YMCA OF THE FOX CITIES AND ITS AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

YMCA OF THE FOX CITIES AND ITS AFFILIATE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
YMCA of the Fox Cities and its Affiliate
Appleton, Wisconsin

We have audited the accompanying consolidated financial statements of YMCA of the Fox Cities and its Affiliate, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of YMCA of the Fox Cities and its Affiliate as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Oshkosh, Wisconsin
March 15, 2018

YMCA OF THE FOX CITIES AND ITS AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 5,760,975	$ 5,103,264
Accounts Receivable	383,070	305,295
Grants Receivable	10,548	8,774
Pledges Receivable, Net	1,017,217	1,210,164
Prepaid Expenses and Supplies	158,284	167,589
Total Current Assets	7,330,094	6,795,086
PROPERTY AND EQUIPMENT, NET	33,972,387	35,071,820
INVESTMENTS	11,127,529	9,949,145
OTHER ASSETS		
Long-Term Pledges Receivable, Net	885,340	1,684,057
Other	50,261	58,688
Total Other Assets	935,601	1,742,745
Total Assets	$ 53,365,611	$ 53,558,796

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND NET ASSETS	2017	2016
CURRENT LIABILITIES		
Accounts Payable	$ 449,902	$ 817,295
Current Maturities of Long-Term Debt	2,522,194	1,355,949
Accrued Liabilities	685,604	800,368
Deferred Revenue	793,115	769,526
Total Current Liabilities	4,450,815	3,743,138
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities Above	1,695,000	3,172,370
Interest Rate Swap	13,982	36,522
Total Long-Term Liabilities	1,708,982	3,208,892
Total Liabilities	6,159,797	6,952,030
NET ASSETS		
Unrestricted:		
Net Investment in Property and Equipment	29,805,454	30,602,189
Board-Designated for Endowment:		
Appleton YMCA Endowment Trust	3,931,678	3,540,721
Neenah - Menasha YMCA Endowment Trust	4,259,516	3,817,980
Undesignated	4,052,493	1,779,037
Total Unrestricted Net Assets	42,049,141	39,739,927
Temporarily Restricted	2,479,759	4,363,346
Permanently Restricted	2,676,914	2,503,493
Total Net Assets	47,205,814	46,606,766
Total Liabilities and Net Assets	$ 53,365,611	$ 53,558,796

YMCA OF THE FOX CITIES AND ITS AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND PUBLIC SUPPORT								
Contributions	$ 1,334,473	$ 398,681	$ -	$ 1,733,154	$ 1,169,046	$ 824,160	$ -	$ 1,993,206
United Way	583,843	-	-	583,843	586,684	-	-	586,684
Grants	142,497	-	-	142,497	307,335	-	-	307,335
Fundraising, Net of Expenses	39,796	-	-	39,796	26,505	-	-	26,505
Net Assets Released from Restrictions	2,595,818	(2,595,818)	-	-	1,420,988	(1,420,988)	-	-
Program Fees	12,632,669	-	-	12,632,669	12,603,952	-	-	12,603,952
Membership	8,157,362	-	-	8,157,362	7,997,779	-	-	7,997,779
Net Investment Income	1,084,515	313,550	173,421	1,571,486	557,548	94,929	76,195	728,672
Other	452,924	-	-	452,924	423,191	-	-	423,191
Total Revenues, Gains, and Public Support	27,023,897	(1,883,587)	173,421	25,313,731	25,093,028	(501,899)	76,195	24,667,324
EXPENSES								
Program Services	20,725,549	-	-	20,725,549	20,021,139	-	-	20,021,139
Management and General	3,768,726	-	-	3,768,726	3,570,724	-	-	3,570,724
Fundraising	220,408	-	-	220,408	193,744	-	-	193,744
Total Expenses	24,714,683	-	-	24,714,683	23,785,607	-	-	23,785,607
CHANGE IN NET ASSETS	2,309,214	(1,883,587)	173,421	599,048	1,307,421	(501,899)	76,195	881,717
Net Assets - Beginning of Year	39,739,927	4,363,346	2,503,493	46,606,766	38,432,506	4,865,245	2,427,298	45,725,049
NET ASSETS - END OF YEAR	$ 42,049,141	$ 2,479,759	$ 2,676,914	$ 47,205,814	$ 39,739,927	$ 4,363,346	$ 2,503,493	$ 46,606,766

See accompanying Notes to Consolidated Financial Statements.

YMCA OF THE FOX CITIES AND ITS AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017				2016			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Wages and Benefits	$ 12,590,540	$ 2,216,154	$ 184,121	$ 14,990,815	$ 12,381,379	$ 2,074,233	$ 146,958	$ 14,602,570
Program Supplies	862,556	-	-	862,556	757,124	-	3,525	760,649
Food and Related Supplies	288,802	-	-	288,802	268,809	-	-	268,809
Supplies	476,592	6,431	331	483,354	527,950	7,008	906	535,864
Marketing and Postage	34,174	235,710	-	269,884	46,571	210,681	3,573	260,825
Training	43,808	68,494	2,471	114,773	62,073	93,957	3,200	159,230
Telephone	114,181	13,641	1,455	129,277	110,413	11,080	1,223	122,716
Occupancy	1,620,093	3,816	25	1,623,934	1,577,680	4,106	25	1,581,811
Repairs and Maintenance	1,252,789	-	-	1,252,789	1,223,491	331	-	1,223,822
Equipment	245,527	21,626	2,402	269,555	272,941	21,554	1,210	295,705
Contract Services	449,440	679,637	277	1,129,354	411,269	634,180	-	1,045,449
Insurance	77,017	3,297	-	80,314	82,472	5,667	-	88,139
Transportation	159,288	32,263	259	191,810	174,602	29,379	568	204,549
National Support	-	310,723	-	310,723	-	295,608	-	295,608
Miscellaneous	186,603	126,148	29,067	341,818	165,441	81,779	32,556	279,776
Depreciation and Amortization	2,324,139	50,786	-	2,374,925	1,958,924	101,161	-	2,060,085
Total Expenses	$ 20,725,549	$ 3,768,726	$ 220,408	$ 24,714,683	$ 20,021,139	$ 3,570,724	$ 193,744	$ 23,785,607

See accompanying Notes to Consolidated Financial Statements.

YMCA OF THE FOX CITIES AND ITS AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 599,048	$ 881,717
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,374,925	2,060,085
Contributions Restricted for Capital Campaign	(206,427)	(736,535)
Loss on Sale of Property and Equipment	7,164	61,702
Net Realized and Unrealized Gains on Investments	(1,432,762)	(589,841)
Gain on Interest Rate Swap Agreement	(22,540)	(19,729)
(Increase) Decrease in Assets:		
Accounts Receivable	(77,775)	(57,520)
Grants Receivable	(1,774)	6,550
Pledges Receivable	17,071	(2,089)
Prepaid Expenses and Supplies	9,305	(14,538)
Increase (Decrease) in Liabilities:		
Accounts Payable	(413,649)	(618,702)
Accrued Liabilities	(114,764)	94,122
Deferred Revenue	23,589	(44,231)
Net Cash Provided by Operating Activities	761,411	1,020,991
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,235,834)	(8,545,889)
Proceeds from Sale of Property and Equipment	7,861	2,136
Purchases of Investments	(187,480)	(187,435)
Proceeds from Sale of Investments	441,858	465,281
Net Cash Used by Investing Activities	(973,595)	(8,265,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions Restricted for Capital Campaign	1,181,020	1,429,715
Proceeds from Long-Term Debt	265,329	2,458,319
Payments on Long-Term Debt	(576,454)	(185,000)
Net Cash Provided by Financing Activities	869,895	3,703,034
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	657,711	(3,541,882)
Cash and Cash Equivalents - Beginning of Year	5,103,264	8,645,146
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,760,975	$ 5,103,264
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 94,967	$ 60,883
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Additions to Property and Equipment Included in Accounts Payable	$ 46,256	$ 276,827

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 NATURE OF OPERATIONS

YMCA of the Fox Cities (the Organization) is a nonprofit charitable association dedicated to building healthy spirit, mind, and body. Part of a worldwide movement, it puts Christian principles into practice through programs that promote good health, strong families, youth leadership, community development, and international understanding. The Organization is open to men, women, and children of all ages, incomes, abilities, races, and religions. It operates its programs in five locations and is available to residents of the Fox Cities, Wisconsin metropolitan area.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Organization and its affiliate, the Appleton YMCA Endowment Trust (the Affiliate). The Affiliate is a nonprofit organization controlled by the Organization. Its sole purpose is the support of the Organization. The fiscal year-end of the Affiliate is June 30; however, balances as of December 31 have been used in the consolidation. Significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization and the Affiliate define cash and cash equivalents as highly liquid, short-term investments with a maturity, at the date of acquisition, of three months or less. Excluded from this definition are cash equivalents held for long-term purposes.

Pledges Receivable

Unconditional promises to give made to the Organization and the Affiliate are recorded in the year the pledge is made. Amounts that are expected to be collected within one year are recorded at their net realizable value. Pledges expected to be collected in future years are recorded at the present value of expected future cash flows. Discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue. An allowance for pledges receivable to give is determined based on experience.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are carried at the original invoice amount, less an estimate made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Accounts receivable are considered past due if any portion of the receivable balance is outstanding for more than 60 days. Interest is not charged on past due accounts receivable.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value at date of the gift, if donated. All acquisitions of property and equipment in excess of $2,500 and all expenditures for improvements and betterments that materially prolong the estimated useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. The principal depreciation rates are based upon the following estimated useful lives:

Land Improvements	15 Years
Buildings	20 – 40 Years
Equipment	3 – 10 Years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less cost to sell.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are presented in the accompanying consolidated financial statements at fair value using methodologies described in Note 4 – Fair Value Measurements. Realized gains and losses on the sale of investments are reported based upon the specific identification method.

Investment income is reported in the accompanying consolidated statements of activities as unrestricted, temporarily restricted, or permanently restricted revenue based upon donor-imposed restrictions or governing law.

Agency Accounts

Agency accounts consist of cash funds held under various agency relationships. These accounts, which included balances totaling $15,399 and $16,580 at December 31, 2017 and 2016, respectively, are included within accrued liabilities in the accompanying consolidated statements of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and the Affiliate are classified and reported as follows:

Unrestricted – All net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization or its Affiliate pursuant to those stipulations.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization or its Affiliate.

Tax-Exempt Status

The Organization and the Affiliate have received notification that they qualify as tax-exempt organizations under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and accordingly, are not subject to federal or state income taxes.

Taxes Collected and Remitted

The Organization presents taxes collected and remitted to governmental authorities on the net basis, excluding such amounts from revenue.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Organization and the Affiliate report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Program service fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the program service fees are earned. Revenue from membership dues is recognized on a pro rata basis over the period to which the membership relates.

Donated Services and Assets

The Organization receives contributions of services for its programs. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed services that were recognized as revenue for the years ended December 31, 2017 and 2016.

Donated assets are recorded at fair value at the date of donation or, if sold immediately after receipt, at the amount of sales proceeds received, which are considered a reasonable approximation of the fair value at the date of donation.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standard Updates

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which is expected to impact the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance is required to be applied by the Organization for the year ended December 31, 2018; however, early application is permitted. The Organization is currently evaluating the impact this guidance will have on its financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ended December 31, 2019; however, early application is permitted. The Organization is currently evaluating the impact this guidance will have on its consolidated financial statements.

Reclassifications

Certain amounts reported in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Subsequent Events

The Organization has evaluated subsequent events through March 15, 2018, the date the consolidated financial statements were available to be issued.

NOTE 3 INVESTMENTS

Net investment income was summarized as follows at December 31:

	2017	2016
Interest and Dividends	$ 192,075	$ 188,142
Net Realized Gains (Losses)	224,910	(14,985)
Net Unrealized Gains	1,207,852	604,826
Fees	(53,351)	(49,311)
Net Investment Income	$ 1,571,486	$ 728,672

NOTE 4 FAIR VALUE MEASUREMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology based on quoted prices for similar assets or liabilities or identical assets or liabilities in active markets, such as dealer or broker markets.

Level 3 – Inputs to the valuation methodology are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions, or are supported by little or no market activity.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

Equity Securities and Mutual Funds

Equity securities and mutual funds are valued at the quoted net asset value (NAV) of shares held by the Organization at year-end.

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets Held by the Community Foundation

Beneficial interest in assets held by Community Foundation represents amounts held at the Community Foundation for the Fox Valley Region (the Foundation) on the Organization's behalf. The Foundation invests the assets held in the fund. The Organization has used the fair value of its pro rata share of the investment pool held by the Foundation to determine the fair value of the beneficial interest. The unobservable inputs to the valuation are the underlying assets at the Foundation; therefore, these investments are classified as Level 3 assets within the fair value hierarchy.

Interest Rate Swap

The fair values of the interest rate swap agreement are based on estimates using standard pricing models that take into account the present value of future cash flows as of the balance sheet date. The fair value of the interest rate swap is based on quotes from market makers of this instrument and represents the estimated amount that the Organization would expect to receive or pay to terminate the agreement.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities carried at fair value at December 31, 2017:

	2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Equities	$ 713,757	$ -	$ -	$ 713,757
Mutual Funds	10,116,407	-	-	10,116,407
Assets Held by the Community Foundation	-	-	7,476	7,476
Assets Presented at Fair Value	$ 10,830,164	$ -	$ 7,476	10,837,640
Cash Equivalents				289,889
Total				$ 11,127,529
Liabilities:				
Interest Rate Swap	$ -	$ (13,982)	$ -	$ (13,982)

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities carried at fair value at December 31, 2016:

	2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Equities	$ 665,297	$ -	$ -	$ 665,297
Mutual Funds	9,201,773	-	-	9,201,773
Assets Held by the Community Foundation	-	-	6,420	6,420
Assets Presented at Fair Value	$ 9,867,070	$ -	$ 6,420	9,873,490
Cash Equivalents				75,655
Total				$ 9,949,145
Liabilities:				
Interest Rate Swap	$ -	$ (36,522)	$ -	$ (36,522)

The tables below set forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	2017 Community Foundation
Balance - Beginning of Year	$ 6,420
Contributions	-
Total Realized/Unrealized Gains	983
Investment Income, Net of Fees	73
Distributions	-
Balance - End of Year	$ 7,476

	2016 Community Foundation
Balance - Beginning of Year	$ 6,006
Contributions	-
Total Realized/Unrealized Gains	375
Investment Income, Net of Fees	39
Distributions	-
Balance - End of Year	$ 6,420

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	2017	2016
Capital Campaign	$ 1,966,514	$ 3,031,997
Annual Campaign	22,094	38,965
World Service	50	250
Total Pledges Receivable	1,988,658	3,071,212
Less: Discount to Present Value at 3.00%	(61,520)	(139,091)
Total	1,927,138	2,932,121
Less: Allowance for Uncollectible Amounts	(24,581)	(37,900)
Net Pledges Receivable	$ 1,902,557	$ 2,894,221
Amounts Due in:		
Less than One Year	$ 1,017,217	$ 1,210,164
One to Five Years	885,340	1,684,057
Net Pledges Receivable	$ 1,902,557	$ 2,894,221

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2017	2016
Land and Land Improvements	$ 8,048,322	$ 7,851,758
Buildings	50,144,196	44,706,464
Equipment	6,531,367	6,404,473
Construction in Progress	-	4,775,876
Total, at Cost	64,723,885	63,738,571
Less: Accumulated Depreciation	(30,751,498)	(28,666,751)
Net Property and Equipment	$ 33,972,387	$ 35,071,820

Total depreciation expense for the years ended December 31, 2017 and 2016 was $2,366,498 and $2,051,658, respectively.

NOTE 7 ACCRUED LIABILITIES

Accrued liabilities consisted of the following at December 31:

	2017	2016
Payroll Related Items	$ 504,347	$ 619,055
Sales Tax Payable	897	1,862
Agency Accounts	15,399	16,580
Health Claims	146,095	143,897
Property Tax and Other	18,866	18,974
Total Accrued Liabilities	$ 685,604	$ 800,368

NOTE 8 DEFERRED REVENUE

Deferred revenue consisted of the following at December 31:

	2017	2016
Program	$ 615,394	$ 584,256
Membership	177,721	185,270
Total Deferred Revenue	$ 793,115	$ 769,526

NOTE 9 LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

Description	2017	2016
Promissory note due to Community First Credit Union secured by capital campaign pledges receivable; terms of the note require monthly interest payments at 1.75% along with periodic principal payments, which are tied to the receipt of capital campaign pledges; final principal and unpaid interest due July 1, 2018.	$ 2,332,194	$ 2,458,319
Promissory note due to the Village of Kimberly, Wisconsin; secured by a letter of credit at BMO Harris Bank and certain real estate; terms of the letter require annual principal payments in varying amounts on or before April 1 of each year through April 1, 2022; interest is payable monthly at varying rates (1.75% and 0.83% at December 31, 2017 and 2016, respectively).	650,000	780,000
Promissory note due to the Town of Greenville, Wisconsin; secured by a letter of credit at BMO Harris Bank and certain real estate; terms of the letter require annual principal payments in varying amounts on or before September 1 of each year through September 1, 2032; interest is payable monthly at a variable rate (1.38% and 0.61% December 31, 2017 and 2016, respectively).	1,235,000	1,290,000
Total	4,217,194	4,528,319
Less: Current Maturities	(2,522,194)	(1,355,949)
Long-Term Portion	$ 1,695,000	$ 3,172,370

NOTE 9 LONG-TERM DEBT (CONTINUED)

Future principal requirements on long-term debt are as follows:

Year Ending December 31,	Amount
2018	$ 2,522,194
2019	195,000
2020	195,000
2021	200,000
2022	200,000
Thereafter	905,000
Total	$ 4,217,194

Certain notes described above are subject to performance and financial covenants. Management believes the Organization was in compliance with the applicable covenants at December 31, 2017. Interest expense was $122,029 and $81,803 for the years ended December 31, 2017 and 2016, respectively.

Interest Rate Swap

The Organization is party to an interest rate swap agreement with its bank to fix the interest rate on a portion of its variable rate debt. The agreement is for a 10-year period ending January 1, 2019. The notional amount covered by the swap was $1,235,000 and $1,290,000 at December 31, 2017 and 2016, respectively, and will decrease to $1,175,000 in 2018. The fair value of this agreement was $(13,982) and $(36,522) as of December 31, 2017 and 2016, respectively.

NOTE 10 LINE OF CREDIT

The Organization has a $500,000 line-of-credit financing agreement with BMO Harris Bank. Interest is payable at the one-month LIBOR plus 2.25%. The line of credit is secured by all of the Organization's assets and is due on demand. There was no outstanding balance on the line of credit at December 31, 2017 and 2016.

NOTE 11 RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted for a purpose or for a time period as specified by the donor or governing law. The funds are not released to unrestricted net assets until this purpose or time restriction is met. At December 31, temporarily restricted net assets were available for the following purposes or periods:

	2017	2016
Pledges Receivable	$ 1,902,557	$ 2,894,221
Programs	577,202	171,092
Property and Equipment	-	1,298,033
Total Temporarily Restricted Net Assets	$ 2,479,759	$ 4,363,346

Permanently restricted net assets are restricted for the following purposes at December 31:

	2017	2016
Bruce B. Purdy Nature Preserve Fund	$ 1,676,914	$ 1,503,493
Bob Brown Safety Around the Water Fund	1,000,000	1,000,000
Total Permanently Restricted Net Assets	$ 2,676,914	$ 2,503,493

NOTE 12 ENDOWMENTS

The Organization’s endowments consist of three funds established to support various purposes of the Organization, the Neenah Menasha Endowment Fund, the Appleton Endowment Fund, and the Bruce B Purdy Nature Preserve Fund. The endowments consist of funds intended to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization and the Affiliate classify permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment,
- The original value of subsequent gifts to the permanent endowment, and
- Appreciation (realized and unrealized) on the Bruce B. Purdy Nature Preserve Fund.

NOTE 12 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted until that amount is appropriated for expenditure by the Organization's board of directors. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect principal values in terms of current dollars and, over the longer term, to increase principal values enough to offset the impact of inflation. Under an investment policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results benchmarked on appropriate market indices based on the level of investment risk.

The Organization and the Affiliate expect the Neenah Menasha Endowment Fund, the Appleton Endowment Fund, and the Bruce B Purdy Nature Preserve Fund, over time, to provide an average rate of return of approximately 5% plus inflation. The review of investment performance shall occur not less than semi-annually. Actual returns in any given year will likely vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization and its Affiliate rely on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The investment policies target a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. Asset allocations for each endowment are as follows:

Equity exposure should not exceed 85% of the total portfolio market value. Fixed income securities should not exceed 35% of the total portfolio market value, and cash reserves should not exceed 10% of the total portfolio. Hedge fund securities and other alternative assets may account for up to 20% of the total portfolio.

NOTE 12 ENDOWMENTS (CONTINUED)

Spending Policy

The Organization has a spending policy of appropriating up to 5% for distribution each year determined by using a three-year moving average of the total portfolio market values on December 31 of the prior fiscal years, not to exceed the three year investment return average percentage. A distribution greater than the spending policy can only be made if approved by a majority of the board of directors.

Endowment net assets by type of fund consisted of the following at December 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	$ -	$ 251,945	$ 2,676,914	$ 2,928,859
Board-Designated	8,191,194	-	-	8,191,194
Total Funds	$ 8,191,194	$ 251,945	$ 2,676,914	$ 11,120,053

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	$ -	$ 90,496	$ 2,503,493	$ 2,593,989
Board-Designated	7,358,701	-	-	7,358,701
Total Funds	$ 7,358,701	$ 90,496	$ 2,503,493	$ 9,952,690

Changes in endowment net assets were as follows for the year ended December 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ 7,358,701	$ 90,496	$ 2,503,493	$ 9,952,690
Contributions	-	-	-	-
Investment Returns:				
Investment Income	133,740	52,171	-	185,911
Net Realized and and Unrealized Gains	1,096,430	161,379	173,421	1,431,230
Total Investment Returns	1,230,170	213,550	173,421	1,617,141
Appropriation of Endowment Assets for Expenditures	(397,677)	(52,101)	-	(449,778)
Endowment Net Assets - End of Year	$ 8,191,194	$ 251,945	$ 2,676,914	$ 11,120,053

NOTE 12 ENDOWMENTS (CONTINUED)

Changes in endowment net assets were as follows for the year ended December 31:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	$ 7,193,568	$ 10,277	$ 2,427,298	$ 9,631,143
Contributions	8,292	-	-	8,292
Investment Returns:				
Investment Income	126,228	41,200	-	167,428
Net Realized and and Unrealized Gains	461,169	63,714	76,195	601,078
Total Investment Returns	587,397	104,914	76,195	768,506
Appropriation of Endowment Assets for Expenditures	(430,556)	(24,695)	-	(455,251)
Endowment Net Assets - End of Year	$ 7,358,701	$ 90,496	$ 2,503,493	$ 9,952,690

NOTE 13 RETIREMENT PLAN

The Organization and the Affiliate participate in the National Young Men's Christian Association Retirement Plan and are contributing 12% of eligible salaries and hourly wages. Total contribution expense totaled $792,401 and $768,858 for the years ended December 31, 2017 and 2016, respectively.

NOTE 14 UNEMPLOYMENT COMPENSATION DEPOSIT

The Organization is self-funded for state unemployment compensation purposes. In accordance with state laws and regulations, a letter of credit in the amount of $331,369 and $307,277 in favor of the Wisconsin unemployment reserve fund was maintained for the years ended December 31, 2017 and 2016, respectively.

NOTE 15 SELF-FUNDED INSURANCE

The Organization provides health, dental, and vision benefits to employees and their dependents through self-funded health plans. The plans are administered by a third party and maintain an excess loss policy of $50,000 per employee per year, with an aggregate maximum limit of $1,041,152 and $993,260 as of December 31, 2017 and 2016, respectively.

Under its self-funded insurance plan, the Organization accrues an estimated liability based on claims filed subsequent to year-end and an additional amount for incurred but not yet reported claims based on prior experience. Accruals for such costs of $146,095 and $143,897 were included in accrued expenses at December 31, 2017 and 2016, respectively. Claims payments based on actual claims ultimately filed could differ materially from these estimates.

NOTE 16 SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations. In addition to the allowance for uncollectible promises to give and the self-funded insurance liability discussed above, these matters included the following:

The Organization maintains cash balances at several institutions. Deposits are insured by the Federal Deposit Insurance Corporation up to $250,000. As of December 31, 2017 and 2016, the Organization had balances in excess of federally insured limits; however, management believes the risk of loss is low based on the quality of the entities holding these balances.