

Young Men's Christian Association of Greater Oklahoma City

Financial Report
October 31, 2015

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statements of financial position	3
Statement of activities and changes in net assets—Year ended October 31, 2015	4
Statement of activities and changes in net assets—Year ended October 31, 2014	5
Statements of cash flows	6
Statement of functional expenses—Year ended October 31, 2015	7
Statement of functional expenses—Year ended October 31, 2014	8
Notes to financial statements	9-21



RSM US LLP

Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association
of Greater Oklahoma City

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of Greater Oklahoma City, which comprise the statements of financial position as of October 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the Young Men's Christian Association of Greater Oklahoma City as of October 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.

RSM US LLP

Oklahoma City, Oklahoma
January 21, 2016

Young Men's Christian Association of Greater Oklahoma City

Statements of Financial Position
October 31, 2015 and 2014

	2015	2014
Assets		
Cash and cash equivalents	\$ 2,371,252	\$ 1,560,844
Receivables	1,135,121	1,410,235
Inventories and supplies	117,330	110,281
Prepaid insurance and other assets	602,096	984,218
Investments	7,605,000	7,736,000
Facilities, net	33,913,791	34,643,247
	<u>33,913,791</u>	<u>34,643,247</u>
Total assets	\$ 45,744,590	\$ 46,444,825
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,471,355	\$ 1,320,020
Deferred revenues	515,633	467,243
Notes payable	9,099,680	6,212,539
Bonds payable	-	3,704,554
Total liabilities	11,086,668	11,704,356
Net assets:		
Unrestricted net assets:		
Undesignated	437,454	415,526
Designated for maintenance	612,197	567,229
Designated for investments	152,584	143,120
Designated for facilities	336,669	802,325
Invested in facilities	24,058,973	24,359,265
Total unrestricted net assets	25,597,877	26,287,465
Temporarily restricted net assets:		
For periods after October 31, 2015 and 2014	1,027,814	1,097,011
For investment	2,387,756	2,535,545
For facility acquisition	1,491,451	663,279
Total temporarily restricted net assets	4,907,021	4,295,835
Permanently restricted net assets	4,153,024	4,157,169
Total net assets	34,657,922	34,740,469
	<u>34,657,922</u>	<u>34,740,469</u>
Total liabilities and net assets	\$ 45,744,590	\$ 46,444,825
	<u>\$ 45,744,590</u>	<u>\$ 46,444,825</u>

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Statement of Activities and Changes in Net Assets
Year Ended October 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 1,873,627	\$ 897,710	\$ 6,248	\$ 2,777,585
Government grants and contracts	24,376	-	-	24,376
United Way allocations	37,332	74,668	-	112,000
	<u>1,935,335</u>	<u>972,378</u>	<u>6,248</u>	<u>2,913,961</u>
Membership dues	15,893,605	-	-	15,893,605
Program and facility fees	6,837,254	-	-	6,837,254
Sales to the public (net of direct related costs of \$180,689)	46,651	-	-	46,651
Rental income	174,215	-	-	174,215
	<u>22,951,725</u>	<u>-</u>	<u>-</u>	<u>22,951,725</u>
Investment income	31,188	183,141	1,426	215,755
Loss on disposal of fixed assets	(32,262)	-	-	(32,262)
	<u>(1,074)</u>	<u>183,141</u>	<u>1,426</u>	<u>183,493</u>
	<u>24,885,986</u>	<u>1,155,519</u>	<u>7,674</u>	<u>26,049,179</u>
Net assets released from restrictions	493,553	(493,553)	-	-
Total revenues, gains and other support	<u>25,379,539</u>	<u>661,966</u>	<u>7,674</u>	<u>26,049,179</u>
Expenses:				
Youth development	10,750,696	-	-	10,750,696
Healthy living	10,744,331	-	-	10,744,331
Social responsibility	1,083,638	-	-	1,083,638
General and administrative	2,824,842	-	-	2,824,842
Fundraising	518,105	-	-	518,105
Rental activities	146,098	-	-	146,098
Total expenses	<u>26,067,710</u>	<u>-</u>	<u>-</u>	<u>26,067,710</u>
Excess (deficiency) of revenues over expenses	<u>(688,171)</u>	<u>661,966</u>	<u>7,674</u>	<u>(18,531)</u>
Other gains (losses):				
Net unrealized and realized gains on investments	(1,417)	(50,780)	(11,819)	(64,016)
Increase in net assets	<u>(689,588)</u>	<u>611,186</u>	<u>(4,145)</u>	<u>(82,547)</u>
Net assets, beginning of year	26,287,465	4,295,835	4,157,169	34,740,469
Net assets, end of year	<u>\$ 25,597,877</u>	<u>\$ 4,907,021</u>	<u>\$ 4,153,024</u>	<u>\$ 34,657,922</u>

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Statement of Activities and Changes in Net Assets
Year Ended October 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 1,698,434	\$ 506,397	\$ 3,360	\$ 2,208,191
Government grants and contracts	30,746	-	-	30,746
United Way allocations	38,000	76,000	-	114,000
	<u>1,767,180</u>	<u>582,397</u>	<u>3,360</u>	<u>2,352,937</u>
Membership dues	14,650,165	-	-	14,650,165
Program and facility fees	6,352,902	-	-	6,352,902
Sales to the public (net of direct related costs of \$180,966)	56,021	-	-	-
Rental income	182,365	-	-	182,365
	<u>21,241,453</u>	<u>-</u>	<u>-</u>	<u>21,241,453</u>
Investment income	211,406	-	1,092	212,498
Gain on disposal of fixed assets	4,583	-	-	4,583
	<u>215,989</u>	<u>-</u>	<u>1,092</u>	<u>217,081</u>
	<u>23,224,622</u>	<u>582,397</u>	<u>4,452</u>	<u>23,811,471</u>
Net assets released from restrictions	204,869	(206,219)	1,350	-
Total revenues, gains and other support	<u>23,429,491</u>	<u>376,178</u>	<u>5,802</u>	<u>23,811,471</u>
Expenses:				
Youth development	10,009,015	-	-	10,009,015
Healthy living	10,301,542	-	-	10,301,542
Social responsibility	919,201	-	-	919,201
General and administrative	2,684,108	-	-	2,684,108
Fundraising	510,251	-	-	510,251
Rental activities	152,821	-	-	152,821
Total expenses	<u>24,576,938</u>	<u>-</u>	<u>-</u>	<u>24,576,938</u>
Excess (deficiency) of revenues over expenses	<u>(1,147,447)</u>	<u>376,178</u>	<u>5,802</u>	<u>(765,467)</u>
Other gains:				
Net unrealized and realized gains on investments	110,539	250,097	77,693	438,329
Increase in net assets	<u>(1,036,908)</u>	<u>626,275</u>	<u>83,495</u>	<u>(327,138)</u>
Net assets, beginning of year	<u>27,324,373</u>	<u>3,669,560</u>	<u>4,073,674</u>	<u>35,067,607</u>
Net assets, end of year	<u>\$ 26,287,465</u>	<u>\$ 4,295,835</u>	<u>\$ 4,157,169</u>	<u>\$ 34,740,469</u>

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Statements of Cash Flows
Years Ending October 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Decrease in net assets	\$ (82,547)	\$ (327,138)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,575,672	1,477,021
Loss (Gain) on disposal of facilities, net	7,460	(4,583)
Unrealized and realized loss (gain) on investments, net	64,016	(438,329)
Investment income restricted or designated for investment	158,182	(328,883)
Contributions received which are restricted for investment in endowment or facility acquisition	(959,027)	(512,307)
Changes in operating assets and liabilities:		
Receivables	275,114	(728,753)
Inventories and supplies	(7,049)	(22,691)
Prepaid insurance and other assets	382,122	100,179
Accounts payable and accrued expenses	151,335	(763,345)
Deferred revenue	48,390	48,772
Net cash provided by (used in) operating activities	1,613,668	(1,500,057)
Cash flows from investing activities:		
Purchase of investments	(1,512,395)	(8,941,389)
Proceeds from maturities and sales of investments	1,579,379	9,029,719
Purchase of facilities	(857,712)	(892,767)
Proceeds from sale of facilities	4,036	11,000
Net cash used by investing activities	(786,692)	(793,437)
Cash flows from financing activities:		
Principal payments on bonds payable	(3,704,554)	(253,732)
Principal payments on notes payable	(437,859)	(287,461)
Proceeds from notes payable	3,325,000	-
Contributions restricted for investment in endowment	6,673	3,250
Contributions restricted for facilities acquisition	952,354	509,057
Investment income restricted for reinvestment	(158,182)	328,883
Net cash provided by (used in) financing activities	(16,568)	299,997
Net change in cash and cash equivalents	810,408	(1,993,497)
Cash and cash equivalents, beginning of year	1,560,844	3,554,341
Cash and cash equivalents, end of year	\$ 2,371,252	\$ 1,560,844
Supplemental disclosure of cash flow information-interest paid	\$ 549,791	\$ 476,696

See notes to financial statements.

Statement of Functional Expenses

Young Men's Christian Association of Greater Oklahoma City
Year Ended October 31, 2015

	Programs			General & Administrative	Fundraising	Rental Activity	Total
	Youth Development	Healthy Living	Social Responsibility				
Expenses:							
Salary and wages	\$ 4,412,022	\$ 3,940,028	\$ 280,622	\$ 1,067,439	\$ 210,333	\$ -	\$ 9,910,444
Employee benefits	496,675	399,391	45,430	203,352	40,025	-	1,184,873
Payroll taxes	399,722	356,715	25,925	81,888	18,480	-	882,730
Contracted services	95,556	15,433	37,714	64,431	-	-	213,134
Supplies	924,284	418,275	125,317	17,465	41,449	3,647	1,530,437
Telephone	73,059	66,272	14,267	92,127	7,280	-	253,005
Postage and shipping	10,157	11,208	1,665	5,368	2,731	-	31,129
Occupancy	2,637,112	2,939,923	352,509	182,098	56,346	90,642	6,258,630
Equipment rental and maintenance	237,205	1,292,184	14,701	495,399	12,300	-	2,051,789
Printing and promotion	119,110	113,303	37,673	87,470	64,459	-	422,015
Travel and employee expenses	386,532	74,460	30,439	79,422	16,270	-	587,123
Conferences and training	27,531	50,571	6,286	45,499	19,325	-	149,212
National support	-	-	-	282,892	-	-	282,892
Organizational dues	11,320	10,089	1,097	14,789	1,843	-	39,138
Miscellaneous	40,243	35,011	25,924	43,452	1,066	-	145,696
Interest	234,072	304,908	8,111	-	2,700	-	549,791
Depreciation and amortization	646,096	716,560	75,958	61,751	23,498	51,809	1,575,672
Total expenses	\$10,750,696	\$10,744,331	\$ 1,083,638	\$ 2,824,842	\$ 518,105	\$ 146,098	\$26,067,710

See notes to financial statements.

Statement of Functional Expenses

Young Men's Christian Association of Greater Oklahoma City
Year Ended October 31, 2014

	Programs			General & Administrative	Fundraising	Rental Activity	Total
	Youth Development	Healthy Living	Social Responsibility				
Expenses:							
Salary and wages	\$ 4,089,701	\$ 3,895,342	\$ 222,971	\$ 1,068,555	\$ 205,186	\$ -	\$ 9,481,755
Employee benefits	472,234	427,514	31,516	199,703	28,271	-	1,159,238
Payroll taxes	394,957	379,736	21,582	87,100	19,130	-	902,505
Contracted services	81,290	12,582	17,327	84,159	-	-	195,358
Supplies	918,842	397,999	125,198	19,317	28,308	3,985	1,493,649
Telephone	71,988	65,886	15,977	76,365	7,157	-	237,373
Postage and shipping	9,890	10,891	1,855	6,009	2,740	-	31,385
Occupancy	2,113,223	2,623,612	262,167	89,941	53,031	91,205	5,233,179
Equipment rental and maintenance	475,161	1,257,618	39,215	483,483	27,932	-	2,283,409
Printing and promotion	119,078	112,224	18,016	84,591	78,795	-	412,704
Travel and employee expenses	393,962	83,852	32,122	101,897	23,167	-	635,000
Conferences and training	28,598	45,058	7,925	35,131	5,387	-	122,099
National support	-	-	-	233,309	-	-	233,309
Organizational dues	12,271	10,514	860	20,472	5,339	-	49,456
Miscellaneous	42,621	37,357	38,100	33,782	942	-	152,802
Interest	205,707	259,246	9,687	-	2,056	-	476,696
Depreciation and amortization	579,492	682,111	74,683	60,294	22,810	57,631	1,477,021
Total expenses	\$10,009,015	\$10,301,542	\$ 919,201	\$ 2,684,108	\$ 510,251	\$ 152,821	\$24,576,938

See notes to financial statements.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Young Men's Christian Association of Greater Oklahoma City (the Association) is incorporated under the laws of the State of Oklahoma as a not-for-profit organization and conducts activities in Oklahoma City and its surrounding communities.

Basis of financial statements: The financial statements of the Association have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. 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 are classified and reported as follows:

Permanently restricted: Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. The donors of these assets may permit the Association to use all or part of the income earned on related investments for general or specific purposes. Currently, substantially all income from permanently restricted net assets is available for any activities of the Association.

Temporarily restricted: Net assets subject to donor-imposed stipulations that can be met either by actions of the Association and/or the passage of time. However, donor restricted contributions whose restrictions are met in the same fiscal year are classified as unrestricted.

Unrestricted: Net assets for which the donor has not imposed a restriction that the assets be used for a specific purpose or held for a certain period of time. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Board of Directors of the Association has designated portions of the unrestricted net assets for maintenance, investment, and facility development. In addition, the Association has invested unrestricted net assets in the existing facilities of the Association.

Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled, and/or the stipulated time period has elapsed) are reported as net assets released from restriction in the statement of activities. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any. An allowance for uncollectible receivables is established based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Rental income is recognized when earned in accordance with the terms of the respective leases. Accordingly, rental income is recognized over the terms of the respective leases.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Endowment investment and spending policies: The Association's endowment consists of approximately 20 individual funds established for a variety of purposes. The endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association has interpreted the Oklahoma Prudent Management of Institutional Funds Act (OKPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment fund gift, absent explicit donor instructions to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original fair value of gifts to the permanent endowment, (b) the original fair value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the explicit donor instructions at the time of the gift. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by OKPMIFA.

In accordance with OKPMIFA, the Association considered the following factors in making its determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Association and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation and depreciation of investments;
- Other resources of the Association; and
- The investment policy of the Association.

Cash and cash equivalents: Cash and cash equivalents include cash and certificates of deposit with original maturities less than 90 days. Cash and certificates of deposit that are restricted for long-term purposes are presented as investments. The Association maintains its cash and cash equivalents in bank deposit accounts and money market funds, some of which may not be federally insured. The Association has not experienced any losses in such accounts and believes it is not exposed to significant credit risk on cash and cash equivalents.

Inventories and supplies: Inventories and supplies are stated at the lower of cost or market. Cost is determined using the first in, first out method.

Fair value of financial instruments: The Association's financial instruments consist of cash and cash equivalents, receivables, pledges receivable, investments, accounts payable and accrued expenses, notes payable, and bonds payable. The carrying value of cash and cash equivalents, receivables, accounts payable and accrued expenses, notes payable and bonds payable approximates fair value.

Accounts receivable and credit policy: Accounts receivable principally consists of billings to other not-for-profit organizations. The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. The Association's management considers various factors in determining when to charge off a receivable, including the length of time from the initial billing, the payment history, the organization's financial status, and the overall collection history.

The delinquency of any receivables is considered on an individual basis. A receivable is charged off when management has determined that all reasonable methods for collection of the receivable have been exhausted.

Young Men’s Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the statements of financial position, with gains and losses included in the statements of activities and changes in net assets. The fair values of investments are generally determined based on quoted market prices or estimates of fair value provided by external investment managers. The amounts the Association will ultimately realize could differ materially from the reported amounts, and significant fluctuations in fair values could occur from year to year.

Income and gains or losses on investments are reported as follows:

- Increases/decreases in permanently restricted net assets if the terms of the gift that gave rise to the investment or applicable law require a portion of income or gains and losses to be added to the principal of a permanent endowment.
- Increases/decreases in temporarily restricted net assets if the terms of the gift or applicable law impose restrictions on the use of the income.
- Increases/decreases in unrestricted net assets in all other cases.

Generally, losses on the investments included in restricted net assets reduce temporarily restricted net assets to the extent donor-imposed temporary restrictions on net appreciation of investments have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets but can be restored through subsequent investment gains. Losses on beneficial interests in assets held by others and certain other losses on permanently restricted funds are included in permanently restricted net assets.

The Association has an investment policy specific to its Endowment Fund, which is monitored by the Investment Committee of its Board of Directors. Endowment Fund assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. In addition to the spending policy, the investment policy describes the objective for the fund and sets ranges for asset allocation.

The overall rate of the return objective of the portfolio is a reasonable “real” rate, consistent with the risk levels established by the Committee. The expected rate of return over a full market cycle should equal or exceed a reasonable “real” return, plus the rate of inflation.

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset class:

	Minimum Percent	Maximum Percent	Target Percent
Large cap stocks	20%	40%	30%
Small and mid cap stocks	5%	20%	10%
International equities	5%	25%	15%
Emerging market equities	0%	15%	5%
Investment grade fixed income	10%	35%	20%
High yield fixed income	0%	10%	5%
International fixed income	0%	20%	10%
Alternative Investments	0%	10%	5%
Cash	0%	5%	0%

The Association has an endowment spending formula for spending the earnings from the Endowment Fund. Unless specified otherwise by the donor, the Association allocates 4.0 percent of the related investment’s average market value for the prior 12 quarters as determined as of June 30 of each year for the subsequent year’s operating activities.

Young Men’s Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Donated services: In instances where services would have been purchased had volunteers not donated their services and the value of these services can be reasonably established, the Association reflects the value of the donation in its financial statements. A substantial number of volunteers have donated time to the Association for projects such as fundraising, coaching, the running of certain programs and events, and administration of the Association. No amounts have been reflected in the financial statements for such services.

Long-lived assets: Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Facilities: Depreciation of facilities is based on the straight-line method with the half-year convention in the year of acquisition utilizing the following estimated useful lives:

	<u>Years</u>
Buildings	25-45
Improvements	5-25
Furniture and equipment	5-10
Vehicles	5

Income taxes: The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for income taxes in the accompanying financial statements. Management evaluated the Association’s tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Association is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2012.

Beneficial interests in assets held by others: Beneficial interests in assets held by others represent amounts held by the Oklahoma City Community Foundation (OCCF), which were contributed to OCCF by the Association together with the undistributed gains and losses on such funds. The Association does not have any rights to the principal of these funds as OCCF retains variance power. The Association’s interest in the assets is recorded at the fair value of the net assets held in trust by OCCF. The amount the Association will ultimately realize could differ materially from these recorded amounts, and significant fluctuations in fair values could occur from year to year.

Deferred revenues: Deferred revenues consist of deferred memberships and program revenues, which are recognized as revenue over the life of the related membership or program.

Functional allocation of expenses: The costs of providing the Association’s various programs, management and general expenses, fundraising expenses, and expenses related to the Association’s rental of excess space in its main office building have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among these cost centers using various systematic bases of allocation.

Estimates: In preparing the Association’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fair value measurements: Fair value is defined as 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. A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs that are derived principally from or corroborated by observable market data; and

Level 3: Inputs that are unobservable and significant to the overall fair value measurement.

Financial assets and liabilities carried at fair value on a recurring basis include investments and beneficial interest in assets held by others (see Note 4).

Concentration of credit risk: The Association maintains its cash in bank accounts and money market funds that, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments which potentially subject the Association to credit risk consist of grants and accounts receivable, grants and accounts receivable with restrictions, campaign pledges receivable, and investments. Credit risk for all the Association's receivables is concentrated because the majority of the balances are receivable from individuals located within the greater Oklahoma City area.

The Association's investments consist of various stocks, bonds, equity, and fixed income securities. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the investment account balances and the amounts reported in the statements of financial position and the statements of activities and changes in net position.

Recent accounting pronouncements: The FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which is effective for periods beginning after December 15, 2015. The ASU changes the presentation of debt issuance costs in the financial statements from an asset to a deduction from the related debt liability. Amortization of such costs will continue to be reported as interest expense. The Association has retrospectively applied the new guidance to the prior period.

Subsequent events: The Association has evaluated subsequent events through January 21, 2016, the date the financial statements were available to be issued. No events have occurred subsequent to October 31, 2015 which require recognition or disclosure in the financial statements.

Note 2. Basic Programs Offered by the Association

All programs and activities offered by the Association are designed around its mission: To put Christian principles into practice through programs that build healthy spirit, mind and body for all. The major program areas of the Association are as follows:

Youth development: We believe the values and skills learned early on are vital building blocks for life. Because of the Association, more young people in neighborhoods around our community are taking a greater interest in learning and making smarter life choices. At the Association, children and teens learn values and positive behaviors and can explore their unique talents and interests, helping them realize their potential. That makes for confident kids today and contributing and engaged adults tomorrow.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 2. Basic Programs Offered by the Association (Continued)

The Association makes sure that every child has an opportunity to envision and pursue a positive future and to take an active role in strengthening his or her community, through programs like our Child Development Center or before-and-after school programs and others like YMCA Youth in Government and Y Achievers, which offer career exploration and college preparation.

For others, the Association is the starting point for kids to learn about becoming and staying active and developing healthy habits they'll carry with them throughout their lives. Whether it's gaining the confidence that comes from learning to swim or building the positive relationships that lead to good sportsmanship and teamwork, participating in youth sports programs at the Association is about building the whole child, from the inside out.

Very few environments are as special as camp, where kids become a community as they learn both how to be more independent and how to contribute to a group as they engage in physical, social, and educational activities. Our summer day camps, specialty camps, and resident camp teach self-reliance, a love for nature and the outdoors, and the development of attitudes and practices that build character and leadership.

Healthy living: Being healthy means more than simply being physically active. It's about maintaining a balanced spirit, mind, and body through a wide array of group exercise classes from water aerobics to cycling. The Association is a place where you can work toward that balance by challenging yourself to learn a new skill or hobby, fostering connections with friends through our lifelong learning programs, or bringing your loved ones closer together through our many family-centered activities. At the Association, it's not about the activity you choose as much as it is about the benefits of living healthier on the inside as well as the outside.

Serving families has always been at the heart of the Association. We are a place where they can find respite from social, economic, and educational challenges and learn how to overcome them. We have a fundamental desire to provide opportunities for every family to build stronger bonds through unique programs like Adventure Guides and Family Nights.

We provide educational programs to promote healthier decisions and offer a variety of programs that support physical, intellectual, and spiritual strength like Silver Sneakers and Active Older Adults programming.

We believe sports, fun, and exploring new interests aren't just for the young. Along with improving health, whenever teamwork is involved, there's the added benefit of being connected to others. That's why you'll find a range of recreational activities at the Association, from group classes to adult sports leagues.

Social responsibility: As a leading not-for-profit committed to strengthening community through youth development, healthy living, and social responsibility, the Association was created in response to social challenges and remains to this day a lifeline in communities around the world. The Association understands the challenges that keep individuals from reaching their full potential and responds with services and support which help people to be self-reliant, productive, and connected to the community. Each location responds to the unique issues influencing the community and provides support through services focused on critical areas, such as child welfare, community health, quality of life, or family services.

To bring about meaningful change, individuals need ongoing encouragement and tools. We're here day-in and day-out to provide the resources our communities need. The Association addresses social issues through our YMCA LINCOLN PARK SENIOR CENTER, the YMCA MILITARY WELCOME CENTER, environmental education camp at YMCA CAMP CLASSEN, and the Everybody in the Pool program that teaches underserved kids how to swim.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 2. Basic Programs Offered by the Association (Continued)

One of the most important aspects of building a global community is giving young people opportunities to understand and celebrate diversity. The Association helps people to develop cultural competencies and the key skills to collaborate with their peers around the world through our International Camp Counselor Program and Brazilian Exchange program.

Finally, the generosity of others is at the core of our existence. It is only through the support of our thousands of volunteers and public and private donors that we are able to give back to the communities we serve.

Note 3. Receivables

At October 31, receivables consisted of the following:

	2015	2014
United Way allocation	\$ 74,668	\$ 76,000
Program receivables	456,927	461,210
Pledges	541,634	799,910
Other	61,892	73,115
	<u>\$ 1,135,121</u>	<u>\$ 1,410,235</u>

Note 4. Investments

At October 31, investments at amortized cost and fair value are as follows:

	2015		2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Endowment money market	\$ 164,000	\$ 164,000	\$ 338,000	\$ 338,000
Certificates of deposit	900,000	900,000	950,000	950,000
Large cap equities	1,819,687	1,880,000	2,217,220	2,271,000
Small and mid cap equities	1,142,883	1,100,000	930,225	934,000
International equities	532,678	494,000	370,070	356,000
Emerging markets equities	333,306	263,000	183,225	173,000
Investment grade fixed incomes	935,938	945,000	1,360,795	1,405,000
High yield fixed incomes	568,668	566,000	365,000	365,000
International fixed incomes	936,903	913,000	560,000	559,000
Beneficial interests in assets held by others (Note 6)	251,761	380,000	251,761	385,000
	<u>\$7,585,824</u>	<u>\$7,605,000</u>	<u>\$7,526,296</u>	<u>\$7,736,000</u>

Realized gains in 2015 and 2014 were \$127,865 and \$1,134,151, respectively, of which \$22,289 and \$762,291, respectively, were recognized for financial reporting purposes in a year prior to the year of realization.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 4. Investments (Continued)

The Association measures investments on a fund-by-fund basis and reports them at fair value in one of three categories based on inputs. The following tables summarize the levels in the fair value hierarchy of the Association's investment funds at October 31:

	2015			
	Level 1	Level 2	Level 3	Total
Endowment money market	\$ 164,000	\$ -	\$ -	\$ 164,000
Certificates of deposit	-	900,000	-	900,000
Large cap equities	1,880,000	-	-	1,880,000
Small and mid cap equities	1,100,000	-	-	1,100,000
International equities	494,000	-	-	494,000
Emerging markets equities	263,000	-	-	263,000
Investment grade fixed incomes	544,000	401,000	-	945,000
High yield fixed incomes	566,000	-	-	566,000
International fixed incomes	913,000	-	-	913,000
Beneficial interests in assets held by others (Note 6)	-	-	380,000	380,000
	<u>\$5,924,000</u>	<u>\$1,301,000</u>	<u>\$ 380,000</u>	<u>\$7,605,000</u>

	2014			
	Level 1	Level 2	Level 3	Total
Endowment money market	\$ 338,000	\$ -	\$ -	\$ 338,000
Certificates of deposit	-	950,000	-	950,000
Large cap equities	2,271,000	-	-	2,271,000
Small and mid cap equities	934,000	-	-	934,000
International equities	356,000	-	-	356,000
Emerging markets equities	173,000	-	-	173,000
Investment grade fixed incomes	680,000	725,000	-	1,405,000
High yield fixed incomes	365,000	-	-	365,000
International fixed incomes	559,000	-	-	559,000
Beneficial interests in assets held by others (Note 6)	-	-	385,000	385,000
	<u>\$5,676,000</u>	<u>\$1,675,000</u>	<u>\$ 385,000</u>	<u>\$7,736,000</u>

The following table summarizes the changes in the fair value of the Association's Level 3 financial assets for the period ending October 31:

	Beneficial Interests in Assets Held by Others	
	2015	2014
Balance at November 1	\$ 385,000	\$ 353,000
Net investment performance	13,607	49,739
Distributions to the Association	(18,607)	(17,739)
Balance at October 31	<u>\$ 380,000</u>	<u>\$ 385,000</u>

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 4. Investments (Continued)

The summary of changes in fair value of Level 3 assets has been prepared to reflect the activity in the same categories as those provided to the Association by OCCF. Net investment performance includes realized and unrealized gains (losses) on investments, investment income and administrative fees. Distributions from OCCF decrease the Association's beneficial interest and increase cash at the time of distribution. The change in value is included in net unrealized and realized gain on investments in the statement of activities.

Note 5. Facilities

At October 31, facilities of the Association consist of the following:

	2015	2014
Land	\$ 1,731,849	\$ 1,731,849
Donated leases	870,000	870,000
Buildings and improvements	31,952,679	32,034,331
Leasehold improvements	17,769,820	17,017,864
Construction in progress	-	11,065
Furniture and equipment	2,242,207	2,250,625
Vehicles	423,354	413,854
	<u>54,989,909</u>	<u>54,329,588</u>
Less accumulated depreciation and amortization	(21,076,118)	(19,686,341)
Facilities, net	<u>\$ 33,913,791</u>	<u>\$ 34,643,247</u>

The Association entered into a lease agreement with the City of Oklahoma City for eight acres of land in a park in Cleveland County, Oklahoma, with an appraised value of \$870,000. The lease calls for the Association to develop and maintain a recreational facility for its sole use and its sole cost on the property in lieu of cash rentals. The lease period is for 20 years with two 10-year renewal options. The facility was placed in service in January 2006. Accordingly, the Association recognized \$870,000 of donated land lease in temporarily restricted net assets. The lease is being amortized over the original term and renewal periods with the amount of the amortization being released to unrestricted net assets each year. During 2015 and 2014, \$21,750 each year was released from temporarily restricted net assets.

Note 6. Beneficial Interest in Assets Held by Others

Beneficial interest in assets held by others represents funds contributed by the Association to OCCF to be held in trust for the benefit of the Association. OCCF also holds additional funds contributed by others for the benefit of the programs and activities of the Association. Funds and related undistributed gains and losses held by OCCF for the benefit of the Association, which were donated by others, are not reflected in the accompanying statements of financial position because OCCF maintains variance power over these funds.

A summary of funds held at OCCF for the benefit of the Association at June 30, 2015 and 2014, the most recent date for which such information is available, is as follows:

	2015	2014
Total funds held at OCCF for the benefit of the Association	\$ 1,421,000	\$ 1,438,000
Amount of such funds contributed by others, for which OCCF retains variance power	1,041,000	1,053,000
Funds contributed by the Association, held in trust by OCCF, and reflected on the Association's statements of financial position	<u>\$ 380,000</u>	<u>\$ 385,000</u>

The Association received total distributions from OCCF of \$69,476 and \$66,176 in the years ended October 31, 2015 and 2014, respectively, which are reflected in the accompanying statements of activities.

Young Men’s Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 7. Notes Payable

At October 31, notes payable consist of the following:

	2015	2014
2.75% refinancing loan with monthly sinking fund installments of \$24,442 with maturity of July 2026, secured by real estate	\$ 3,325,000	\$ -
5.19% construction loan with monthly installments of \$43,894 with a balloon payment in September 2023, secured by real estate	\$ 6,111,374	\$ 6,310,787
	<u>\$ 9,436,374</u>	<u>\$ 6,310,787</u>

At October 31, 2015, the aggregate future principal payments on notes payable are as follows:

Years ending October 31:	
2016	\$ 474,602
2017	496,008
2018	518,021
2019	535,672
2020	558,996
Thereafter	6,853,075
	<u>\$ 9,436,374</u>

At October 31, notes payable are as follows:

	2015	2014
Principal	\$ 9,436,374	\$ 6,310,787
Issuance Costs	(134,099)	(98,248)
Sinking Fund	(202,595)	-
	<u>\$ 9,099,680</u>	<u>\$ 6,212,539</u>

The Association has a \$400,000 revolving line of credit at 4.0 percent maturing in March 2016. As of October 31, 2015 and 2014, no amounts were outstanding on this line of credit.

During 2010, the Association entered into an Operating Agreement with the City of Edmond whereby each party will contribute up to \$6,000,000 for the design and construction of a recreation facility in a park in the City of Edmond. Subsequently, the Association agreed to increase the funding for the project by approximately \$235,000. The City of Edmond owns the facility, and the Association has a 20-year exclusive agreement for the operation of the facility with two 10-year renewal options. The City of Edmond maintains the exterior of the facility and the related landscaping. The Association is responsible for all other costs related to operating the facility. The facility opened in February 2014 and the Association recorded total costs of \$6,588,386 as leasehold improvements which are being amortized over the life of the agreement.

During 2015, the Association refinanced the serial revenue bonds (Series 2006 Young Men’s Christian Association of Greater Oklahoma City Earlywine Project). The new debt (Series 2015 Authority Note) of \$3,325,000 was issued by a bank and has an interest rate of 2.75 percent with a maturity date of July 2026. The terms of the loan require semi-annual payments of interest and principal through a trustee. Related issuance costs totaled \$59,567 and are being amortized over the life of the loan.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 8. Bonds Payable

The Association called the September 2006 serial revenue bonds (Series 2006 Young Men's Christian Association of Greater Oklahoma City Earlywine Project) on July 1, 2015 in order to refinance the existing debt with significant savings to the Association over the term of the loan.

The required debt service reserve was applied to the payoff amount on the bonds, and unamortized bond issuance costs were expensed as interest expense.

Note 9. Operating Leases

The Association has non-cancelable long-term operating leases for certain fitness equipment and facilities with various expiration dates. At October 31, 2015, future minimum annual lease payments for these long-term leases for the next five years and thereafter are:

Years ending October 31:	
2016	\$ 1,442,280
2017	1,185,416
2018	893,618
2019	755,126
2020	676,501
Thereafter	1,402,678
	<u>\$ 6,355,619</u>

Total rent expense under operating leases was \$1,483,393 and \$1,140,435 for the years ended October 31, 2015 and 2014, respectively.

Note 10. Retirement Plan

The Association participates in the YMCA Retirement Fund Retirement Plan, which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and The YMCA Retirement Fund Tax-Deferred Savings Plan, which is a retirement income account plan as defined in section 403(b)(9) of the code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (the Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York in 1922, organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and the Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the agreement, contributions for the YMCA Retirement Fund Plan are a percentage of the participating employee's salary. Total contributions charged to retirement expense in 2015 and 2014 were \$550,137 and \$547,404, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no employer matching contribution in this plan.

Note 11. Commitments and Contingencies

From time to time, the Association is the defendant in certain legal claims. The Association's management is of the opinion, based on advice of legal counsel, that the ultimate outcome of any such litigation will not have a material effect on the future operations of the Association.

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 11. Commitments and Contingencies (Continued)

In the normal course of operations, the Association receives grants and other forms of reimbursement from various federal, state and local agencies. The activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds.

Management believes that the liability, if any, for a reimbursement which may arise as the result of audits would not be material.

Note 12. Accounting for Endowments

A summary of the endowment net asset composition by type of fund and change in net assets are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$2,288,107	\$4,073,674	\$6,361,781
Board designated	121,847	-	-	121,847
Total October 31, 2013	121,847	2,288,107	4,073,674	6,483,628
Investment return:				
Investment income	2,182	-	1,092	3,274
Net appreciation	110,539	250,097	77,693	438,329
Total investment return	112,721	250,097	78,785	441,603
Contributions	11,391	-	3,360	14,751
Appropriations	(102,839)	(2,659)	1,350	(104,148)
Donor restricted	-	2,535,545	4,157,169	6,692,714
Board designated	143,120	-	-	143,120
Total October 31, 2014	143,120	2,535,545	4,157,169	6,835,834
Investment return:				
Investment income	2,694	183,141	1,426	187,261
Net appreciation	(1,417)	(50,780)	(11,819)	(64,016)
Total investment return	1,277	132,361	(10,393)	123,245
Contributions	12,329	-	6,248	18,577
Appropriations	(4,142)	(280,150)	-	(284,292)
Donor restricted	-	2,387,756	4,153,024	6,540,780
Board designated	152,584	-	-	152,584
Total October 31, 2015	\$ 152,584	\$2,387,756	\$4,153,024	\$6,693,364

Young Men's Christian Association of Greater Oklahoma City

Notes to Financial Statements

Note 13. Change in Accounting Principle

The Association's adoption of ASU 2015-03 effective October 31, 2015 is presented retrospectively on the financial statements. The impact on the Statement of Financial Position as of October 31, 2014 is a decrease in Prepaid Insurance and other assets of \$136,266 and a decrease in Notes Payable of \$136,266. The effects of the change on the Statement of Cash Flows as of October 31, 2014 is a decrease of \$136,266 in Net cash used in operating activities and a decrease of \$136,266 in Net cash provided by financing activities.

Note 14. Rental Income

The YMCA leased office space to tenants under operating leases with initial term expiration dates ranging from 2016 to 2020. As of October 31, 2015, the minimum future cash rents receivable (excluding tenant reimbursements for operating expenses) under noncancelable operating leases for the office space in each of the next five years are as follows:

2016	\$	142,000
2017		49,000
2018		36,000
2019		38,000
2020		22,000
	\$	<u>287,000</u>

