Young Men's Christian Association
of the Greater Houston Area

Consolidated Financial Statements
and Independent Auditors' Report
for the years ended August 31, 2016 and 2015

Young Men's Christian Association of the Greater Houston Area

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Consolidated Statements of Financial Position as of August 31, 2016 and 2015	3
Consolidated Statement of Activities for the year ended August 31, 2016	4
Consolidated Statement of Activities for the year ended August 31, 2015	5
Consolidated Statement of Functional Expenses for the year ended August 31, 2016	6
Consolidated Statement of Functional Expenses for the year ended August 31, 2015	7
Consolidated Statements of Cash Flows for the years ended August 31, 2016 and 2015	8
Notes to Consolidated Financial Statements for the years ended August 31, 2016 and 2015	9
Supplementary Information:	
Consolidating Statement of Financial Position as of August 31, 2016	21
Consolidating Statement of Activities for the year ended August 31, 2016	22

Independent Auditors' Report

To the Board of Directors of
Young Men's Christian Association of the Greater Houston Area:

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of the Greater Houston Area (the YMCA) and its affiliate, YMCA of the Greater Houston Area Endowment Foundation (collectively the Association), which comprise the consolidated statements of financial position as of August 31, 2016 and 2015 and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of August 31, 2016 and 2015 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Supplementary information included in the consolidating statement of financial position as of August 31, 2016 and consolidating statement of activities for the year ended August 31, 2016 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2017 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.

Blazek & Vetterling

January 24, 2017

Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Financial Position as of August 31, 2016 and 2015

	2016	2015
ASSETS		
Cash	$ 3,863,825	$ 7,786,599
Accounts receivable	1,758,938	1,556,223
United Way allocation receivable	821,437	884,434
Bequest receivable	1,063,414	
Operating pledges receivable, net *(Note 2)*	656,545	703,320
Prepaid expenses and other assets	709,271	747,524
Land and buildings held for sale	5,875,821	
Investments *(Notes 3 and 4)*	65,099,021	61,301,261
Bond proceeds held in trust *(Note 8)*	5,670,000	5,670,222
Cash restricted for building construction	257,800	
Pledges receivable restricted for building construction, net *(Note 2)*	2,839,524	3,189,231
Property and equipment, net *(Note 5)*	224,638,627	233,886,511
TOTAL ASSETS	$ 313,254,223	$ 315,725,325
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 2,838,198	$ 2,364,887
Construction payable	1,335,141	
Accrued expenses	3,556,345	2,917,687
Bond interest and fees payable		442,205
Funds held for others	25,786	21,679
Deferred revenue	3,264,638	2,958,046
Split-interest agreement liabilities *(Note 6)*	123,180	124,744
Derivative agreements *(Notes 4 and 7)*	2,446,310	394,585
Bonds payable, net *(Note 8)*	140,902,825	145,068,498
Total liabilities	154,492,423	154,292,331
Commitments *(Notes 5 and 14)*		
Net assets *(Note 10)*:		
Unrestricted	152,387,055	155,613,721
Temporarily restricted *(Note 9)*	5,003,638	4,448,166
Permanently restricted	1,371,107	1,371,107
Total net assets	158,761,800	161,432,994
TOTAL LIABILITIES AND NET ASSETS	$ 313,254,223	$ 315,725,325

See accompanying notes to consolidated financial statements.

Young Men's Christian Association of the Greater Houston Area

Consolidated Statement of Activities for the year ended August 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING REVENUE:				
Membership dues and fees	$ 60,881,938			$ 60,881,938
Program fees	36,685,691			36,685,691
Government grants and contracts *(Note 12)*	11,872,503			11,872,503
Contributions	4,768,579	$ 5,022,546		9,791,125
United Way allocation	2,808,574			2,808,574
Other grants and contracts	1,967,100			1,967,100
Special events	1,551,348			1,551,348
Direct donor benefit costs	(571,371)			(571,371)
Investment return, net *(Note 3)*	3,833,096	74,156		3,907,252
Net loss on sale of property and equipment	(693,127)			(693,127)
Loss on valuation of land and buildings held for sale	(4,142,353)			(4,142,353)
Other income	489,026			489,026
Total operating revenue	119,451,004	5,096,702		124,547,706
Net assets released from restrictions:				
Expenditure for program purposes	1,592,026	(1,592,026)		
Capital expenditures	2,949,204	(2,949,204)		
Total	123,992,234	555,472		124,547,706
OPERATING EXPENSES:				
Program services:				
Healthy Living	60,349,221			60,349,221
Youth Development	31,900,310			31,900,310
Social Responsibility	17,229,644			17,229,644
Total program services	109,479,175			109,479,175
Management and general	13,344,581			13,344,581
Fundraising	2,343,419			2,343,419
Total operating expenses	125,167,175			125,167,175
Changes in net assets from operating activities	(1,174,941)	555,472		(619,469)
Change in value of derivative agreements *(Note 7)*	(2,051,725)			(2,051,725)
CHANGES IN NET ASSETS	(3,226,666)	555,472		(2,671,194)
Net assets, beginning of year	155,613,721	4,448,166	$ 1,371,107	161,432,994
Net assets, end of year	$ 152,387,055	$ 5,003,638	$ 1,371,107	$ 158,761,800

See accompanying notes to consolidated financial statements.

Young Men's Christian Association of the Greater Houston Area

Consolidated Statement of Activities for the year ended August 31, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING REVENUE:				
Membership dues and fees	$ 61,489,123			$ 61,489,123
Program fees	38,075,667			38,075,667
Government grants and contracts *(Note 12)*	8,516,406			8,516,406
Contributions	5,748,173	$ 5,000,615		10,748,788
United Way allocation	2,910,085			2,910,085
Other grants and contracts	2,072,812			2,072,812
Special events	1,654,720			1,654,720
Direct donor benefit costs	(620,492)			(620,492)
Investment return, net *(Note 3)*	236,997	3,473		240,470
Gain on sale of property and equipment	446,403			446,403
Other income	92,396			92,396
Total operating revenue	120,622,290	5,004,088		125,626,378
Net assets released from restrictions:				
Expenditure for program purposes	1,409,762	(1,409,762)		
Capital expenditures	3,890,763	(3,890,763)		
Donor redesignation	(68,507)	68,507		
Total	125,854,308	(227,930)		125,626,378
OPERATING EXPENSES:				
Program services:				
Healthy Living	64,073,034			64,073,034
Youth Development	30,203,020			30,203,020
Social Responsibility	13,079,797			13,079,797
Total program services	107,355,851			107,355,851
Management and general	13,756,322			13,756,322
Fundraising	2,319,660			2,319,660
Total operating expenses	123,431,833			123,431,833
Changes in net assets from operating activities	2,422,475	(227,930)		2,194,545
Change in value of derivative agreements *(Note 7)*	(196,974)			(196,974)
CHANGES IN NET ASSETS	2,225,501	(227,930)		1,997,571
Net assets, beginning of year	153,388,220	4,676,096	$ 1,371,107	159,435,423
Net assets, end of year	$ 155,613,721	$ 4,448,166	$ 1,371,107	$ 161,432,994

See accompanying notes to consolidated financial statements.

Young Men's Christian Association of the Greater Houston Area

Consolidated Statement of Functional Expenses for the year ended August 31, 2016

EXPENSES	HEALTHY LIVING	YOUTH DEVELOPMENT	SOCIAL RESPONSIBILITY	TOTAL PROGRAM EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	$ 28,560,941	$ 22,573,766	$ 6,577,442	$ 57,712,149	$ 6,621,079	$ 1,707,741	$ 66,040,969
Occupancy	12,668,312	1,903,669	396,009	14,967,990	1,146,124	33,165	16,147,279
Depreciation	8,901,689	882,842	36,699	9,821,230	473,804	20,631	10,315,665
Specific assistance to individuals			7,029,302	7,029,302			7,029,302
Supplies	2,322,810	2,899,177	667,769	5,889,756	245,849	25,254	6,160,859
Interest expense and other bond costs	3,044,503	1,170,749	468,300	4,683,552	451,312		5,134,864
Professional fees and contract services	1,748,828	551,527	126,465	2,426,820	1,249,242	274,234	3,950,296
Communications	1,240,652	232,455	87,124	1,560,231	1,143,277	127,035	2,830,543
Travel and transportation	319,619	912,263	463,999	1,695,881	334,732	65,672	2,096,285
Printing, publication, and promotion	186,350	30,455	8,968	225,773	1,045,396	64,358	1,335,527
Camping activity costs	1,293	569,470	394,109	964,872			964,872
Allocations to service providers			776,752	776,752			776,752
Equipment rental and maintenance	508,390	48,529	105,532	662,451	25,422		687,873
Membership dues	569,940	388	2,343	572,671	61,468	19,300	653,439
Professional development and staff training	86,852	96,866	39,553	223,271	242,680	2,658	468,609
Conferences, conventions, and meetings	63,012	9,762	9,327	82,101	179,551	2,117	263,769
Postage and shipping	95,695	4,342	14,770	114,807	2,443	1,224	118,474
Other	30,335	14,050	25,181	69,566	122,202	30	191,798
Total expenses	$ 60,349,221	$ 31,900,310	$ 17,229,644	$ 109,479,175	$ 13,344,581	$ 2,343,419	125,167,175
Direct donor benefit costs							571,371
Total							$ 125,738,546

See accompanying notes to consolidated financial statements.

Young Men's Christian Association of the Greater Houston Area

Consolidated Statement of Functional Expenses for the year ended August 31, 2015

EXPENSES	HEALTHY LIVING	YOUTH DEVELOPMENT	SOCIAL RESPONSIBILITY	TOTAL PROGRAM EXPENSES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries, related taxes, and benefits	$ 30,731,276	$ 21,532,054	$ 5,735,127	$ 57,998,457	$ 6,779,146	$ 1,606,218	$ 66,383,821
Occupancy	12,673,416	1,764,202	338,774	14,776,392	1,096,540	32,586	15,905,518
Depreciation	8,818,944	849,347	32,135	9,700,426	324,363	20,088	10,044,877
Specific assistance to individuals			4,250,567	4,250,567			4,250,567
Supplies	2,657,986	2,798,941	650,979	6,107,906	295,726	28,806	6,432,438
Interest expense and other bond costs	2,983,807	1,147,215	458,886	4,589,908	441,737		5,031,645
Professional fees and contract services	2,605,000	354,903	70,627	3,030,530	1,159,752	364,293	4,554,575
Communications	1,316,669	122,329	61,679	1,500,677	1,342,189	111,140	2,954,006
Travel and transportation	448,284	835,551	393,940	1,677,775	359,997	53,824	2,091,596
Printing, publication, and promotion	233,116	5,665	7,546	246,327	1,150,584	77,515	1,474,426
Camping activity costs	13,667	603,389	206,875	823,931			823,931
Allocations to service providers			678,895	678,895			678,895
Equipment rental and maintenance	825,127	72,979	114,602	1,012,708	73,727		1,086,435
Membership dues	479,764	5,158	43,768	528,690	67,003	12,984	608,677
Professional development and staff training	108,163	96,625	10,248	215,036	229,474	5,136	449,646
Conferences, conventions, and meetings	69,889	8,014	5,441	83,344	297,604	2,577	383,525
Postage and shipping	107,926	2,738	14,923	125,587	3,855	4,410	133,852
Other		3,910	4,785	8,695	134,625	83	143,403
Total expenses	$ 64,073,034	$ 30,203,020	$ 13,079,797	$ 107,355,851	$ 13,756,322	$ 2,319,660	123,431,833
Direct donor benefit costs							620,492
Total							$ 124,052,325

See accompanying notes to consolidated financial statements.

Young Men's Christian Association of the Greater Houston Area

Consolidated Statements of Cash Flows for the years ended August 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (2,671,194)	$ 1,997,571
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributions restricted for building construction	(2,277,474)	(3,662,415)
Net realized and unrealized (gain) loss on investments	(1,671,743)	1,791,457
Net gain (loss) on sale of property and equipment	693,127	(446,403)
Loss on valuation of land and buildings held for sale	4,142,353	
Depreciation	10,315,665	10,044,877
Amortization of bond issuance costs	185,104	241,064
Amortization of bond premium	(359,447)	(359,447)
Change in value of derivative agreements	2,051,725	196,974
Changes in operating assets and liabilities:		
Accounts receivable	(202,715)	(426,694)
United Way allocation receivable	62,997	(1,277)
Bequest receivable	(1,063,414)	
Operating pledges receivable	46,775	(186,363)
Prepaid expenses and other assets	38,253	198,478
Accounts payable and accrued expenses	1,111,969	254,987
Bond interest and fees payable	(442,205)	(27,872)
Funds held for others	4,107	2,135
Deferred revenue	306,592	113,596
Split-interest agreement liabilities	(1,564)	(15,748)
Net cash provided by operating activities	10,268,911	9,714,920
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(18,230,675)	(47,896,858)
Proceeds from sale of investments	15,304,957	46,163,284
Net change in money market mutual funds held as investments	799,701	(184,314)
Net change in bond proceeds held in trust	222	
Net change in cash restricted for building construction	(257,800)	
Purchases of property and equipment	(12,173,343)	(8,061,781)
Proceeds from sale of property and equipment	1,729,402	1,347,907
Net cash used by investing activities	(12,827,536)	(8,631,762)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on bonds	(4,280,000)	(2,965,000)
Proceeds from issuance of bonds	940,000	
Bond issuance costs	(651,330)	
Proceeds from contributions restricted for building construction	2,627,181	3,949,125
Net cash provided (used) by financing activities	(1,364,149)	984,125
NET CHANGE IN CASH	(3,922,774)	2,067,283
Cash, beginning of year	7,786,599	5,719,316
Cash, end of year	$ 3,863,825	$ 7,786,599
Supplemental disclosure of cash flow information:		
Interest paid	$4,921,433	$4,134,200
Noncash financing transactions:		
Issuance of Series 2016 Bonds	$77,825,000	
Refund of Series 2013B, C, and D Bonds	$(77,825,000)	

See accompanying notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Young Men's Christian Association of the Greater Houston Area (the YMCA) was founded in 1886 to put Judeo-Christian principles into practice through programs that build a healthy spirit, mind, and body for all. The YMCA seeks to promote its mission and core values by focusing on Youth Development, Healthy Living and Social Responsibility in programs conducted at 34 centers, 1 resident camp, 19 apartment outreach sites, and 210 childcare sites. The YMCA is committed to improving the quality of life through programs and services which provide opportunities for people to reach their highest potential, develop a positive attitude of self and others, appreciate good health and fitness, acquire a value system, and maintain spiritual awareness that manifests itself in our daily lives.

YMCA of the Greater Houston Area Endowment Foundation (the Foundation) was incorporated in 1997 to furnish assistance and support to the charitable and educational undertakings of the YMCA.

Basis of consolidation – These financial statements include the consolidated assets, liabilities, net assets and activities of the YMCA and the Foundation (collectively the Association). All balances and transactions between the consolidated entities have been eliminated.

Federal income tax status – The YMCA and the Foundation are exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code. The YMCA is classified as a public charity under §509(a)(2). The Foundation is classified as a public charity under §509(a)(3) as a Type I supporting organization.

Cash concentration – Bank deposits exceed the federally insured limit per depositor per institution.

Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are discounted to estimate the present value of future cash flows. Discounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue.

Allowance for pledges receivable – An allowance for pledges receivable is provided when it is believed balances may not be collected in full. It is the Association's policy to write off receivables against the allowance when management determines the receivable will not be collected. The amount of loss on pledges recognized each period and the resulting adequacy of the allowance at the end of each period is determined using a combination of historical loss experience and individual account-by-account analysis of pledges receivable balances. It is possible that management's estimate regarding collectability will change in the near term resulting in a change in the carrying value of accounts receivable and pledges receivable.

Land and buildings held for sale are reported at the lower of cost or market.

Investments in marketable debt and equity securities are reported at fair value. Real estate contributed to the Association is recorded at the appraised value provided by the donor at the date of contribution and, if necessary, written down to estimated realizable value upon known impairment of carrying value. Investment return is reported in the statement of activities as an increase in unrestricted net assets unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in temporarily restricted net assets.

Property and equipment are recorded at cost if purchased or at fair value at the date of gift if donated. Depreciation is calculated using the straight-line method over estimated useful lives of 3 to 50 years. The YMCA capitalizes additions and improvements that have a tangible future economic life and a cost of more than $5,000.

Derivative agreements – The YMCA utilizes interest rate swap agreements to hedge interest rate exposures on debt. Interest rate swap agreements are recognized as assets or liabilities at fair value in the consolidated statements of financial position and changes in the fair value of the interest rate swap agreements are recognized as change in value of derivative agreements in the consolidated statements of activities.

Net asset classification – Contributions, investment return, and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions and investment return restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. Investment return may be expended to support the activities of the Association.

Membership dues and fees are recognized over the period of membership. Amounts received in advance are recorded as deferred revenue.

Program fees, residency income and government grants and contracts are recognized when the related services are provided. Amounts received but unearned are included in the consolidated statements of financial position as deferred revenue.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recognized as restricted support. Absent explicit donor stipulations about how long such assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated goods and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Advertising costs are expensed as incurred. The Association recognized advertising costs totaling approximately $1,008,000 in 2016 and $1,089,000 in 2015.

Changes in net assets from operating activities – The Association includes in its definition of operations all revenue and expenses that are an integral part of its program and supporting activities. Change in fair value of derivative agreement is excluded from the changes in net assets from operations.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts reported as revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to the prior year financial statements to conform with the current presentation.

Recent financial accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance.

This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. The Association is required to adopt this ASU effective September 1, 2018 using an appropriate retrospective method. Management does not believe this ASU will have a significant impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2019. Management does not believe this ASU will have a significant impact on the financial statements. The Association will adopt this ASU for the fiscal year ending August 31, 2021.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU are the first phase of changes aimed at providing more useful information to users of not-for-profit financial statements. Under this ASU, net assets will be presented in two classes: *net assets with donor restrictions* and *net assets without donor restrictions* and underwater endowments will be grouped with *net assets with donor restrictions.* New or enhanced disclosures will be required about the nature and composition of net assets, and the liquidity and availability of resources for general operating expenditures within one year of the balance sheet date. Expenses will be required to be presented by both nature and function and investment return will be presented net of external and direct internal investment expenses. The ASU is effective for fiscal periods beginning after December 15, 2017, but early adoption is permitted. Adoption of this ASU will significantly impact the presentation and disclosures of the financial statements. The Association will adopt this ASU for the fiscal year ended August 31, 2019.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2016	2015
Pledges receivable	$ 3,894,897	$ 4,247,701
Allowance for doubtful accounts	(239,833)	(172,803)
Discount to net present value	(158,995)	(182,347)
Pledges receivable, net	$ 3,496,069	$ 3,892,551

Pledges receivable at August 31, 2016 are expected to be collected as follows:

2017	$ 1,888,606
2018	516,475
2019	415,662
2020	415,662
2021	396,028
Thereafter	262,464
Total pledges receivable	$ 3,894,897

In January 2006, the Association entered into a 46-year lease agreement for $1 per year with the City of Alvin for the use of the land on which a YMCA facility is located. The estimated fair value of this agreement of approximately $660,000 is recorded as a pledge receivable and is being amortized over the life of the lease. At August 31, 2016, the unamortized balance is $608,975.

Conditional pledge receivable – At August 31, 2016, the Association has a $2,000,000 conditional pledge receivable composed of a gift of $500,000 in cash and land with an estimated fair market value of $1.5 million. The commitment is conditioned upon the Association developing a plan for a new Holcomb Family YMCA. This gift will be recognized as contribution revenue when the conditions are substantially met.

NOTE 3 – INVESTMENTS

Investments consist of the following:

	2016	2015
Fixed-income bond mutual funds	$ 27,321,172	$ 25,589,601
Government agency securities	13,135,500	11,535,009
U. S. Treasury securities	10,072,893	9,577,103
Corporate bonds	6,299,942	5,790,687
Equity securities	6,075,452	5,815,098
Money market mutual funds	2,183,061	2,982,762
Real estate	11,001	11,001
Total investments	$ 65,099,021	$ 61,301,261

Investments at August 31, 2016 and 2015 include the underlying assets of split-interest agreements totaling approximately $2,377,000 and $2,269,000, respectively, for which the Foundation acts as trustee. Realized and unrealized gains and losses, interest and dividends from these investments, and payments to the beneficiaries are reflected as adjustments to the split-interest agreement liabilities reported in the consolidated statements of financial position (see Note 6).

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

Investment return includes earnings on cash and bond proceeds held in trust and excludes the return on underlying assets of split-interest agreements held in trust. Investment return consists of the following:

	2016	2015
Interest and dividends	$ 2,687,738	$ 2,331,246
Realized and unrealized gain (loss)	1,671,743	(1,791,457)
Royalty income	2,934	5,474
Investment management fees	(324,820)	(297,572)
Investment return on total investments	4,037,595	247,691
Less: Interest and dividends allocated to split-interest agreements	(21,609)	(22,625)
Net realized and unrealized gain (loss) allocated to split-interest agreements	(108,734)	15,404
Investment return, net	$ 3,907,252	$ 240,470

NOTE 4 – FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.

- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity's assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at August 31, 2016 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Fixed-income bond mutual funds	$ 27,321,172			$ 27,321,172
Government agency securities		$ 13,135,500		13,135,500
U. S. Treasury securities		10,072,893		10,072,893
Corporate bonds		6,299,942		6,299,942
Equity securities:				
Large-cap	2,503,375			2,503,375
International	2,086,235			2,086,235
Mid-cap	886,097			886,097
Small-cap	599,745			599,745
Money market mutual funds	2,183,061			2,183,061
Total assets measured at fair value	$ 35,579,685	$ 29,508,335	$ 0	$ 65,088,020

Liabilities measured at fair value at August 31, 2016 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Derivative agreements		$ (2,446,310)		$ (2,446,310)
Total liabilities measured at fair value	$ 0	$ (2,446,310)	$ 0	$ (2,446,310)

Assets measured at fair value at August 31, 2015 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investments:				
Fixed-income bond mutual funds	$ 25,589,601			$ 25,589,601
Government agency securities		$ 11,535,009		11,535,009
U. S. Treasury securities		9,577,103		9,577,103
Corporate bonds		5,790,687		5,790,687
Equity securities:				
Large-cap	2,481,572			2,481,572
International	2,065,891			2,065,891
Mid-cap	669,995			669,995
Small-cap	597,640			597,640
Money market mutual funds	2,982,762			2,982,762
Total assets measured at fair value	$ 34,387,461	$ 26,902,799	$ 0	$ 61,290,260

Liabilities measured at fair value at August 31, 2015 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Derivative agreements		$ (394,585)		$ (394,585)
Total liabilities measured at fair value	$ 0	$ (394,585)	$ 0	$ (394,585)

Valuation methods used for assets and liabilities measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value.
- *Government agency securities, U. S. Treasury securities* and *corporate bonds* are valued using prices obtained from independent quotation bureaus that use computerized valuation formulas which may include market-corroborated inputs for credit risk factors, interest rate and yield curves and broker quotes, to calculate fair values.
- *Equity securities* are valued at the closing price reported on the active market on which the individual securities are traded.
- *Derivative agreements* are valued by using independent quotation bureau valuation models which include cash flow analysis, credit spread and benchmark rate curves.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2016	2015
Land	$ 25,091,822	$ 26,328,875
Buildings and improvements	252,456,156	269,833,370
Furniture and equipment	26,615,987	42,465,476
Vehicles	2,172,870	2,716,269
Construction in progress	4,909,452	408,070
Total property and equipment, at cost	311,246,287	341,752,060
Accumulated depreciation	(86,607,660)	(107,865,549)
Property and equipment, net	$ 224,638,627	$ 233,886,511

Commitments – During 2016, the Association entered into a contract totaling approximately $10,540,000 for construction of a new center. At August 31, 2016, approximately $7 million remains outstanding under this contract.

NOTE 6 – SPLIT-INTEREST AGREEMENTS

The Association's investments include deferred giving vehicles subject to split-interest agreements. Two different types of agreements currently are maintained: Charitable Remainder Unitrusts and a Pooled Income Fund.

Charitable Remainder Unitrusts are time-restricted contributions not available to the organization until after the death of the donor, who, while living, receives a specified payout based on a fixed percentage of the market value of the invested funds. The Pooled Income Fund represents donations that are combined with other contributions and the total pool of funds is invested in equity securities, corporate bonds, and U. S. Treasury and government agency securities. Contributors receive a pro-rata share of the actual ordinary income of the fund until their death, at which point the donor's share of the pool becomes available to the Association.

NOTE 7 – DERIVATIVE AGREEMENTS

The Association entered into interest rate swap agreements with banks that effectively converted its variable rate bonds to fixed rates. The terms of the interest rate swap agreements are as follows:

	NOTIONAL AMOUNT		FAIR VALUE	
TERMS	2016	2015	2016	2015
The Association receives 67.00% of the 3-month USD-LIBOR-BBA floating rate plus 185 basis points and pays 2.732%. Terminated early in December 2015.		$ 19,220,000		$ (128,805)
The Association receives 65.00% of the 3-month USD-LIBOR-BBA floating rate plus 190 basis points and pays 3.132%. Terminates February 15, 2020.	$ 18,355,000	19,220,000	$ (336,623)	(265,780)
The Association receives 65.01% of the 3-month USD-LIBOR-BBA floating rate plus 135 basis points and pays 2.99%. Terminates March 1, 2026.	37,225,000		(2,109,687)	
Total	$ 55,580,000	$ 38,440,000	$ (2,446,310)	$ (394,585)

NOTE 8 – BONDS PAYABLE

In February 2013, on behalf of the Association, the Harris County Cultural Education Facilities Finance Corporation issued four bonds in the aggregate principal amount of $151,625,000 (Series 2013 Bonds), the proceeds of which were used to refund outstanding Harris County Health Facilities Development Corporation revenue bonds (Series 2008 Bonds), fund the cost of issuance of the Series 2013 Bonds, and fund a debt service reserve fund securing only the Series 2013A Bonds.

In February 2016, on behalf of the Association, the Harris County Cultural Education Facilities Finance Corporation issued bonds in the aggregate principal amount of $78,765,000 (Series 2016 A and B Bonds), the proceeds of which were used to refund outstanding Harris County Cultural Education Facilities Finance Corporation variable rate revenue refunding bonds (Series 2013 B, C and D Bonds) and fund a portion of the cost of issuance of the Series 2016 Bonds.

All unspent proceeds of the Series 2013 and 2016 Bonds are held in trust by the bond trustee, Bank of New York, which holds investments in cash at August 31, 2016 and 2015. The interest rate on the Series 2013A Bond is a fixed rate of 5% at August 31, 2016. The interest rate of the Series 2016A Bonds is a fixed rate of 2.7% during the initial period which extends through February 4, 2016. After February 4, 2016, the interest rate will be determined by a remarketing agent. The interest rate of the Series 2016B Bonds is 65.01% of 3-month LIBOR plus 1.35% during the initial period which extends through March 1, 2026. The interest rate was 1.79% at August 31, 2016. The initial rates on the Series 2016 Bonds will be adjusted for any downgrade in rating of the current long-term senior debt rating below Baa3. The bonds contain various covenants related to fiscal operations and financial performance, including limitations on additional borrowings. The Series 2013 and 2016 Bonds are redeemable upon demand by the bondholders.

In connection with the Series 2013 Bonds, JPMorgan Chase Bank issued an irrevocable letter of credit for an amount not to exceed an aggregate of $43,090,192 for payment of, under certain circumstances, the principal and interest due under the Series 2013B Bonds. The Association is required to pay the bank an annual fee that is calculated and due on a quarterly basis. The letter of credit expired in February 2016.

Principal amounts due under each bond are as follows:

	2016	2015
Series 2013A	$ 64,530,000	$ 65,635,000
Series 2016A	38,365,000	
Series 2016B	37,225,000	
Series 2013B		39,385,000
Series 2013C		19,220,000
Series 2013D		19,220,000
Total bonds payable	140,120,000	143,460,000
Bond premium	5,165,976	5,525,423
Bond issuance costs	(4,383,151)	(3,916,925)
Bonds payable, net	$ 140,902,825	$ 145,068,498

Bonds payable are due in the fiscal years ended August 31 as follows:

2017	$ 4,260,000
2018	4,550,000
2019	4,710,000
2020	4,865,000
2021	5,035,000
Thereafter	116,700,000
Total bonds payable	$ 140,120,000

Interest expense and letter of credit fees recognized and paid on bonds payable were approximately $5,135,000 in 2016 and $5,031,000 in 2015.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	2016	2015
Capital projects	$ 2,760,654	$ 3,432,384
Tellepsen YMCA	1,063,414	
Pooled income fund beneficiary interest	587,077	555,197
Accumulated earnings on general endowment available for operations	512,249	460,585
Time restricted for future periods	80,244	
Total temporarily restricted net assets	$ 5,003,638	$ 4,448,166

NOTE 10 – ENDOWMENTS

The Foundation was established to assist the YMCA in meeting its operating needs. The Board of Directors of the Foundation has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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 Foundation classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the

Foundation considers the following factors in making a determination to appropriate accumulated donor-restricted endowment funds:

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the YMCA
- The investment policies of the Foundation

Endowment net asset composition as of August 31, 2016 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted endowment funds		$ 2,162,740	$ 1,371,107	$ 3,533,847
Board-designated general endowment funds	$ 7,185,318			7,185,318
Endowment net assets	$ 7,185,318	$ 2,162,740	$ 1,371,107	$ 10,719,165

Endowment net asset composition as of August 31, 2015 is as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Donor-restricted endowment funds		$ 1,015,782	$ 1,371,107	$ 2,386,889
Board-designated general endowment funds	$ 6,713,635			6,713,635
Endowment net assets	$ 6,713,635	$ 1,015,782	$ 1,371,107	$ 9,100,524

Changes in endowment net assets are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, September 1, 2014	$ 7,038,859	$ 1,001,637	$ 1,371,107	$ 9,411,603
Investment return:				
Interest and dividends	136,836	19,725		156,561
Net realized and unrealized loss	(62,063)	(8,946)		(71,009)
Investment management fees	(50,685)	(7,306)		(57,991)
Net investment return	24,088	3,473		27,561
Donor redesignation	(68,507)	68,507		
Contributions and other additions	38,307			38,307
Expenses	(3,645)			(3,645)
Appropriation for distribution	(315,467)	(57,835)		(373,302)
Endowment net assets, August 31, 2015	6,713,635	1,015,782	1,371,107	9,100,524
Investment return:				
Interest and dividends	139,125	21,912		161,037
Net realized and unrealized gain	379,245	59,731		438,976
Investment management fees	(47,536)	(7,487)		(55,023)
Net investment return	470,834	74,156		544,990
Contributions and other additions	131,019	1,095,294		1,226,313
Expenses	(4,400)			(4,400)
Appropriation for distribution	(125,770)	(22,492)		(148,262)
Endowment net assets, August 31, 2016	$ 7,185,318	$ 2,162,740	$ 1,371,107	$ 10,719,165

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 TUPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature result from unfavorable market fluctuations and continued appropriations for certain programs that are deemed prudent by the Board of Directors and are reported in unrestricted net assets. There were no such deficiencies at August 31, 2016 and 2015.

Investment Policies and Strategy

The purpose of the Foundation is to provide an endowment fund that will support the YMCA for generations to come. The Foundation's strategic asset allocation is based on this long-term perspective.

The Foundation has adopted investment policies for endowment assets that attempt to maximize return within reasonable and prudent levels of risk determined from one or more asset allocation studies conducted from time to time, as well as to maintain the purchasing power of the current assets and all future contributions. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the assets of the Foundation are invested in a manner that will seek to maintain an appropriate, diversified asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns.

Spending Policy

The Foundation has a policy of appropriating net investment return on the general fund toward operations and program delivery. The Foundation distributes 50% of the sum of net realized gains (losses), interest and dividends, less management fees as of the August 31st fiscal year for the upcoming fiscal year on all restricted and general funds with assets valued at or above $10,000 as of the previous year-end date. If the sum of net realized gains (losses) and interest and dividends is less than zero, no distribution will be made. However, in the event that the YMCA is unable to fulfill their current mission, the Board of Directors of the Foundation may authorize distributions to meet the YMCA's objectives. These policies are consistent with the Foundation's objective to maintain the purchasing power of the investments held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of the Association's significant financial instruments including cash and cash equivalents, pledges receivable, derivative agreements, investments, annuity payable and other short-term assets and liabilities approximates fair value as of August 31, 2016 and 2015. Additionally, management believes that because the interest rate on bonds payable is determined daily, the carrying value of bonds payable of $145,285,976 and $148,985,423 approximates fair value at August 31, 2016 and 2015, respectively.

NOTE 12 – GOVERNMENT GRANTS AND CONTRACTS

The Association is the recipient of government grants and contracts from various federal, state, and local agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Government contract revenue includes the following:

	2016	2015
Federal grants and contracts:		
U. S. Department of Health and Human Services	$ 9,492,272	$ 6,139,140
U. S. Department of State	1,527,988	1,319,613
U. S. Department of Justice	257,612	282,826
U. S. Department of Homeland Security	128,132	102,384
U. S. Department of Housing and Urban Development		16,182
Total federal grants and contracts	11,406,004	7,860,145
Colleges	285,982	376,909
School districts	48,661	135,006
County	131,856	101,967
Other		42,379
Total government grants and contracts	$ 11,872,503	$ 8,516,406

The Association's government grants require fulfillment of certain conditions as set forth in grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Association with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Association's financial position or changes in net assets.

NOTE 13 – EMPLOYEE BENEFIT PLAN

The Association participates in a defined contribution retirement plan administered by the Young Men's Christian Association Retirement Fund. Employees may elect to participate following two years of service. The Association contributes 12% of the eligible employee's compensation into the plan. The Association contributed approximately $3,337,000 and $3,387,000 to this plan during the years ended August 31, 2016 and 2015, respectively.

NOTE 14 – LEASES

The Association leases certain office space and office equipment used in its operations. Operating lease payments for the years ended August 31, 2016 and 2015 were approximately $879,000 and $923,000, respectively.

As of August 31, 2016, the future minimum annual lease payments under these noncancellable operating leases are as follows:

2017	$ 330,965
2018	320,538
2019	326,007
2020	326,007
2021	163,004
Total	$ 1,466,521

NOTE 15 – SUBSEQUENT EVENTS

In October 2016, the Association sold land and a building located at San Jacinto YMCA for $2 million. In December 2016, the Association sold land and a building located at Baytown YMCA for $1 million.

Management has evaluated subsequent events through January 24, 2017, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

Young Men's Christian Association of the Greater Houston Area

Consolidating Statement of Financial Position as of August 31, 2016

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
ASSETS				
Cash	$ 3,595,315	$ 268,510		$ 3,863,825
Accounts receivable	1,758,938			1,758,938
United Way allocation receivable	821,437			821,437
Due from YMCA		504,350	$ (504,350)	
Bequest receivable		1,063,414		1,063,414
Operating pledges receivable, net	656,545			656,545
Prepaid expenses and other assets	709,271			709,271
Land and buildings held for sale	5,875,821			5,875,821
Investments	56,092,950	9,006,071		65,099,021
Bond proceeds held in trust	5,670,000			5,670,000
Cash restricted for building construction	257,800			257,800
Pledges receivable restricted for building construction, net	2,839,524			2,839,524
Property and equipment, net	224,638,627			224,638,627
TOTAL ASSETS	$ 302,916,228	$ 10,842,345	$ (504,350)	$ 313,254,223
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$ 2,838,198			$ 2,838,198
Construction payable	1,335,141			1,335,141
Accrued expenses	3,556,345			3,556,345
Funds held for others	25,786			25,786
Deferred revenue	3,264,638			3,264,638
Due to Foundation	504,350		$ (504,350)	
Split-interest agreement liabilities		$ 123,180		123,180
Derivative agreements	2,446,310			2,446,310
Bonds payable, net	140,902,825			140,902,825
Total liabilities	154,873,593	123,180	(504,350)	154,492,423
Net assets:				
Unrestricted	145,201,737	7,185,318		152,387,055
Temporarily restricted	2,840,898	2,162,740		5,003,638
Permanently restricted		1,371,107		1,371,107
Total net assets	148,042,635	10,719,165		158,761,800
TOTAL LIABILITIES AND NET ASSETS	$ 302,916,228	$ 10,842,345	$ (504,350)	$ 313,254,223

Young Men's Christian Association of the Greater Houston Area

Consolidating Statement of Activities for the year ended August 31, 2016

	YMCA	FOUNDATION	ELIMINATIONS	CONSOLIDATED
OPERATING REVENUE:				
Membership dues and fees	$ 60,881,938			$ 60,881,938
Program fees and residency income	36,685,691			36,685,691
Government grants and contracts	11,872,503			11,872,503
Contributions	8,564,812	$ 1,226,313		9,791,125
United Way allocation	2,808,574			2,808,574
Other grants and contracts	1,967,100			1,967,100
Special events	1,551,348			1,551,348
Direct donor benefit costs	(571,371)			(571,371)
Investment return, net	3,510,524	544,990	$ (148,262)	3,907,252
Net loss on sale of property and equipment	(693,127)			(693,127)
Loss on valuation of land and buildings held for sale	(4,142,353)			(4,142,353)
Other income	489,026			489,026
Total operating revenue	122,924,665	1,771,303	(148,262)	124,547,706
OPERATING EXPENSES:				
Program services:				
Healthy Living	60,349,221	148,262	(148,262)	60,349,221
Youth Development	31,900,310			31,900,310
Social Responsibility	17,229,644			17,229,644
Total program services	109,479,175	148,262	(148,262)	109,479,175
Management and general	13,340,181	4,400		13,344,581
Fundraising	2,343,419			2,343,419
Total operating expenses	125,162,775	152,662	(148,262)	125,167,175
Changes in net assets from operating activities	(2,238,110)	1,618,641	0	(619,469)
Change in value of derivative agreements	(2,051,725)			(2,051,725)
CHANGES IN NET ASSETS	(4,289,835)	1,618,641	0	(2,671,194)
Net assets, beginning of year	152,332,470	9,100,524		161,432,994
Net assets, end of year	$ 148,042,635	$ 10,719,165	$ 0	$ 158,761,800