YOUNG MEN'S CHRISTIAN ASSOCIATION
OF METROPOLITAN ATLANTA, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Young Men's Christian Association of Metropolitan Atlanta, Inc., and Subsidiaries

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Metropolitan Atlanta, Inc., and Subsidiaries (collectively, the "Association"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year 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 ("GAAP"); 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 Association'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 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Young Men's Christian Association of Metropolitan Atlanta, Inc., and Subsidiaries as of December 31, 2017, and the consolidated changes in net assets and cash flows for the year then ended in conformity with GAAP.

Report on Summarized Comparative Information

We have previously audited the Association's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Smith + Howard

June 5, 2018

YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	**2016**
Assets		
Cash and cash equivalents	$ 5,632,390	$ 2,470,071
Restricted cash	18,662,155	8,823
Accounts receivable, net	1,926,072	1,822,844
Investments, at fair value	5,702,569	5,124,908
Pledges receivable, net	1,318,711	497,194
Other assets	1,398,215	755,887
Notes receivable	19,318,700	4,425,000
Land, buildings and equipment, net	246,079,601	249,576,687
Long term investments, at fair value	29,291,438	25,988,819
Total assets	$ 329,329,851	$ 290,670,233
Liabilities and net assets		
Accounts payable	$ 6,062,361	$ 5,962,391
Accrued expenses and other current liabilities	3,363,703	2,439,515
Deferred revenue	8,018,107	7,480,943
Custodial liability	78,815	93,079
Notes payable and capital lease obligations	42,661,445	11,412,502
Interest rate swap agreements	370,110	645,516
Long term debt, net	63,141,123	66,456,128
Total liabilities	123,695,664	94,490,074
Net assets:		
Unrestricted	133,294,711	133,752,002
Temporarily restricted	53,522,297	45,133,914
Permanently restricted	18,817,179	17,294,243
Total net assets	205,634,187	196,180,159
Total liabilities and net assets	$ 329,329,851	$ 290,670,233

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017, WITH SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED DECEMBER 31, 2016

		Temporarily	Permanently	Total	
	Unrestricted	Restricted	Restricted	2017	2016
Changes in net assets					
Revenues, gains, and other support:					
Direct support – Government agencies	$ 22,614,981	$ –	$ –	$ 22,614,981	$ 22,996,424
Direct support – Public	15,167,746	8,726,618	1,522,936	25,417,300	25,433,285
Indirect support – United Way	15,000	232,415	–	247,415	278,126
Total support	37,797,727	8,959,033	1,522,936	48,279,696	48,707,835
Membership dues	38,824,560	–	–	38,824,560	37,525,240
Program service fees	30,570,071	–	–	30,570,071	31,328,847
Interest and dividend income	551,337	303,972	–	855,309	870,779
Other revenue	3,632,288	–	–	3,632,288	608,698
Total revenues, gains, and other support	111,375,983	9,263,005	1,522,936	122,161,924	119,041,399
Net assets released from restrictions:					
Expiration of time and purpose restrictions	3,560,901	(3,560,901)	–	–	–
Total revenues, gains, and other support	114,936,884	5,702,104	1,522,936	122,161,924	119,041,399
Expenses					
Program services	103,764,457	–	–	103,764,457	102,103,332
Management and general	10,735,438	–	–	10,735,438	10,341,544
Fund raising	2,430,188	–	–	2,430,188	2,244,702
Total expenses	116,930,083	–	–	116,930,083	114,689,578
Excess of operating revenue over expenses	(1,993,199)	5,702,104	1,522,936	5,231,841	4,351,821
Nonoperating activities					
Gain on sale of fixed assets	372,224	–	–	372,224	258,582
Unrealized gains on interest rate swap	275,406	–	–	275,406	853,544
Net unrealized and realized gains on investments	888,278	2,686,279	–	3,574,557	962,078
Total nonoperating activities	1,535,908	2,686,279	–	4,222,187	2,074,204
Change in net assets	(457,291)	8,388,383	1,522,936	9,454,028	6,426,025
Net assets at beginning of year	133,752,002	45,133,914	17,294,243	196,180,159	189,754,134
Net assets at end of year	$ 133,294,711	$ 53,522,297	$ 18,817,179	$ 205,634,187	$ 196,180,159

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31 2017	2016
Operating activities		
Change in net assets	**9,454,028**	$ 6,426,025
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**10,872,996**	11,082,908
Gain on disposal of land, buildings, and equipment	**(372,224)**	(258,582)
Contributions restricted for long-term investment	**(1,522,936)**	(1,000,000)
Contributions restricted for capital purposes	**(5,213,052)**	(6,971,164)
Net unrealized and realized gain on investments	**(3,574,557)**	(962,078)
Unrealized gain on interest rate swap	**(275,406)**	(853,544)
Bad debt expense	**91,484**	378,395
Changes in operating assets and liabilities:		
Accounts receivable	**(103,228)**	698,915
Pledges receivable, net	**(913,000)**	(552,903)
Other assets	**(642,329)**	140,784
Accounts payable	**99,970**	(183,223)
Accrued expenses and other liabilities	**924,188**	403,254
Deferred revenue	**537,164**	7,455
Custodial liability	**(14,264)**	22,239
Net cash provided by operating activities	**9,348,834**	8,378,481
Investing activities		
Proceeds from sales of investments	**15,164,154**	25,141,038
Purchases of investments	**(15,469,877)**	(24,451,266)
Proceeds from sale of land, buildings, and equipment	**1,349,182**	258,582
Purchases of land, buildings, and equipment	**(8,257,800)**	(15,036,384)
Net cash used in investing activities	**(7,214,341)**	(14,088,030)
Financing activities		
Contributions restricted for long-term investment	**1,522,936**	1,000,000
Contributions restricted for capital purposes	**5,213,052**	6,971,164
Payment on note receivable	**–**	5,095,000
Issuance of note receivable	**(14,893,700)**	–
Payments on long term debt	**(3,385,000)**	(3,183,044)
Payment of debt issuance costs	**(681,007)**	(179,479)
Proceeds from notes payable and capital lease obligations	**73,242,716**	58,202,200
Payments of notes payable and capital lease obligations	**(41,337,839)**	(63,412,182)
Net cash provided by financing activities	**19,681,158**	4,493,659
Change in cash and cash equivalents and restricted cash	**21,815,651**	(1,215,890)
Cash and cash equivalents and restricted cash at beginning of year	**2,478,894**	3,694,784
Cash and cash equivalents and restricted cash at end of year	**$ 24,294,545**	$ 2,478,894
Cash paid for interest	**$ 1,974,502**	$ 1,995,969

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017, WITH SUMMARIZED FINANCIAL INFORMATION
FOR YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fund Raising	Total Expenses 2017	Total Expenses 2016
Salaries	$ 36,989,700	$ 5,734,483	$ 1,187,834	$ 43,912,017	$ 43,667,069
Employee benefits	5,011,362	944,566	183,994	6,139,922	6,210,594
Payroll taxes	3,739,143	464,765	97,470	4,301,378	3,972,936
Total salaries and related expenses	45,740,205	7,143,814	1,469,298	54,353,317	53,850,599
Professional fees and contract services	14,190,244	1,317,550	371,451	15,879,245	13,445,531
Supplies	7,474,804	170,168	72,801	7,717,773	7,955,600
Telephone	907,758	274,266	5,128	1,187,152	1,223,259
Postage	48,775	16,598	9,195	74,568	122,319
Occupancy	14,181,335	284,721	–	14,466,056	14,516,837
Equipment expense and maintenance	2,832,379	165,780	4,428	3,002,587	2,917,791
Promotion and printing	295,033	191,117	282,060	768,210	776,804
Travel and transportation expense	1,366,516	207,726	50,332	1,624,574	1,656,493
Conferences, meetings, and training	952,743	224,791	148,984	1,326,518	1,636,949
Insurance	866,564	20,017	–	886,581	795,068
National support	552,832	–	–	552,832	486,226
Interest and fees	3,282,221	275,130	–	3,557,351	3,345,963
Depreciation and amortization	10,655,527	217,469	–	10,872,996	11,082,908
Bad debt expense	77,504	13,980	–	91,484	378,395
Miscellaneous	340,017	212,311	16,511	568,839	498,836
Total expenses	$ 103,764,457	$ 10,735,438	$ 2,430,188	$ 116,930,083	$ 114,689,578

See accompanying notes.

Note 1 – Organization and Purpose

The Young Men's Christian Association of Metropolitan Atlanta, Inc. (the YMCA, and collectively, the Association), reflecting its Judeo-Christian heritage, is an association of volunteers, members and staff, open to and serving all, providing programs and services which develop spirit, mind and body. All programs are directed toward strengthening the foundations of community. Financial assistance is available based on need. The YMCA actively seeks to identify and involve those in need. The YMCA is comprised of the Metropolitan YMCA, 24 branches and two resident camps. The Association's program areas of focus are youth development, healthy living and social responsibility. The programs are funded primarily by charitable contributions, foundation and government grants, and membership and program fees.

The Early Childhood Development Co., LLC (the ECDC) was incorporated in 1999 to operate the Head Start program. Head Start is a federally funded program that provides services in both early childhood development and health. Parents play an integral part in the program by attending parent education classes, serving on committees, and providing transportation.

The YMCA Community Development Co., LLC (the CDC) was incorporated in 2002 to receive, hold, administer, and oversee grant funding for certain community oriented programs and projects in the metropolitan Atlanta area, including operations of the Dean Rusk Head Start Academy (Head Start Academy).

Dean Rusk Academy Capital, LLC (Dean Rusk Capital) was incorporated in 2009 to manage funds related to the New Market Tax Credit (NMTC) program obtained for the Head Start Academy. Dean Rusk Capital is a partnership between the YMCA and Dean Rusk Academy GP, LLC (Dean Rusk GP), a wholly owned subsidiary of the YMCA formed in 2009 for the purpose of investing in the Head Start Academy. The NMTC program for which these entities were incorporated expired 2016. These entities were subsequently dissolved in 2018.

The YMCA East Lake Youth Center, LLC (the ELYC) was incorporated in 2011 to receive, hold, administer, and oversee the funding for the East Lake Youth Center.

YMCA East Lake Capital, LLC (East Lake Capital) was incorporated in 2011 to manage the funds related to the NMTC program obtained for the East Lake Youth Center.

The Atlanta YMCA Westside QALICB, Inc. (QALICB), was incorporated in 2017 to enable the YMCA to efficiently finance (via NMTC and other mechanisms) projects in Atlanta's Westside.

Note 1 – Organization and Purpose (Continued)

The ECDC, the CDC, Dean Rusk Capital, Dean Rusk GP, the ELYC and East Lake Capital are membership corporations with the YMCA as the only member of each entity. The QALICB is designed as a 501(c)(3) entity by the Internal Revenue Service and was established to operate exclusively for the benefit of and to carry out the purpose of the YMCA.

Note 2 – Significant Accounting Policies and Other Matters

Basis of Accounting and Principles of Consolidation

The accounting and reporting policies of the YMCA and its subsidiaries comply with accounting principles generally accepted in the United States of America (GAAP).

The consolidated financial statements include the accounts of the Young Men's Christian Association of Metropolitan Atlanta, Inc.; Early Childhood Development Co., LLC; YMCA Community Development Co., LLC; Dean Rusk Academy Capital GP, LLC; Dean Rusk Academy Capital, LLC; YMCA East Lake Youth Center, LLC; YMCA East Lake Capital, LLC; and Atlanta YMCA Westside QALICB, Inc. (collectively, the Association). All significant inter-company accounts and transactions have been eliminated.

Net Assets

The Association's net assets and its support and revenues are classified based on the existence or absence of donor-imposed restrictions using the following net asset classifications:

- Unrestricted net assets are not subject to donor restrictions. Unrestricted net assets may be designated for specific purposes by the Board of Directors.

- Temporarily restricted net assets are subject to donor imposed or legal restrictions that may be fulfilled either by actions of the Association or by the passage of time. Net assets restricted for construction of buildings or equipment are recorded as temporarily restricted until the asset is placed in service by the Association.

- Permanently restricted net assets are subject to donor imposed restrictions that they be retained and invested permanently by the Association. The donors require the Association to use all or part of the investment return on these net assets for unrestricted or restricted purposes.

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less, with the exception of cash held for reinvestment which is included in investments and long-term investments. Cash on hand restricted for the operation of the East Lake Youth Center totaled $8,390 and $8,823 as of December 31, 2017 and 2016, respectively. Cash on hand restricted for the construction of the Leadership and Learning Center totaled $18,653,765 as of December 31, 2017.

Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows and are discounted at the rate applicable to the year in which the pledge was made.

The discount rate is commensurate with the risk associated with the ultimate collection of the receivable, including collectability, at the date of the contribution. The discount is amortized using an effective yield over the expected collection period of the receivables and is recorded as contribution revenue.

Land, Buildings, and Equipment

Land, buildings, land and leasehold improvements, capital leases, and equipment are recorded at acquisition cost or, if donated, at fair value at the date of donation. Acquisition costs include costs necessary to get the asset ready for its intended use. Certain application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of land leases and capital leases is computed using the straight-line method over the shorter of the expected lease terms or useful lives. Useful lives of the respective assets follow:

Buildings and improvements	30-40 years
Land improvements	20-30 years
Leasehold improvements	3-10 years
Equipment, computer hardware and software, vehicles	3-10 years

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Land, Buildings, and Equipment (Continued)

Land, buildings, and equipment are periodically reviewed for impairment based on an assessment of future operations. The Association records impairment losses on land, buildings, and equipment used in operations when indicators of impairment are present and the estimated undiscounted cash flows expected to be generated by those assets are less than the assets' carrying amount. For the years ended December 31, 2017 and 2016, no impairment losses were recognized.

Contributions

Contributions are recognized as revenue when an unconditional promise to give is made or when cash is received, if an unconditional promise does not exist. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. Unconditional promises to give are classified as unrestricted net assets.

A donor-imposed restriction is satisfied when a stipulated time restriction expires or when a purpose restriction is accomplished. Upon satisfaction, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted contributions that are both received and released in the same year are recorded as unrestricted support.

Permanently restricted net assets reflect the principal amount of contributions that carry donor–imposed restrictions that the principal be maintained in perpetuity. Investment income not permanently restricted by the donor is classified as temporarily restricted revenue if a donor-imposed purpose restriction exists or as unrestricted revenue if no purpose is specified.

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Contributions (Continued)

Contributions of long-lived assets are recorded at the estimated fair value at the date of receipt and are recorded as unrestricted support unless the use of such contributed assets is restricted by a donor-imposed restriction. Contributed long-lived assets with donor-imposed stipulations limiting their use are reported as temporarily restricted support. The Association does not imply time restrictions on contributions of long-lived assets (or of other assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as temporarily restricted revenue; those restrictions expire when the long-lived assets are placed in service.

Grant Revenue

Grant revenue on cost-reimbursement grants is recognized when program expenditures have been incurred and is recorded as direct support from government agencies. Certain direct and indirect support from government agencies are subject to independent audit under the Office of Management and Budget Uniform Guidance and review by grantor agencies. Such review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Management believes that costs ultimately disallowed, if any, would not materially affect the consolidated financial position of the Association.

Donations in Kind and Contributed Services

Donations in kind and contributed services are recorded at their estimated fair value at the date the contribution becomes an unconditional promise to give. Donated leases are reflected as temporarily restricted contribution revenue and as land, buildings, and equipment in the consolidated financial statements. Donated materials are recorded at the time the donated items are placed into service or distributed.

Contributed services are reported at their fair value if such services create or enhance non-financial assets. These services would have been purchased if not provided by contribution, and require specialized skills. A substantial number of volunteers have donated significant amounts of time and services in the Association's program operations and in its fund-raising campaigns. However, the Association does not record such contributed services as they do not meet the criteria for revenue recognition.

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Endowment Investment Earnings

Investment income and net appreciation (depreciation) on investments of donor endowments, whether permanently or temporarily restricted, are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or relevant state law require they be added to the principal of the donor endowments.
- As decreases in unrestricted net assets when there are losses that reduce the fair value of the donor endowment assets below the required level and as increases in unrestricted net assets when there are gains that restore the fair value of the donor endowment assets to the required level.
- As increases (decreases) in temporarily restricted net assets in all other cases.

Deferred Revenue

Funds received by the YMCA for services related to childcare, membership, and other programs that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which the revenue is earned. In certain instances, gains from the sale of properties are deferred and recognized as revenue in the period in which the revenue is earned.

Custodial Liability

Custodial liabilities represent cash held for others in which the YMCA acts as a fiscal agent.

Fair Value Measurements

The Association records certain assets and liabilities at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value.

This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Fair Value Measurements (Continued)

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

a. Quoted prices for similar assets or liabilities in active markets;
b. Quoted prices for identical or similar assets in markets that are not active;
c. Observable inputs other than quoted prices for the asset or liability;
d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Inputs that are unobservable and significant to the overall fair value measurement of the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The significance of transfers between levels was evaluated based upon the nature of the financial instrument and size of the transfer relative to total net assets. For the years ended December 31, 2017 and 2016, there were no transfers in or out of Levels 1, 2, or 3.

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

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Fair Value Measurements (Continued)

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

- Money market funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded on the last business day of each period presented using the market approach.

- United States government agency obligations and corporate bonds are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach.

- Corporate stocks and mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented using the market approach.

- Interest rate swaps consist of swap contracts and are valued primarily based on data readily observable in public markets presented using the income approach.

The preceding valuation methodologies 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 methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Association has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. See Note 4.

Institutional commingled funds and non-marketable investments are valued using the net asset value (NAV) of the Association's ownership in each fund. In accordance with FASB ASC Topic 820-10 as amended by ASU 2015-07, certain investments that are measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in Note 4 are intended to permit reconciliation of the fair value hierarchy to the carrying values.

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Fair Value of Financial Instruments

The Association's financial instruments consist of cash and cash equivalents, investments, accounts receivable, pledges receivable, notes receivable, long-term investments, accounts payable, accrued expenses and other liabilities, notes payable and capital obligations, bonds payable, and interest rate swaps.

The carrying value of cash and cash equivalents, accounts receivable, pledges receivable, notes receivable, accounts payable, accrued expenses and other liabilities, notes payable and capital obligations and bonds payable approximate fair value. investments, long-term investments, and interest rate swaps are recorded at fair value.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of cash and cash equivalents, accounts and notes receivables, pledge receivables and investments. Cash and cash equivalents are maintained at large multistate financial institutions and credit exposure is limited to the amount of deposits at any one institution in excess of the federally insured limit. Accounts and notes receivable are due from a large number of government agencies, entities and individuals, therefore, diversifying the related concentration of credit risk. Pledge receivables are concentrated in a small number of entities located in Atlanta, Georgia. The Association's investments do not represent significant concentrations of market risk as the Association's investment portfolio is diversified among issuers.

Endowments

The Association's endowment consists of 36 individual funds established for a variety of purposes. Its endowment includes both donor-restricted and board-designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Endowments (Continued)

Interpretation of Relevant Law

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

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Spending Policy

The Association has an endowment spending policy to spend the investment earnings from the endowment fund assets that is based on a total return formula and considers the long-term expected return. Such allocation of investment earnings for spending may equal up to 5% of the related investments' average market value for the prior 12 quarters less investment expenses for the current year calculated at June 30 of the prior year. The Association's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Endowments (Continued)

Return Objectives and Risk Parameters

The Association's investment policy for endowment assets is monitored by the Finance Committee of its Board of Directors. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. In addition to the spending policy, the investment policy describes the objective for the fund and sets ranges for asset allocation. The objective is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund the spending policy. The desired minimum rate of return is equal to the Consumer Price Index (CPI) plus 500 basis points on an annualized basis. Actual returns in any given year may vary from this amount.

The portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The endowment assets are invested for the long-term, and a higher short-term volatility in these assets is expected.

The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type.

Asset Category	Minimum	Target	Maximum
Cash	– %	– %	30%
Fixed income securities	10%	30%	50%
Equity securities	40%	70%	90%
Alternative assets	– %	– %	15%

Funds with Deficiencies

From time to time the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no deficiencies of this nature at December 31, 2017. At December 31, 2016, there was $185,207 of deficiencies reported within unrestricted net assets. The deficiency resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriations for certain programs that was deemed prudent by the Board of Directors.

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Tax Status

The Young Men's Christian Association of Metropolitan Atlanta, Inc. is an organization exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Early Childhood Development Co., LLC; YMCA Community Development Co., LLC; Dean Rusk Academy Capital LLC; Dean Rusk Academy GP, LLC; YMCA East Lake Youth Center, LLC and YMCA East Lake Capital, LLC are single member organizations. The Atlanta YMCA Westside QALICB, Inc. is a 501(c)(3) organization established with its sole purpose to carry out the purposes of the YMCA. Accordingly, no provision or liability for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

The Association has evaluated its tax positions and determined that it does not have any uncertain tax positions that meet the criteria under Financial Accounting Standards Codification Topic 740. In the normal course of business, the Association is subject to examination by the federal and state taxing authorities. In general, the Association is not subject to tax examinations for the tax years ending before December 31, 2014.

During December 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act. The law is generally effective for tax years beginning in 2018, and therefore the Association's current tax liability for any potential unrelated income tax will not be affected until the year ending December 31, 2018. There are other changes to the tax law that may affect the Association, but the magnitude of such changes has not been determined.

Use of Estimates

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

Note 2 – Significant Accounting Policies and Other Matters (Continued)

Presentation of Certain Prior Year Information

The consolidated financial statements include certain summarized comparative information from the prior year in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Note 3 – Investments and Long Term Investments

Investments and long-term investments consist of the following at December 31:

	2017	2016
Money market funds	$ 855,856	$ 2,998,273
U.S. Government agency obligations and corporate bonds	11,938,475	11,030,116
Diversified institutional commingled fund	22,070,667	17,018,414
Non-Marketable funds	62,085	-
Other	66,924	66,924
	$ 34,994,007	$ 31,113,727

The Association's institutional commingled funds are not directly publicly traded but are valued using the net asset value of the Association's balance of the fund. Institutional commingled funds consist of investments in diversified U.S., international, and emerging markets equities and diversifying strategies. Depending on the underlying asset, the fair value is determined through the national exchange price for securities with a readily determinable value or valuations and estimates typically determined by the fund's management. The financial statements of these funds are audited annually (at June 30) by independent auditors.

Because institutional commingled funds are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. The funds are diversified across strategies, managers and geography.

Note 3 – Investments and Long Term Investments (Continued)

Non-marketable funds consist of limited partnerships and involve an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership over a period of 12 to 15 years. There is not an active secondary market for these funds and the liquidity of these funds is determined by the general partner. These funds are valued using the net asset value of the Association's balance of the fund. The fair value is provided by the management of the partnership. The financial statements of these funds are audited annually (at June 30) by independent auditors.

The Association's investments carried at net asset value are subject to varying redemption terms and notice periods as detailed below:

As of December 31, 2017	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified institutional commingled funds	**$ 22,070,667**	$ -	Monthly	5 days
Non-marketable funds	**62,085**	1,438,500	N/A	N/A
Total	**$ 22,132,752**	$ 1,438,500		

As of December 31, 2016	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Diversified institutional commingled funds	$ 17,018,414	$ -	Monthly	5 days
Total	$ 17,018,414	$ -		

Investment income is reflected net of investment management fees of $95,392 and $75,304 for the years ended December 31, 2017 and 2016, respectively.

The Association's marketable securities do not represent significant concentrations of market risk inasmuch as the Association's marketable securities portfolio is diversified among issuers. The fair value of these investments was $34,931,922 and $28,577,983 at December 31, 2017 and 2016, respectively.

Note 4 – Fair Value Measurements

The following table summarizes the assets and liabilities measured at fair value on a recurring basis at December 31, 2017:

	Total	Level 1	Level 2	Level 3	Net Asset Value ("NAV")
Investments, at fair value					
Cash and money market	$ 508,105	$ 508,105	$ -	$ -	$ -
Corporate bonds	5,194,464	-	5,194,464	-	-
Total investments, at fair value	$ 5,702,569	$ 508,105	$ 5,194,464	$ -	$ -
Long-term investments, at fair value					
Money market	$ 347,751	$ 347,751	$ -	$ -	$ -
Corporate bonds	6,744,011	-	6,744,011	-	-
Diversified institutional commingled funds	22,070,667	-	-	-	22,070,667
Non-marketable funds	62,085	-	-	-	62,085
Other	66,924	-	-	66,924	-
Total long-term investments, at fair value	$ 29,291,438	$ 347,751	$ 6,744,011	$ 66,924	$ 22,132,752
Liabilities					
Interest rate swap	$ 370,110	$ -	$ -	$ 370,110	$ -

The changes in assets and liabilities classified as Level 3 are as follows for the year ended December 31, 2017:

Level 3 Reconciliation	
Beginning balance on January 1, 2017	$ (578,592)
Total realized and unrealized gains	275,406
Ending balance on December 31, 2017	$ (303,186)
The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets still held at the reporting date	$ 275,406

Note 4 – Fair Value Measurements (Continued)

The following table summarizes the assets and liabilities measured at fair value on a recurring basis at December 31, 2016:

	Total	Level 1	Level 2	Level 3	Net Asset Value ("NAV")
Investments, at fair value					
Cash and money market	$ 534,788	$ 534,788	$ -	$ -	$ -
Corporate bonds	4,590,120	-	4,590,120	-	-
Total investments, at fair value	$ 5,124,908	$ 534,788	$ 4,590,120	$ -	$ -
Long-term investments, at fair value					
Money market	$ 2,463,485	$ 2,463,485	$ -	$ -	$ -
Corporate bonds	6,439,996	-	6,439,996	-	-
Diversified institutional commingled funds	17,018,414	-	-	-	17,018,414
Other	66,924	-	-	66,924	-
Total long-term investments, at fair value	$ 25,988,819	$ 2,463,485	$ 6,439,996	$ 66,924	$ 17,018,414
Liabilities					
Interest rate swap	$ 645,516	$ -	$ -	$ 645,516	$ -

The changes in assets and liabilities classified as Level 3 are as follows for the year ended December 31, 2016:

Level 3 Reconciliation	Interest Rate Swap
Beginning balance on January 1, 2016	$ (1,432,136)
Total realized and unrealized gains	853,544
Ending balance on December 31, 2016	$ (578,592)
The amount of total gains for the period included in change in net assets attributable to the change in unrealized gains relating to assets still held at the reporting date	$ 853,544

Note 5 – Pledges Receivable

Pledges receivable include the following at December 31:

	2017	2016
Pledges receivable due in:		
Less than one year	**$ 1,062,093**	$ 533,172
One year to five years	**355,750**	11,500
	1,417,843	544,672
Allowance for uncollectible pledges	**(78,154)**	(47,038)
Allowance for discount to fair value	**(20,978)**	(440)
	$ 1,318,711	$ 497,194

Pledges receivable have been discounted at rates ranging from 1.79% to 3.20%.

Conditional pledges are recorded when donor requirements are met. At December 31, 2017, there was one conditional pledge of $1,500,000 outstanding for which donor requirements had not been met as of December 31, 2017. As such, the pledge receivable amounts above exclude this amount.

Note 6 – Notes Receivable

As part of NMTC programs (see Note 11), the Association makes loans to external investments funds. In October 2017, the YMCA entered into an agreement to lend $14,893,700 to the YMCA Investment Fund. In December 2011, East Lake Capital entered into an agreement to lend $4,425,000 to the East Lake Investment Fund. All principal on the notes receivable is due and payable at the respective maturity dates of October 5, 2024 and December 1, 2018.

Management evaluated the financial condition of the borrower and considered the notes receivable fully collectible. Accordingly, no allowance for doubtful accounts is recorded as of December 31, 2017.

Note 7 – Land, Buildings, and Equipment

The components of land, buildings, and equipment recorded in the consolidated financial statements are as follows at December 31:

	2017	2016
Land and land improvements	**$ 62,960,880**	$ 63,496,311
Buildings and improvements	**204,021,144**	196,089,324
Leasehold improvements	**18,301,467**	18,661,619
Equipment	**44,372,651**	42,972,349
Capitalized lease assets	**8,417,142**	9,561,704
Donated land leases	**37,783,133**	37,783,133
	375,856,417	368,564,440
Accumulated amortization for assets related to capital leases	**(7,617,979)**	(7,810,069)
Accumulated depreciation and other amortization	**(134,780,594)**	(127,143,942)
	233,457,844	233,610,429
Construction in progress	**12,621,757**	15,966,258
	$ 246,079,601	$ 249,576,687

Construction in progress includes $116,984 and $141,913 of interest capitalized in 2017 and 2016, respectively.

Amortization expense for capitalized computer software costs was $297,946 for the years ended December 31, 2017 and 2016, respectively. Unamortized computer software costs were $1,805,963 and $2,103,909 as of December 31, 2017 and 2016, respectively.

Note 8 – Donated Property, Leases, Materials, and Services

The Association received approximately $10,056,754 and $8,184,442 of donated property, leases, and professional services for the years ended December 31, 2017 and 2016, respectively. These donations are reflected in the consolidated financial statements as either unrestricted or temporarily restricted direct support.

Donated services received include $4,225,486 and $2,784,344 for consulting and teaching services used in the Head Start program during the years ended December 31, 2017 and 2016, respectively.

Note 8 – Donated Property, Leases, Materials, and Services (Continued)

The fair value, lease term, and lease start date of donated land leases recorded in Land, Buildings, and Equipment at December 31, 2017 and at date of donation, are as follows:

Donated Lease	Fair Value at Donation Date	Unamortized Value at Dec 31, 2017	Year of Lease Start Date	Lease Term in Years
Facility use – City of Alpharetta	$ 2,100,000	$ 1,815,147	1998	30
Land use - East Lake Community Foundation	595,000	574,273	2001	54
Facility use - Atlanta Housing Authority	3,650,000	2,162,828	1998	30
Land use - City of Covington	335,000	251,195	1999	30
Land use - Atlanta Housing Authority	1,250,000	1,233,894	2004	57
Facility use - City of Canton	17,588,133	17,124,714	2006	49
Facility use - DeKalb County	11,915,000	9,763,680	2012	30
Land use – Bartow County	350,000	238,847	2010	20
	$ 37,783,133	$ 33,164,578		

Note 9 – Deferred Revenue

Deferred revenue includes the following at December 31:

	2017	2016
Membership fees	**$ 1,744,995**	$ 1,784,119
Program fees	**2,533,036**	1,808,296
Deferred gain on sale of properties	**3,510,991**	3,647,723
Miscellaneous	**229,085**	240,805
	$ 8,018,107	$ 7,480,943

Note 10 – Notes Payable and Lease Obligations

Notes payable and lease obligations include the following at December 31:

	2017	2016
Amounts outstanding under line of credit	**$ 5,055,000**	**$ 5,000,000**
Capital leases	**8,795**	**88,597**
Mortgages payable	**-**	**323,905**
Bridge loan payable	**9,550,000**	**-**
NMTC notes payable (See Note 11)	**27,700,000**	**6,000,000**
Other notes payable	**1,003,584**	**-**
Less debt issuance costs	**(655,934)**	**-**
	$ 42,661,445	**$ 11,412,502**

Note 10 – Notes Payable and Lease Obligations (Continued)

In 2017, the YMCA entered into a bridge loan for $11,550,000 with a bank to bridge capital campaign pledges and grant funds expected to be received for the Leadership and Learning Center. These funds were invested in the YMCA of Metro Atlanta Investment Funds, LLC as part of the NMTC transaction. The outstanding principal balance bears interest at the adjusted libor rate and proceeds from the collection of Leadership and Learning Center pledges is to be used to pay the outstanding principal balance. The loan matures September 2021 and there are mandatory prepayments to reduce the balance to no greater than $5,500,000 September 2018, $3,050,000 September 2019, and $2,050,000 September 2020. As of December 31, 2017, the YMCA loan balance was $9,550,000 and the effective interest rate was 2.67%, with interest capitalized as part of construction in progress (note 7).

In 2017, the YMCA entered into loans with various finance companies to purchase certain software packages. Interest and principal are paid annually until maturity of the notes in 2019 and 2021. As of December 31, 2017 the outstanding balances on the notes payable was $1,003,584. Principal payments of $245,422, $260,364, $240,866 and $256,932 become due in 2018, 2019, 2020 and 2021, respectively. At December 31, 2017, the effective interest rate was 5.01%.

The Association has a $6,000,000 unsecured revolving line of credit with a bank, increased from $5,000,000 in June 2017. Borrowings on the line of credit were $5,055,000 and $5,000,000 at December 31, 2017 and 2016, respectively. Interest expense on this line of credit was $101,665 and $94,206, in 2017 and 2016, respectively. Interest is based on the monthly LIBOR index rate plus 175 basis points. At December 31, 2017, the effective interest rate was 2.76%. The line of credit matures on August 31, 2018.

The line of credit includes financial covenants to maintain minimum debt service coverage ratios, minimum consolidated net assets, and limits on capital expenditures. At December 31, 2017, the Association is in compliance with all covenants.

Note 10 – Notes Payable and Lease Obligations (Continued)

The Association has various operating leases for several branch facilities, automotive and other equipment. The following is a schedule of future minimum rental payments:

Year Ending December 31:	
2018	**$ 1,399,811**
2019	**969,519**
2020	**289,766**
2021	**87,244**
2022 and thereafter	**178,866**
	$ 2,925,206

Rent expense for facilities, including donated leases in 2017 and 2016, was $6,850,600 and $6,823,104, respectively.

Note 11 –New Market Tax Credit Financing Transactions

The Association participates in New Market Tax Credit (NMTC) programs. NMTC financing allows organizations such as the Association to receive low-interest loans or investment capital from certified community development entities (CDEs), which will allow their investors to receive tax credits.

In 2017, AEMI Fund XVI, LLC, ST CDE LXXXI, LLC, and MBS-UI Sub-CDE 37, LLC (Sub CDE's) made NMTC enhanced loans totaling $21,700,000 (the QALICB NMTC Loan) to the Atlanta YMCA Westside QALICB, Inc. (QALICB) a 501(c)(3) controlled by the Association to develop the Leadership and Learning Center. The YMCA of Metro Atlanta Investment Fund, LLC (YMCA Investment Fund), a Georgia limited liability company, contributed capital totaling $22,000,000 to the Sub CDE's as a capital contribution. SunTrust Community Capital invested $7,378,800 in the YMCA Investment Fund and the YMCA made a loan (YMCA Investment Fund Leverage Loan) of $14,893,700 to the YMCA Investment Fund.

The QALICB NMTC Loan has an interest rate of 1.25% per annum and interest shall be paid annually on the outstanding principal balance until the end of the credit period which is October 5, 2024. The QALICB NMTC Loan is not eligible for prepayment and the entire principal amount outstanding is due and payable on the maturity date. At the NMTC Loan's maturity date, QALICB will pay the Sub CDE's the principal amounts due. The Sub-CDE's will distribute the principal amounts to the YMCA Investment Fund and the YMCA Investment Fund will repay the YMCA Investment Fund Leverage Loan. At the QALICB NMTC Loan's maturity date, the YMCA is able to purchase the outstanding interests in the YMCA Investment Fund at a nominal amount.

Note 11 – New Market Tax Credit Financing Transactions (Continued)

In 2011, SunTrust Community Development Enterprise, LLC (SunTrust CDE) made a NMTC enhanced loan of $6,000,000, (the East Lake NMTC Loan) to the YMCA East Lake Youth Center, LLC (ELYC), a wholly owned subsidiary of the Association to develop the ELYC facility. The East Lake Atlanta Investment Fund, LLC (East Lake Investment Fund), a Georgia limited liability company, contributed funds of $6,000,000 to SunTrust CDE as a capital contribution. SunTrust Community Capital, LLC invested $1,575,000 in the East Lake Investment Fund. The YMCA committed $4,425,000 to its subsidiary, East Lake Capital, LLC to enable it to make a loan (the East Lake Leverage Loan) for the same amount to the East Lake Investment Fund.

The YMCA and CDC are joint makers of the note pursuant to the East Lake NMTC Loan, which has an annual interest rate of 1.00%, paid monthly in arrears until its maturity date of December 1, 2018. The NMTC Loan is not eligible for prepayment and their entire principal amount outstanding is due and payable on the maturity date. At the NMTC Loan's maturity date, the YMCA and CDC will repay SunTrust CDE the principal amounts due. SunTrust CDE will distribute the principal amounts to the Investment Fund, which will repay to the YMCA the loans issued through its subsidiaries East Lake Capital. At the East Lake NMTC Loan's maturity date, the YMCA is able to purchase the outstanding interests in the East Lake Investment Fund at a nominal amount, thus receiving a benefit of $78,750.

The total of all Leverage Loans $14,893,700 (QALICB) and (East Lake) of $4,425,000 is reflected as notes receivable in the consolidated financial statements as of December 31, 2017 (See Note 6).

Note 12 – Long-Term Debt

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

	2017	2016
Bank qualified tax exempt bonds payable held at two institutions with maturities ranging from 2019 to 2038. Interest rates on these loans are adjustable monthly based on a percentage of one-month LIBOR plus a spread and averaged 2.40% and 1.89% at December 31, 2017 and 2016, respectively	**$ 63,941,435**	**$ 67,326,435**
Less debt issuance costs	**(800,312)**	**(870,307)**
Total long-term debt	**$ 63,141,123**	**$ 66,456,128**

Note 12 – Long-Term Debt (Continued)

Interest incurred on bonds during 2017 and 2016, was $1,439,264 and $1,268,285, respectively.

The following is a schedule of minimum aggregate principal payments on long-term debt:

Year Ending December 31:	
2018	**$ 2,955,000**
2019	**2,955,000**
2020	**2,950,000**
2021	**4,010,000**
2022 and thereafter	**51,071,435**
	$ 63,941,435

Note 13 – Interest Rate Swap Agreements

As part of an overall risk management strategy to minimize the effect of the fluctuations in the variable interest rate, the YMCA entered into three interest rate swap agreements at three institutions. There is no exchange of the underlying principal amount. As of December 31, 2017 and 2016 the fair value of the swap agreements was a liability of $370,110 and $645,516, respectively, and the related unrealized gain on the value of the swap agreement was included in the consolidated statement of activities. The YMCA receives a variable rate based on a percentage of LIBOR plus a spread and averaged 2.64% at December 31, 2017. The YMCA pays interest at a fixed rate from 1.65% to 4.55%.

These agreements consist of the following as of December 31, 2017:

Swap Agreement	Nominal Amount	Effective Date	Maturity Date
Agreement #1	$ 12,380,000	2016	2026
Agreement #2	12,380,000	2016	2026
Agreement #3	1,200,000	2006	2019
	$ 25,960,000		

Note 14 – Retirement Plan

The YMCA participates in a defined contribution, individual account, money purchase, retirement plan which is administered by the Young Men's Christian Association Retirement Fund (Retirement Fund), a separately incorporated entity. This plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements. The YMCA remits monthly contributions, which are based on a percentage of the participating employee's salary, to the Retirement Fund. The YMCA incurred $2,538,231 and $2,483,106 of expenses under the plan for the years ended December 31, 2017 and 2016, respectively. The Young Men's Christian Association Retirement Fund qualifies as a church pension plan and is a non-profit, tax-exempt New York State corporation. The Retirement Fund has no unfunded benefit obligations.

The Early Childhood Development Co., LLC participates in a defined contribution plan administered by the Teachers Insurance and Annuity Association (Teachers Association), a separately organized association. The plan is for the benefit of all eligible employees of the Early Childhood Development Co., LLC. The YMCA remits monthly contributions, which are based on a percentage of the participating employee's salary, to the Teachers Association. The YMCA incurred $614,791 and $643,881 of expenses under the plan for the years ended December 31, 2017 and 2016, respectively. The Teachers Insurance and Annuity retirement plan is operated under Section 403(b) of the Internal Revenue Code. The plan has no unfunded obligations.

Note 15 – Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

	2017	**2016**
Purpose restrictions:		
Construction or acquisition of land, buildings, and equipment	**$ 15,661,266**	$ 11,162,671
Special purpose gifts	**3,734,981**	1,406,823
Time restrictions:		
United Way	**116,207**	135,124
Donated land leases	**29,809,229**	30,284,725
Unappropriated endowment earnings	**4,200,614**	2,144,571
Total temporarily restricted net assets	**$ 53,522,297**	$ 45,133,914

Note 15 – Temporarily Restricted Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	2017	2016
Purpose restrictions accomplished:		
Construction or acquisition of land, buildings, and equipment	**$ 714,456**	$ 2,047,934
Special purpose gifts	**1,185,409**	2,005,456
Time restrictions expired:		
United Way	**251,333**	274,418
Donated land lease	**475,495**	457,953
Appropriation of endowment earnings	**934,208**	893,955
	$ 3,560,901	$ 5,679,716

Note 16 – Permanently Restricted Net Assets

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

Investment in perpetuity; the income from which is expendable to support:	2017	2016
Childcare and teen outreach	**$ 14,041,445**	$ 13,899,911
Branch special purpose	**3,042,226**	1,641,492
General/operating/undesignated	**1,733,508**	1,752,840
Total permanently restricted net assets	**$ 18,817,179**	$ 17,294,243

Note 17 – Endowments

A summary of the endowment net asset composition by type of fund as of December 31, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	**$ -**	**$ 4,200,614**	**$ 18,817,179**	**$ 23,017,793**
Board-designated endowment funds	**8,199,237**	**-**	**-**	**8,199,237**
Total	**$ 8,199,237**	**$ 4,200,614**	**$ 18,817,179**	**$ 31,217,030**

Note 17 – Endowments (Continued)

The changes in endowment assets for the year ended December 31, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets as of January 1, 2017	**$ 7,182,027**	**$ 2,144,571**	**$ 17,294,243**	**$ 26,620,841**
Investment return:				
Investment income	**113,296**	**303,972**	**-**	**417,268**
Net appreciation (realized and unrealized)	**1,003,206**	**2,686,279**	**-**	**3,689,485**
Total investment return	**1,116,502**	**2,990,251**	**-**	**4,106,753**
Contributions	**-**	**-**	**1,522,936**	**1,522,936**
Remove deficiency	**185,207**	**(185,207)**	**-**	**-**
Appropriation of endowment assets for expenditure	**(284,499)**	**(749,001)**	**-**	**(1,033,500)**
Endowment assets as of December 31, 2017	**$ 8,199,237**	**$ 4,200,614**	**$ 18,817,179**	**$ 31,217,030**

A summary of the endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (185,207)	$ 2,144,571	$ 17,294,243	$ 19,253,607
Board-designated endowment funds	7,367,234	-	-	7,367,234
Total	$ 7,182,027	$ 2,144,571	$ 17,294,243	$ 26,620,841

Note 17 – Endowments (Continued)

The changes in endowment assets for the year ended December 31, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment assets as of January 1, 2016	$ 6,866,783	$ 1,956,836	$ 15,850,885	$ 24,674,504
Investment return:				
Investment income	135,188	335,955	-	471,143
Net appreciation (realized and unrealized)	305,101	745,735	-	1,050,836
Total investment return	440,289	1,081,690	-	1,521,979
Contributions	-	-	1,292,508	1,292,508
Transfers to satisfy donor designations	-	-	150,850	150,850
Remove deficiency	170,059	(170,059)	-	-
Appropriation of endowment assets for expenditure	(295,104)	(723,896)	-	(1,019,000)
Endowment assets as of December 31, 2016	$ 7,182,027	$ 2,144,571	$ 17,294,243	$ 26,620,841

Endowment assets classified as permanently restricted are required to be retained permanently either by explicit donor stipulation or by UPMIFA.

Endowment assets classified as temporarily restricted are subject to the following purpose restrictions under UPMIFA or by donor stipulation for the years ended December 31:

	2017	2016
The portion of perpetual endowment funds subject to a time restriction under UPMIFA:		
With purpose restrictions	**$ 3,458,248**	$ 1,653,186
Without purpose restrictions	**742,366**	491,385
Total endowment funds classified as temporarily restricted net assets	**$ 4,200,614**	$ 2,144,571

Note 18 – Commitments and Contingencies

Authorized commitments for construction projects totaled $16,800,395 as of December 31, 2017.

Note 19 – Related-Party Transactions

The Association transacts business with several companies that have officers or directors on the Association's Board of Directors. Fees paid to related parties totaled approximately $7,178,267 and $10,006,976 for the years ended December 31, 2017 and 2016, respectively, and relate primarily to financial, utility, and construction services.

Note 20 – Subsidiary Financial Information

Total expenses for the Atlanta YMCA Westside QALICB Inc. (QALICB), were $96,627 for the year ended December 31, 2017. As of December 31, 2017, the total assets and liabilities of the QALICB were $26,409,942.

Total revenue and expenses for the YMCA East Lake Youth Center, LLC (ELYC), were $458,304 and $847,573, respectively, for the year ended December 31, 2017. As of December 31, 2017, the total assets and liabilities of the ELYC were $6,026,348.

Note 21 – Subsequent Events

Management has evaluated and disclosed all required subsequent events through June 5, 2018, the date the consolidated financial statements were available to be issued.