

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF
NORTHERN UTAH
(dba YMCA of NORTHERN UTAH)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

Year Ended December 31, 2015
With Summarized Comparative Information for the
Year Ended December 31, 2014

H B M E

**Hansen, Bradshaw, Malmrose & Erickson
CERTIFIED PUBLIC ACCOUNTANTS**

YMCA of NORTHERN UTAH

Table of Contents

	Page
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to the Financial Statements	7-19

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Young Men's Christian Association of Northern Utah
(dba YMCA of Northern Utah)

We have audited the accompanying financial statements of YMCA of Northern Utah (the YMCA) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014 and the related statements of activities and functional expenses for the year ended December 31, 2015, and the statements of cash flows for the years ended December 31, 2015 and 2014 and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the YMCA'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 YMCA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 YMCA as of December 31, 2015 and 2014 and the related statements of activities and functional expenses for the year ended December 31, 2015, and the statements of cash flows for the years ended December 31, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2016 on our consideration of YMCA of Northern Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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 YMCA of Northern Utah's internal control over financial reporting and compliance.

Other Matter

The prior year summarized comparative information has been derived from YMCA of Northern Utah's December 31, 2014 financial statements and, in our report dated September 29, 2015, we expressed an unmodified opinion on those financial statements.

Hansen, Bradshaw, Malmrose & Erickson, P.C.

June 2, 2016

YMCA of NORTHERN UTAH
Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
ASSETS		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 386,638	\$ 151,176
Cash and cash equivalents, restricted	226,093	273,980
Grants and accounts receivable, less allowance for doubtful accounts of \$35,874 and \$28,513, respectively	529,983	642,511
Contributions receivable	12,037	15,087
Prepaid expenses	21,575	10,091
Inventories	4,802	4,802
Investments - common stock	4,408	4,613
TOTAL CURRENT ASSETS	1,185,536	1,102,260
<u>NON-CURRENT ASSETS</u>		
Interest in the Community Foundation of Utah	50,197	51,305
Property, equipment and software, net	1,920,318	1,911,795
Deposits	3,400	1,200
TOTAL NON-CURRENT ASSETS	1,973,915	1,964,300
TOTAL ASSETS	\$ 3,159,451	\$ 3,066,560
LIABILITIES AND NET ASSETS		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 68,440	\$ 60,548
Accrued expenses	75,818	133,261
Deferred revenue	3,780	80
TOTAL CURRENT LIABILITIES	148,038	193,889
<u>NON-CURRENT LIABILITIES</u>		
Deferred rent	24,405	5,300
TOTAL LIABILITIES	172,443	199,189
<u>NET ASSETS</u>		
Unrestricted - undesignated	2,792,941	2,539,700
Unrestricted - designated	5,000	5,000
Temporarily restricted	155,713	289,067
Permanently restricted	33,354	33,354
TOTAL NET ASSETS	2,987,008	2,867,121
TOTAL LIABILITIES AND NET ASSETS	\$ 3,159,451	\$ 3,066,310

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Statement of Activities
For the Year Ended December 31, 2015

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(Summarized Info)
PUBLIC SUPPORT AND OTHER REVENUES					
<u>PUBLIC SUPPORT</u>					
Contributions and grants	\$ 393,175	\$ 208,500	\$ -	\$ 601,675	\$ 601,184
Government contracts and grants	2,286,620	-	-	2,286,620	1,757,782
Program fees	1,131,646	-	-	1,131,646	950,433
Special events, net of direct donor benefits of \$6,755 and \$33,153, respectively	66,830	-	-	66,830	66,306
TOTAL PUBLIC SUPPORT	3,878,271	208,500	-	4,086,771	3,375,705
<u>OTHER REVENUES</u>					
Miscellaneous revenue	1,996	-	-	1,996	4,435
Interest and dividend income	86	1,206	-	1,292	1,242
Unrealized and realized gain (loss) on investments, net	(297)	(2,314)	-	(2,611)	2,113
In-kind contributions	984,068	-	-	984,068	1,208,629
Net assets released from restrictions	340,746	(340,746)	-	-	-
TOTAL OTHER REVENUES	1,326,599	(341,854)	-	984,745	1,216,419
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	5,204,870	(133,354)	-	5,071,516	4,592,124
EXPENSES					
<u>PROGRAM SERVICES</u>					
Program services	4,363,043	-	-	4,363,043	3,724,086
TOTAL PROGRAM SERVICES	4,363,043	-	-	4,363,043	3,724,086
<u>SUPPORTING SERVICES</u>					
Management and general	369,066	-	-	369,066	285,071
Marketing and fundraising	219,770	-	-	219,770	182,132
TOTAL SUPPORTING SERVICES	588,836	-	-	588,836	467,203
TOTAL EXPENSES	4,951,879	-	-	4,951,879	4,191,289
CHANGES IN NET ASSETS	252,991	(133,354)	-	119,637	400,835
NET ASSETS, BEGINNING OF YEAR	2,544,950	289,067	33,354	2,867,371	2,466,286
NET ASSETS, END OF YEAR	\$ 2,797,941	\$ 155,713	\$ 33,354	\$ 2,987,008	\$ 2,867,121

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Supporting Services</u>					
	<u>All Program Services</u>	<u>Management and General</u>	<u>Marketing and Fundraising</u>	<u>Total</u>	<u>Total Expenses</u>	<u>(Summarized Info 2014)</u>
PERSONNEL EXPENSES						
Salaries and wages	\$ 1,875,318	211,312	167,973	\$ 379,285	\$ 2,254,603	\$ 1,802,458
Payroll taxes and benefits	321,959	39,420	26,230	65,650	387,609	339,263
TOTAL PERSONNEL EXPENSES	<u>2,197,277</u>	<u>250,732</u>	<u>194,203</u>	<u>444,935</u>	<u>2,642,212</u>	<u>2,141,721</u>
OTHER EXPENSES						
Rent	56,637	457	264	721	57,358	34,318
Professional fees	149,819	64,350	6,673	71,023	220,842	150,448
Food	299,323	3,919	2,090	6,009	305,332	133,229
Supplies	88,151	91	22	113	88,264	80,723
Printing and advertising	37,112	1,650	1,917	3,567	40,679	50,594
Transportation	72,427	-	46	46	72,473	56,435
Office supplies	6,313	4,895	4,207	9,102	15,415	12,562
Telephone services	11,798	2,039	1,492	3,531	15,329	17,594
Utilities	37,831	-	58	58	37,889	21,597
Insurance	27,565	1,000	341	1,341	28,906	21,796
Postage	8,260	1,465	285	1,750	10,010	12,665
Travel	46,929	3,409	1,944	5,353	52,282	26,438
Seminar and meetings	21,890	253	1,496	1,749	23,639	19,883
Bank charges	15,965	12,523	3,887	16,410	32,375	23,586
Equestrian	21,733	-	-	-	21,733	21,385
Admission fees	38,662	-	496	496	39,158	21,454
Equipment	22,044	42	-	42	22,086	28,851
Repairs and maintenance	14,190	-	-	-	14,190	9,033
YUSA support	25,176	2,853	1,636	4,489	29,665	19,506
Licenses and permits	3,570	291	9	300	3,870	17,445
Awards and recognition	5,506	3,963	1,034	4,997	10,503	6,981
Dues	549	2,558	79	2,637	3,186	4,340
Miscellaneous	11,767	-	(6,919)	(6,919)	4,848	103
TOTAL OTHER EXPENSES	<u>1,023,217</u>	<u>105,758</u>	<u>21,057</u>	<u>126,815</u>	<u>1,150,032</u>	<u>790,966</u>
NON-CASH EXPENSES						
In-kind:						
Facilities use	913,264	6,268	3,617	9,885	923,149	1,050,814
Supplies and food	58,579	-	-	-	58,579	49,606
Other	2,340	-	-	-	2,340	595
Bad debts	6,838	-	893	893	7,731	35,405
Depreciation and amortization	161,528	6,308	-	6,308	167,836	122,182
TOTAL NON-CASH EXPENSES	<u>1,142,549</u>	<u>12,576</u>	<u>4,510</u>	<u>17,086</u>	<u>1,159,635</u>	<u>1,258,602</u>
TOTAL EXPENSES	<u>\$ 4,363,043</u>	<u>\$ 369,066</u>	<u>\$ 219,770</u>	<u>\$ 588,836</u>	<u>\$ 4,951,879</u>	<u>\$ 4,191,289</u>

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 119,637	\$ 401,085
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	167,836	122,182
Bad debt	7,731	35,405
Realized and unrealized (gain) loss on investments:		
Community Foundation of Utah	1,108	(2,673)
Other investments	251	(682)
Donation of investments and property	(5,496)	(118,905)
(Increase) decrease in operating assets:		
Grants and accounts receivable, net	104,797	(184,313)
Contributions receivable	3,050	12,943
Prepaid expenses	(11,484)	(391)
Inventories	-	6
Deposits	(2,200)	-
Increase (decrease) in operating liabilities:		
Accounts payable	7,892	15,848
Accrued expenses	(57,443)	45,637
Deferred revenue	3,700	(6,115)
Deferred rent	19,105	400
	<u>358,484</u>	<u>320,427</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and software	(176,359)	(719,793)
Proceeds from sale of donated stock	5,450	11,291
	<u>(170,909)</u>	<u>(708,502)</u>
NET CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES		
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	187,575	(388,075)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>425,156</u>	<u>813,231</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 612,731</u>	<u>\$ 425,156</u>
CASH AND CASH EQUIVALENTS, AS PRESENTED ON THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 386,638	\$ 151,176
Cash and cash equivalents, restricted	226,093	273,980
	<u>\$ 612,731</u>	<u>\$ 425,156</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Assets acquired through in-kind contributions:		
Investments	\$ 5,496	\$ 11,291
Donations of property and equipment	\$ -	\$ 107,614

The accompanying notes are an integral part of these financial statements.

YMCA of NORTHERN UTAH
Notes to the Financial Statements
For the Year Ended December 31, 2015

1. Summary of significant accounting policies

Nature of operations – The YMCA of Northern Utah (the YMCA) is committed to maintaining its programs and services, with an emphasis on Youth Development and a focus on academic support and character development. The YMCA's programs reflect a commitment to providing educational, family, and community support for ALL through Early Childhood Education, Before and After-school Programs, and Summer Camps (day and overnight).

The official mission of the YMCA is “to provide our communities with experiences that build strong kids, strong families, and strong communities.” It is driven by community need, guided by community volunteers, and open to all. In all programs, the YMCA builds values of caring, honesty, respect and responsibility. The National YMCA has three focus areas: 1-Youth Development, 2-Healthy Living, and 3-Social Responsibility. The YMCA of Northern Utah accomplishes its mission and vision, and incorporates the focus areas of the National YMCA through the following programs:

- *The YMCA's Camp Roger* is a non-denominational residential camp for boys and girls ages seven through seventeen located on 40-acres in the Uinta Mountains. The children are taught the values of caring, honesty, respect and responsibility throughout their stay while participating in a variety of camp activities. Camp Roger gives children an opportunity to learn new skills, build confidence and develop independence.
- *Extended school programs* provide enrichment with a safe, supervised and fun place to be after school for children ages five through twelve. The YMCA offers programs at 19 different schools/locations in Salt Lake and Weber Counties. The enrichment programs offer homework help, snacks and structured activities each day. Activities include academics, sports, music, creativity, science, games, arts and crafts, teambuilding and more. Each extended school program helps children gain the skills necessary to become successful teenagers and adults.
- *The YMCA Community Family Center* (the “Center”) allows the YMCA, schools and cities to work together to better understand and adapt to the communities' needs. The Center serves all individuals in the community through programs specific for children, teens, adults and families. Participants at the Center are taught the importance of youth development, healthy living and social responsibility. The Center adapts to the needs of the communities on a continual basis to ensure that the communities' needs are being met.

The YMCA believes that no family should be turned away for inability to pay, so scholarships and financial assistance are available in all YMCA programs.

Basis of presentation – The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements. Under FASB ASC 958-205, the YMCA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are those whose use by the YMCA can be for any purpose to support the YMCA. Temporarily restricted net assets are those whose use by the YMCA has been limited by donors to a specific time period, purpose, or both. Permanently restricted net assets have been restricted by donors to be maintained by the YMCA in perpetuity.

The YMCA has elected to treat all temporarily restricted contributions in which the restrictions are met in the current year as unrestricted contributions.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

1. Summary of significant accounting policies (continued)

Prior year summarized comparative information – The financial statements include certain prior year summarized comparative information in total. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with the YMCA's financial statements for the year ended December 31, 2014, from which the summarized comparative information was derived.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The YMCA considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. A portion of cash and cash equivalents at December 31, 2015 are classified as restricted, by both donor restrictions (\$114,713) and by board designations (\$111,380).

Grants and accounts receivable – Grants and accounts receivable are recorded at the invoiced amount and do not bear interest. An allowance for doubtful accounts is recorded when the YMCA determines, based on historical experience and collection efforts, that an account is uncollectible. The YMCA reviews its allowance for doubtful accounts periodically. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote.

Contributions receivable – Contributions receivable that are to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, contributions receivable are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition.

The discount rate determined at the initial recognition of the contribution receivable is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the YMCA's past collection experience and its policies concerning the enforcement of contributions receivable, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discount is recorded as temporarily restricted contributions in the statement of activities. The YMCA uses the allowance method to determine uncollectible contributions. The allowance is based on historical experience and management's analysis of specific balances.

Inventories – Inventories are stated at the lower of cost or market, and consist of miscellaneous camp merchandise purchased for resale to camp participants. Cost is determined using the first-in, first-out method. Market is based upon realizable value.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

1. Summary of significant accounting policies (continued)

Investments – Investments are stated at estimated fair value. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as unrestricted unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair market value at the date of the gift.

Interest in the Community Foundation of Utah – Amounts reported as interest in the Community Foundation of Utah (CFU) represent the net cumulative transfers by the YMCA to the CFU, as well as earnings thereon. The CFU holds and invests the funds on behalf of the YMCA. The CFU has variance power to modify any restriction or condition on the distribution of funds if, at the sole discretion of the CFU, the specified charitable purpose becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community.

Property and equipment – The YMCA capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by gift, at estimated fair market value at the date of the gift.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is recognized. Maintenance and repairs which neither materially add to the value of the property and equipment nor appreciably prolong its life are expensed as incurred.

Depreciation of property and equipment and amortization of software are computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

	<u>Estimated Useful Lives</u>
Buildings	10 – 40 years
Leasehold improvements	15 – 25 years
Camp equipment	5 – 10 years
Office furniture and equipment	3 – 7 years
Vehicles	5 years
Software	3 years

Long-lived assets – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment charges were recorded during the years ended December 31, 2015 and 2014.

Public support and revenues – The YMCA derives its revenues from program fees, government contracts and grants, contributions and grants, and miscellaneous sources. Camping and program revenue is recognized in the period to which the service or activity relates.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

1. Summary of significant accounting policies (continued)

Public support and revenues (continued) – The YMCA conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable objective means exists to demonstrate otherwise, the fair market value of meals and entertainment provided at special events is measured at actual cost to the YMCA. The direct costs of the special events, which ultimately benefit the donor rather than the YMCA, are recorded as costs of direct donor benefits.

Grants and other contributions of cash and other assets are reported at fair value at the date the written promise to give is received. Conditional promises to give or indications of intentions to give are not reported until the condition(s) are met. Restricted gifts are recorded as revenue when cash is received or a written promise is given by a donor.

Contributions of donated noncash assets are recorded at their fair market values when received. A substantial number of volunteers have donated significant amounts of time and services to the YMCA's program operations and fund-raising efforts. However, such contributed services do not meet the criteria for recognition of contributed services contained in U.S. GAAP and, accordingly, are not reflected in the accompanying financial statements. Other contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values when received.

Deferred revenue and rent– Deferred revenue consists of tuition payments and camp user deposits received during the current year for services to be provided by the YMCA in the next year.

In accordance with generally accepted accounting principles, the YMCA records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to "deferred rent," which is reflected as a separate line item in the accompanying Statement of Financial Position.

Functional allocation of expenses – The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area to which they pertain. Indirect costs are charged to programs and supporting services based on estimates made by management taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the YMCA.

Income taxes – The YMCA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The YMCA does not believe it has any material uncertain tax positions. The YMCA's 2012 and future tax returns, though not currently under audit, are subject to examination by both the Internal Revenue Service and applicable state tax commissions.

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

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

1. Summary of significant accounting policies (continued)

Fair value measurements (continued) –

- *Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the YMCA has the ability to access.
- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Advertising – Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$32,287 and \$41,844, respectively. Advertising expense is included in printing and advertising on the Statement of Functional Expenses.

Reclassifications – Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net assets.

2. Contributions receivable

Contributions receivable consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Amounts due in:		
Less than one year	\$ 12,037	\$ 15,087
Between one and five years	-	-
Total contributions receivable	\$ 12,037	\$ 15,087

3. Investments

The YMCA's short-term investments are comprised of equity securities, all of which are classified as trading securities and are carried at their fair value based on the quoted market prices of the securities at December 31, 2015 and 2014. Net realized and unrealized gains and losses on trading securities are included in net earnings. For purpose of determining realized gains and losses, the cost of securities sold is based on specific identification.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

3. Investments (continued)

The composition of trading securities, classified as current assets, is as follows at December 31, 2015 and 2014:

	December 31, 2015		December 31, 2014	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 2,912	\$ 4,408	\$ 2,912	\$ 4,613
Interest in Community Foundation of Utah	33,354	50,197	33,354	51,305
Total	\$ 36,266	\$ 54,605	\$ 36,266	\$ 55,918

Investment income for the years ended December 31, 2015 and 2014 consisted of the following:

	2015	2014
Interest and dividends	\$ 1,292	\$ 1,242
Net realized gain	2,609	1,154
Net unrealized gain (loss)	(5,220)	959
Total investment income (loss)	\$ (1,319)	\$ 3,355

Investments 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 market fluctuations in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

4. Property and equipment and software

Property, equipment, and software consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Cost:		
Buildings	\$ 2,367,771	\$ 1,520,652
Leasehold improvements	339,835	313,343
Camp equipment	204,359	204,359
Office furniture and equipment	164,172	107,464
Vehicles	82,022	82,022
Construction in progress	-	753,960
Software	34,467	34,467
Total	3,192,626	3,016,267
Less: accumulated depreciation and amortization	(1,272,308)	(1,104,472)
Total property, equipment and software	\$ 1,920,318	\$ 1,911,795

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

4. Property, equipment and software (continued)

Depreciation and amortization expense was \$167,836 and \$122,182 for the years ended December 31, 2015 and 2014, respectively.

During 2008, the YMCA entered into a collaboration agreement with the Granite School District (Granite) whereby the YMCA agreed to (1) pay ten dollars per year, and (2) construct a facility on land owned by Granite for the purposes of providing academic enrichment and other activities. The agreement covers the period from June 2009 through May 2014, and automatically renews in one-year increments at the end of the initial term. Either party may terminate the agreement by giving written notice of such termination 180 days prior to the next annual renewal date. If the agreement is terminated, Granite has the option of purchasing the building, based upon a predetermined schedule. The net book value of the building was \$385,127 as of December 31, 2015 and is being depreciated over the 30 year expected term of the agreement, including expected renewals.

During 2014, the YMCA entered into a similar collaboration agreement with Ogden City School District (Ogden) whereby the YMCA agreed to (1) pay ten dollars per year, and (2) construct a facility on land owned by Ogden. Construction began during 2014 and was completed in 2015. The agreement covers the period from January 2015 through December 2025. At the end of the ten-year term, this agreement may be automatically renewed in five-year increments; at the end of twenty-years, automatic renewals will be two-years each. After the initial ten-year time frame, either party may terminate the agreement by giving written notice of such termination 180 days prior to the next annual renewal date. If the agreement is terminated, Ogden has the option of purchasing the building, based upon a predetermined schedule. The net book value of the building was \$817,752 as of December 31, 2015 and is being depreciated over the 30 year expected term of the agreement, including expected renewals.

5. Board-designated net assets

Board-designated net assets consisted of board designated endowment funds of \$5,000 as of December 31, 2015 and 2014.

6. Temporarily restricted net assets

Temporarily restricted net assets consisted of cash, accounts receivable and unappropriated earnings on permanent endowments as of December 31, 2015 and 2014 that are available for the following purposes:

	2015	2014
Extended school programs	\$ 101,506	\$ 130,275
Camp Roger (with unappropriated endowment earnings)	34,665	20,099
Community Family Center	19,542	1,750
Capital campaign	-	136,943
Total temporarily restricted net assets	\$ 155,713	\$ 289,067

7. Permanently restricted net assets

Permanently restricted net assets consisted of the Tom E. and Nancy A. Nissalke Camp Fund. The permanently restricted net assets balance was \$33,354 as of December 31, 2015 and 2014.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

8. Endowment

The YMCA's endowment includes both donor-restricted endowment and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, 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 YMCA has contracted the CFU to manage the endowment funds. The CFU participates in determining how funds should be invested and the distribution approval process.

Interpretation of relevant law - The Board of Directors of the YMCA has interpreted the Uniform Prudent Management of Institutional Funds Act law (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 YMCA 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 YMCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the YMCA 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 YMCA 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 YMCA
- (7) The investment strategy of the YMCA

Endowment net asset composition by type of fund as of December 31, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted	\$ -	\$ 11,843	\$ 33,354	\$ 45,197
Board-designated	5,000	-	-	5,000
Total endowment funds	\$ 5,000	\$ 11,843	\$ 33,354	\$ 50,197

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

8. Endowment (continued)

Changes in endowment net assets for the year ended December 31, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 5,000	\$ 12,951	\$ 33,354	\$ 51,305
Return on investments:				
Investment income	-	1,206	-	1,206
Donations	-	-	-	-
Net loss (realized and unrealized)	-	(2,314)	-	(2,314)
Total investment loss	-	(1,108)	-	(1,108)
Balance, end of year	<u>\$ 5,000</u>	<u>\$ 11,843</u>	<u>\$ 33,354</u>	<u>\$ 50,197</u>

Funds with deficiencies – It is possible that the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires the YMCA to retain as a fund of perpetual duration. There were no deficiencies reported as of December 31, 2015 and 2014.

Return objectives and risk parameters – The YMCA attempts to maximize long-term gains with an acceptable level of risk and to provide funding for special projects consistent with the mission of the YMCA or to act as an emergency funding source. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity or for donor-specified periods. The endowment assets are invested in a manner that is intended to maximize return with reasonable risk.

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the YMCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending policy and how the investment objective relates to spending policy – Distribution of endowment funds are approved by the Board of Directors and the CFU and made when deemed appropriate. Distributions from the endowment account will be made when other funding is not available and in accordance with the endowment purpose. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. There were no amounts appropriated for expenditures during the years ended December 31, 2015 and 2014.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

9. Operating leases

The YMCA leases its operating and office space for various terms under long-term, non-cancelable operating lease agreements. The leases expire at various dates and provide for renewal options ranging from month-to-month arrangements to multiple years. In the normal course of business, it is expected that these leases will be renewed, amended, or replaced by new leases. The office space leases provide for contractual increases in future minimum annual rental payments, which are recorded as deferred rent (see note 1). Also, the agreements generally require the Company to pay executory costs (real estate taxes, insurance, and repairs). Lease expense totaled \$57,358 and \$34,318 during 2015 and 2014 respectively.

Future minimum lease payments required under the operating lease agreements as of December 31, 2015, are as follows:

<u>Years ended December 31,</u>	<u>Total</u>
2016	\$ 53,772
2017	60,372
2018	63,422
2019	25,722
2020	<u>14,549</u>
Total future minimum lease payments	<u>\$ 217,837</u>

The YMCA also has agreements with various school districts for free use of facilities and the YMCA records in-kind rent expense equal to the fair market value for use of the facilities. Total rent expense was \$980,507 and \$1,085,132 for the years ended December 31, 2015 and 2014, respectively.

The YMCA entered into a 20-year special use permit with the USDA Forest Services to use land for Camp Roger in 1999. The permit fees due each year vary and are dependent upon the number of campers that attend Camp Roger each year. The amount paid under this agreement was \$3,409 and \$7,000 for the years ended December 31, 2015 and 2014, respectively.

10. Retirement plan

The YMCA participates in a defined contribution, individual account and money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (YMCA Retirement Fund), a separate corporation organized under the laws of the state of New York.

The YMCA Retirement Fund is for the benefit of all eligible professional and nonprofessional staff of the YMCA who qualify under the participation requirements. Each participating employee may contribute monthly to the YMCA Retirement Fund. The YMCA is required to contribute monthly to the YMCA Retirement Fund regular payments equal to a percentage of each participating employee's monthly compensation. Currently, the percentage is 12.00%. The YMCA contributed \$109,311 and \$120,502 to the YMCA Retirement Fund on behalf of its employees during the years ended December 31, 2015 and 2014, respectively.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

11. In-kind donations

During the years ended December 31, 2015 and 2014, the YMCA received the following non-cash donations of materials, services and free use of facilities that have been reflected in the accompanying financial statements:

	<u>2015</u>	<u>2014</u>
Facilities use expense	\$ 923,149	\$ 1,050,814
Supplies and equipment expense	47,850	36,231
Food expense	10,729	13,375
Professional fees expense	1,538	345
Repairs and maintenance expense	802	250
Camp improvements asset	-	2,818
Building improvements asset	-	75,594
Equipment and vehicles asset	-	29,202
	<u> </u>	<u> </u>
Total in-kind donations	<u>\$ 984,068</u>	<u>\$ 1,208,629</u>

The use of facilities and land has been donated by various school districts in which the YMCA's extended school programs operate. Amounts have been recognized as revenues and expenses (or property and equipment) in the accompanying financial statements for the fair market value of the donated facilities. The noncash donations were made for the purpose of supporting and running the Camp Roger, extended school programs and the Community Family Center.

12. Concentrations

The YMCA maintains cash and cash equivalents balances in financial institution accounts, which at times may exceed the federally insured limits of \$250,000 set by the Federal Deposit Insurance Corporation. The YMCA has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances.

The YMCA receives significant support from government agencies. These government contracts and grants account for approximately 59% and 54% of public support and revenues for each of the years ended December 31, 2015 and 2014, respectively.

Grants and accounts receivable included two significant grants, which represented approximately 78% of the grants and accounts receivable balance as of December 31, 2015. As of December 31, 2014, there were two significant grants which represented approximately 69% of the grants and accounts receivable balance.

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

13. Fair value measurements

The following tables summarize the YMCA's assets measured at fair value on a recurring basis as of December 31, 2015 and 2014:

	December 31, 2015		December 31, 2014	
	Cost	Fair Value	Cost	Fair Value
Common stock	\$ 2,912	\$ 4,408	\$ 2,912	\$ 4,613
Money market mutual funds	1,108	1,108	1,050	1,050
Interest in Community Foundation of Utah	33,354	50,197	33,354	51,305
Total	\$ 37,374	\$ 55,713	\$ 37,316	\$ 56,968

The interest in the CFU is valued at the net asset value (NAV) as provided by the CFU. The NAV is used as a practical expedient to estimating fair value. The NAV is based on the fair value of the underlying investments. The practical expedient is not used when it is determined to be probable that the CFU will sell the investment for an amount different than the reported NAV.

In accordance with FASB ASC 820, the YMCA is required to disclose the nature and risks of the investments reported at NAV. The following tables summarize the nature and risk of these investments as of December 31, 2015 and 2014:

	Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 4,408	\$ -	\$ -	\$ 4,408
Money market mutual funds	1,108	-	-	1,108
Interest in Community Foundation of Utah	-	-	50,197	50,197
Total	\$ 5,516	\$ -	\$ 50,197	\$ 55,713

	Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Common stock	\$ 4,613	\$ -	\$ -	\$ 4,613
Money market mutual funds	1,050	-	-	1,050
Interest in Community Foundation of Utah	-	-	51,305	51,305
Total	\$ 5,663	\$ -	\$ 51,305	\$ 56,968

YMCA of NORTHERN UTAH
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2015

13. Fair value measurements (continued)

The underlying investments of the interest in the CFU include mutual funds that seek long-term capital appreciation. Based on the uncertainty of the future date of redemption as redemptions are allowed on an annual basis, the YMCA has classified the interest in the CFU as a Level 3 financial instrument.

The following table presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements):

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 51,305	\$ 48,632
Unrealized and realized gains (losses) and interest income	<u>(1,108)</u>	<u>2,673</u>
Ending balance	<u>\$ 50,197</u>	<u>\$ 51,305</u>

14. Related party transactions

Annual dues are paid to YMCA of the USA, which were \$29,665 and \$19,506 for the years ended December 31, 2015 and 2014, respectively.

15. Subsequent events

The YMCA has evaluated subsequent events through June 2, 2016, which is the date these financial statements were available to be issued.

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