

YMCA of Greater Omaha

**Financial Statements and
Independent Auditors' Report**

December 31, 2016 and 2015



YMCA of Greater Omaha

Index

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Cash Flows	5
Notes to Financial Statements	6-21
Supplemental Information	
Independent Auditors' Report on Supplemental Information	22
Schedules of Functional Expenses	23-24

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

Lutz & Company, P.C.

April 10, 2017

YMCA of Greater Omaha

Statements of Financial Position

December 31, 2016 and 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,041,903	\$ 1,325,120
Restricted Cash and Cash Equivalents	459,132	1,950,496
Current Portion of Contributions Receivable (Note 2)	7,673,091	4,354,267
Program Receivables	502,098	411,590
Marketable Securities (Notes 3 and 4)	2,710,212	2,807,809
Prepaid Expenses	84,936	55,108
Total Current Assets	13,471,372	10,904,390
PROPERTY AND EQUIPMENT, NET (Notes 5, 7 and 8)	28,872,620	25,742,087
OTHER ASSETS		
Contribution Receivable, Less Current Portion (Note 2)	92,983	5,828,625
Other	28,676	42,033
Total Other Assets	121,659	5,870,658
TOTAL ASSETS	\$ 42,465,651	\$ 42,517,135
LIABILITIES		
CURRENT LIABILITIES		
Current Portion of Long-Term Debt (Note 7)	\$ 556,902	\$ 682,579
Current Portion of Capitalized Lease Obligations (Note 8)	68,608	188,114
Accounts Payable	682,241	471,907
Accrued Expenses	216,586	195,293
Deferred Revenue	624,631	643,279
Total Current Liabilities	2,148,968	2,181,172
LONG TERM LIABILITIES		
Long-Term Debt, Less Current Portion (Note 7)	8,683,810	9,206,290
Capital Lease Obligations, Less Current Portion (Note 8)	19,842	88,761
Total Long Term Liabilities	8,703,652	9,295,051
Total Liabilities	10,852,620	11,476,223
COMMITMENTS (Notes 11 and 13)		
NET ASSETS		
Unrestricted	21,618,413	17,141,375
Temporarily Restricted (Note 9)	9,311,031	13,215,950
Permanently Restricted (Note 10)	683,587	683,587
Total Net Assets	31,613,031	31,040,912
TOTAL LIABILITIES AND NET ASSETS	\$ 42,465,651	\$ 42,517,135

See Notes to Financial Statements.

YMCA of Greater Omaha

Statements of Activities and Changes in Net Assets

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Public Support				
Operating Contributions	\$ 911,172	\$ 158,960	\$ -	\$ 1,070,132
Capital Campaign Contributions	-	457,475	-	457,475
Grant Revenues	95,301	913,425	-	1,008,726
Allocations from United Way of the Midlands	-	492,771	-	492,771
Total Public Support	1,006,473	2,022,631	-	3,029,104
Revenues				
Program Service Fees	5,537,930	-	-	5,537,930
Membership Dues	10,361,296	-	-	10,361,296
Investment Return (Note 10)	132,579	-	-	132,579
Merchandise Sales	3,007	-	-	3,007
Miscellaneous	330,763	-	-	330,763
Loss on Sale of Equipment	(1,961)	-	-	(1,961)
Total Revenues	16,363,614	-	-	16,363,614
Net Assets Released From Restrictions (Note 9)	5,927,550	(5,927,550)	-	-
Total Revenues, Gains and Other Support	23,297,637	(3,904,919)	-	19,392,718
EXPENSES				
Program Services	16,647,675	-	-	16,647,675
Management and General	1,326,059	-	-	1,326,059
Fund Raising	606,777	-	-	606,777
Payment to National Organization (Note 13)	240,088	-	-	240,088
Total Expenses	18,820,599	-	-	18,820,599
Increase (Decrease) in Net Assets	4,477,038	(3,904,919)	-	572,119
Net Assets, Beginning of Year	17,141,375	13,215,950	683,587	31,040,912
Net Assets, End of Year	\$ 21,618,413	\$ 9,311,031	\$ 683,587	\$ 31,613,031

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 Cash Flows

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 572,119	\$ 116,069
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	1,646,851	1,556,558
Loss on Sale of Equipment	1,961	13,839
Realized and Unrealized Loss (Gain) on Marketable Securities	(101,848)	133,012
Forgiveness of Long-Term Debt	(3,628)	(3,490)
Expenses (Contributions) Restricted for Capital Additions	(457,475)	73,935
Changes in Operating Assets and Liabilities		
Decrease in Contributions Receivable	2,416,818	1,496,466
Increase in Program Receivables	(90,508)	(297,172)
Decrease (Increase) in Prepaid Expenses	(29,828)	41,288
Decrease (Increase) in Other Assets	13,357	(22,356)
Increase (Decrease) in Accounts Payable	210,334	(95,411)
Increase in Accrued Expenses	21,293	24,197
Increase (Decrease) in Deferred Revenue	(18,648)	42,314
Net Cash Provided by Operating Activities	4,180,798	3,079,249
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Marketable Securities	(3,565,906)	(265,718)
Proceeds from Sale of Marketable Securities	3,765,351	169,686
Purchase of Property and Equipment	(4,779,345)	(271,615)
Proceeds from Sale of Property and Equipment	-	51,900
Net Cash Used in Investing Activities	(4,579,900)	(315,747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Repayments of Revolving Bank Line of Credit	-	(119,236)
Repayments of Long-Term Debt	(644,529)	(448,891)
Repayments of Capitalized Lease Obligation	(188,425)	(459,821)
Capital Campaign Contributions (Expenses)	457,475	(73,935)
Net Cash Used in Financing Activities	(375,479)	(1,101,883)
Net Increase (Decrease) in Cash and Cash Equivalents	(774,581)	1,661,619
Cash and Cash Equivalents, Beginning of Year	3,275,616	1,613,997
Cash and Cash Equivalents, End of Year	\$ 2,501,035	\$ 3,275,616
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 365,766	\$ 383,251
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

See Notes to Financial Statements.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

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 Organization) is a nonprofit association governed by a Board of Directors. The Organization is a human services association 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 Organization:

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 Organization 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 Organization 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 Organization, 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, 2016 and 2015

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

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

The Organization 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. At December 31, 2016 and 2015 there were cash balances in excess of FDIC limits at the bank of approximately \$1,764,000 and \$2,465,000, respectively.

The Organization 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, 2016 and 2015

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 Organization programs is recognized over the duration of the offered programs.

Deferred Revenue

Deferred revenue represents billings and payments to the Organization 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 Organization 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 Organization services expense.

Income Taxes

The Organization 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, 2016 and 2015, the Organization had no tax liability for unrelated business income.

The Organization 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 Organization is no longer subject to income tax examinations by federal, state, or local tax authorities for years before December 31, 2013.

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 10, 2017, noting no items requiring disclosure.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

2. Contributions Receivable

Contributions receivable at December 31 includes the following:

	<u>2016</u>	<u>2015</u>
Contributions Receivable Due in:		
Less than One Year	\$ 7,673,091	\$ 4,354,267
Two Years to Five Years	100,559	6,247,596
	<u>7,773,650</u>	<u>10,601,863</u>
Less Discount to Present Value	7,576	418,971
Present Value of Contributions Receivable	7,766,074	10,182,892
Less Current Portion	<u>7,673,091</u>	<u>4,354,267</u>
Contributions Receivable, Less Current Portion	<u>\$ 92,983</u>	<u>\$ 5,828,625</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>
<u>2016</u>				
Money Market Funds	\$ 149,289	\$ -	\$ -	\$ 149,289
Beneficial Interest in Assets Held by Community Foundation	27,588	278	-	27,866
Mutual Funds	2,479,406	89,606	(35,955)	2,533,057
Total Marketable Securities	<u>\$ 2,656,283</u>	<u>\$ 89,884</u>	<u>\$ (35,955)</u>	<u>\$ 2,710,212</u>
<u>2015</u>				
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>

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

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, 2016 and 2015.

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.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

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 Organization 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 Organization's assets and liabilities at fair value as of December 31, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 149,289	\$ -	\$ -	\$ 149,289
Beneficial Interest in Assets Held by Community Foundation	-	27,866	-	27,866
Mutual Funds:				
Fixed Income	884,939	-	-	884,939
Large-Cap Equity	1,025,307	-	-	1,025,307
Small-Cap Equity	379,664	-	-	379,664
International Equity	243,147	-	-	243,147
Total Mutual Funds	2,533,057	-	-	2,533,057
Total at Fair Value	\$ 2,682,346	\$ 27,866	\$ -	\$ 2,710,212

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

The following table presents by level, within the fair value hierarchy, the Organization'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, 2016 and 2015

5. Property and Equipment, Net

Property and equipment at December 31 consists of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 3,363,232	\$ 3,363,232
Buildings	40,585,698	40,414,972
Equipment	3,973,513	3,852,849
Land Improvements	1,535,615	1,238,916
Software	541,047	527,034
Projects in Progress	4,436,718	322,437
Total Cost	<u>54,435,823</u>	<u>49,719,440</u>
Less Accumulated Depreciation	<u>25,563,203</u>	<u>23,977,353</u>
Net Book Value	<u>\$ 28,872,620</u>	<u>\$ 25,742,087</u>

6. Financing Arrangement

The Organization's financing arrangement consists of a \$750,000 unsecured revolving bank line of credit due July 2017 with interest payable monthly at 1% below the bank's index rate. There was no amount outstanding against this line of credit at December 31, 2016 and 2015, respectively.

7. Long-Term Debt

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

	<u>2016</u>	<u>2015</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.	\$ 31,399	\$ 39,894
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.	3,810	7,438

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Note payable to a bank, payable in monthly installments of \$50,296, including interest at 3.40%, through January 2022, collateralized by the Armbrust, Southwest, Maple and Sarpy buildings. This note was refinanced during 2016.	\$ 8,704,760	\$ 9,081,939
Note payable to a bank, payable in monthly installments of \$23,611, including interest at 3.75%, through October 2018, collateralized by certain equipment.	500,743	759,598
Total Long-Term Debt	9,240,712	9,888,869
Less Current Portion	556,902	682,579
Long-Term Debt, Less Current Portion	<u>\$ 8,683,810</u>	<u>\$ 9,206,290</u>

The aggregate maturities of long-term debt for the years ending after December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 556,902
2018	559,338
2019	339,275
2020	342,523
2021	352,538
Thereafter	7,090,136
	<u>\$ 9,240,712</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, 2016 and 2015, respectively. The Organization anticipates construction to be completed 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.

8. Capitalized Lease Obligations

The Organization has entered into various capitalized equipment leases, payable in monthly installments totaling \$16,759, 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 \$662,302 and \$1,583,393 at December 31, 2016 and 2015, respectively, which is being depreciated over their useful lives. Accumulated depreciation on this equipment was \$417,450 and \$786,377 at December 31, 2016 and 2015, respectively. Depreciation expense was \$132,464 and \$327,034 for the years ended December 31, 2016 and 2015, 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.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

Future minimum lease payments for the years ending after December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 70,385
2018	10,666
2019	9,996
	<hr/>
	91,047
Less Amounts Representing Interest	<hr/>
	2,597
Present Value of Future Minimum Lease Payment	88,450
Less Current Portion	<hr/>
	68,608
Capitalized Lease Obligations, Less Current Portion	<hr/> <hr/>
	\$ 19,842

9. Restrictions and Limitations on Net Asset Balances

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

	<u>2016</u>	<u>2015</u>
Capital Campaign	\$ 8,444,703	\$ 12,120,688
Sustaining Campaign	138,609	213,987
Diabetes Grant	44,588	53,348
United Way Allocation:		
Youth Development	193,952	247,803
Healthy Living	19,830	53,556
Social Responsibility	41,920	64,150
Other - Grants	427,429	453,892
Other - Operation Contributions	-	8,526
	<hr/>	<hr/>
	\$ 9,311,031	\$ 13,215,950

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

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>2016</u>	<u>2015</u>
Operating:		
Sustaining Campaign	\$ 213,987	\$ 217,469
United Way Allocation	602,578	704,318
Other	977,525	908,768
Total Operating	<u>1,794,090</u>	<u>1,830,555</u>
Capital Campaign	4,133,460	77,883
	<u>\$ 5,927,550</u>	<u>\$ 1,908,438</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>2016</u>	<u>2015</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 Organization'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 Organization 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 Organization 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, 2016 and 2015

In accordance with SPMIFA, the Organization 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 Organization 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 Organization
7. The investment policies of the Organization

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, 2016, all scholarships had been awarded according to the decedent's wishes and no earnings were held in temporarily restricted net assets.

The Organization 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 Organization must hold in perpetuity or for donor-specified periods. Under the Organization'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 Organization 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 Organization 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 Organization 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 Organization. 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, 2016 and 2015

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

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment, Beginning of Year	\$ 2,124,222	\$ 683,587	\$ 2,807,809
Contributions	-	-	-
Investment Return			
Investment Income, Net	30,731	-	30,731
Realized and Unrealized Gains (Losses) on Investments, Net	101,848	-	101,848
Total Investment Return	<u>132,579</u>	<u>-</u>	<u>132,579</u>
Appropriation of Endowment Assets for Expenditure	<u>(230,176)</u>	<u>-</u>	<u>(230,176)</u>
Endowment, End of Year	<u>\$ 2,026,625</u>	<u>\$ 683,587</u>	<u>\$ 2,710,212</u>

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>

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

11. Commitments

Lease Obligations

The Organization has entered into various operating leases for parking lot space and office equipment used by the Organization. The future minimum lease payments under these noncancelable operating leases as of December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 65,677
2018	37,888
2019	35,188
2020	22,421
2021	6,195
	<u>\$ 167,369</u>

Lease expense under these operating leases was approximately \$84,000 and \$73,000 for the years ended December 31, 2016 and 2015, respectively.

The Organization has entered into a ground lease related to the new facility being built in Council Bluffs. The lease is for a period of 10 years, ending in June 2025. As part of the lease agreement, the Organization is leasing space in the building back to the donor for an amount equal to the lease ground payments, resulting in no economic impact to the Company over the lease period. The donor plans to provide certain rehab, quick care and urgent care services out of its leased space in the building. At the expiration of the lease term, and assuming the Organization is not in default under any of the covenants and conditions of the ground lease, the Organization shall have the right to purchase the ground leased premises for \$1. At the time of the expiration, the Organization will record the land and donation on their books at the then discounted fair market value.

Legal Proceedings

The Organization 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 Organization's financial position or results of operations.

12. Benefit Plan

The Organization participates in the Young Men's Christian Organization 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 Organization makes contributions to the plan of 9% of a participant's annual wages. The Organization's benefit plan costs were approximately \$322,000 and \$308,000 for the years ended December 31, 2016 and 2015, respectively.

YMCA of Greater Omaha

Notes to Financial Statements

December 31, 2016 and 2015

13. Sharing of Public Support

In accordance with the affiliation agreement with the Organization's national association, a percentage of total unrestricted public support and revenue (as adjusted for certain direct costs of producing revenue) shall be shared with the national association as determined by the Organization's Board of Directors. In accordance with the agreement, approximately 1% of such support and revenue was subject to these provisions for 2016 and 2015. Such amounts are used as directed by the national association'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, 2016 and 2015, and have issued our report thereon, dated April 10, 2017, 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 10, 2017

YMCA of Greater Omaha

Schedules of Functional Expenses

Year Ended December 31, 2016

	Program Services				Supporting Services			Grand Total
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,967,433	\$ 4,222,825	\$ 209,737	\$ 7,399,995	\$ 661,455	\$ 160,569	\$ 822,024	\$ 8,222,019
Employee Health and Retirement Benefits	243,599	346,518	23,780	613,897	89,562	15,243	104,805	718,702
Payroll Taxes	232,418	320,249	15,791	568,458	54,191	14,665	68,856	637,314
Total Salaries and Related Expenses	3,443,450	4,889,592	249,308	8,582,350	805,208	190,477	995,685	9,578,035
Professional Fees and Contract Services	406,714	229,663	10,864	647,241	77,987	166,205	244,192	891,433
Supplies	631,023	230,714	55,128	916,865	33,933	8,642	42,575	959,440
Telephone and Internet	59,214	129,518	3,022	191,754	25,273	2,143	27,416	219,170
Postage and Shipping	1,764	3,320	122	5,206	4,248	1,400	5,648	10,854
Occupancy Expenses	1,110,505	1,514,531	69,646	2,694,682	152,813	-	152,813	2,847,495
Purchases, Maintenance and Rental of Equipment	91,041	160,675	3,792	255,508	30,406	1,160	31,566	287,074
Marketing	179,441	396,551	2,257	578,249	1,721	87,422	89,143	667,392
Travel and Transportation	87,873	47,731	5,288	140,892	28,364	4,256	32,620	173,512
Meetings and Conferences	24,157	48,092	1,737	73,986	15,126	23,616	38,742	112,728
Insurance	28,203	36,429	3,882	68,514	10,172	-	10,172	78,686
Miscellaneous	251,868	226,248	11,220	489,336	127,194	121,456	248,650	737,986
Total Other Expenses	2,871,803	3,023,472	166,958	6,062,233	507,237	416,300	923,537	6,985,770
Total Expenses Before Depreciation and Interest Expense	6,315,253	7,913,064	416,266	14,644,583	1,312,445	606,777	1,919,222	16,563,805
Depreciation	724,236	863,286	45,750	1,633,272	13,579	-	13,579	1,646,851
Interest	163,972	195,489	10,359	369,820	35	-	35	369,855
Total Functional Expenses	\$ 7,203,461	\$ 8,971,839	\$ 472,375	\$16,647,675	\$ 1,326,059	\$ 606,777	\$ 1,932,836	\$18,580,511

See Independent Auditors' Report on Supplemental Information.

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.

Lutz