

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Financial Statements

**December 31, 2017 and 2016
(With Independent Auditor's Report Thereon)**

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

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Independent Auditor's Report

The Board of Directors
Young Men's Christian Association of the Suncoast, Inc.
d/b/a YMCA of the Suncoast:

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of the Suncoast, Inc. d/b/a YMCA of the Suncoast (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of Young Men's Christian Association of the Suncoast, Inc. d/b/a YMCA of the Suncoast as of December 31, 2017 and 2016, and the changes in its net assets, its functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

MAYER HOFFMAN MCCANN P.C.

April 26, 2018
Clearwater, Florida

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statement of Financial Position

**December 31, 2017
(With Comparative Totals for 2016)**

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Cash and cash equivalents (Note 15)	\$ 2,553,783	241,578	-	2,795,361	2,681,566
Accounts receivable:					
Trade	522,113	-	-	522,113	510,582
Other	103,925	74,531	-	178,456	108,955
Prepaid expenses	151,289	-	-	151,289	142,403
Contributions receivable (Notes 4, 7 and 18)	-	907,498	58,706	966,204	1,356,419
Investments, at market (Notes 3 and 14)	8,323,064	1,305,190	1,326,430	10,954,684	10,286,915
Land, buildings and equipment, net (Notes 5, 6, 7 and 9)	27,574,917	638,476	-	28,213,393	29,294,578
Receivable under interest rate swap agreement (Notes 6 and 14)	41,922	-	-	41,922	11,366
Total assets	<u>\$ 39,271,013</u>	<u>3,167,273</u>	<u>1,385,136</u>	<u>43,823,422</u>	<u>44,392,784</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$ 1,679,679	-	-	1,679,679	1,740,369
Deferred membership and program revenue	677,129	-	-	677,129	833,330
Deferred rental income (Note 8)	313,167	-	-	313,167	361,167
Line of credit - capital expansion (Note 7)	482,178	-	-	482,178	842,497
Obligation under capital leases (Note 9)	164,162	-	-	164,162	180,874
Insurance financing	41,664	-	-	41,664	48,087
Long-term debt (Note 6)	7,080,502	-	-	7,080,502	7,691,466
Total liabilities	10,438,481	-	-	10,438,481	11,697,790
Net assets:					
Unrestricted:					
Designated for general endowment (Note 12)	2,543,269	-	-	2,543,269	2,252,140
Designated for other purposes (Note 10)	8,373,095	-	-	8,373,095	8,091,385
Undesignated	17,916,168	-	-	17,916,168	17,785,649
	28,832,532	-	-	28,832,532	28,129,174
Temporarily restricted (Note 11)	-	3,167,273	-	3,167,273	3,232,923
Permanently restricted for endowment (Note 12)	-	-	1,385,136	1,385,136	1,332,897
Total net assets	28,832,532	3,167,273	1,385,136	33,384,941	32,694,994
Commitments, contingencies and related party transactions (Notes 9, 20 and 21)					
Total liabilities and net assets	<u>\$ 39,271,013</u>	<u>3,167,273</u>	<u>1,385,136</u>	<u>43,823,422</u>	<u>44,392,784</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statement of Financial Position

December 31, 2016

Assets	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash and cash equivalents (Note 15)	\$ 2,443,448	238,118	-	2,681,566
Accounts receivable:				
Trade	510,582	-	-	510,582
Other	99,955	9,000	-	108,955
Prepaid expenses	142,403	-	-	142,403
Contributions receivable (Notes 4, 7 and 18)	-	1,245,480	110,939	1,356,419
Investments, at market (Notes 3 and 14)	7,963,108	1,101,849	1,221,958	10,286,915
Land, buildings and equipment, net (Notes 5, 6, 7 and 9)	28,656,102	638,476	-	29,294,578
Receivable under interest rate swap agreement (Notes 6 and 14)	11,366	-	-	11,366
	<u>39,826,964</u>	<u>3,232,923</u>	<u>1,332,897</u>	<u>44,392,784</u>
Total assets	\$ 39,826,964	3,232,923	1,332,897	44,392,784
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 1,740,369	-	-	1,740,369
Deferred membership and program revenue	833,330	-	-	833,330
Deferred rental income (Note 8)	361,167	-	-	361,167
Line of credit - capital expansion (Note 7)	842,497	-	-	842,497
Obligation under capital leases (Note 9)	180,874	-	-	180,874
Insurance financing	48,087	-	-	48,087
Long-term debt (Note 6)	7,691,466	-	-	7,691,466
	<u>11,697,790</u>	<u>-</u>	<u>-</u>	<u>11,697,790</u>
Total liabilities	11,697,790	-	-	11,697,790
Net assets:				
Unrestricted:				
Designated for general endowment (Note 12)	2,252,140	-	-	2,252,140
Designated for other purposes (Note 10)	8,091,385	-	-	8,091,385
Undesignated	17,785,649	-	-	17,785,649
	<u>28,129,174</u>	<u>-</u>	<u>-</u>	<u>28,129,174</u>
Temporarily restricted (Note 11)	-	3,232,923	-	3,232,923
Permanently restricted for endowment (Note 12)	-	-	1,332,897	1,332,897
	<u>28,129,174</u>	<u>3,232,923</u>	<u>1,332,897</u>	<u>32,694,994</u>
Total net assets	28,129,174	3,232,923	1,332,897	32,694,994
Commitments, contingencies and related party transactions (Notes 9, 20 and 21)				
	<u>39,826,964</u>	<u>3,232,923</u>	<u>1,332,897</u>	<u>44,392,784</u>
Total liabilities and net assets	\$ 39,826,964	3,232,923	1,332,897	44,392,784

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statement of Activities

**Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2017	2016
Operating support and revenue:					
Program services fees (Note 17)	\$ 12,655,372	-	-	12,655,372	12,013,540
Membership	10,494,266	-	-	10,494,266	9,627,315
Contributions	881,823	163,563	-	1,045,386	1,305,942
United Way	37,638	257,550	-	295,188	234,935
Grants	1,088,223	162,058	-	1,250,281	1,108,933
Special events, net	165,487	-	-	165,487	142,556
Rental income (Note 8)	48,000	-	-	48,000	42,583
Other	244,316	-	-	244,316	153,060
	<u>25,615,125</u>	<u>583,171</u>	<u>-</u>	<u>26,198,296</u>	<u>24,628,864</u>
Net assets released from restrictions:					
Satisfaction of use restrictions	750,854	(750,854)	-	-	-
Expiration of time restrictions	538,579	(538,579)	-	-	-
	<u>26,904,558</u>	<u>(706,262)</u>	<u>-</u>	<u>26,198,296</u>	<u>24,628,864</u>
Total support and revenue					
Operating expenses:					
Program services	20,802,160	-	-	20,802,160	19,644,843
Supporting services:					
Management and general	3,176,639	-	-	3,176,639	3,049,459
Development and fundraising	424,875	-	-	424,875	467,650
	<u>24,403,674</u>	<u>-</u>	<u>-</u>	<u>24,403,674</u>	<u>23,161,952</u>
Total expenses before depreciation and amortization					
Increase (decrease) in net assets from operations before depreciation and amortization	2,500,884	(706,262)	-	1,794,622	1,466,912
Depreciation and amortization expense	2,219,368	-	-	2,219,368	1,991,125
	<u>281,516</u>	<u>(706,262)</u>	<u>-</u>	<u>(424,746)</u>	<u>(524,213)</u>
Increase (decrease) in net assets from operations					
Other changes:					
Investment return (Note 3)	380,346	325,341	-	705,687	342,741
Contributions and grants for acquisition of capital assets	-	315,271	-	315,271	515,262
Contributions to endowment	-	-	52,239	52,239	90,269
Settlement award (Note 19)	-	-	-	-	111,248
Gain on sale of property and equipment	10,940	-	-	10,940	519
Change in fair value of interest rate swap	30,556	-	-	30,556	49,464
	<u>703,358</u>	<u>(65,650)</u>	<u>52,239</u>	<u>689,947</u>	<u>585,290</u>
Increase (decrease) in net assets					
Net assets, beginning of year	28,129,174	3,232,923	1,332,897	32,694,994	32,109,704
Net assets, end of year	\$ <u>28,832,532</u>	<u>3,167,273</u>	<u>1,385,136</u>	<u>33,384,941</u>	<u>32,694,994</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statement of Activities

Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating support and revenue:				
Program services fees (Note 17)	\$ 12,013,540	-	-	12,013,540
Membership	9,627,315	-	-	9,627,315
Contributions	1,199,247	106,695	-	1,305,942
United Way	7,310	227,625	-	234,935
Grants	934,898	174,035	-	1,108,933
Special events, net	142,556	-	-	142,556
Rental income (Note 8)	42,583	-	-	42,583
Other	153,060	-	-	153,060
	<u>24,120,509</u>	<u>508,355</u>	<u>-</u>	<u>24,628,864</u>
Net assets released from restrictions:				
Satisfaction of use restrictions	155,960	(155,960)	-	-
Expiration of time restrictions	419,865	(419,865)	-	-
	<u>24,696,334</u>	<u>(67,470)</u>	<u>-</u>	<u>24,628,864</u>
Operating expenses:				
Program services	19,644,843	-	-	19,644,843
Supporting services:				
Management and general	3,049,459	-	-	3,049,459
Development and fundraising	467,650	-	-	467,650
	<u>23,161,952</u>	<u>-</u>	<u>-</u>	<u>23,161,952</u>
Total expenses before depreciation and amortization	<u>23,161,952</u>	<u>-</u>	<u>-</u>	<u>23,161,952</u>
Increase (decrease) in net assets from operations before depreciation and amortization	1,534,382	(67,470)	-	1,466,912
Depreciation and amortization expense	1,991,125	-	-	1,991,125
	<u>1,991,125</u>	<u>-</u>	<u>-</u>	<u>1,991,125</u>
Decrease in net assets from operations	(456,743)	(67,470)	-	(524,213)
Other changes:				
Investment return (Note 3)	227,996	114,745	-	342,741
Contributions and grants for acquisition of capital assets	311,758	203,504	-	515,262
Contributions to endowment	-	-	90,269	90,269
Satisfaction of use restrictions - capital	2,991,025	(2,991,025)	-	-
Settlement award (Note 19)	111,248	-	-	111,248
Gain on sale of property and equipment	519	-	-	519
Change in fair value of interest rate swap	49,464	-	-	49,464
	<u>3,235,267</u>	<u>(2,740,246)</u>	<u>90,269</u>	<u>585,290</u>
Increase (decrease) in net assets	<u>3,235,267</u>	<u>(2,740,246)</u>	<u>90,269</u>	<u>585,290</u>
Net assets, beginning of year	<u>24,893,907</u>	<u>5,973,169</u>	<u>1,242,628</u>	<u>32,109,704</u>
Net assets, end of year	<u>\$ 28,129,174</u>	<u>3,232,923</u>	<u>1,332,897</u>	<u>32,694,994</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statement of Functional Expenses

**Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	Program Services			Supporting Services	
	Family Programs	Management and General	Development and Fund Raising	Total	
				2017	2016
Salaries	\$ 11,744,451	1,862,697	205,209	13,812,357	12,671,303
Employee benefits (Note 13)	1,303,076	277,859	48,427	1,629,362	1,576,258
Payroll taxes	872,834	126,501	15,356	1,014,691	944,659
Total salaries and related expenses	13,920,361	2,267,057	268,992	16,456,410	15,192,220
Contractual and professional fees	377,603	311,745	12,346	701,694	688,660
Supplies	1,222,837	27,709	1,991	1,252,537	1,343,136
Telephone	58,204	12,514	1,249	71,967	68,722
Postage and shipping	9,830	8,235	3,763	21,828	24,486
Occupancy	3,129,118	97,984	11,644	3,238,746	3,056,351
Equipment expense	264,782	124,375	16,667	405,824	339,589
Printing / public relations	112,850	108,139	86,801	307,790	396,673
Travel and transportation	142,233	26,897	3,154	172,284	158,268
Conferences	141,513	56,552	4,941	203,006	227,476
Payment of dues	340,087	8,503	5,978	354,568	338,484
Awards and grants	250	39,625	2,000	41,875	14,980
Interest and financing costs (Note 16)	229,559	22,422	-	251,981	267,092
Insurance (Note 20)	340,677	41,262	4,585	386,524	388,587
Bad debt expense	80,174	-	-	80,174	194,987
Bank charges	414,529	19,070	719	434,318	388,771
In-kind expenses	11,030	-	-	11,030	12,996
Miscellaneous	6,522	4,549	47	11,118	60,474
Total expenses before depreciation and amortization	20,802,159	3,176,638	424,877	24,403,674	23,161,952
Depreciation and amortization	2,083,932	121,107	14,329	2,219,368	1,991,125
Total expenses - 2017	\$ 22,886,091	3,297,745	439,206	26,623,042	
Total expenses - 2016	\$ 21,501,463	3,169,729	481,885		25,153,077

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statement of Functional Expenses

Year Ended December 31, 2016

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
	<u>Family Programs</u>	<u>Management and General</u>	<u>Development and Fund Raising</u>	
Salaries	\$ 10,743,955	1,751,852	175,496	12,671,303
Employee benefits (Note 13)	1,254,754	277,615	43,889	1,576,258
Payroll taxes	814,998	116,657	13,004	944,659
Total salaries and related expenses	12,813,707	2,146,124	232,389	15,192,220
Contractual and professional fees	350,468	295,404	42,788	688,660
Supplies	1,319,711	20,588	2,837	1,343,136
Telephone	56,975	10,539	1,208	68,722
Postage and shipping	10,983	7,813	5,690	24,486
Occupancy	2,921,128	122,516	12,707	3,056,351
Equipment expense	222,120	98,243	19,226	339,589
Printing / public relations	133,653	137,490	125,530	396,673
Travel and transportation	130,383	25,488	2,397	158,268
Conferences	160,831	56,598	10,047	227,476
Payment of dues	308,346	24,879	5,259	338,484
Awards and grants	400	14,580	-	14,980
Interest and financing costs (Note 16)	246,131	18,632	2,329	267,092
Insurance (Note 20)	342,458	41,516	4,613	388,587
Bad debt expense	194,987	-	-	194,987
Bank charges	372,616	15,541	614	388,771
In-kind expenses	12,942	54	-	12,996
Miscellaneous	47,004	13,454	16	60,474
Total expenses before depreciation and amortization	19,644,843	3,049,459	467,650	23,161,952
Depreciation and amortization	1,856,620	120,270	14,235	1,991,125
Total expenses	\$ 21,501,463	3,169,729	481,885	25,153,077

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 689,947	585,290
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,219,368	1,991,125
Bad debt expense	80,174	194,987
Noncash contributed use of land	(28,189)	(34,051)
Noncash contribution of construction materials	-	(55,610)
Noncash contribution of stock	(8,806)	(640,675)
Gain on disposal of property and equipment	(10,940)	(519)
Net appreciation on investments	(423,236)	(111,909)
Change in fair value of interest rate swap	(30,556)	(49,464)
Cash received from contributions and grant restricted for acquisition and improvement of capital assets	(273,846)	(1,178,818)
Change in operating assets and liabilities:		
Increase in trade accounts receivable	(11,531)	(11,972)
Increase in prepaid expenses	(8,886)	(77,535)
Decrease in contributions receivable	338,230	583,978
Increase in other receivables	(69,501)	(78,847)
Increase in accounts payable and accrued expenses	674,408	473,692
Increase (decrease) in deferred rental income	(48,000)	282,417
Increase (decrease) in deferred revenue	(156,201)	469,957
Net cash provided by operating activities	2,932,435	2,342,046
Cash flows from investing activities:		
Purchases of property and equipment	(1,867,325)	(7,483,246)
Proceeds from sale of property and equipment	29,655	5,000
Purchases of investments	(8,247,083)	(7,234,517)
Proceeds from sale of investments	8,011,356	8,044,739
Net cash used in investing activities	(2,073,397)	(6,668,024)

(Continued)

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Statements of Cash Flows - Continued

	2017	2016
Cash flows from financing activities:		
Cash received from contributions and grant restricted for acquisition and improvement of capital assets	\$ 273,846	1,178,818
Net borrowings (repayments) on line of credit	(368,005)	868,114
Principal payments on long-term debt	(634,372)	(645,270)
Principal payments on capital lease obligations	(16,712)	(39,541)
Net cash provided by (used in) financing activities	(745,243)	1,362,121
Net increase (decrease) in cash and cash equivalents	113,795	(2,963,857)
Cash and cash equivalents at beginning of year	2,681,566	5,645,423
Cash and cash equivalents at end of year	\$ 2,795,361	2,681,566
Supplemental disclosure:		
Cash paid for interest	\$ 254,073	266,647
Non-cash investing and financing activities:		
Acquisition of equipment through capital lease obligation	\$ 25,111	-
Change in accounts payable attributable to purchases of property and equipment	\$ -	(760,209)

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Notes to Financial Statements

December 31, 2017 and 2016

(1) Description of Organization

Young Men’s Christian Association of the Suncoast, Inc., d/b/a YMCA of the Suncoast (the “Organization”), is a Florida not-for-profit corporation and a member of the Association of the National Council of the Young Men’s Christian Associations of the U.S.A. The Organization’s purpose is to advance the cause of strengthening community through youth development, healthy living and social responsibility. The YMCA is a powerful association of men, women, and children committed to bringing about lasting personal and social change. With a focus on nurturing the potential of every child and teen, improving the nation’s health and well-being and providing opportunities to give back and support neighbors, the YMCA enables youth, adults, families and communities to be healthy, confident, connected and secure. YMCA of the Suncoast is committed to providing programs which strengthen the communities of Pinellas, Pasco, Hernando and Citrus Counties, Florida. The accompanying financial statements include the Suncoast administrative office and the accounts of the Organization’s programs maintained at the following branches:

- Clearwater Family Branch YMCA
- Hernando County Family Branch YMCA
- High Point Family Branch YMCA
- North Pinellas Family Branch YMCA
- James P. Gills Family/West Pasco Branch YMCA
- Greater Ridgecrest Family Branch YMCA
- Greater Palm Harbor Family Branch YMCA
- Citrus Memorial Health Foundation Branch YMCA
- YMCA School Age Program Services

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-For-Profit Entities* (ASC 958). Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(b) Financial Accounting Standards

The FASB issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the ASC the source of authoritative, nongovernmental GAAP, except for rules interpretive releases of the Securities and Exchange Commission. This guidance has been incorporated into ASC Topic 105, *Generally Accepted Accounting Principles*.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
D/B/A YMCA OF THE SUNCOAST**

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(c) Fair Value Measurement

The Organization has adopted the provisions of ASC Topic 820, *Fair Value Measurement*. ASC 820 requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

The carrying amount reported in the statements of financial position for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

(d) Contributions

The Organization accounts for contributions pursuant to ASC 958. In accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the contributions are recognized.

(e) Cash and Cash Equivalents

The Organization considers all money market funds and certificates of deposit, with original maturities of three months or less to be cash equivalents.

(f) Accounts Receivable

Accounts receivable consists primarily of outstanding membership and program fees and amounts due under contracts with funders for services provided by the Organization. Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts (when applicable). The allowance for doubtful accounts is based on historical receivable collection experience. At December 31, 2017 and 2016, the allowance for doubtful accounts was approximately \$256,000 and \$208,000, respectively.

(g) Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the Organization's Statements of Financial Position.

Unrealized gains and losses are included in other changes in the Statements of Activities. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire or are otherwise satisfied in the fiscal year in which the earnings are recognized.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(h) Land, Buildings and Equipment

Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the related assets. Land, buildings and equipment are stated at cost, or if contributed, at fair value at the date of donation. The Organization capitalizes additions that equal or exceed \$1,500. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The estimated useful lives of related asset classes are: 5 to 40 years for buildings and improvements and 3 to 10 years for furniture, equipment and vehicles.

Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

(i) Special Events Revenue and Expense

The Organization reports special events revenue net of related expenses in the accompanying Statements of Activities. Special events revenue was \$330,472 and \$301,818 in 2017 and 2016, respectively. Special events expense was \$164,985 and \$159,262 in 2017 and 2016, respectively.

(j) Income Taxes

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 and has been classified as an organization that is not a private foundation under Section 509(a).

The Organization applies ASC Topic 740, *Income Taxes* (ASC 740). ASC 740 prescribes a recognition and measurement standard for uncertain tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. There is no material impact on the Organization's financial position or changes in net assets as a result of the application of this standard. The Organization's policy is to recognize interest and penalties associated with tax positions under this standard as a component of income tax expense, and none were recognized since there was no material impact of the overall application of this standard.

The tax years that remain subject to examination are 2014 through 2017 for all major tax jurisdictions.

(k) Functional Expense Allocations

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs, such as insurance and utilities, have been allocated among the program and supporting services benefitted.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(l) Estimates in Financial Statements

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

(m) Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

(3) Investments

At December 31, 2017 and 2016, the cost and market value of investments were as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and cash equivalents	\$ 2,202,979	2,202,979	932,098	932,098
Common stock	-	-	6,927	6,927
Fixed income	4,919,354	4,859,390	6,632,807	6,550,702
Equities - mutual funds	<u>3,426,025</u>	<u>3,892,315</u>	<u>2,671,532</u>	<u>2,797,188</u>
	<u>\$ 10,548,358</u>	<u>10,954,684</u>	<u>10,243,364</u>	<u>10,286,915</u>

At December 31, 2017 and 2016, none of the Organization's investments in common stock, corporate bonds or mutual funds are concentrated in a single entity or industry. In addition, the Organization's mutual fund investments represent shares in registered investment companies which own diversified portfolios. The mutual funds invest primarily in equity securities.

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Notes to Financial Statements - Continued

(3) Investments - Continued

The following schedule summarizes investment return and other investment activity for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Investments at market, beginning of year	\$ 10,286,915	10,344,553
Interest and dividends	282,451	230,832
Net realized and unrealized gains	<u>423,236</u>	<u>111,909</u>
Total investment return	705,687	342,741
Deposits	588,639	527,939
Donated stock	8,806	640,676
Withdrawals	(597,795)	(1,535,186)
Investment management fees	<u>(37,568)</u>	<u>(33,808)</u>
Net increase (decrease) in investments	<u>667,769</u>	<u>(57,638)</u>
Investments at market, end of year	<u>\$ 10,954,684</u>	<u>10,286,915</u>

Investment management fees are included in bank charges in the accompanying Statements of Functional Expenses.

(4) Contributions Receivable

Contributions receivable which are due in more than one year are recorded at estimated fair value by discounting future cash flows using current risk-free rates of return based on U.S. Treasury Securities yields with maturity dates similar to the expected contribution collection period. As of December 31, 2017 and 2016, respectively, the average discount rate was 2% and 1%. Management evaluates the allowance for uncollectible contributions on an annual basis and makes adjustments to the allowance as deemed necessary.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(4) Contributions Receivable - Continued

Contributions receivable consist of the following at December 31, 2017 and 2016:

	2017	2016
Contributions restricted for the development of new facilities	\$ 471,728	802,721
Contributions restricted for endowment	65,000	112,500
Contribution restricted for United Way funded programs	163,813	124,600
Gross contributions receivable	700,541	1,039,821
Less:		
Allowance for uncollectible contributions	(17,294)	(40,600)
Unamortized discount	(8,867)	(18,655)
Net contributions receivable - cash	674,380	980,566
Land use contribution - Greater Ridgecrest	291,824	375,853
Total contributions receivable, net	\$ 966,204	1,356,419

Cash pledges are due to be collected as follows at December 31, 2017 and 2016:

	2017	2016
Cash amounts due in :		
Less than one year	\$ 421,434	445,133
One to five years	263,857	570,938
More than five years	15,250	23,750
	\$ 700,541	1,039,821

The land use contribution has been provided under a twenty year lease agreement and is more fully described in Note 18.

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Notes to Financial Statements - Continued

(5) Land, Buildings and Equipment

Land, buildings and equipment at December 31, 2017 and 2016 consists of the following:

	2017	2016
Land and improvements	\$ 4,614,210	4,614,210
Buildings and improvements	40,896,582	39,874,169
Furniture, fixtures and equipment	6,450,601	6,363,948
Leasehold improvements	2,734,529	2,734,529
Construction-in-progress	87,144	405,769
	54,783,066	53,992,625
Less: accumulated depreciation	(26,569,673)	(24,698,047)
	\$ 28,213,393	29,294,578

Depreciation expense was \$2,194,697 and \$1,961,332 in 2017 and 2016, respectively.

In connection with the development of a new branch facility in Citrus County, Florida, the Organization received a contribution of land valued at \$830,000 in 2014. The donor of the land conveyed the property with the recorded stipulation that it be utilized solely as a facility operated by the YMCA according to its ordinary and customary use. This restriction limits the ability of the Organization to sell or encumber the property without the consent of the donor, his successors and assignees so long as any such entities exist.

(6) Long-Term Debt

Bond Issue and Related Long-Term Debt

At December 31, 2017, long-term debt consists of a floating rate loan from the Pinellas County Industrial Development Authority, requiring monthly payments of \$70,823, including interest (2.27% as of December 31, 2017) through September 1, 2022. The annual interest rate is calculated as 77% of the sum of the LIBOR Rate plus 1.60% multiplied by the bank's Margin Rate Factor and is adjusted monthly. The Organization has also entered into an interest rate swap agreement to fix the annual interest rate at 2.87%. The interest rate swap agreement is more fully described in a separate section of this note.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(6) Long-Term Debt - Continued

At December 31, 2017 and 2016, the outstanding balance on the loan was as follows:

	2017	2016
Long-term debt:		
Pinellas County Industrial Development Authority Bond Issue	\$ 7,165,423	7,793,372
Less: unamortized debt issuance costs	84,921	101,906
Long-term debt, less unamortized debt issuance costs	\$ 7,080,502	7,691,466

In September 2012, the Organization received loan proceeds of \$10 million from the Pinellas County Industrial Development Authority (Authority), in connection with the Authority's issuance of \$10 million of Industrial Development Refunding Revenue Bonds (Bonds). The Bonds are to be repaid by the Authority with payments collected from the Organization pursuant to a loan agreement and trust indenture. The loan agreement was issued for the purposes of refinancing obligations related to the revenue bonds issued in 2002 and all outstanding bank loans, and restricts the use of loan proceeds to renovating, improving and equipping certain of the Organization's facilities. The loan is secured by property with a carrying amount of \$7,942,822.

The loan agreements and the related trust indentures restrict certain of the Organization's activities, including the issuance of additional debt, and require the Organization to meet certain financial performance standards.

The aggregate maturities of long-term debt for each of the five years subsequent to December 31, 2017, and thereafter, are as follows:

Year Ending December 31,	
2018	\$ 646,210
2019	665,002
2020	684,340
2021	704,241
2022	4,465,630
	\$ 7,165,423

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(6) Long-Term Debt - Continued

Interest Rate Swap Agreement

An interest rate swap agreement was entered into with the 2012 bond to fix the rate of interest on the debt at 2.87% effective until September 1, 2022. Net cash amounts paid or received under the agreement are recognized as an adjustment to interest expense.

The Organization accounts for the interest rate swap in accordance with ASC Topic 815, *Derivatives and Hedging*. ASC 815 requires that all derivative instruments be recorded in the statement of financial position at fair value and that changes in fair value be reflected as a component of the Organization's change in net assets. At December 31, 2017 and 2016, the fair value of the asset under the interest rate swap agreement, based upon an estimate provided by the financial institution, was \$41,922 and \$11,366, respectively. The interest rate swap is valued by the financial institution by discounting the present value of the future cash flows under the swap. The current yield curve of the floating rate on December 31, 2017 is utilized to project the future interest rates until the expiration of the swap. Due to the lack of quoted prices in active markets for identical swap agreements and the existence of inputs other than quoted prices that are observable for the swap agreement, management has determined that this financial instrument is a level 2 fair value measurement in accordance with ASC 820 (as presented in Note 14).

On December 22, 2017, the United States enacted the "Tax Cuts and Jobs Act" (Tax Act). The Tax Act reduces the corporate tax rate to 21%, effective from January 1, 2018. The terms of the documents governing the Organization's tax-exempt financing, which include a yield maintenance provision, require the interest rate applicable to the financing be increased as a result of the decrease in the maximum corporate tax rate. In general, rates on such tax exempt loans will increase by a factor of 1.215, effective on January 1, 2018. Thus, the annual interest rate calculated as 77% of the sum of the LIBOR Rate plus 1.60% multiplied by the bank's Margin Rate Factor is now calculated as approximately 93.6% of the same formula. Under the current rate environment, the floating rate is now approximately 3.67%. The swap instrument held to fix the variable interest rate no longer fully covers the new floating interest rate. The Organization estimates an increase in annual interest expense ranging from an estimated \$38,000 based on current LIBOR rates up to an estimated \$63,000 if LIBOR increased 1.0% over current rates. The Organization is assessing its options to mitigate the exposure to an increase in interest rates.

(7) Line of Credit

In connection with the development of a new branch facility in Citrus County, Florida, the Organization obtained a revolving line of credit with a commercial bank which allows the Organization to borrow up to \$2,480,000, through May 2018, at LIBOR plus 2.2% (3.56% at December 31, 2017). From May 2018 through May 2020 (maturity date), the Organization may borrow up to \$2 million at the same rate. Any principal in excess of \$2 million as of May 2018 shall be immediately due and payable. Interest only payments on the outstanding principal amount are due monthly. Any accrued and unpaid interest and the remaining outstanding principal balance will be due May 2020. The line of credit is secured by real property with a carrying amount of \$1,468,115 and project-related contributions receivable in the amount of \$471,728 at December 31, 2017.

At December 31, 2017 the outstanding balance on the line of credit was \$500,114, reduced by related unamortized issuance costs of \$17,936.

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Notes to Financial Statements - Continued

(8) Deferred Rental Income

Morton Plant - Mease Health Care, Inc.

In 1997, the Organization entered into an agreement with Morton Plant - Mease Health Care, Inc. (MPMHC), a not-for-profit community hospital, under which MPMHC would, among other things, lease space at the West Pasco branch. The agreement calls for a twenty-year lease period, with an option for an additional twenty-year period. The Organization received a single payment of \$700,000 under the agreement which represented deferred rental income. The deferred rental income is being amortized over a twenty-year period. Income recognition began in 1998 when the West Pasco facility was completed and MPMHC occupied the space. Rental income recognized in 2017 and 2016 was \$35,000 in each year.

School Board of Citrus County

In 2016, the Organization entered into an agreement with the School Board of Citrus County, under which the County's schools will utilize the Organization's Citrus branch pool and facilities. The agreement calls for a twenty-five year term, with an option to extend the term before expiration. The Organization received a single payment of \$325,000 under the agreement which represents deferred rental income. The deferred rental income is being amortized over a twenty-five year period. Income recognition began in May 2016 when the Citrus facility was completed and the County began utilizing the space. Rental income recognized in 2017 and 2016 was \$13,000 and \$7,583, respectively.

(9) Leases

The Organization is obligated under capital leases for certain equipment that expire at various dates through 2021. At December 31, 2017 and 2016, the gross amount of equipment and related accumulated amortization recorded under the capital leases were as follows:

	2017	2016
Equipment	\$ 255,812	285,098
Less: accumulated amortization	(107,645)	(114,888)
Net book value	\$ 148,167	170,210

Rent expense for all operating leases for the years ended December 31, 2017 and 2016 was \$194,994 and \$181,969, respectively.

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Notes to Financial Statements - Continued

(9) Leases - Continued

Future minimum lease payments under noncancellable operating leases and the present value of future minimum capital lease payments as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2018	\$ 58,522	20,923	79,445
2019	54,336	-	54,336
2020	54,336	-	54,336
2021	20,667	-	20,667
	<hr/>	<hr/>	<hr/>
Total future minimum lease payments	187,861	<u>20,923</u>	<u>208,784</u>
Less: amount representing interest	<u>23,699</u>		
Present value of minimum capital lease payments	<u>\$ 164,162</u>		

(10) Unrestricted Net Assets, Designated

Net assets designated by the Board of Directors for purposes other than the endowment consist of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Maintenance	\$ 575,931	778,012
Contingency	2,871,002	2,721,606
Debt reduction	3,869,878	3,645,546
Unemployment and other	<u>1,056,284</u>	<u>946,221</u>
	<u>\$ 8,373,095</u>	<u>8,091,385</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(11) Temporary Restrictions on Net Assets

Temporary restrictions on net assets at December 31, 2017 and 2016 relate to assets contributed by donors and other funding sources for specific purposes and time periods as follows:

	2017	2016
New facility construction	\$ 586,122	774,090
United Way allocation for future periods	163,813	124,600
Contributed land use - Greater Ridgecrest	291,824	375,853
Use restrictions on specified branches (see Note 12)	1,305,190	1,101,849
Use restrictions on land and building	638,476	638,476
Grants for future periods	74,531	109,983
Other	107,317	108,072
	\$ 3,167,273	3,232,923

(12) Endowment

The Organization manages an endowment which includes funds legally restricted by the donor as to the use of principal. The original contribution of \$1,000,000 was restricted by the donor in that the principal may not be expended, except under extraordinary circumstances. Earnings on endowment investments may be expended on maintenance of Organization facilities, construction of new facilities, and development of new programs. Investments in the amount of \$1,375,795, which included the \$1,000,000, were received from the Suncoast Family YMCA Foundation, Inc. Trust (Trust) in 1992, upon the termination of the Trust. Under the terms of the transfer from the Trust, the amount conveyed by the Trust in excess of the \$1,000,000 corpus (\$375,795) may be expended for operations only upon the approval of 90% of the members of both the Board of Directors and the Endowment Committee. Only with court approval, however, shall the \$1,000,000 corpus be utilized. The balance of the endowment is available for expenditure upon the majority vote of the Board of Directors of the Organization. The Board of Directors and the Endowment Committee have established a goal to preserve the purchasing power of the endowment.

In 2013, the Organization established the Legacy Chairman's Round Table as a specific program through which donors may contribute to the endowment fund.

Endowment fund investments are included in the investment portfolio described in Note 3.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(12) Endowment - Continued

The components of the endowment are summarized as follows:

	2017	2016
Permanently restricted net assets:		
Original endowment	\$ 1,000,000	1,000,000
Legacy Chairman's Round Table	325,015	320,647
Other contributions to endowment	60,121	12,250
Total permanently restricted net assets	1,385,136	1,332,897
Temporarily restricted net assets:		
Donor-restricted for specific branches	1,305,190	1,101,849
Total temporarily restricted net assets	1,305,190	1,101,849
Unrestricted, board-designated net assets:		
Amount subject to 90% of board of directors and endowment committee approval for expenditure	375,795	375,795
Amount available for expenditure upon approval of the Board of Directors	2,167,474	1,876,345
Total unrestricted net assets, board-designated for endowment	2,543,269	2,252,140
Total endowment net assets	\$ 5,233,595	4,686,886

The Organization's endowment includes both donor-restricted endowment funds, funds designated by the Board of Directors, to function as endowment funds, and donor-restricted funds for specific branches. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the *Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA)* 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 Organization 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, (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 donor designations.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(12) Endowment - Continued

Investment Return Objectives, Risk Parameters, and Strategies

The Organization's investment policy is based on providing security for the Organization. Therefore, the time horizon is very long-term. The goal is to provide funding from the endowment fund for programs giving priority to the use of the income for major maintenance, modernization, or expansion of buildings and facilities, extension of services, and developing and training professional leadership while maintaining the purchasing power of the portfolio and offsetting inflation.

The objectives call for disciplined, consistent management using current "prudent person" philosophy. The investment portfolio is to be diversified as to fixed income and equity holdings to provide risk reduction, a dependable source of income, and growth of principal. The equities portion may constitute up to 70% of the total fund with fixed income portion making up the remainder of the fund. The fund shall not invest in real estate.

Equity investments must be in United States corporations quoted on the New York or American stock exchange or the NASDAQ. Equity investments should be diversified both as to companies and industries to minimize risk other than normal market fluctuation. Equity investments in a single industry will not exceed 20% of the total. Equity investments in any one company shall not exceed 5% (at cost) or 10% (at market) of the equity portfolio. Mutual funds may be used in place of individual equities in an effort to minimize risk and maintain exposure to additional areas of the equity market. Manager discretion should be used within the management of the mutual funds to maximize return with the least possible amount of risk according to the prospectus of each fund.

Bond investments (one year or longer) are limited to U.S. government and agency issues, mortgage instruments, and quality investment grade corporate bonds and preferred stocks (considered as a bond equivalent). Individual fixed income securities should be considered investment grade at the time of acquisition. Commercial paper should be rated A1, P1. Corporate issues must be in the top quality ratings of Moody's, Standard and Poor's, or other recognized credit services (BBB/BAA) or higher with good marketability. All investments in fixed income shall have a high degree of marketability and no individual investment shall exceed 7% of the total fixed income securities. Cash is considered fixed income. Bond funds may be used in place of individual bonds in an effort to minimize risk and maintain exposure to additional areas of the fixed income market. Fund investments should be investment grade. Manager discretion should be used within the management of the mutual funds to maximize return with the least possible amount of risk according to the prospectus of each fund. This may include exposure to some lower rated or non-rated securities up to but not to exceed 10% of the individual bond fund.

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Notes to Financial Statements - Continued

(12) Endowment - Continued

Spending Policy

Annually, the Board of Directors budgets an allocation from the endowment to support Organization operations. Allocations are based on current needs of the Organization and the desire to preserve the purchasing power of endowment assets. The amount to be distributed in a fiscal year may be 4% of the 3-year trailing average of the June 30th market value of the endowment portfolio. The Endowment Committee shall review and confirm, once annually, the amount of the distribution from the endowment fund. While it is expected that 4% will be the spending percentage, the Endowment Committee shall prepare a recommendation to the Board of Directors in the third quarter meeting of each calendar year for the following year and the percentage approved could be more or less than the 4%.

Endowment net asset composition by type of fund as of December 31, 2017 and 2016 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>December 31, 2017:</i>				
Donor-restricted endowment funds	\$ -	1,305,190	1,385,136	2,690,326
Board-designated endowment funds	2,543,269	-	-	2,543,269
	\$ 2,543,269	1,305,190	1,385,136	5,233,595
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<i>December 31, 2016:</i>				
Donor-restricted endowment funds	\$ -	1,101,849	1,332,897	2,434,746
Board-designated endowment funds	2,252,140	-	-	2,252,140
	\$ 2,252,140	1,101,849	1,332,897	4,686,886

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(12) Endowment - Continued

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at December 31, 2015	\$ 2,086,450	1,120,954	1,242,628	4,450,032
Investment return:				
Investment income	30,355	48,956	-	79,311
Net appreciation	57,213	65,789	-	123,002
Total investment return	87,568	114,745	-	202,313
Contributions	78,122	-	90,269	168,391
Appropriation of endowment earnings for expenditure	133,850	(133,850)	-	-
Distributions	(133,850)	-	-	(133,850)
Balance at December 31, 2016	2,252,140	1,101,849	1,332,897	4,686,886
Investment return:				
Investment income, net of fees	74,723	94,592	-	169,315
Net appreciation	216,406	230,749	-	447,155
Total investment return	291,129	325,341	-	616,470
Contributions	-	-	52,239	52,239
Appropriation of endowment earnings for expenditure	122,000	(122,000)	-	-
Distributions	(122,000)	-	-	(122,000)
Balance at December 31, 2017	\$ <u>2,543,269</u>	<u>1,305,190</u>	<u>1,385,136</u>	<u>5,233,595</u>

The Organization's temporarily restricted endowment fund includes gifts with donor imposed restrictions to benefit the Clearwater YMCA branch, the High Point YMCA branch, the Hernando YMCA branch and the teen leaders program. These investments will continue to be overseen by the endowment committee.

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Notes to Financial Statements - Continued

(13) Employee Benefit Plan

The Organization participates in The YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and the YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both plans are sponsored by the Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and eligible employees. As defined contribution plans, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded obligations.

In accordance with the agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage (12%) of the participating employee's salary. These amounts are paid by the Organization. Total contributions charged to retirement costs in 2017 and 2016 aggregated \$821,735 and \$758,234, respectively, of which \$104,406 and \$38,650 was unpaid at December 31, 2017 and 2016, respectively.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution in this plan.

(14) Fair Value Measurements

The Organization adopted ASC 820, which provides a common definition of fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and requires additional disclosures about fair value.

Financial instruments measured at fair value are classified and disclosed in the following categories:

- Level 1: Quoted prices are available in active markets for identical investments as of the reporting date. The types of investments included in Level 1 are mutual funds, corporate bonds, bond funds, U.S. government obligations, and cash and cash equivalents.
- Level 2: Pricing inputs are other than quoted prices for identical investments in active markets, which are either directly or indirectly observable as of the reporting date, and the fair value is determined through the use of models or other valuation methodologies. The types of investments which are included in this category are mortgage-backed securities, municipal bonds, and certificates of deposit. Other observable inputs are also used in measuring the fair value of the interest rate swap agreement.
- Level 3: Valuation is based on unobservable inputs. At December 31, 2017 and 2016, the Organization did not hold assets or liabilities with Level 3 fair value measurements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(14) Fair Value Measurements - Continued

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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value of assets measured on a recurring basis at December 31, 2017 was as follows:

<u>Description</u>	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Assets Measured at Fair Value at 12/31/2017</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 2,202,979	2,202,979	-	-
Equity mutual funds:				
Energy limited partnership	245,932	245,932	-	-
Foreign large growth	258,329	258,329	-	-
Foreign large blend	261,151	261,151	-	-
Large blend	520,514	520,514	-	-
Large growth	254,834	254,834	-	-
Large value	526,998	526,998	-	-
Mid-cap growth	266,794	266,794	-	-
Mid-cap value	207,394	207,394	-	-
Multialternative	299,976	299,976	-	-
Real estate	248,756	248,756	-	-
Tactical allocation	305,571	305,571	-	-
Diversified emerging markets	330,476	330,476	-	-
Miscellaneous sector	165,590	165,590	-	-
Total equity mutual funds	3,892,315	3,892,315	-	-
Fixed income:				
Certificates of deposit	3,047,786	-	3,047,786	-
Corporate bonds	641,650	641,650	-	-
Intermediate-term bonds	728,820	728,820	-	-
Multisector bonds	242,999	242,999	-	-
U.S. government obligations	198,135	198,135	-	-
Total fixed income	4,859,390	1,811,604	3,047,786	-
Total investments	10,954,684	7,906,898	3,047,786	-
Receivable under interest rate swap	41,922	-	41,922	-
Total assets	\$ 10,996,606	7,906,898	3,089,708	-

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(14) Fair Value Measurements - Continued

Fair value of assets and liabilities measured on a recurring basis at December 31, 2016 was as follows:

<u>Description</u>	<u>Assets Measured at Fair Value at 12/31/2016</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 932,098	932,098	-	-
Common Stock:				
Capital markets	6,927	6,927		
Equity mutual funds:				
Energy limited partnership	202,850	202,850	-	-
Foreign large growth	76,568	76,568	-	-
Foreign large blend	154,534	154,534	-	-
Large blend	419,368	419,368		
Large growth	317,129	317,129		
Large value	408,689	408,689		
Mid-cap growth	267,358	267,358	-	-
Mid-cap value	133,809	133,809	-	-
Multialternative	154,948	154,948	-	-
Natural resources	115,566	115,566	-	-
Real estate	316,251	316,251	-	-
Technology	114,283	114,283	-	-
World stock	115,835	115,835	-	-
Total equity mutual funds	2,797,188	2,797,188	-	-
Fixed income:				
Certificates of deposit	3,105,442	-	3,105,442	-
Corporate bonds	1,748,048	1,748,048		
Intermediate-term bonds	695,748	695,748	-	-
Short-term bonds	115,486	115,486	-	-
World bond	255,105	255,105	-	-
U.S. government obligations	630,873	630,873	-	-
Total fixed income	6,550,702	3,445,260	3,105,442	-
Total investments	10,286,915	7,181,473	3,105,442	-
Receivable under interest rate swap	11,366	-	11,366	-
Total assets	\$ 10,298,281	7,181,473	3,116,808	-

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(15) Concentration of Credit Risk

The Organization maintains several deposit accounts with what management believes to be a high credit quality financial institution. The total of these balances exceeded federal insurance limits by approximately \$609,000 as of December 31, 2017.

(16) Interest Cost

Interest cost charged to operations in 2017 and 2016 was \$251,981 and \$267,092, respectively.

(17) Fees and Grants from Governmental Agencies

The Organization has current contracts with Early Learning Coalition (ELC) of Pinellas County, Inc., ELC of Pasco and Hernando Counties, Inc., and ELC of the Nature Coast, Inc. The contracts with ELC of Pinellas County, Inc. ELC of Pasco and Hernando Counties, Inc. and ELC of the Nature Coast, Inc. expire on June 30, 2018. Management expects all contracts to be extended upon expiration. ELC provides a significant amount of funding for the Organization's school age before and after school and summer camp programs. The revenue received from the aforementioned contracts was \$1,582,740 and \$1,534,500 for 2017 and 2016, respectively.

(18) Land Lease and Improvements

In August 2000, the Organization entered into a lease agreement with Pinellas County, Florida (the County) for a 14.3 acre parcel of land. The lease requires annual lease payments of \$1 and has an original term of twenty years. Two additional ten year renewal options are available. U.S. generally accepted accounting principles require that the County's lease commitment be recorded as a temporarily restricted contribution. As a result of the long-term nature of the lease, the County's contribution has been recorded at the appraised value of the land which was \$1,144,000. Imputed rent expense of approximately \$112,000 is recognized annually during the original term of the lease. The Organization reduced the receivable by \$84,028 and \$78,166 during 2017 and 2016, respectively. This contribution receivable reduction was recorded as a noncash transaction in the statement of cash flows. In addition, the Organization recorded contribution income of \$28,189 and \$34,051 during 2017 and 2016, respectively.

In addition to the land lease, the County also provided Community Development Block Grant funding of approximately \$2,500,000 to the Organization to finance the construction of a branch YMCA on the site. The costs incurred in constructing the facility are considered to be leasehold improvements and are being amortized over the shorter of their useful life or the original lease term (20 years). Under the terms of the land use lease, the Organization must surrender the property and improvements to the County at the end of the lease term, including any extensions.

(19) Settlement Award

In December 2016, the Organization received a settlement related to an economic claim, in the amount of \$111,248, net of claims expense totaling \$27,812.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE SUNCOAST, INC.
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Notes to Financial Statements - Continued

(20) Related Party Transactions

In 2017 and 2016, the Organization conducted business with entities affiliated with certain members of its governing board.

In 2017 and 2016, a construction company owned by a board member provided services totaling approximately \$136,500 and \$3 million, respectively, for construction services provided in relation to the building of the Citrus Memorial Health Foundation Branch. At December 31, 2017 and 2016, approximately \$0 and \$19,000, respectively, was payable to the construction company.

In 2016, a sign company owned by a board member was paid approximately \$56,000 for signs purchased for the Citrus Memorial Health Foundation Branch and other branches.

During both 2017 and 2016, members of the governing board represented the Organization as independent insurance agents in obtaining insurance coverage and received commissions from their respective companies.

(21) Contingencies

The Organization has been notified of potential claims arising in the ordinary course of its operations. Management believes that any liability incurred in connection with these claims would be nominal in amount and limited to the deductible under the Organization's insurance policies.

(22) Subsequent Events

The Organization has evaluated subsequent events through April 26, 2018, the date the financial statements were available for issuance.