,082	1,493,766	86,831	2,647,679	149,309	-	149,309	2,796,988
Purchases, Maintenance and Rental of Equipment	96,014	170,554	14,462	281,030	42,460	-	42,460	323,490
Marketing	142,456	267,816	1,351	411,623	8,300	59,240	67,540	479,163
Travel and Transportation	94,129	40,867	7,374	142,370	15,563	4,621	20,184	162,554
Meetings and Conferences	17,556	30,903	952	49,411	10,535	5,315	15,850	65,261
Insurance	25,307	36,511	4,322	66,140	10,316	-	10,316	76,456
Capital Campaign Expenses	-	-	-	-	-	323	323	323
Miscellaneous	223,699	229,353	16,004	469,056	115,605	53,712	169,317	638,373
Total Other Expenses	2,664,516	2,818,657	244,953	5,728,126	525,829	279,597	805,426	6,533,552
Total Expenses Before Depreciation and Interest Expense	5,838,817	7,579,061	560,653	13,978,531	1,326,844	472,043	1,798,887	15,777,418
Depreciation	663,096	812,366	62,261	1,537,723	18,835	-	18,835	1,556,558
Interest	164,654	201,778	15,461	381,893	53	-	53	381,946
Total Functional Expenses	\$ 6,666,567	\$ 8,593,205	\$ 638,375	\$15,898,147	\$ 1,345,732	\$ 472,043	\$ 1,817,775	\$17,715,922

See Independent Auditors' Report on Supplemental Information.

YMCA of Greater Omaha

Schedules of Functional Expenses

Year Ended December 31, 2014

	Program Services				Supporting Services			Grand Total
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,532,510	\$ 4,030,380	\$ 218,677	\$ 6,781,567	\$ 756,326	\$ 163,625	\$ 919,951	\$ 7,701,518
Employee Health and Retirement Benefits	193,594	317,455	19,935	530,984	105,253	10,532	115,785	646,769
Payroll Taxes	209,964	318,952	21,078	549,994	51,365	11,375	62,740	612,734
Total Salaries and Related Expenses	2,936,068	4,666,787	259,690	7,862,545	912,944	185,532	1,098,476	8,961,021
Professional Fees and Contract Services	297,022	155,539	15,178	467,739	115,815	111,985	227,800	695,539
Supplies	510,171	274,557	32,526	817,254	35,579	1,384	36,963	854,217
Telephone and Internet	53,592	74,422	5,252	133,266	37,919	450	38,369	171,635
Postage and Shipping	11,427	35,538	767	47,732	8,509	1,445	9,954	57,686
Occupancy Expenses	1,033,857	1,520,137	73,402	2,627,396	123,310	-	123,310	2,750,706
Purchases, Maintenance and Rental of Equipment	68,433	127,527	4,888	200,848	61,211	660	61,871	262,719
Marketing	100,693	284,280	41	385,014	2,382	4,488	6,870	391,884
Travel and Transportation	71,920	41,022	5,533	118,475	25,281	4,776	30,057	148,532
Meetings and Conferences	14,974	33,310	3,262	51,546	12,316	6,890	19,206	70,752
Insurance	47,968	72,917	3,881	124,766	24,695	-	24,695	149,461
Capital Campaign Expenses	-	-	-	-	-	59,091	59,091	59,091
Miscellaneous	169,130	218,651	18,393	406,174	71,563	32,432	103,995	510,169
Total Other Expenses	2,379,187	2,837,900	163,123	5,380,210	518,580	223,601	742,181	6,122,391
Total Expenses Before Depreciation and Interest Expense	5,315,255	7,504,687	422,813	13,242,755	1,431,524	409,133	1,840,657	15,083,412
Depreciation	596,943	802,026	44,691	1,443,660	25,378	-	25,378	1,469,038
Interest	165,532	222,131	12,395	400,058	81	-	81	400,139
Total Functional Expenses	\$ 6,077,730	\$ 8,528,844	\$ 479,899	\$15,086,473	\$ 1,456,983	\$ 409,133	\$ 1,866,116	\$16,952,589

See Independent Auditors' Report on Supplemental Information.

Lutz