Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

---

Consolidated Financial Report

December 31, 2015

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Contents

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of
Metropolitan Detroit and Subsidiary
and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate (the "Association"), which comprise the consolidated balance sheet as of December 31, 2015 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

To the Board of Directors
Young Men's Christian Association of
Metropolitan Detroit and Subsidiary
and Affiliate

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate as of December 31, 2015 and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived as adjusted for the restatement described above.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2016 on our consideration of the Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 26, 2016

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Balance Sheet
December 31, 2015
(with summarized comparative totals for December 31, 2014)

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 1,667,696	$ 1,868,211
Investments - Short-term (Note 14)	8,177,527	9,608,851
Receivables - Net of allowances:		
Accounts	484,707	726,695
United Way - Operating	87,502	87,502
Receivables from Detroit Leadership Academy and Detroit Innovation Academy (Note 17)	288,419	899,081
Other	143,433	361,933
Contributions receivable - Net (Note 2)	265,415	281,440
Prepaid expenses and other current assets	55,388	148,166
Investments - Long-term (Note 14)	5,668,607	5,832,054
Cash equivalents held for long-term use	704,606	535,203
Bond issue costs - Net	408,225	430,291
Other noncurrent assets	490,462	490,795
Property and equipment - Net (Note 3)	48,397,621	50,091,259
Total assets	**$ 66,839,608**	**$ 71,361,481**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,073,311	$ 1,334,325
Accrued liabilities and other	987,985	1,082,720
Deferred revenue	1,583,783	2,028,102
Obligations under life income contracts	210,083	220,362
Bonds payable (Note 6)	27,080,000	27,835,000
Long-term notes payable (Note 6)	683,952	612,232
Fair value of interest rate swap agreement (Note 7)	155,242	131,228
Total liabilities	31,774,356	33,243,969
Net Assets		
Unrestricted:		
Undesignated	20,061,473	21,596,378
Board designated (Notes 9 and 16)	7,717,079	9,105,677
Temporarily restricted (Note 9)	915,352	1,044,309
Permanently restricted (Notes 9 and 16)	6,371,348	6,371,148
Total net assets	35,065,252	38,117,512
Total liabilities and net assets	**$ 66,839,608**	**$ 71,361,481**

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2015
(with summarized comparative totals for the year ended December 31, 2014)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, Gains, and Other Support					
Contributions and bequests	$ 1,326,133	$ 214,425	$ 200	$ 1,540,758	$ 1,533,947
Grants and government contracts	1,821,726	-	-	1,821,726	2,221,614
Membership fees	14,980,647	-	-	14,980,647	14,920,376
Camping and program fees	13,199,548	-	-	13,199,548	12,263,963
Educational services	5,759,887	-	-	5,759,887	7,347,498
First-year membership fees	102,428	-	-	102,428	135,687
United Way - Operating	72,721	119,879	-	192,600	192,600
Rentals	618,615	-	-	618,615	710,904
Change in fair value of interest swap agreement (Note 7)	(24,014)	-	-	(24,014)	(131,228)
Net special events	441,025	-	-	441,025	402,327
Net realized and unrealized losses on investments	(1,051,130)	(967)	-	(1,052,097)	(47,711)
Interest income	345,772	-	-	345,772	476,918
Distributions on life income contracts	(36,004)	-	-	(36,004)	(36,724)
Change in value of life income contracts	-	10,279	-	10,279	(20,576)
Loss on disposal of fixed assets	(258,948)	-	-	(258,948)	-
Other revenue	510,527	-	-	510,527	822,525
Total revenue, gains, and other support	37,808,933	343,616	200	38,152,749	40,792,120
Net Assets Released from Restrictions	472,573	(472,573)	-	-	-
Total revenue, gains, other support, and net assets released from restrictions	38,281,506	(128,957)	200	38,152,749	40,792,120
Expenses					
Program services	37,067,033	-	-	37,067,033	37,642,667
Management and general	3,241,480	-	-	3,241,480	3,067,933
Fundraising	896,496	-	-	896,496	758,794
Total expenses	41,205,009	-	-	41,205,009	41,469,394
(Decrease) Increase in Net Assets - Before extraordinary item	(2,923,503)	(128,957)	200	(3,052,260)	(677,274)
Extraordinary Item - Loss on extinguishment of debt (Note 6)	-	-	-	-	(455,928)
(Decrease) Increase in Net Assets	(2,923,503)	(128,957)	200	(3,052,260)	(1,133,202)
Net Assets - Beginning of year (as revised)	30,702,055	1,044,309	6,371,148	38,117,512	39,250,714
Net Assets - End of year	**$ 27,778,552**	**$ 915,352**	**$ 6,371,348**	**$ 35,065,252**	**$ 38,117,512**

See Notes to Consolidated Financial Statements.

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Statement of Functional Expenses
Year Ended December 31, 2015
(with summarized comparative totals for the year ended December 31, 2014)

		Support Services			Total Expenses	
	Program Services	Management and General	Fundraising	Total Support Services	2015	2014
Salaries	$ 17,734,586	$ 1,283,026	$ 447,247	$ 1,730,273	$ 19,464,859	$ 20,062,372
Health and retirement costs	2,036,639	128,396	81,559	209,955	2,246,594	2,206,936
Payroll taxes	1,594,019	101,573	38,138	139,711	1,733,730	1,747,140
Total salaries and related expenses	21,365,244	1,512,995	566,944	2,079,939	23,445,183	24,016,448
Contracted program instruction and other fees	2,420,097	370,134	30,174	400,308	2,820,405	2,043,969
Legal, audit, and consulting	206,613	162,545	812	163,357	369,970	419,457
Telephone	124,511	47,948	3,618	51,566	176,077	169,825
Supplies	2,048,492	45,246	34,349	79,595	2,128,087	2,154,930
Occupancy	939,792	67,745	936	68,681	1,008,473	1,149,687
Postage and shipping	32,478	31,357	1,151	32,508	64,986	73,370
Utilities	2,039,248	135,697	50,848	186,545	2,225,793	2,192,310
Repairs and maintenance	1,911,389	110,370	43,921	154,291	2,065,680	2,516,515
Insurance and taxes	431,031	50,554	10,865	61,419	492,450	505,823
Promotion and advertising	650,996	8,201	1,764	9,965	660,961	672,738
Travel and entertainment	138,939	139,468	11,051	150,519	289,458	296,858
Conferences and trainings	131,933	105,171	12,419	117,590	249,523	246,456
Dues and support payments to national office	387,167	160,318	24,988	185,306	572,473	544,207
Equipment rental	308,590	69,462	4,677	74,139	382,729	394,111
Miscellaneous	1,753	4,805	4	4,809	6,562	28,893
Bad debt expense	640,578	-	15,738	15,738	656,316	377,867
In-kind gift	189,100	-	-	-	189,100	138,229
Interest expense	489,213	34,644	12,982	47,626	536,839	612,234
Depreciation and amortization	2,609,869	184,820	69,255	254,075	2,863,944	2,915,467
Total functional expenses before special events	37,067,033	3,241,480	896,496	4,137,976	41,205,009	41,469,394
Special events	-	-	461,304	461,304	461,304	472,796
Total functional expenses	**$ 37,067,033**	**$ 3,241,480**	**$ 1,357,800**	**$ 4,599,280**	**$ 41,666,313**	**$ 41,942,190**

Young Men's Christian Association of Metropolitan Detroit and Subsidiary and Affiliate

Consolidated Statement of Cash Flows
Year Ended December 31, 2015
(with summarized comparative totals for the year ended December 31, 2014)

	Year Ended December 31, 2015	Year Ended December 31, 2014
Cash Flows from Operating Activities		
Decrease in net assets	$ (3,052,260)	$ (1,133,202)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	2,841,878	2,891,660
Bad debt expense	656,315	377,867
Amortization of bond issue costs	22,066	23,807
Loss on investments	1,052,097	47,711
Loss on disposition of assets	258,948	-
Change in value of life income contracts	25,725	57,300
Change in fair value of interest rate swap agreement	24,014	131,228
Loss on extinguishment of debt	-	455,928
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	430,860	(427,112)
Prepaid expenses and other assets	93,111	(55,282)
Accounts payable	(261,014)	87,665
Accrued liabilities and other	(94,735)	(153,422)
Deferred revenue	(444,319)	14,457
Net cash provided by operating activities	1,552,686	2,318,605
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,408,161)	(1,544,610)
Proceeds from disposition of property and equipment	973	-
Purchases of investments	(7,011,507)	(7,660,151)
Sale of investments	7,384,778	7,878,607
Net cash used in investing activities	(1,033,917)	(1,326,154)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(303,938)	(387,606)
Principal payments on bonds payable	(755,000)	(28,405,000)
Proceeds from issuance of bonds	-	28,135,000
Proceeds from debt financing	375,658	580,973
Bond issuance costs	-	(441,324)
Distributions on life income contracts	(36,004)	(36,724)
Net cash used in financing activities	(719,284)	(554,681)
Net (Decrease) Increase in Cash and Cash Equivalents	(200,515)	437,770
Cash and Cash Equivalents - Beginning of year	1,868,211	1,430,441
Cash and Cash Equivalents - End of year	**$ 1,667,696**	**$ 1,868,211**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	**$ 532,699**	**$ 254,682**

See Notes to Consolidated Financial Statements.

Note 1 - Nature of Business and Significant Accounting Policies

The accompanying consolidated financial statements reflect the consolidated balance sheet and consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the Young Men's Christian Association of Metropolitan Detroit (the "Organization"), its wholly owned subsidiary, Y-Education Services, L3C (Y-ES), and its affiliate, the Young Men's Christian Association of Metropolitan Detroit Foundation (the "Foundation") (collectively, the "Association"). All material intercompany accounts and transactions have been eliminated.

The YMCA of Metropolitan Detroit is an association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation's health and well-being, and providing opportunities to give back and support neighbors, the Organization enables youth, adults, families, and communities to be healthy, confident, connected, and secure. The Organization is composed of 10 branches, two resident camps, and six outreach programs, located primarily in the southeastern Michigan area. Y-ES is a Michigan low-profit limited liability company formed in 2010 to provide management, supervision, and administrative oversight and services related to the operation of the Detroit Leadership Academy (the "DLA") and Detroit Innovation Academy (the "DIA"), Michigan public school academies. During 2015, Y-ES ceased its management relationship with DLA. The Foundation is a separate legal entity formed in 2003 to manage certain investment activity and to provide financial support to the Organization. The Association and the Foundation have certain common board members.

Significant accounting policies are as follows:

Cash Equivalents - For the purpose of the consolidated statement of cash flows, the Association considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Cash Equivalents Held for Long-term Use - Cash equivalents held for long-term use consist of cash equivalents held for the purpose of fulfilling the agreements on life income contracts and cash equivalents of endowment funds held temporarily until invested in long-term investments.

Investments - Investments in common stock and bonds are recorded at fair market value based on quoted market prices. For a portion of the investments (approximately $659,000), which invests principally in nonmarketable alternative investments, estimated fair values are provided by external investment managers. The Association reviews and evaluates the values provided by the investment manager and agrees with the valuation methods and significant assumptions used in determining fair value of the nonmarketable alternative investments.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

These alternative investments include common stock, private equities, and private real estate securities, which may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore, may differ significantly from the value that would have been used had a ready market for these securities existed.

Accounts Receivable - Accounts receivable are stated at the applicable membership or program fee. The Association's policy is to record accounts receivable for certain types of memberships and programs when a commitment to participate has been made by the third party to the Association. An allowance for uncollectible amounts is computed using a historical loss rate factor and applied to total accounts receivable. Amounts deemed to be uncollectible are charged to the provision for doubtful accounts in the period that such a determination is made. The Association has recorded an allowance for doubtful accounts for accounts receivable of $255,000 at December 31, 2015.

Contributions Receivable - The Association's policy is to record pledges when such pledges are made to the Association, less an allowance for uncollectible amounts, if applicable. The Association has recorded an allowance for doubtful accounts for contributions receivable of $110,095 at December 31, 2015.

Bond Issue Costs - Bond issue costs consist of fees and expenses paid in connection with the issuance of the bonds discussed in Note 6. These costs are being amortized on a straight-line basis over the term of the bonds. Amortization expense was $22,066 in 2015.

Property and Equipment - Purchased property and equipment are recorded at cost. Property and equipment received as contributions are recorded at the fair market value at the date of receipt. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Costs of repairs and maintenance are charged to expense as incurred.

Deferred Revenue - Revenue from the sale of certain types of memberships and programs is deferred and recognized as income over the period of the membership or program.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions resulting from split-interest agreements, measured at the time the agreements are entered into, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Donated Services and Assets - Certain donated services are recognized as support in the consolidated statement of activities and changes in net assets. The value of these services is determined based on estimated fair value. There were no such services received in 2015.

Other volunteers have donated significant amounts of their time to the Association's program services. These volunteer services are not recordable under accounting principles generally accepted in the United States of America. The value of the volunteer services is not disclosed as no objective basis is available to measure the value of such services.

Long-lived Assets - 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 with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as 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. There were no gifts of long-lived assets in 2015.

Grants and Government Contracts - Grants and government contracts determined to be exchange transactions are recognized as services are provided. Grant money received in excess of that earned is recorded as deferred revenue.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The consolidated statement of functional expenses reflects all funds of the Association. Employee salaries and wages are allocated between program services and support services on the basis of actual or estimated time devoted to these activities. Other expenses have been allocated on various bases, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different results.

Financial Assistance - The Association provides financial assistance to low-income individuals for membership and program fees. Membership and program fees revenue has been reported net of any applicable financial assistance.

Tax Status - The Association is an organization described in Internal Revenue Code (IRC) Section 501(c)(3) and, as such, is exempt from taxation under IRC Section 501(a). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2012.

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 revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk Arising from Deposit Accounts - The Association maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Association evaluates the financial institutions with which it deposits funds; however, it may not be practical to insure all cash deposits.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Risks and Uncertainties - The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. 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 changes could materially affect the amounts reported in the consolidated balance sheet.

Summarized Comparative Information for the Year Ended December 31, 2014 - The financial information presented for comparative purposes for the year ended December 31, 2014 is not intended to be a complete financial statement presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's 2014 consolidated financial statements, from which the summarized information was derived.

Upcoming Accounting Changes - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Association’s year ending December 31, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Association has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The lease new guidance will be effective for the Association's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

In April 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30) - Simplifying the Presentation of Debt Issuance Costs*. The accounting guidance requires that debt issuance costs related to a recognized debt liability be reported in the balance sheet as a direct deduction from the carrying amount of that debt liability. The updated guidance is effective on a retrospective basis for fiscal years beginning after December 15, 2015.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including April 26, 2016, which is the date the consolidated financial statements were available to be issued.

Reclassification - Certain items in the December 31, 2014 financial statements have been reclassified to conform to the classifications used in 2015. These classifications had no effect on the December 31, 2014 net assets, changes in net assets, or cash flows as previously reported.

Note 2 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from annual fundraising campaigns. They are expected to be collected as follows:

Within one year	$ 375,510
Less allowance for doubtful accounts	(110,095)
Net contributions receivable	$ 265,415

Note 3 - Property and Equipment

The cost of property and equipment is summarized as follows:

	Amount	Depreciable Life - Years
Land	$ 5,776,948	-
Land improvements	1,381,570	10-15
Buildings	69,951,962	15-50
Building improvements	13,999,525	10-15
Machinery and equipment	3,494,841	2-5
Transportation equipment	242,183	5
Furniture and fixtures	5,029,080	5-10
Computer equipment and software	1,363,373	3-5
Leasehold improvements - Cost	237,927	5-20
Construction in progress	33,947	-
Total cost	101,511,356	
Accumulated depreciation	(53,113,735)	
Net carrying amount	$ 48,397,621	

Depreciation expense was $2,841,878 for 2015.

Note 4 - Prior Period Revision

During the year ended December 31, 2015, the Association implemented a new member management software system. As a result of the implementation, the Association was able to select a more accurate method to account for deferred membership revenue which resulted in a retrospective correction to the December 31, 2013 financial statements. As a result of this change, the amounts reported for the year ended December 31, 2014 were also changed as follows:

	Amount Originally Presented	Amount Presented After Revision	Difference
Net assets - Jan. 1, 2014	$ 39,892,667	$ 39,250,714	$ (641,953)
Membership fees - Dec. 31, 2014	14,945,500	14,920,376	(25,124)
Change in net assets - Dec. 31, 2014	(1,108,078)	(1,133,202)	(25,124)
Deferred revenue - Dec. 31, 2014	1,361,025	2,028,102	667,077
Net assets - Dec. 31, 2014	38,784,589	38,117,512	(667,077)

Note 5 - Line of Credit

The working capital revolving line of credit allows for borrowings up to $1,000,000 and bears interest at a rate of 2.00 percent plus 30-day LIBOR (2.24 percent as of December 31, 2015). The working capital line of credit expires June 25, 2016. The nonrevolving $1,000,000 capital expenditure draw-to-term loan bears interest at a rate of 2.25 percent plus 30-day LIBOR (2.49 percent as of December 31, 2015). The capital expenditure draw-to-term loan expires June 27, 2016, at which point the line converts to a term loan and amortizes over a four-year period.

The lines of credit are collateralized by accounts receivable, legally available investments, construction in progress, land, buildings, and equipment. In addition, the Organization is subject to meeting certain financial covenants, including maintaining certain financial ratios.

During 2015, the Organization used approximately $376,000 of proceeds from the capital expenditure draw-to-term loan to purchase equipment.

Note 6 - Bonds and Notes Payable

In June 2014, the Organization entered into an agreement with the Michigan Strategic Fund to issue the Series 2014 Variable Rate Limited Obligation Revenue Refunding Bonds (Series 2014 Bonds) to pay off the remaining principal on the 2001 and 2003 Bonds. The extinguishment of the 2001 and 2003 bonds resulted in a loss of $455,928 related to the unamortized discount and issuance costs. The Series 2014 Bonds were subsequently purchased by a bank for the outstanding principal amount of $28,135,000.

The bank will hold the Series 2014 Bonds until June 1, 2021. Monthly principal payments remaining range from $65,000 to $165,000 until the maturity of the Series 2014 Bonds and are due on the first day of each month. The debt bears interest at the rate of .65001 multiplied by the sum of LIBOR and 215 basis points (an effective rate of 1.523 percent at December 31, 2015). The outstanding principal due at December 31, 2015 is $27,080,000. The maturity date of the bond agreement is July 1, 2034. Because the date the bank has agreed to hold the bonds is before the bond's maturity date, the bonds will either be remarketed in the future, or the Organization will have to negotiate an extended date the bank will hold the bonds.

The debt is collateralized by accounts receivable, legally available investments, land, buildings, and equipment of the Organization and Foundation. In addition, the Association is subject to meeting certain financial covenants.

Note 6 - Bonds and Notes Payable (Continued)

Long-term notes payable related to the Detroit Leadership Academy building in the amount of $139,472, with monthly payments of $5,000, including interest at 6 percent, which began in August 2010 and are due the first day of each month through July 1, 2017, at which time the remaining unpaid principal and accrued interest are due. The note is collateralized by the building.

The remaining long-term debt relates to outstanding equipment term loans for equipment purchases financed through third parties. The remaining leases expire between January 2017 and June 2019. Monthly payments range from $7,844 to $16,893.

Minimum principal payments on the bonds and note payable to maturity as of December 31, 2015 are as follows:

Years Ending December 31	Amount
2016	$ 1,125,920
2017	1,152,161
2018	1,293,915
2019	1,251,956
2020	1,260,000
2021 and thereafter	21,680,000
Total	$ 27,763,952

Total interest expense was approximately $537,000 in 2015.

Note 7 - Interest Rate Swap Agreement

The Organization uses interest rate swaps to manage the risk associated with interest rates on variable rate borrowings and are reported in the consolidated balance sheet and the consolidated statement of activities and changes in net assets.

During 2014, the Organization entered into an interest rate swap agreement covering a notional amount (25 percent of the outstanding principal of the Series 2014 Bonds) whereby the Organization pays a fixed interest rate to, and receives a variable rate from, the counterparty to the swap based on the total notional amount. The interest rate swap hedges a portion of the Organization's interest rate exposure under the variable rate bonds held by a bank. The fair value of the interest rate swap agreement at December 31, 2015 was recorded in the Organization's financial statements as a liability of $155,242. Accordingly, the Organization recognized an unrealized loss of $24,014 for the year ended December 31, 2015 related to the fair value of the interest rate swap agreement (see Note 14).

Note 8 - Operating Leases

The Association leases educational, program, and other space and certain equipment and vehicles under operating lease agreements that expire through 2018. The following is a schedule of future minimum rental payments for the years ending December 31:

Years Ending December 31	Amount
2016	$ 236,713
2017	41,490
2018	6,473
Total	$ 284,676

Total expense under these leases for 2015 was approximately $486,000.

Note 9 - Net Assets

Net assets of the Association are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Association's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Board-designated net assets are unrestricted net assets designated by the board primarily for endowments. These designations are based on board actions, which can be altered or revoked at a future time by the board.

Temporarily restricted net assets consist of the following:

United Way - Purpose restricted	$ 123,726
Contributions - Purpose and time restricted	436,018
Life Income Fund - Time restricted	355,608
Total temporarily restricted net assets	$ 915,352

The Life Income Fund includes resources and obligations created by various split-interest agreements entered into with donors. Under the terms of the contracts, the Association is required to invest amounts received and distribute the investment income, net of related expenses, to designated beneficiaries.

Note 9 - Net Assets (Continued)

Upon the death of a beneficiary, the principal remaining under each contract reverts to the Association or other designated beneficiaries, in accordance with the terms of the respective contract. Investments are recorded at fair market value. Liabilities are recorded at the net present value of payments due using the 1980 commissioner's standard ordinary mortality table and discount rates ranging from 6 to 7 percent.

Permanently restricted net assets are restricted in perpetuity by the donors in order to generate earnings to support operations in the future.

Note 10 - Van Dusen Endowment

Certain funds donated by outside donors for the benefit of the Association are held and managed by the Community Foundation for Southeastern Michigan (the "Community Foundation"). The Community Foundation maintains variance power, which, as a result, requires that the assets it holds not be recorded as assets of the Association. The fair market value of these funds is $1,768,659 at December 31, 2015. These funds are not reflected in the consolidated financial statements. Earnings are available for distribution to the Association for operations at the discretion of the Community Foundation and are therefore not reflected as revenue in the consolidated financial statements until received by the Association. During the year ended December 31, 2015, the Community Foundation distributed $90,486 to the Association.

Note 11 - Retirement Plans

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 (the "Code"), 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 (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 tax-deferred savings plan have no unfunded benefit obligations.

In accordance with the agreement between the Association and the Fund, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salaries. These amounts are paid by the Association. Total contributions charged to retirement costs in the fiscal year were approximately $765,000.

Note 11 - Retirement Plans (Continued)

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 matching employer contribution in this plan.

Note 12 - Related Party Transactions

During 2015, the Association purchased various materials and services from entities that have owners or key employees who are Association board members. The following is a summary of the significant transactions:

Legal services	$ 70,773
Facility leases	357,497
Electricity and gas	1,314,365

A board member of the Association is an employee of the bank that is a participant in the Series 2014 Bond financing arrangement as described in Note 6.

Note 13 - Minimum Future Rentals

Y-ES had entered into a lease for a building with the Organization. The DLA had entered into a sublease on this same building with Y-ES. The leases carried identical terms. The leases were effective August 1, 2010 and expired July 31, 2015. The base rent was $305,520 annually with $50,920 of this amount being set aside for facility expansion and/or improvement during the term of the lease. The base rent could not exceed 15 percent of the total revenue of the DLA. In the event this occurred, the base rent would be reduced to that amount and the lease amended. Rent charged to the DLA under this lease agreement during 2015 totaled $174,760. Effective August 1, 2015, the Organization began leasing directly to the DLA. The term of this lease was effective August 1, 2015 and expires June 30, 2017 unless terminated earlier or extended as provided within the agreements. The base rent is $264,000 annually in addition to a $23,000 annual maintenance fee. Rent charged to the DLA under this lease agreement during 2015 totaled $110,000.

The Organization has entered into a lease agrement with an unrelated third party for use of a building. The lease is effective August 1, 2015 and expires on June 30, 2017 unless terminated earlier or extended as provided within the agreements. The base rent is $31,995 annually. Rent charged to the unrelated third party during 2015 totaled $7,999.

Note 13 - Minimum Future Rentals (Continued)

Y-ES had entered into a lease for a building with an unrelated third party for use by the DLA. The DLA had entered into a sublease on this same building with Y-ES. The leases carried identical terms. The leases were effective July 1, 2012 and set to expire June 30, 2017 unless terminated earlier or extended as provided within the agreement. The base rent was 10 percent of the State Aid received by the DLA or the minimum guaranteed amount as provided within the agreement. Rent charged to the DLA during 2015 totaled $248,502. Effective July 1, 2015, this lease was assigned to the DLA.

Y-ES has also entered into a lease for a building with an unrelated third party for use by the DIA. Payment of the lease is guaranteed by the Organization. The DIA entered into a sublease on this same building with Y-ES. The leases carry identical terms. The leases became effective August 1, 2012 and expire July 31, 2017 unless terminated earlier or extended as provided within the agreement. The base rent is 12 percent of the State Aid received by the DIA or the minimum guaranteed amount as provided within the agreement. Rent charged to the DIA during 2015 totaled $300,326.

Future minimum rental amounts to be received on the noncancelable leases noted above are as follows:

Years Ending December 31	Amount
2016	$ 744,032
2017	408,535
Total	$ 1,152,567

Note 14 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2015, and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Note 14 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of January 1, 2015, the Association implemented new guidance that changes the required disclosures for investments valued at net asset value (NAV) per share (or its equivalent) as a practical expedient. Previously, investments measured at fair value using the NAV practical expedient were classified in the fair value hierarchy based on the redemption features associated with the investment. Under the new guidance, investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy, and the information for 2015 has been adjusted to conform to the new disclosure requirements.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value	Balance at December 31, 2015
Investments					
Common stock	$ 2,036,363	$ -	$ -	$ -	$ 2,036,363
Index funds	2,537,356	-	-	-	2,537,356
Mutual funds	8,533,417	-	-	-	8,533,417
Bonds	-	80,092	-	-	80,092
Alternative investments - Hatteras multi-strategy	-	-	-	658,906	658,906
Total assets	$ 13,107,136	$ 80,092	$ -	$ 658,906	$ 13,846,134
Liabilites - Interest rate swap agreement	$ -	$ 155,242	$ -	$ -	$ 155,242

Fixed-income securities, which include investments primarily in bond funds, are valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

Note 14 - Fair Value Measurements (Continued)

The fair value of the interest rate swap at December 31, 2015 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of this liability based on contract terms and variable interest rates.

Investments in Entities that Calculate Net Asset Value per Share

The alternative investment valued at net asset value consists of an investment in the Hatteras Multi-Strategy TEI Institutional Fund, L.P. (the “Fund”). The Fund is a closed-end management investment company registered under the Investment Company Act of 1940, as amended. The YMCA Foundation of Metro Detroit holds a limited partnership interest in the Fund. This fund of funds investment invests in seven alternative investment strategies, including Opportunistic Equity, Enhanced Fixed Income, Absolute Return, Tactical Trading, Real Estate, Private Equity, and Energy and Natural Resources. The Fund’s investment objective is to provide capital appreciation consistent with the return characteristics of larger endowments. The estimated fair value of the Association's interest in the investment company is provided by an external investment manager and is based on the net asset value per share (or its equivalent) of the investment company. The Association reviews and evaluates the values provided by the investment manager and agrees with the valuation methods and significant assumptions used in determining fair value. At December 31, 2015, the Association had no unfunded commitments with the investment company. Liquidity is made available, through a tender process, on a quarterly basis with 65 days' notice.

Note 15 - Fair Value of Financial Instruments

A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

Short-term Financial Instruments - The fair values of short-term financial instruments, including cash equivalents, trade accounts receivable and payable, prepaid expenses, deferred revenue, and accrued liabilities, approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments.

Investments - Investments are recorded at fair value in the accompanying consolidated financial statements. Fair value is determined based on the fair value measurement principles described in Note 14.

Long-term Obligations - The fair value of long-term obligations approximates the carrying amounts in the accompanying consolidated financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

Note 16 - Donor-restricted and Board-designated Endowments

The Association's endowments include 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.

Interpretation of Relevant Law

The board of directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Association and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Association
(7) The investment policies of the Association

Endowment Net Asset Composition by Type of Fund as of December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 6,371,348	$ 6,371,348
Board-designated endowment funds	7,717,079	-	-	7,717,079
Total funds	$ 7,717,079	$ -	$ 6,371,348	$ 14,088,427

Note 16 - Donor-restricted and Board-designated Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	$ 9,105,677	$ -	$ 6,371,148	$ 15,476,825
Investment return:				
Investment income	-	337,968	-	337,968
Net depreciation (realized and unrealized)	(1,043,367)	-	-	(1,043,367)
Total investment return	(1,043,367)	337,968	-	(705,399)
Contributions	265,800	-	200	266,000
Appropriation of endowment assets for expenditure	(611,031)	(337,968)	-	(948,999)
Endowment net assets - End of year	$ 7,717,079	$ -	$ 6,371,348	$ 14,088,427

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the market index, or blended market index, net of fees selected and agreed upon by the Foundation's board that most closely correspond to the style of investment management while displaying an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified. The Association expects its endowment funds, over time, to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 16 - Donor-restricted and Board-designated Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution each year 6 percent of its endowment fund's average fair value for the previous three years as of March 31 through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Association considered the long-term expected return on its endowment. Accordingly, over the long term, the Association expects to achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve purchasing power of the assets.

Note 17 - Y-Education Services

During 2010 and 2012, the Association assisted in the formation of the DLA and DIA (the "Academies"), respectively. Each academy is a separate legal entity with an independent board of directors and each academy was awarded a license by Central Michigan University to operate a charter school. To facilitate the start-up and operation of the charter schools, the Association formed Y-ES to provide management, administrative oversight, and other services to the Academies. The Y-ES management contract with DLA expired on June 30, 2015 and was not renewed.

At December 31, 2015, Y-ES had the following assets and liabilities:

Assets:	
Cash and cash equivalents	$ 420,834
Receivable from the DIA	288,419
Total assets	$ 709,253
Liabilities:	
Accounts payable	$ 88,462
Accrued liabilities and other	52,797
Due to the Organization	65,924
Total liabilities	$ 207,183
Net assets - Unrestricted	$ 502,070

The assets, liabilities, and net assets shown above are included in the Association's consolidated balance sheet except for the $65,924 due to the Organization, which is eliminated in consolidation.

Note 17 - Y-Education Services (Continued)

The Organization has entered into a long-term note payable related to the building and property utilized by the DLA which is described further in Note 6. The majority of assets constructed or acquired related to the building utilized by the DLA are owned by the Organization and are included as property and equipment in the consolidated balance sheet at their historical cost, net of accumulated depreciation. In addition, the Organization has made certain leasehold improvements and investments in property and equipment related to leased property for both the DLA and DIA which is described further in Note 13. These assets are also included as leasehold improvements and property and equipment in the consolidated balance sheet at their historical cost, net of accumulated depreciation. The net book value of these assets at December 31, 2015 was approximately $2,024,000. As described in Note 13, Y-ES has entered into leases for school facilities with the Organization and unrelated parties.

Revenue received by Y-ES from the Academies included approximately $5,300,000 for direct expenses Y-ES paid related to the Academies, approximately $221,000 for the school management fee as described below, and approximately $113,000 for overhead expenditures related to human resources, information technology, and oversight services provided to the Academies. All revenue and expenses are included in the consolidated statement of activities and changes in net assets and the consolidated statement of functional expenses.

Y-ES has a management services agreement with the Academies to provide education and operational management services and to facilitate the implementation of the Academies' obligations under their charter agreements as follows:

The management services agreement for the DLA called for (1) a fixed fee charge of 3 or 4 percent depending on its revenue levels and not to be less than $95,000 nor more than $190,000 on an annual basis and (2) payment for all costs incurred and paid by Y-ES in providing services to the DLA (excluding corporate costs of Y-ES). The management services agreement began August 1, 2010 and ended June 30, 2015.

The management services agreement for the DIA calls for (1) a fixed fee charge of 3 or 4 percent depending on its revenue levels and shall not be less than $70,000 nor more than $140,000 on an annual basis and (2) payment for all costs incurred and paid by Y-ES in providing services to the DIA (excluding corporate costs of Y-ES). The management services agreement began May 8, 2012 and is in effect through June 30, 2017 unless terminated earlier due to conditions as outlined in the agreement.

The management fees recognized by Y-ES for 2015 were approximately $220,000, of which approximately $189,000 was forgiven by Y-ES and recorded as an in-kind contribution. The fees for overhead expenditures for 2015 were approximately $193,000.