Young Men's Christian Association of Chicago

Financial Statements as of and for the
Years Ended December 31, 2015 and 2014, and
Independent Auditors' Report

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CHICAGO

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of the
Young Men's Christian Association of Chicago:

We have audited the accompanying financial statements of the Young Men's Christian Association of Chicago (the "Association"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Chicago as of December 31, 2015, and the results of its activities, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors' Opinion on 2014 Financial Statements

The financial statements of the Association as of and for the year ended December 31, 2014 were audited by other auditors whose report, dated June 23, 2015, expressed an unmodified opinion on those statements.

Deloitte & Touche LLP

May 9, 2016

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CHICAGO

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,654,137	$ 4,826,690
Restricted cash	173,616	973,020
Pledges receivable (net of allowance for doubtful accounts of $137,030 and $30,593 in 2015 and 2014, respectively)	456,294	128,713
Other receivables (net of allowance for doubtful accounts of $322,898 and $465,220 in 2015 and 2014, respectively)	2,045,842	1,523,674
Recoverable government-funded program expenditures (net of allowance for doubtful accounts of $121,923 and $201,565 in 2015 and 2014, respectively)	3,731,465	2,811,167
Other current assets	1,012,325	1,261,307
Total current assets	13,073,679	11,524,571
INVESTMENTS (INCLUDING $8,668,425 OF PERMANENTLY RESTRICTED ASSETS AT DECEMBER 31, 2015 AND 2014)	141,867,758	152,999,863
LONG-TERM PLEDGES RECEIVABLES AND LIFE INSURANCE POLICIES	803,150	171,643
PROPERTY AND EQUIPMENT—Net of accumulated depreciation	129,947,878	124,719,487
FUNDS HELD IN TRUST FOR THE ASSOCIATION	3,028,291	3,166,988
TOTAL ASSETS	$288,720,756	$292,582,552
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 9,276,541	$ 7,632,929
Accrued expenses:		
Payroll and related benefits	3,178,884	4,373,868
Other	3,723,932	4,949,580
Interest rate swap	997,233	943,645
Advances from government agencies	827,973	791,850
Deferred revenues	2,639,232	2,707,902
Revolving credit facility	300,000	300,000
Current portion of long-term debt and capital leases	2,783,282	1,108,944
Total current liabilities	23,727,077	22,808,718
LONG-TERM DEBT AND CAPITAL LEASES, LESS CURRENT MATURITIES	64,290,913	60,948,867
OTHER LONG-TERM LIABILITIES	1,178,493	415,984
PENSION AND POSTRETIREMENT BENEFIT OBLIGATION	2,268,000	2,872,000
Total liabilities	91,464,483	87,045,569
NET ASSETS:		
Unrestricted	183,706,522	191,821,937
Temporarily restricted	1,853,035	1,879,633
Permanently restricted	11,696,716	11,835,413
Total net assets	197,256,273	205,536,983
TOTAL LIABILITIES AND NET ASSETS	$288,720,756	$292,582,552

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CHICAGO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
PUBLIC SUPPORT AND REVENUE:					
PUBLIC SUPPORT:					
Government-funded programs	$ 12,979,422	$ -	$ -	$ 12,979,422	$ 13,051,400
Contributions	3,842,492	3,952,395		7,794,887	13,998,892
United Way, local chests, and special projects	1,139,790			1,139,790	1,110,027
Total public support	17,961,704	3,952,395	-	21,914,099	28,160,319
REVENUE:					
Membership fees	30,816,553			30,816,553	30,750,566
Social, educational, and health program fees	29,489,044			29,489,044	28,096,004
Residence income	2,703,835			2,703,835	5,560,813
Rental, service, and merchandise	1,007,222			1,007,222	995,610
Investment income designated for operations	7,138,248			7,138,248	6,874,638
Miscellaneous					95,968
Net assets released from restriction	3,978,993	(3,978,993)			
Total revenue	75,133,895	(3,978,993)	-	71,154,902	72,373,599
Total public support and revenue	93,095,599	(26,598)	-	93,069,001	100,533,918
EXPENSES:					
Program services	82,819,178			82,819,178	84,422,576
Management and general	16,239,565			16,239,565	18,301,994
Fundraising	1,140,023			1,140,023	1,368,086
Total expenses	100,198,766	-	-	100,198,766	104,092,656
PUBLIC SUPPORT AND REVENUE (LESS) THAN EXPENSES BEFORE OTHER INCOME	(7,103,167)	(26,598)	-	(7,129,765)	(3,558,738)
OTHER (LOSS) INCOME:					
Investment income:					
Total investment (loss) income	(333,044)			(333,044)	12,767,099
Less investment income designated for operations	(7,138,248)			(7,138,248)	(6,874,638)
Change in value of life income contracts	(20,167)			(20,167)	
Net loss on interest rate swap	(428,973)			(428,973)	(988,153)
Net (loss) gain on funds held in trust			(138,697)	(138,697)	470,597
Contribution from debt forgiveness					8,518,615
Contribution of property					(5,566,141)
Net gain on sales of property	6,721,184			6,721,184	1,439,821
Total other (loss) income	(1,199,248)	-	(138,697)	(1,337,945)	9,767,200
OTHER CHANGES IN NET ASSETS	187,000			187,000	(5,444,000)
CHANGE IN NET ASSETS	(8,115,415)	(26,598)	(138,697)	(8,280,710)	764,462
NET ASSETS:					
Beginning of year	191,821,937	1,879,633	11,835,413	205,536,983	204,772,521
End of year	$ 183,706,522	$ 1,853,035	$ 11,696,716	$ 197,256,273	$ 205,536,983

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CHICAGO

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Public support and revenue				
Government-funded programs	$ 13,051,400	$ -	$ -	$ 13,051,400
Contributions	4,036,876	9,962,016		13,998,892
United way, local chests, and special projects	1,110,027			1,110,027
Total public support	18,198,303	9,962,016	-	28,160,319
Revenue				
Membership fees	30,750,566			30,750,566
Social, educational and health program fees	28,096,004			28,096,004
Residence income	5,560,813			5,560,813
Rental, service and merchandise	995,610			995,610
Investment income designated for operations	6,874,638			6,874,638
Miscellaneous	95,968			95,968
Net assets released from restriction	11,684,528	(11,684,528)		
Total revenue	84,058,127	(11,684,528)	-	72,373,599
Total public support and revenue	102,256,430	(1,722,512)	-	100,533,918
Expenses				
Program services	84,422,576			84,422,576
Management and general	18,301,994			18,301,994
Fundraising	1,368,086			1,368,086
Total expenses	104,092,656	-	-	104,092,656
Public support and revenue (less) than expenses before other income	(1,836,226)	(1,722,512)	-	(3,558,738)
Other income (loss)				
Investment income:				
Total investment income	12,767,099			12,767,099
Investment income designated for operations	(6,874,638)			(6,874,638)
Net gain/(loss) on interest rate swap	(988,153)			(988,153)
Net gain/(loss) on funds held in trust			470,597	470,597
Contribution from debt forgiveness	8,518,615			8,518,615
Contribution of property	(5,566,141)			(5,566,141)
Net gain/(loss) on property	1,439,821			1,439,821
Total other income (loss)	9,296,603	-	470,597	9,767,200
Other changes in net assets	(5,444,000)			(5,444,000)
Change in net assets	2,016,377	(1,722,512)	470,597	764,462
Net assets				
Beginning of year	189,805,560	3,602,145	11,364,816	204,772,521
End of year	$ 191,821,937	$ 1,879,633	$ 11,835,413	$ 205,536,983

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CHICAGO

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Child Development	Health Enhancement	Camping	Community Development	Residence	Program Services Total	Management and General	Fundraising	December 31, 2015 Total	December 31, 2014 Total
SALARIES AND WAGES	$14,512,885	$15,946,990	$ 5,044,733	$2,095,566	$ 632,231	$38,232,405	$ 8,531,551	$ 598,919	47,362,875	$ 47,644,730
PAYROLL TAXES AND EMPLOYEE BENEFITS	2,559,574	2,812,500	889,717	369,586	111,504	6,742,881	1,504,672	105,629	8,353,182	8,283,196
Total salaries and related expenses	17,072,459	18,759,490	5,934,450	2,465,152	743,735	44,975,286	10,036,223	704,548	55,716,057	55,927,926
OCCUPANCY	1,862,928	2,047,015	647,561	268,995	81,155	4,907,654	1,095,142	76,879	6,079,675	6,589,200
MAINTENANCE AND REPAIRS EXPENSES	667,104	733,024	231,888	96,325	29,061	1,757,402	392,164	27,530	2,177,096	2,948,726
SUPPLIES AND EQUIPMENT	1,657,650	1,821,452	576,205	239,354	72,213	4,366,874	974,469	68,408	5,409,751	6,351,106
CONTRACT SERVICE FEES	3,447,869	3,788,574	1,198,492	497,850	150,201	9,082,986	2,026,866	142,287	11,252,139	11,340,443
PROMOTION	683,110	750,612	237,452	98,637	29,759	1,799,570	401,574	28,191	2,229,335	2,488,978
CONFERENCES, MEETINGS, AND TRAVEL	228,666	251,262	79,485	33,018	9,961	602,392	134,424	9,437	746,253	784,717
INTEREST EXPENSE	142,393	156,464	49,496	20,561	6,203	375,117	83,707	5,876	464,700	444,368
OTHER EXPENSES	1,004,023	1,103,237	349,002	144,974	43,738	2,644,974	590,225	41,433	3,276,632	4,099,792
Total operating expenses, before depreciation and amortization	26,766,202	29,411,130	9,304,031	3,864,866	1,166,026	70,512,255	15,734,794	1,104,589	87,351,638	90,975,256
DEPRECIATION AND AMORTIZATION	4,671,664	5,133,299	1,623,888	674,558	203,514	12,306,923	504,771	35,434	12,847,128	13,117,400
TOTAL FUNCTIONAL EXPENSES	$31,437,866	$34,544,429	$10,927,919	$4,539,424	$1,369,540	$82,819,178	$16,239,565	$1,140,023	$100,198,766	$104,092,656

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CHICAGO

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (8,280,710)	$ 764,462
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contribution from debt forgiveness		(8,518,615)
Contribution of property		5,566,141
Adjustment for pension and post retirement liability	(604,000)	4,390,000
Depreciation and amortization	12,847,128	13,117,400
Net gain on property	(6,641,769)	(1,439,821)
Provision for doubtful accounts	(115,527)	(148,861)
Net realized gain on sale of investments	(11,887,958)	(11,774,571)
Net unrealized loss on investments	14,793,873	1,966,222
Gain (loss) on interest rate swap	428,973	988,153
Decrease (increase) in funds held in trust	138,697	(470,598)
Contributions restricted for capital projects	(2,614,260)	(9,110,369)
Other changes in operating assets and liabilities		
Decrease (Increase) in recoverable government funded program expenditures	(840,656)	1,234,935
(Increase) decrease in other assets and receivables	(160,082)	475,618
Increase in pledges receivable	(1,064,370)	(26,351)
Increase in advances from government agencies	36,123	176,679
Increase in other liabilities	(389,896)	(619,959)
Increase (decrease) in deferred revenues	(68,670)	137,817
Net cash used in operating activities	(4,423,104)	(3,291,718)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	7,933,352	698,512
Purchase of equipment and property	(18,113,711)	(22,883,458)
Proceeds from sale of investments	56,515,609	52,226,312
Purchase of investments	(48,289,419)	(43,028,228)
Net cash used in investing activities	(1,954,169)	(12,986,862)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on principal of capital leases	(1,108,944)	(1,584,432)
Decrease in restricted cash	799,404	2,091,422
Borrowing on term loan	4,900,000	3,600,000
Payments on revolving credit facility		(900,000)
Contributions restricted for capital projects	2,614,260	9,110,369
Net cash provided by financing activities	7,204,720	12,317,359
NET INCREASE (DECREASE) IN CASH	827,447	(3,961,221)
CASH AND CASH EQUIVALENTS:		
Beginning of year	4,826,690	8,787,911
End of year	$ 5,654,137	$ 4,826,690
SUPPLEMENTAL:		
Cash paid during the period for interest (net of amounts capitalized)	$ 816,628	$ 798,780
Noncash financing activities—investment in beneficial trust restricted for endowment	$ (138,697)	$ 470,597
Noncash investing activities—capital lease obligations used to purchase property and equipment	$ 1,225,328	$ 737,249

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

1. ORGANIZATION

Young Men's Christian Association of Chicago (the "Association"), an Illinois charter not-for-profit corporation is a community-based family service organization. The Association operates 22 YMCA membership centers; six senior housing facilities; 12 Early Head Start, Head Start, and School Age child care facilities; five community schools; four human service agencies; and three single-room occupancy housing units in the greater Chicagoland area and four resident camps and is involved in building of the mind, body, and spirit of its members and improving the quality of life in the greater Chicagoland area.

The accompanying financial statements have been prepared in accordance with the accounting policies generally accepted in the United States of America ("GAAP"). Revenue is derived primarily from contributions, public funding, and fees for membership, programs, and housing services. The accompanying financial statements reflect the financial results of all program and supporting services, and capital activities of the Association. All intra-Association balances and transactions have been eliminated. The Association is a tax-exempt organization, as defined by Section 501(c) (3) of the Internal Revenue Code.

The YMCA of Metropolitan Chicago Foundation (South Chicago and Harvey), YMCA of Metropolitan Chicago Foundation for Greater Roseland, YMCA of Metropolitan Chicago Foundation for Washington Park, YMCA of Metropolitan Chicago Foundation for Harvey II, and YMCA of Metropolitan Chicago Foundation for Harvey III (the "Foundations") are related organizations. The majority of board members of the Foundations are also board members of the Association, but do not represent the majority of voting board members. The accounts of the Foundations are not included in these financial statements (Note 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 amount of assets and liabilities and disclosure of contingent 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 Association considers all highly liquid money market funds acquired with an original maturity of three months or less to be cash equivalents.

Investments—Investments are stated at fair value and are recorded on the trade or contract date. The fair value of investments is based on quoted market prices, except for investments for which quoted market prices are not available. In cases when investments have no fair value, certain alternative investments, such as real estate and hedge funds, it is estimated based on valuations provided by the associated external investment managers and recorded at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold at an amount different than NAV. The Association exercises diligence in assessing the policies, procedures, and controls implemented by its external investment managers, and believes the carrying amount of these assets represents a reasonable estimate of fair value. However, because alternative investments are generally not readily marketable, their estimated value is subject to inherent uncertainty and therefore may differ from the value that would have been used had a market for such investments existed.

Property and Equipment—Property and equipment are initially recorded at cost for assets purchased or constructed, and estimated at fair value on the date of receipt for assets donated. Depreciation on buildings is computed on the straight-line basis over 40 years. Building additions are depreciated on a straight-line basis over a 20-year period or the remaining life of the building, if shorter. Furniture and fixtures, including computer equipment, are depreciated on a straight-line basis over service lives ranging from three to ten years.

Leased assets and leasehold improvements are amortized over the term of the lease or their useful lives, if shorter, by use of the straight-line method.

Pension—The Association sponsors an employer defined benefit plan; the overfunded or underfunded status of the plan is recognized as an asset or liability in its statements of financial position. The Association measures plan assets and benefit obligations as of the date of the Association's fiscal year end. Pension expense for the Association-administered defined benefit plan is determined on the projected unit credit method. The Association's current funding policy is to contribute annually at least the minimum amount required under the Employment Retirement Income Security Act of 1974.

Derivatives—The Association recognizes all derivative instruments as assets or liabilities at fair value, with the related gain or loss reflected within statements of activities and changes in net assets. The Association maintains interest rate swap agreements that are economically cash flow hedges to manage the market risk from changes in interest rates on a portion of its variable-rate term loans. Such derivative financial instruments are recorded at fair value, and at December 31, 2015 and 2014, the fair value approximates $997,233 and 943,645, respectively, as reflected in accrued liabilities, within the accompanying statements of financial position. The difference between the fixed and variable interest rate to be received or paid under the interest rate swap agreements are recognized in net loss on interest rate swap.

Classification of Net Assets—The net assets of the Association and changes therein are classified and reported as follows:

Unrestricted net assets are utilized to account for public support and program revenues that are unrestricted in nature. Donor-restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support.

Temporarily restricted net assets are utilized to account for contributions that are donor restricted for uses that have not yet been fulfilled either in time or purpose.

Permanently restricted net assets are utilized to account for endowments whereby the donor has permitted the Association to use the income for operations, but has prohibited the use of corpus.

When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

The Board of Managers of the Association periodically designates certain amounts for specific uses. These amounts are included within the unrestricted net assets that have been designated for certain projects by the board.

Revenue Recognition—Public support and revenue are recorded under the accrual method. Membership revenue is recognized over the period of membership. Unconditional promises to give are recorded as revenue in the current period at the net present value of the amounts expected to be collected. Conditional promises are recorded when the conditions on which they depend are substantially met. All gifts, bequests, and other public support with purpose or time restrictions that are met in the same reporting period are reported as increases in unrestricted net assets.

Government-funded program support is recognized to the extent that reimbursable program costs are incurred or, for certain programs, at contractually determined rates as services are rendered.

Donated Services—A substantial number of corporations and volunteers have donated significant amounts of time and services to the Association's program operations and to its fundraising campaigns. However, such contributed services do not meet the criteria for recognition of contributed services for GAAP and, accordingly, are not reflected in the accompanying financial statements.

Functional Expenses—The Association classifies expenses into three functional areas: program services, management and general, and fundraising. The program services function includes all expenses directly related to the Association's social, educational, and health programs. Management and general expense represents administrative costs, including interest not directly associated with operating units. Fundraising expense consists of expenses related to the solicitation of contributions.

Other Changes in Net Assets—The total other changes in net assets at December 31, 2015 and 2014, amounted to a increase of $187,000 and decrease of $5,444,000, respectively, relating to changes in both plan assets and benefit obligations of the pension and postretirement plans.

3. PLEDGES RECEIVABLE

Unconditional pledges receivable as of December 31, 2015 and 2014, are as follows:

	2015	2014
Gross pledges receivable	$ 1,382,966	$ 307,213
Less—reduction for discounting	(11,760)	(1,285)
Less—reduction for allowance	(137,030)	(30,593)
Pledges receivable—net	$ 1,234,176	$ 275,335

Gross pledges receivable of $506,993 and $143,014 at December 31, 2015 and 2014, respectively, were due within one year and classified as current in the balance sheets.

4. RELATED FOUNDATIONS

The Association is related to the Foundations (Note 1), which are all Illinois non-for-profit corporations. These Foundations provide elderly and handicapped persons with housing facilities and related services presently at six properties.

Under the terms of management agreements with the Foundations, the Association manages the housing facilities and provides the Foundations with administrative services. Under the terms of a lease agreement with the YMCA of Metropolitan Chicago Foundation, the Association provides social, education, and health programs in the Association facilities. Transactions under these agreements are not material to the Association's financial statements. The Association is reimbursed by the Foundations for certain expenses paid for by the Association on behalf of the Foundations. At December 31, 2015 and 2014, the Association's balance sheets included other receivables of approximately $746,090 and $358,378, respectively, from the Foundations.

The following Foundations' facilities are financed by capital grants from the U.S. Department of Housing and Urban Development (HUD):

- YMCA of Metropolitan Chicago Foundation for Washington Park
- YMCA of Metropolitan Chicago Foundation for Harvey II
- YMCA of Metropolitan Chicago Foundation for Harvey III

The following Foundations' facility is financed by a capital advance from the U.S. Department of HUD and an affordable housing program grant.

- YMCA of Metropolitan Chicago Foundation of Greater Roseland

The YMCA of Metropolitan Chicago Foundation (South Chicago and Harvey) is funded by a combination of tax-exempt and taxable bonds.

The capital grants, secured by land and project costs, are subject to mortgage notes, which bear no interest and are payable only if housing does not remain available for very low income eligible for 40 years. The capital advance is subject to a mortgage note secured by land and project costs. The affordable housing grant is subject to a junior mortgage note secured by real estate, which is to be repaid only if housing program requirements are not met. The Association has no responsibility for repayment of these mortgages. The Association has rehabilitated program facilities at the Foundations' properties and accounts for these costs as leasehold improvements.

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2—Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3—Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Marketable investments in equity securities and mutual funds are carried at fair value based upon quoted market prices at the reporting date. These marketable investments are generally categorized in Level 1 of the fair value hierarchy. Commingled funds are unregistered investment funds with a daily NAV that invests in large-cap and small-cap companies located in the United States. The commingled funds allow investors to sell their interests with a one-day notice. Such commingled funds are categorized in Level 2 of the fair value hierarchy.

For alternative investments, which are principally real estate, private equity, and hedge funds, the carrying value is the estimated fair value. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. The fair value of alternative investments are determined by the general partner after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings, and the audit opinion from the independent auditor of the limited partnership.

The fair value of the interest rate swap agreement was determined using industry standard valuation models, which are based on a market approach.

The following tables set forth the valuation hierarchy for the Association's investment assets and investment liabilities. The valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Total Association investment assets at fair value on a recurring basis classified within Level 3 were $20,792,380 and $23,361,006 as of December 31, 2015 and 2014, respectively, which primarily consists of the Association's real estate, private equity, and hedge funds alternative investment holdings.

Investment holdings at fair value were composed of the following at December 31, 2015:

	Investment Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,078,919	$ -	$ -	$ 3,078,919
Corporate bond mutual funds	22,940,710			22,940,710
Common stocks	33,892,301			33,892,301
Common collective trusts		61,163,448		61,163,448
Real estate			7,800,835	7,800,835
Private equity			4,587,001	4,587,001
Hedge funds			8,404,544	8,404,544
Total investment assets—at fair value	$ 59,911,930	$ 61,163,448	$ 20,792,380	$ 141,867,758

	Investment Liabilities at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Interest rate swaps	$ -	$ -	$ 997,233	$ 997,233
Total liabilities—at fair value	$ -	$ -	$ 997,233	$ 997,233

Investment holdings at fair value were composed of the following at December 31, 2014:

	Investment Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,896,709	$ -	$ -	$ 1,896,709
Corporate bond mutual funds	25,636,028			25,636,028
Common stocks	30,457,911			30,457,911
Common collective trusts		71,648,209		71,648,209
Real estate			7,182,564	7,182,564
Private equity			5,102,780	5,102,780
Hedge funds			11,075,662	11,075,662
Total investment assets—at fair value	$ 57,990,648	$ 71,648,209	$ 23,361,006	$ 152,999,863

	Investment Liabilities at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Interest rate swaps	$ -	$ 943,645	$ -	$ 943,645
Total liabilities—at fair value	$ -	$ 943,645	$ -	$ 943,645

During 2015 and 2014, there were no transfers between Level 1 and Level 2.

The unfunded commitments, redemption frequency and redemption notice period of investments held at NAV or its equivalent as of December 31, 2015 and 2014 are as follows:

Investments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions in Place at Year End
Real estate	N/A	Quarterly with 45 day notice	None	None
Private equity	N/A	No redemption is permitted	No redemption is permitted	None
Hedge funds	N/A	Quarterly with notice periods of 65 to 90 days	None	None

The table below sets forth a summary of changes in the fair value of the Association's Level 3 investments for the year ended December 31, 2015. Realized and unrealized gains and losses on Level 3 investments are included in the "Statements of Activities and Changes in Net Assets" under other (loss) income.

	Real Estate	Private Equity	Hedge Funds	Total
Balances—beginning of year	$ 7,182,564	$ 5,102,780	$ 11,075,662	$ 23,361,006
Realized gains	4,333	790,784	452,855	1,247,972
Unrealized gains (losses)	532,251	(35,654)	(523,973)	(27,376)
Capital contributions net of distributions	(200,962)	(1,108,240)	(2,600,000)	(3,909,202)
Fees	(87,908)	(183,960)		(271,868)
Income	370,557	21,291		391,848
Balances—end of year	$ 7,800,835	$ 4,587,001	$ 8,404,544	$ 20,792,380

The table below sets forth a summary of changes in the fair value of the Association's Level 3 investments for the year ended December 31, 2014. Realized and unrealized gains and losses on Level 3 investments are included in the"statements of activities and changes in net assets" under other (loss) income.

	Real Estate	Private Equity	Hedge Funds	Total
Balances—beginning of year	$ 6,685,547	$ 4,667,830	$ 10,656,979	$ 22,010,356
Realized gains	456	491,216		491,672
Unrealized gains	417,710	457,134	418,683	1,293,527
Capital contributions net of distributions	(182,880)	(434,020)		(616,900)
Fees	(81,493)	(89,257)		(170,750)
Income	343,224	9,877		353,101
Balances—end of year	$ 7,182,564	$ 5,102,780	$ 11,075,662	$ 23,361,006

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

The Association has outstanding private equity capital call commitments totaling $1,143,842 and $1,495,876 at December 31, 2015 and 2014, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation at December 31, 2015 and 2014, consisted of the following:

	2015	2014
Land	$ 13,020,037	$ 14,240,606
Buildings and improvements	214,980,228	199,105,259
Furniture, fixtures, and equipment	28,433,702	29,505,896
Leasehold improvements	7,144,723	7,148,120
Construction in progress	921,856	5,131,929
	264,500,546	255,131,810
Less accumulated depreciation	(134,552,668)	(130,412,323)
	$ 129,947,878	$ 124,719,487

Depreciation expense for the years ended December 31, 2015 and 2014, was $12,819,066 and $13,089,338, respectively.

In December 2014, the Association transferred the Lawson property and the Illinois Housing Development Authority debt associated with the property to Lawson LLC. The property provides single-room occupancy and houses the YMCA corporate offices. The fair value of the property transferred, less debt assumed and cash received was $5,566,141 and is recorded as a contribution of property. The net book value of the assets transferred was $5,855,487.

In March 2014, the Association executed a purchase and sale agreement to sell the land where the Rich Port YMCA was located to an unrelated third party. The closing of this sale occurred in 2015 with a net gain of $6,528,736.

Building improvements and other equipment were sold or disposed for a net gain of $192,448 and $1,439,821 in 2015 and 2014, respectively.

7. CAPITAL LEASES

The Association has entered into capital leases for certain office and exercise equipment with equipment vendors. Equipment under capital leases consists of:

	2015	2014
Furniture, fixtures, and equipment	$ 7,026,175	$ 5,800,847
Less accumulated depreciation	(5,389,205)	(4,381,968)
	$ 1,636,970	$ 1,418,879

Minimum annual rentals are:

Years Ending December 31	
2016	$ 954,986
2017	572,638
2018	350,343
2019	324,488
2020 and thereafter	
	2,202,455
Less amount representing interest	(103,260)
Present value of net minimum payments under capital lease	2,099,195
Less current portion	(908,282)
Capital lease obligation	$ 1,190,913

8. LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2015 and 2014:

	2015	2014
Illinois Development Finance Authority Loan, with variable interest rates, due June 1, 2029	$ 37,000,000	$ 37,000,000
Illinois Finance Authority Adjustable Rate Demand Revenue Bonds Series 2004, with variable interest rates, due June 1, 2034	12,100,000	12,100,000
BMO Harris Term Loan with variable interest rates due in varying amounts through 2023	15,000,000	10,100,000
Illinois Development Action Grant, 3% due October 15, 2029	875,000	875,000
Capital leases (Note 7)	2,099,195	1,982,811
Total long-term debt	67,074,195	62,057,811
Less amounts due within one year	(2,783,282)	(1,108,944)
	$ 64,290,913	$ 60,948,867

On June 14, 2001, the Illinois Development Finance Authority issued $54,000,000 fully registered bonds on behalf of the Association, Series 2001 dated June 4, 2001. The Association was required to use $35,100,000 of the proceeds to retire the outstanding 1996A and 1999 bonds. On July 25, 2001, the Association utilized these funds to repay the 1996A and 1999 bonds in full.

On November 18, 2004, the Authority issued $27,000,000 fully registered bonds on behalf of the Association, Series 2004, dated November 1, 2004. The Association used $4,605,000 of the proceeds to repay an outstanding taxable loan with LaSalle Bank. In addition, the Association used $5,900,396 to refund the principal and interest on the outstanding 1996B Bonds.

The Series 2004 bond proceeds were made available to the Association pursuant to loan agreements entered into between the Association and the Authority. The bond proceeds provide funds to the association to (a) finance, refinance, or reimburse all or a portion of the costs of the acquisition, construction, renovation, improving, and equipping of certain facilities, including certain finance costs; (b) refund all of the principal of and interest on the outstanding Revenue Bonds, Series 1996B; (c) retire taxable loan with LaSalle Bank; and (d) pay certain costs relating to the issuance of the Series 2004 bonds.

The loan agreements contain certain options where the borrower may prepay a portion of the loan based on circumstances defined in the agreements. During 2011, the Association redeemed $900,000 of the Series 2004 bonds. During 2010, $17,000,000 of the Series 2001 and $14,000,000 of the Series 2004 bonds were redeemed.

The Series 2004 bonds are subject to mandatory sinking fund installment redemption of $6,000,000 on June 1, 2016. The final maturity date for the remaining $6,100,000 of bonds is June 1, 2034.

Pursuant to the above agreements, the Association entered into related reimbursement agreements with Harris Trust and Savings Bank, which provide letters of credit in the amounts of $37,283,836 for Series 2001 and $12,192,823 for Series 2004, for principal and interest. These agreements were amended September 23, 2014, and, unless renewed, will expire on January 31, 2018, for Series 2001 and Series 2004. The letters of credit have associated fees of 0.50% of the outstanding balance of the loans.

Pursuant to certain agreements among the Association, the Authority, and the Harris Trust and Savings Bank, the Association must maintain certain covenants in connection with the reimbursement agreements and the loan agreements, including restrictions related to debt-service coverage, additional indebtedness, and maintenance of certain indebtedness ratios.

During 2014, the Association transferred the Lawson property to Lawson LLC. The City of Chicago note and regulatory agreement associated with the property were restructured. The note was forgiven and is reflected as a contribution to the Association. The regulatory agreement now requires the Lawson LLC to provide affordable residential units for period of time not less than 30 years.

The Illinois Housing Development Authority debt and related documents were assigned to the Lawson LLC as part of the property transfer.

Aggregate annual maturities of long-term debt and capital leases for the five years ending after December 31, 2015, and thereafter are as follows:

Years Ending December 31	
2016	$ 2,783,282
2017	2,420,905
2018	2,200,474
2019	2,194,534
2020	1,875,000
Thereafter	57,475,000
	$68,949,195

The Association maintains a $10,000,000 line of credit with Harris Trust and Savings Bank. The outstanding borrowings at and December 31, 2015 and 2014, against the credit line amounted to $300,000. The applicable interest rate at December 31, 2015 was 1.73%.

The fair value of the Association's long-term debt, including capital leases, at December 31, 2015 and 2014, approximates $64,290,913 and $60,948,867, respectively. The fair values of the Association's long-term debt are based on current traded values for similar types of borrowings that are considered Level 2 inputs as described in Note 5.

9. INTEREST RATE SWAP

The Association is currently a party to two interest rate swap agreements. These swap agreements relate to the $54 million tax-exempt Series 2001 bond issue and the $27 million Series 2004 bond issue. The interest rate swap agreements effectively convert a portion of the tax-exempt daily reset (variable rate) for Series 2001 and a portion of tax-exempt weekly reset (variable rate) for Series 2004 interest rate to a fixed-interest rate. See key terms of each swap agreement included below.

At December 31, 2015, the outstanding swaps are as follows:

Counterparty	Amount	Effective Date	Original Term	Expiration Date	Fixed Rate Paid	Floating Received
JPMorgan Chase	$ 10,000,000	August 8, 2011	10 years	August 9, 2021	1.87 %	68% LIBOR
JPMorgan Chase	10,000,000	August 1, 2012	10 years	August 1, 2022	2.10	68% LIBOR

At December 31, 2015 and 2014, the total mark-to-market adjustment on these swap agreements was a loss of $53,588 and $606,783, respectively. The differential between the tax-exempt floating rate and the fixed rate was $375,385 and $381,370 respectively, and is included in the net loss on interest rate swap.

10. PENSION PLANS

Defined Contribution Plan—The Association participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (a separate corporation) ("YMCA Retirement Fund"). This plan is for the benefit of all eligible professional and nonprofessional staff of the Association who qualify under the participation requirements.

In accordance with the agreement with the YMCA Retirement Fund, contributions by employees and the employer are a percentage of the participating employees' salaries and are to be remitted monthly to the YMCA Retirement Fund. Total Association contributions charged to retirement costs aggregated $1,804,596 and $2,075,282 for the years ended December 31, 2015 and 2014, respectively.

Defined Benefit Plan—Substantially, all Association qualifying nonexempt employees hired before attaining age 60 are eligible to participate in the Young Men's Christian Assoication of Chicago Employees Retirement Plan (the "Plan"), a noncontributory defined benefit plan, which is administered by the Association.

For exempt employees who were participants in the Plan prior to July 1, 1988, benefits are based on years of service and the employees' final average earnings, as defined, reduced by a percentage of Social Security retirement benefits and further reduced by retirement benefits available under the separate defined contribution plan.

For nonexempt employees, until December 31, 2003, benefits were based on years of service and employees' final average earnings. A Plan amendment was adopted with an effective date of January 1, 2004. The amendment changes the benefit formula from a final average pay formula to a career average pay formula. This change will have the effect of reducing the future rate of benefit accrual; however, it will not reduce the amount of Plan benefit earned as of December 31, 2003. The rate of accrual remains unchanged at 1.5%. Under the new formula, each active participant that works 1,000 hours will accrue an additional retirement benefit based on that year's pay.

The amortization of any unrecognized net loss is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive the benefits under the plan.

The following table sets forth the accumulated benefit obligation, projected benefit obligation, and the change in the Plan assets of the defined pension plan. The table also reflects the funded status of the plans as well as recognized and unrecognized amounts in the statements of financial position at December 31, 2015 and 2014:

	2015	2014
Accumulated benefit obligation	$29,968,000	$31,997,000
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$32,245,000	$26,756,000
Service cost	754,000	684,000
Interest cost	1,319,000	1,299,000
Effect of curtailments and settlements		
Actuarial (gain) loss	(2,223,000)	5,101,000
Benefit payments	(2,000,000)	(1,595,000)
Projected benefit obligation at end of year	30,095,000	32,245,000
Change in plan assets:		
Fair value of plan assets at beginning of year	29,429,000	28,328,000
Actual return on assets	(351,000)	1,896,000
Employer contributions	800,000	800,000
Benefit payments	(2,000,000)	(1,595,000)
Fair value of plan assets at end of year	27,878,000	29,429,000
Funded status	$ (2,217,000)	$ (2,816,000)
Additional amounts recognized in the Statement of financial position:		
Noncurrent assets	$ -	$ -
Current liabilities		
Noncurrent liabilities	(2,217,000)	(2,186,000)
Net pension liability at end of year	$ (2,217,000)	$ (2,186,000)
Amounts recognized in unrestricted net assets:		
Net actuarial loss	$ 8,933,000	$ 9,286,000
Prior service credit		
	$ 8,933,000	$ 9,286,000

	2015	2014
The components of net periodic pension cost:		
Service cost	$ 754,000	$ 684,000
Interest cost	1,319,000	1,299,000
Expected return on plan assets	(2,102,000)	(2,041,000)
Amortization of unrecognized net loss	583,000	122,000
Amortization of unrecognized prior-service credit		(48,000)
Total periodic pension cost	554,000	16,000
Other changes in plan assets and projected benefit obligation recognized in unrestricted net assets:		
Net actuarial loss arising during fiscal year	230,000	5,246,000
Amortization of net actuarial loss	(583,000)	(122,000)
Amortization of prior-service credit		48,000
	(353,000)	5,172,000
Total recognized in net periodic pension cost and unrestricted net assets	$ 201,000	$ 5,188,000

Estimated Future Benefit Payments—The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years Ending December 31	
2016	$ 1,740,000
2017	1,770,000
2018	1,780,000
2019	1,780,000
2020	1,790,000
2021–2025	9,130,000
	$ 17,990,000

Key pension plan assumptions are as follows:

	2015	2014
Discount rate used to determine actuarial present value of projected obligation	4.60 %	4.20 %
Discount rate used to determine actuarial net periodic pension cost	4.20	5.00
Rate of increase in future compensation levels	3.00	3.00
Expected long-term rate of return on plan assets	7.25	7.25

The amount of net loss and prior-service cost in net assets expected to be recognized as components of net periodic benefit cost during fiscal 2016 are $564,000 and $0, respectively. The expected contributions for 2016 fiscal year are $800,000.

The assets of the Plan are invested in a manner that is intended to achieve a rate of return of 7.25%, which is the Plan's assumed long-term rate of return.

The investment portfolio of the Plan is intended to achieve the return objective and reduce the volatility of returns. The Plan 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) over a long-term horizon. Third-party managers invest the Plan's assets.

The target allocations for plan assets are 46% domestic equity securities or mutual funds, 24% international equities, 25% fixed income mutual funds and 5% real estate funds.

Marketable investments in equity securities and mutual funds are carried at fair value based upon quoted market prices at the reporting date. These marketable investments are generally categorized in Level 1 of the fair value hierarchy.

Common collective trusts are unregistered investment funds with a daily NAV that invests in international equities. The common collective trusts allow investors to sell their interests with a one-day notice. Such common collective trusts are categorized in Level 2 of the fair value hierarchy.

For alternative investments, which are principally real estate funds, the carrying value is the estimated fair value. Because alternative investments are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. The fair value of alternative investments are determined by the general partner after it considers certain pertinent factors, including, but not limited to, the partner's share of the underlying limited partnership's net assets, liquidity features of the partnership, the underlying portfolio of holdings, the current market conditions for observable, corroborated or correlated transactions, comparable or similar products' fair valuations, external assessments of the limited partnerships' holdings, and the audit opinion from the independent auditor of the limited partnership.

The Plan's assets by investment category were as follows at December 31, 2015:

	Investment Assets at Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 270,503	$ -	$ -	$ 270,503
Corporate bond mutual funds	3,396,551			3,396,551
Common stock—domestic	4,309,619			4,309,619
Real estate funds			1,474,479	1,474,479
Common collective trusts		18,426,848		18,426,848
Total investment assets at fair value	$7,976,673	$18,426,848	$1,474,479	$27,878,000

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 investments for the year ended December 31, 2015. There were no transfers between any Levels.

	Real Estate
Balances—beginning of year	$ 1,321,067
Realized gains	796
Unrealized gains	102,047
Contributions	37,339
Distributions	(37,339)
Investment income	66,905
Fees	(16,336)
Balances—end of year	$ 1,474,479

The Plan's assets by investment category were as follows at December 31, 2014:

	Investment Assets at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 189,867	$ -	$ -	$ 189,867
Registered investment entities	3,620,857			3,620,857
Common stock—domestic	3,469,924			3,469,924
Real estate			1,321,067	1,321,067
Common collective trusts		20,866,337		20,866,337
Total investment assets at fair value	$7,280,648	$20,866,337	$ 1,321,067	$29,468,052

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 investments for the year ended December 31, 2014. There were no transfers between any Levels.

	Real Estate
Balances—beginning of year	$ 1,197,048
Realized losses	83
Unrealized gains	76,168
Contributions	33,082
Distributions	(33,082)
Investment income	62,511
Fees	(14,743)
Balances—end of year	$ 1,321,067

The Association also provides postretirement medical benefits that had an unfunded status of $51,000 and $56,000 in 2015 and 2014, respectively and is included in the Pension and Postretirement Benefit Obligation liability.

11. TRUST FUNDS

Funds held in trust for the Association are composed of the John V. Painter Trust, Alban Barth Nixon Fund, Francis and Eva Thorton Trust, the William J. Watson Trust, and the Aurora Community Trust. Each trust consists of investments held by an outside custodian with the Association as a perpetual beneficiary. The income from the trusts is paid to the Association and gains and losses are retained in the trusts. Such losses and gains, amounting to $138,697 at December 31, 2015 and $470,597 at December 31, 2014, were recorded as adjustments to permanently restricted net assets.

The Association receives income from another trust fund, the corpus of which is not included in the statements of financial position since the Association does not have a perpetual right to receive income from this trust or the title, custody, and management is not vested in the Association.

12. RESTRICTED NET ASSETS AND BOARD DESIGNATED ENDOWMENT FUNDS

Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time period or purpose. Temporarily restricted net assets of $1,518,214 and $3,064,442 were available for capital purchases as of December 31, 2015 and 2014, respectively. In addition, temporarily restricted net assets of $334,821 were available for specific programs to occur in the next fiscal year.

Permanently restricted net assets have been restricted by donors to be maintained by the Association in perpetuity. Permanently restricted net assets as of December 31, 2015 and 2014, are invested for the following purposes:

	2015	2014
Designated purpose:		
Perpetual trust	$ 3,028,291	$ 3,166,988
Charitable remainder trust	8,668,425	8,668,425
	$ 11,696,716	$ 11,835,413

The Board of Managers has determined that donor-restricted funds will be governed by specific policies, which assure that the original gift shall be protected to perpetuity as the endowed corpus and distribution shall not be made if it were to bring the value below that threshold, which explain the calculation used to determine funds available for expenditure and govern the process for expenditure of funds, in accordance with donor restrictions. The Investment Policy adopted by the YMCA Investment Committee reiterates these basic principles for donor-restricted funds and defines the return objectives and risk parameters for all the Association's investments.

Board Designated Endowment Funds—The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Association's capital and program needs. The endowment assets are invested at the direction of the board in an approved mix of cash, equities, fixed income, real estate, hedge funds, and private equity investments. This investment strategy is meant to provide a steady rate of return while assuming a moderate level of investment risk.

The Association has a policy of appropriating for distribution each year 5% of its board designated endowment fund's fair value. This policy was established based upon the investment strategy of the endowment assets as well as the operational objectives of the Association.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is a model act approved by the Uniform Law Commission that serves as a guideline for states to us in enacting legislation and was adopted by the State of Illinois.

The Association interpreted the State of Illinois UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent donor stipulations to the contrary. As a result of this interpretation, the Association classifies the following 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 in temporarily restricted net assets until any applicable purpose has been fulfilled and those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

Changes in restricted funds and the board-designated endowment funds for the year ended December 31, 2015, are as follows:

	Perpetual Trusts	Charitable Remainder Trusts	Total Permanently Restricted	Board Designated	Total
Beginning balances	$ 3,166,988	$ 8,668,425	$ 11,835,413	$ 144,331,438	$ 156,166,851
Investment income				3,065,668	3,065,668
Realized gains				11,887,958	11,887,958
Unrealized losses	(138,697)		(138,697)	(14,793,874)	(14,932,571)
Fees				(552,680)	(552,680)
Distributions				(10,739,177)	(10,739,177)
Ending balances	$ 3,028,291	$ 8,668,425	$ 11,696,716	$ 133,199,333	$ 144,896,049

Changes in restricted funds and the board-designated endowment funds for the year ended December 31, 2014, are as follows:

	Perpetual Trusts	Charitable Remainder Trusts	Total Permanently Restricted	Board Designated	Total
Beginning balances	$ 2,696,391	$ 8,668,425	$ 11,364,816	$ 143,721,173	$ 155,085,989
Investment income				3,490,035	3,490,035
Realized gains				11,687,146	11,687,146
Unrealized gains (losses)	470,597		470,597	(1,966,222)	(1,495,625)
Fees				(517,005)	(517,005)
Distributions				(12,083,689)	(12,083,689)
Ending balances	$ 3,166,988	$ 8,668,425	$ 11,835,413	$ 144,331,438	$ 156,166,851

13. COMMITMENTS AND CONTINGENCIES

The Association leases certain office space and equipment under noncancelable operating leases. Future annual minimum lease payments for such noncancelable operating leases in effect at December 31, 2015, are as follows:

2016	$ 361,274
2017	211,947
2018	207,136
2019	132,805
2020	626
Thereafter	9,428
	$ 923,216

Total rent expense for the years ended December 31, 2015 and 2014, was approximately $1,225,673 and $1,004,809, respectively.

The Association is self-insured for a portion of its general, property, and vehicle liability exposure. At December 31, 2015 and 2014, approximately $804,702 and $894,198, respectively, was included in accounts payable and accrued expenses in the accompanying statements of financial position for such liability.

The Association is involved in various other litigation arising in the ordinary course of business. In the opinion of management after consulting with legal counsel, and taking into account insurance and reserves, the disposition of all such matters should not have a material adverse effect on the Association's financial position.

The Association receives fees and grants from various federal, state, and city government agencies for services performed under contracts. Such contracts are subject to governmental compliance audits, which may, from time to time, result in adjustments to fees and grants received. In the opinion of the Association's management, the disposition of all such matters should not have a material adverse effect on the Association's financial position.

14. RELATED-PARTY TRANSACTIONS

For the years ended December 31, 2015 and 2014, the Association has entered into other transactions, including banking, space rental, and legal services, that employ or have officers who are members of the Board of Managers of the Association. Such transactions are negotiated not to exceed current market rates.

15. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 9, 2016, the date the financial statements were available to be issued. No significant subsequent events were noted through the issuance of the financial statements.

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