Young Men's Christian Association of Chicago

Financial Statements as of and for the Years Ended December 31, 2016 and 2015, 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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016 and 2015, and the results of its activities and changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

May 23, 2017

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CHICAGO

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,566,298	$ 5,654,137
Restricted cash	489,752	173,616
Pledges receivable (net of allowance for doubtful accounts)	404,600	456,294
Other receivables (net of allowance for doubtful accounts of $363,251 and $322,898 in 2016 and 2015, respectively)	2,262,574	2,045,842
Recoverable government-funded program expenditures (net of allowance for doubtful accounts of $144,660 and $121,923 in 2016 and 2015, respectively)	3,407,772	3,731,465
Other current assets	448,019	555,364
Total current assets	10,579,015	12,616,718
INVESTMENTS (including $8,668,425 in 2016 and 2015, respectively of permanently restricted assets)	137,698,196	141,867,758
LONG-TERM PLEDGES RECEIVABLE, NET, AND LIFE INSURANCE POLICIES	635,522	803,150
PROPERTY AND EQUIPMENT—Net of accumulated depreciation	123,094,182	129,947,878
FUNDS HELD IN TRUST FOR THE ASSOCIATION	3,276,581	3,028,291
TOTAL ASSETS	$275,283,496	$288,263,795
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 6,755,387	$ 9,276,541
Accrued expenses:		
Payroll and related benefits	2,733,591	3,178,884
Other	3,521,950	3,723,932
Interest rate swap	747,284	997,233
Advances from foundations and government agencies	1,251,022	827,973
Deferred revenue	2,586,910	2,639,232
Revolving credit facility	300,000	300,000
Current portion of long-term debt and capital leases	2,623,075	2,783,282
Total current liabilities	20,519,219	23,727,077
LONG-TERM DEBT AND CAPITAL LEASES—Less current maturities (net)	62,128,716	63,833,952
OTHER LONG-TERM LIABILITIES	1,162,448	1,178,493
PENSION AND POSTRETIREMENT BENEFIT OBLIGATIONS	2,399,000	2,268,000
Total liabilities	86,209,383	91,007,522
NET ASSETS:		
Unrestricted	174,903,939	183,706,522
Temporarily restricted	2,225,168	1,853,035
Permanently restricted	11,945,006	11,696,716
Total net assets	189,074,113	197,256,273
TOTAL LIABILITIES AND NET ASSETS	$275,283,496	$288,263,795

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, 2016 AND 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
PUBLIC SUPPORT AND REVENUE:					
PUBLIC SUPPORT:					
Government-funded programs	$ 12,234,533	$ -	$ -	$ 12,234,533	$ 12,979,422
Contributions	3,746,343	2,193,744		5,940,087	7,794,887
United Way, local chests, and special projects	1,210,579			1,210,579	1,139,790
Total public support	17,191,455	2,193,744	-	19,385,199	21,914,099
REVENUE:					
Membership fees	29,946,389			29,946,389	30,816,553
Social, educational, and health program fees	29,770,193			29,770,193	29,489,044
Residence income	2,887,845			2,887,845	2,703,835
Rental, service, and merchandise	981,304			981,304	1,007,222
Investment income designated for operations	6,939,600			6,939,600	7,138,248
Net assets released from restriction	1,821,611	(1,821,611)		-	
Total revenues	72,346,942	(1,821,611)	-	70,525,331	71,154,902
Total public support and revenues	89,538,397	372,133	-	89,910,530	93,069,001
EXPENSES:					
Program services	80,655,816			80,655,816	82,819,178
Management and general	18,645,701			18,645,701	16,239,565
Fundraising	1,693,661			1,693,661	1,140,023
Total expenses	100,995,178	-	-	100,995,178	100,198,766
PUBLIC SUPPORT AND REVENUE, LESS EXPENSES, BEFORE OTHER INCOME (LOSS)	(11,456,781)	372,133	-	(11,084,648)	(7,129,765)
OTHER INCOME (LOSS):					
Investment income:					
Total investment income (loss)	9,550,964			9,550,964	(333,044)
Less investment income designated for operations	(6,939,600)			(6,939,600)	(7,138,248)
Change in value of life income contracts	101,954			101,954	(20,167)
Net loss on interest rate swap	(125,435)			(125,435)	(428,973)
Net gain (loss) on funds held in trust			248,290	248,290	(138,697)
Net gain on sales of property	49,315			49,315	6,721,184
Total other income (loss)	2,637,198	-	248,290	2,885,488	(1,337,945)
OTHER CHANGES IN NET ASSETS	17,000			17,000	187,000
CHANGES IN NET ASSETS	(8,802,583)	372,133	248,290	(8,182,160)	(8,280,710)
NET ASSETS:					
Beginning of year	183,706,522	1,853,035	11,696,716	197,256,273	205,536,983
End of year	$174,903,939	$ 2,225,168	$11,945,006	$189,074,113	$197,256,273

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 YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
PUBLIC SUPPORT AND REVENUE:				
PUBLIC SUPPORT:				
Government-funded programs	$ 12,979,422	$ -	$ -	$ 12,979,422
Contributions	3,842,492	3,952,395		7,794,887
United Way, local chests, and special projects	1,139,790			1,139,790
Total public support	17,961,704	3,952,395	-	21,914,099
REVENUE:				
Membership fees	30,816,553			30,816,553
Social, educational, and health program fees	29,489,044			29,489,044
Residence income	2,703,835			2,703,835
Rental, service, and merchandise	1,007,222			1,007,222
Investment income designated for operations	7,138,248			7,138,248
Net assets released from restriction	3,978,993	(3,978,993)		-
Total revenues	75,133,895	(3,978,993)	-	71,154,902
Total public support and revenues	93,095,599	(26,598)	-	93,069,001
EXPENSES:				
Program services	82,819,178			82,819,178
Management and general	16,239,565			16,239,565
Fundraising	1,140,023			1,140,023
Total expenses	100,198,766	-	-	100,198,766
PUBLIC SUPPORT AND REVENUE, LESS EXPENSES, BEFORE OTHER INCOME (LOSS)	(7,103,167)	(26,598)	-	(7,129,765)
OTHER (LOSS) INCOME:				
Investment income:				
Total investment income (loss)	(333,044)			(333,044)
Less investment income designated for operations	(7,138,248)			(7,138,248)
Change in value of life income contracts	(20,167)			(20,167)
Net loss on interest rate swap	(428,973)			(428,973)
Net gain (loss) on funds held in trust			(138,697)	(138,697)
Net gain on sales of property	6,721,184			6,721,184
Total other income (loss)	(1,199,248)	-	(138,697)	(1,337,945)
OTHER CHANGES IN NET ASSETS	187,000	-	-	187,000
CHANGES IN NET ASSETS	(8,115,415)	(26,598)	(138,697)	(8,280,710)
NET ASSETS:				
Beginning of year	191,821,937	1,879,633	11,835,413	205,536,983
End of year	$183,706,522	$ 1,853,035	$11,696,716	$197,256,273

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, 2016 AND 2015

	Child Development	Health Enhancement	Camping	Community Development	Residences	Program Services Total	Management and General	Fundraising	December 31, 2016 Total	December 31, 2015 Total
SALARIES AND WAGES	$ 14,918,394	$ 16,290,156	$ 4,696,608	$ 1,378,673	$ 502,896	$ 37,786,727	$ 8,735,390	$ 793,469	$ 47,315,586	$ 47,362,875
PAYROLL TAXES AND EMPLOYEE BENEFITS	2,684,107	2,930,912	845,010	248,050	90,480	6,798,559	1,571,665	142,760	8,512,984	8,353,182
Total salaries and related expenses	17,602,501	19,221,068	5,541,618	1,626,723	593,376	44,585,286	10,307,055	936,229	55,828,570	55,716,057
OCCUPANCY	1,828,729	1,996,883	575,720	169,001	61,646	4,631,979	1,070,803	97,265	5,800,047	6,079,675
MAINTENANCE AND REPAIR EXPENSES	548,936	599,411	172,816	50,729	18,505	1,390,397	321,427	29,196	1,741,020	2,177,096
SUPPLIES AND EQUIPMENT	1,930,599	2,108,120	607,791	178,416	65,080	4,890,006	1,130,452	102,683	6,123,141	5,409,751
CONTRACT SERVICE FEES	3,591,271	3,921,492	1,130,604	331,884	121,061	9,096,312	2,102,851	191,010	11,390,173	11,252,139
PROMOTION	525,411	573,724	165,410	48,555	17,712	1,330,812	307,652	27,945	1,666,409	2,229,335
CONFERENCES, MEETINGS, AND TRAVEL	202,333	220,937	63,699	18,699	6,821	512,489	118,475	10,762	641,726	746,253
INTEREST EXPENSE	238,034	259,922	74,938	21,998	8,023	602,915	139,380	12,660	754,955	492,763
OTHER EXPENSES	1,022,722	1,116,763	321,973	94,514	34,476	2,590,448	598,850	54,396	3,243,694	3,276,632
Total operating expenses, before depreciation	27,490,536	30,018,320	8,654,569	2,540,519	926,700	69,630,644	16,096,945	1,462,146	87,189,735	87,379,701
DEPRECIATION	4,352,795	4,753,039	1,370,347	402,260	146,731	11,025,172	2,548,756	231,515	13,805,443	12,819,065
TOTAL FUNCTIONAL EXPENSES	$ 31,843,331	$ 34,771,359	$ 10,024,916	$ 2,942,779	$ 1,073,431	$ 80,655,816	$ 18,645,701	$ 1,693,661	$ 100,995,178	$ 100,198,766

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, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (8,182,160)	$ (8,280,710)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Pension and post retirement changes other than net periodic benefit costs	(17,000)	(604,000)
Depreciation	13,805,443	12,819,065
Net gain on sale/disposal of property	(49,315)	(6,641,769)
Provision for doubtful accounts	38,592	(115,527)
Net realized gain on sale of investments	(3,872,590)	(11,887,958)
Net unrealized loss (gain) on investments	(3,040,933)	14,793,873
Loss on interest rate swap	125,435	428,973
(Increase) decrease in funds held in trust	(248,290)	138,697
Contributions restricted for capital projects	(1,832,162)	(2,614,260)
Other changes in operating assets and liabilities:		
Decrease (increase) in recoverable government-funded program expenditures	300,956	(840,656)
Increase in other assets and receivables	(149,740)	(132,019)
Increase (decrease) in pledges receivable	243,820	(1,064,370)
Increase in advances from government agencies	423,049	36,123
Increase in other liabilities	(3,559,858)	(389,896)
Increase in pension and postretirement obligations	148,000	
Decrease in deferred revenue	(52,322)	(68,670)
Net cash used in operating activities	(5,919,075)	(4,423,104)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	51,517	7,933,352
Purchase of property and equipment	(6,064,172)	(18,113,711)
Proceeds from sale of investments	27,480,819	56,515,609
Purchase of investments	(16,397,734)	(48,289,419)
Net cash provided by (used in) investing activities	5,070,430	(1,954,169)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on principal of capital leases	(880,220)	(1,108,944)
Decrease (increase) in restricted cash	(316,136)	799,404
Borrowing on term loan		4,900,000
Payments on revolving credit facility	(1,875,000)	
Contributions restricted for capital projects	1,832,162	2,614,260
Net cash (used in) provided by financing activities	(1,239,194)	7,204,720
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,087,839)	827,447
CASH AND CASH EQUIVALENTS:		
Beginning of year	5,654,137	4,826,690
End of year	$ 3,566,298	$ 5,654,137
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the period for interest—net of amounts capitalized	$ 1,102,277	$ 816,628
Noncash financing activities—investment in beneficial trust restricted for endowment	$ 248,290	$ (138,697)
Noncash investing activities—capital lease obligations used to purchase property and equipment	$ 889,777	$ 1,225,328

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 services agencies; and three single-room occupancy housing units in the greater Chicagoland area, as well as four resident camps. The Association is involved in building 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 accounting principles 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 the Foundations' board members are also board members of the Association, but do not represent the majority of voting board members. The Foundations' accounts are not included in these financial statements (see Note 4).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue 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 original maturities 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. For cases in which investments have no market value, such as certain alternative investments, including real estate, private equity, and hedge funds, fair value 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 their fair value. However, because alternative investments are generally not readily marketable, their estimated fair 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 fair value on the date of receipt for assets donated. Depreciation on buildings is computed on a straight-line basis over a 40-year period. 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 3 to 10 years.

Leased assets and leasehold improvements are amortized on a straight-line basis over the terms of the related leases or their useful lives, if shorter.

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 the Association's 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 based on the projected unit credit method. The Association's current funding policy is to contribute annually at least the minimum amount required under the Employee 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 the statements of activities and changes in net assets. The Association maintains interest rate swap agreements that are economical cash flow hedges to manage the risk related to changes in market interest rates on a portion of its variable-rate term loans. Such derivative financial instruments are recorded at fair value, and at December 31, 2016 and 2015, their fair values approximate $747,284 and $997,233, respectively, as reflected in current liabilities within the accompanying statements of financial position. Differences between the fixed and variable interest rates to be received or paid under interest rate swap agreements are recognized in net gain/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 revenue 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 donors have permitted the Association to use the income for operations, but have 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 and changes in net assets as net assets released from restrictions.

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

Revenue Recognition—Public support and revenue are recorded based on the accrual basis of accounting. 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. Unconditional promises to give are recorded as revenue when the unconditional promise is given at the net present value of the amounts expected to be collected. Conditional promises to give 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 as they are given are reported as increases in unrestricted net assets. Membership revenue is recognized over the period of membership based on consistent rates at each facility. Social, educational, and health program fees are recognized over period of each program, based on specific rates related to each program at each facility. Resident income is recognized over period of stay, based on room rates at each housing facility.

Donated Services—A substantial number of corporations and volunteers have donated significant amounts of time and services to the Association's program operations and fundraising campaigns. However, such contributed services do not meet the criteria for recognition of contributed services under 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. Program services expense 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 as of December 31, 2016 and 2015, amounted to an increase of $17,000 and an increase of $187,000, respectively, related to changes in both plan assets and benefit obligations of the pension and postretirement plans.

New Accounting Standards Update—In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)(a consensus of the FASB Emerging Issues Task Force)* ("ASU No. 2015-07"). This ASU removes the requirement to categorize within the fair value hierarchy for which fair values are measured using the net asset value per share ("NAV") or its equivalent as a practical expedient. Removing these investments from the fair value hierarchy eliminates the diversity in categorization of investments within the hierarchy. The ASU is effective for fiscal years beginning after December 15, 2016 with early adoption permitted. The Association has early adopted ASU No. 2015-07 effective for the year ended December 31, 2016. Fiscal year 2015 disclosures have been restated to reflect the implementation of the new guidance retrospectively. See Note 5 for further detail. The new guidance amended disclosure requirements and did not have any impact on the Association's statements of financial position or statements of activities for the years presented.

In April 2015, the FASB issued ASU 2015-03, *Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires that companies present debt issuance costs related to a recognized debt liability, excluding revolving debt arrangements, as a direct reduction of the carrying amount of that debt liability on the statement of financial position. It also requires that amortization of debt issuance costs should be reported as interest expense. The recognition and measurement guidance for debt issuance costs is not affected. The ASU is effective for fiscal years beginning after December 15, 2015 and the Association adopted this pronouncement effective for the year ended December 31, 2016. This ASU requires a full retrospective method of adoption and the adoption resulted in the reclassification of $456,961 of unamortized capitalized loan fees as of December 31, 2015 from "Other current assets" to direct reductions of our indebtedness on the statements of financial position. In addition, the adoption also resulted in the reclassification of $28,063 of amortization of debt issuance costs for the year ended December 31, 2015 from "Depreciation and Amortization" to "Interest Expense" on the statements of functional expenses.

Recently Issued Accounting Standards Updates—In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not for Profit Entities*. This reexamines existing standards for financial statement presentation by not for profit entities (NFP), focusing on improving net asset classification requirements and information provided in financial statements and notes about liquidity, financial performance, and cash flows, as well as enhancement of disclosures about governing board imposed restrictions. ASU No. 2016-14 is effective for the Association for years beginning after December 31, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the statement of financial position for both operating and capital leases. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP. The FASB deferred the effective date of the new recognition standard and it is now effective for the Association for years beginning after December 31, 2018.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconcilin the beginning of period and end of period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for the Association for the years beginning after December 15, 2018.

The Association has not yet determined the impact on its financial statements and disclosures for the recently issued standards updates not yet adopted.

3. PLEDGES RECEIVABLE

Unconditional pledges receivable as of December 31, 2016 and 2015, were as follows:

	2016	2015
Gross pledges receivable	$ 1,136,701	$ 1,382,966
Less—reduction for discounting	(11,385)	(11,760)
Less—reduction for allowance	(112,532)	(137,030)
Pledges receivable—net	$ 1,012,784	$ 1,234,176

Gross pledges receivable of $449,555 and $506,993 as of December 31, 2016 and 2015, respectively, were due within one year and classified as current in the statements of financial position.

4. RELATED FOUNDATIONS

The Association is related to the Foundations (see Note 1), which are all Illinois nonprofit corporations. Currently, the Foundations provide elderly and handicapped persons with housing facilities and related services 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 Foundations' 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 by the Association on behalf of the Foundations. As of December 31, 2016 and 2015, the Association's statements of financial position included other receivables of approximately $1,254,789 and $746,090, respectively, from the Foundations.

The following facilities of the Foundations are financed by capital grants from the US 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 YMCA of Metropolitan Chicago Foundation for Greater Roseland is financed by a capital advance from the US Department of HUD and an affordable housing program grant.

The YMCA of Metropolitan Chicago Foundation (South Chicago and Harvey) is financed 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.

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

Investments in marketable equity securities and mutual funds are carried at fair value based upon quoted market prices at the reporting date. These investments are generally categorized in Level 1 of the fair value hierarchy. Commingled funds are unregistered investment funds with daily NAVs that invest 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.

Investments Using Net Asset Value—As discussed in Note 2, the Association adopted the provisions of ASU No. 2015-07 in fiscal year 2016 with retrospective application to fiscal year 2015 disclosures. In presenting the investments fair value hierarchy tables as of December 31, 2015 to comply with the adoption of ASU No. 2015-07, the investment holdings in real estate, private equity, and hedge funds were reclassified from Level 3 within the fair value hierarchy to being reported under NAV as the practical expedient. The NAV column below represents the Association's ownership interest in certain alternative investments. As a practical expedient, the Association uses its ownership interest in the NAV to determine the fair values of all alternative investments that do not have readily determinable fair values and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The NAV of these investments is 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; the fair values of comparable or similar products; external assessments of the limited partnerships' holdings; and the audit opinion from the independent auditor of the limited partnerships.

The fair value of the interest rate swap agreement is 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 assets and liabilities recorded at fair value. The valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at fair value as of December 31, 2016, were as follows:

	Assets at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Cash equivalents	$ 3,825,830	$ -	$ -	$ -	$ 3,825,830
Corporate bond mutual funds	25,481,337				25,481,337
Equity mutual funds	4,423,051				4,423,051
Common stocks	28,615,152				28,615,152
Common collective trusts		58,108,260			58,108,260
Real estate				8,031,488	8,031,488
Private equity				4,392,660	4,392,660
Hedge funds				4,820,418	4,820,418
Total assets—at fair value	$ 62,345,370	$ 58,108,260	$ -	$ 17,244,566	$ 137,698,196

	Liabilities at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Interest rate swaps	$ -	$ -	$ 747,284	$ -	$ 747,284
Total liabilities—at fair value	$ -	$ -	$ 747,284	$ -	$ 747,284

Assets and liabilities measured at fair value as of December 31, 2015, were as follows:

	Assets at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
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 assets—at fair value	$ 59,911,930	$ 61,163,448	$ -	$ 20,792,380	$ 141,867,758

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

During 2016 and 2015, there were no transfers between any levels of the fair value hierarchy.

The unfunded commitments, redemption frequency, and redemption notice period for investments measured at NAV or its equivalent as of December 31, 2016 and 2015, were 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	Yes

During 2016, the Association requested liquidation of its investment in the Aurora Investment Management Fund (the "Aurora Fund"), a hedge fund investment. The Aurora Fund put a liquidation schedule in place due to the number of liquidation redemption requests out of the Aurora Fund. As of December 31, 2016, 91% of the investment has been redeemed. The liquidation is expected to be approximately 94% complete by December 31, 2017, while the remaining 6% would consist primarily of side pockets and co-investments which have an uncertain liquidity profile.

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 values of certain financial instruments could result in different fair value estimates at the reporting date.

The Association had outstanding private equity capital call commitments totaling $834,637 and $1,143,842 as of December 31, 2016 and 2015, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation as of December 31, 2016 and 2015, consisted of the following:

	2016	2015
Land	$ 13,020,037	$ 13,020,037
Buildings and improvements	220,144,146	214,980,228
Furniture, fixtures, and equipment	30,279,357	28,433,702
Leasehold improvements	7,279,052	7,144,723
Construction in progress	720,895	921,856
Total property and equipment	271,443,487	264,500,546
Less accumulated depreciation	(148,349,305)	(134,552,668)
Property and equipment—net	$ 123,094,182	$ 129,947,878

Depreciation expense for the years ended December 31, 2016 and 2015, was $13,805,443 and $12,819,065, respectively.

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 of for a net gain of $49,315 and $192,448 in 2016 and 2015, respectively.

7. CAPITAL LEASES

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

	2016	2015
Furniture, fixtures, and equipment	$ 7,915,952	$ 7,026,175
Less accumulated depreciation	(6,117,392)	(5,389,205)
Total	$ 1,798,560	$ 1,636,970

Minimum annual capital lease obligations are as follows:

Years Ending December 31	
2017	$ 800,090
2018	567,022
2019	551,940
2020	227,452
2021 and thereafter	41,953
Total capital lease obligation	2,188,457
Less amount representing interest	(107,768)
Present value of net minimum payments under capital lease	2,080,689
Less current portion	(748,075)
Capital lease obligation—net	$1,332,614

8. LONG-TERM DEBT

Long-term debt as of December 31, 2016 and 2015, consisted of the following:

	2016	2015
Illinois Development Finance Authority loan, with variable interest rates, due June 1, 2029	$37,000,000	$37,000,000
Less unamortized cost of issuance	(224,390)	(241,012)
Subtotal for Illinois Development Finance Authority loan	36,775,610	36,758,988
Illinois Development Finance Authority Adjustable Rate Demand Revenue Bonds Series 2004, with variable interest rates, due June 1, 2034	12,100,000	12,100,000
Less unamortized cost of issuance	(204,508)	(215,949)
Subtotal for Illinois Development Finance Authority Adjustable Rate Demand Revenue Bonds Series 2004	11,895,492	11,884,051
BMO Harris term loan with variable interest rates due in varying amounts through 2023	13,125,000	15,000,000
Illinois Development Action Grant, 3% due October 15, 2029	875,000	875,000
Capital leases (Note 7)	2,080,689	2,099,195
Total long-term debt	64,751,791	66,617,234
Less amounts due within one year	(2,623,075)	(2,783,282)
Total	$62,128,716	$63,833,952

On June 14, 2001, the Illinois Development Finance Authority issued $54,000,000 of fully registered Series 2001 bonds dated June 4, 2001, on behalf of the Association. The Association was required to use $35,100,000 of the proceeds to retire the outstanding Series 1996A bonds and Series 1999 bonds. During 2010, the Association redeemed $17,000,000 of the Series 2001 bonds.

On November 18, 2004, the Illinois Development Finance Authority issued $27,000,000 of fully registered Series 2004 bonds dated November 1, 2004, on behalf of the Association. 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 Series 1996B bonds. The loan agreements contain options in which 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 and during 2010 redeemed $14,000,000.

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

Between 2013 and 2015 the Association drew $15,000,000 from a term loan agreement with BMO Harris Bank to finance facility improvements.

Pursuant to the reimbursement and loan agreements with the Illinois Development Finance Authority and BMO Bank, the Association must maintain certain financial covenants, including restrictions on debt service coverage and additional indebtedness, as well as maintenance of certain indebtedness ratios.

Aggregate annual maturities of long-term debt and capital leases, net of cost of issuance amortization, for the five years after December 31, 2016, and thereafter were as follows:

Years Ending December 31	
2017	$ 2,595,013
2018	2,381,083
2019	2,381,853
2020	2,069,247
2021	1,888,178
Thereafter	53,436,417
Total	$ 64,751,791

The Association maintains a $10,000,000 line of credit with Harris Trust and Savings Bank. The outstanding borrowings as of December 31, 2016 and 2015, against this credit line amounted to $300,000. The applicable interest rate as of December 31, 2016, was 2.11%.

The fair value of the Association's long-term debt, including capital leases, was approximately $62,128,716 and $63,833,952 as of December 31, 2016 and 2015, respectively. The fair value of the Association's long-term debt is based on fair values of similar types of borrowings considered to be 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) interest rate for the Series 2001 bonds and a portion of the tax-exempt weekly reset (variable rate) interest rate for the Series 2004 bonds to a fixed interest rate. See key terms of each swap agreement below.

As of December 31, 2016, the outstanding swaps were 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

For the year ended December 31, 2016 and 2015, the change in fair value was recorded as an unrealized gain of $249,949 and an unrealized loss of $53,588, respectively. The differential between the tax-exempt floating rate and the fixed rate was $337,881 and $375,385 as of December 31, 2016 and 2015, 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 administered by the Young Men's Christian Association Retirement Fund (a separate corporation) (the "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 comprise a percentage of the participating employees' salaries and are remitted monthly to the YMCA Retirement Fund. Total Association contributions charged to retirement costs aggregated to $1,717,892 and $1,804,596 for the years ended December 31, 2016 and 2015, 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 Association of Chicago Employees Retirement Plan (the "Plan"), a noncontributory defined benefit plan administered by the Association.

For exempt employees who were participants in the Plan prior to July 1, 1988, the benefits are based on years of service and 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, the 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 based on 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 change in Plan assets for the defined benefit plan. The table also reflects the funded status of the plans, as well as recognized and unrecognized amounts in the statements of financial position as of December 31, 2016 and 2015:

	2016	2015
Accumulated benefit obligation	$30,138,000	$29,968,000
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$30,095,000	$32,245,000
Service cost	733,000	754,000
Interest cost	1,345,000	1,319,000
Effect of curtailments and settlements		
Actuarial loss (gain)	297,000	(2,223,000)
Benefit payments	(1,581,000)	(2,000,000)
Projected benefit obligation at end of year	30,889,000	30,095,000
Change in plan assets:		
Fair value of plan assets at beginning of year	27,878,000	29,429,000
Actual return on plan assets	1,714,000	(351,000)
Employer contributions	525,000	800,000
Benefit payments	(1,581,000)	(2,000,000)
Fair value of plan assets at end of year	28,536,000	27,878,000
Funded status	$ (2,353,000)	$ (2,217,000)
Additional amounts recognized in the statement of financial position:		
Noncurrent assets	$ -	$ -
Current liabilities		
Noncurrent liabilities	(2,353,000)	(2,217,000)
Net pension liability at end of year	$ (2,353,000)	$ (2,217,000)
Amounts recognized in unrestricted net assets:		
Net actuarial loss	$ 8,871,000	$ 8,933,000
Prior service credit		
Total	$ 8,871,000	$ 8,933,000

	2016	2015
The components of net periodic pension cost:		
Service cost	$ 733,000	$ 754,000
Interest cost	1,345,000	1,319,000
Expected return on plan assets	(1,919,000)	(2,102,000)
Amortization of unrecognized net loss	564,000	583,000
Amortization of unrecognized prior-service credit		
Total net periodic pension cost	723,000	554,000
Other changes in plan assets and projected benefit obligation recognized in unrestricted net assets:		
Net actuarial loss arising during fiscal year	502,000	230,000
Amortization of net actuarial loss	(564,000)	(583,000)
Amortization of prior-service credit		
Total other changes in plan assets and projected periodic benefit obligation recognized in unrestricted net assets	(62,000)	(353,000)
Total recognized in net periodic pension cost and unrestricted net assets	$ 661,000	$ 201,000

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

Years Ending December 31	
2017	$1,790,000
2018	1,810,000
2019	1,820,000
2020	1,840,000
2021	1,880,000
2022–2026	9,490,000

Key pension plan assumptions as of December 31 2016 and 2015, were as follows:

	2016	2015
Discount rate used to determine actuarial present value of projected obligation	4.40 %	4.60 %
Discount rate used to determine actuarial net periodic pension cost	4.60	4.20
Rate of increase in future compensation levels	3.00	3.00
Expected long-term rate of return on plan assets	7.00	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 2017 are $567,000 and $0, respectively. The expected contributions for the 2017 fiscal year are $400,000.

The assets of the Plan are invested in a manner that is intended to achieve a rate of return of 7.00%, 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.

Investments Using Net Asset Value—As discussed in Note 2, The Association adopted the provisions of ASU No. 2015-07 in fiscal year 2016 with retrospective application to fiscal year 2015 disclosures. In presenting the investments fair value hierarchy tables as of December 30, 2015 to comply with the adoptions of ASU No. 2015-07, the investment holdings in real estate were reclassified from Level 3 within the fair value hierarchy to being reported under NAV as the practical expedient. For alternative investments, which principally include real estate funds, the carrying values are the estimated fair values. The fair values 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; the fair values of comparable or similar products; external assessments of the limited partnerships' holdings; and the audit opinion from the independent auditor of the limited partnership.

The Plan's assets as of December 31, 2016, were as follows:

	Plan Assets at Fair Value as of December 31, 2016				
	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
Cash equivalents	$ 125,484	$ -	$ -	$ -	$ 125,484
Corporate bond mutual funds	3,228,999				3,228,999
Equity mutual funds	1,011,442				1,011,442
Common stock—domestic	3,785,502				3,785,502
Real estate funds				1,557,289	1,557,289
Common collective trusts		18,827,284			18,827,284
Total plan assets at fair value	$ 8,151,427	$ 18,827,284	$ -	$ 1,557,289	$ 28,536,000

There were no transfers between any levels of the fair value hierarchy.

The Plan's assets as of December 31, 2015, were as follows:

	Plan Assets at Fair Value as of December 31, 2015				
	Level 1	Level 2	Level 3	Investments Measured at NAV or Equivalent	Total
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 plan assets at fair value	$ 7,976,673	$ 18,426,848	$ -	$ 1,474,479	$ 27,878,000

The Association also provides postretirement medical benefits that had an unfunded status of $46,000 and $51,000 in 2016 and 2015, respectively, included in the pension and postretirement benefit obligation liability. This plan holds no assets.

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, William J. Watson Trust, and 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 gains and losses amounted to $248,290 and $138,697 for the years ended December 31, 2016 and 2015, respectively, and 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 or custody, and management is not vested in the Association.

12. RESTRICTED NET ASSETS AND BOARD-DESIGNATED INVESTMENT 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 $1,615,068 and $1,518,214 were available for capital purchases as of December 31, 2016 and 2015, respectively. In addition, temporarily restricted net assets of $588,315 and $334,821 as of December 31, 2016 and 2015, respectively, 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, 2016 and 2015, were invested for the following purposes:

	2016	2015
Designated purpose:		
Perpetual trust	$ 3,276,581	$ 3,028,291
Charitable remainder trust	8,668,425	8,668,425
Total	$11,945,006	$11,696,716

The board of managers has determined that donor-restricted funds will be governed by specific policies that ensure the original gift shall be protected in perpetuity as the endowed corpus, and distributions shall not be made if they were to bring the value below that threshold, which explains the calculation used to determine funds available for expenditure and governs 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 of the Association's investments.

Board-Designated Investment Funds—The Association has adopted investment and spending policies for board-designated assets that attempt to provide a predictable stream of funding for the Association's capital and program needs. The board-designated 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 5% of the fair value of its board-designated funds for distribution each year. This policy was established based upon the investment strategy of the board-designated 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 use in enacting legislation, and it 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 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 restrictions have 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 board-designated funds for the year ended December 31, 2016, were as follows:

	Perpetual Trusts	**Charitable Remainder Trusts**	**Total Permanently Restricted**	**Board Designated**	**Total**
Beginning balances	$3,028,291	$8,668,425	$11,696,716	$133,199,333	$144,896,049
Investment income				2,983,527	2,983,527
Realized gains				3,872,590	3,872,590
Unrealized gains	248,290		248,290	3,040,932	3,289,222
Fees				(430,311)	(430,311)
Distributions				(13,636,300)	(13,636,300)
Ending balances	$3,276,581	$8,668,425	$11,945,006	$129,029,771	$140,974,777

Changes in restricted funds and board-designated funds for the year ended December 31, 2015, were 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

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 as of December 31, 2016, were as follows:

Years Ending December 31	
2017	$ 503,778
2018	473,443
2019	363,818
2020	182,914
2021	144,400
Thereafter	1,411,225
Total	$ 3,079,578

Total rent expense for the years ended December 31, 2016 and 2015, was approximately $1,074,153 and $1,225,673, respectively.

The Association is self-insured for a portion of its general, property, and vehicle liability exposure. As of December 31, 2016 and 2015, approximately $794,544 and $804,702, respectively, was included in 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 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, 2016 and 2015, 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. Such transactions are negotiated not to exceed current market rates.

15. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through May 23, 2017, the date the financial statements were available to be issued. Effective April 30, 2017, the Association's defined benefit plan has been frozen. Existing participants will no longer earn pension benefits, however they will not lose any earned benefits accrued through April 30, 2017. No new participants will be eligible to enter the plan after April 30, 2017. No other significant subsequent events were noted through the issuance date of the financial statements.

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