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The Young Men's Christian Association Of Central Ohio

FINANCIAL STATEMENTS

for the year ended December 31, 2012

THE YOUNG MEN’S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

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INDEPENDENT AUDITORS' REPORT

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To the Board of Trustees
The Young Men's Christian Association
of Central Ohio
Columbus, Ohio

We have audited the accompanying financial statements of The Young Men's Christian Association of Central Ohio (a not-for-profit organization) (the Association), which comprise the statement of financial position as of December 31, 2012 and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 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 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.

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Center for Audit Quality, and
The Leading Edge Alliance

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2011 financial statements, and our report dated June 19, 2012 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, 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.



June 25, 2013

SS&G

Certified Public Accountants and Advisers

www.SSandG.com

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

(with summarized financial information as of December 31, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 1,617,541	\$ 334,887	\$ -	\$ 1,952,428	\$ 1,897,579
Accounts receivable	1,077,248	666,411	-	1,743,659	1,652,952
Accounts receivable, related party	12,287	-	-	12,287	169,231
Pledges receivable, current portion, net	55,046	165,303	-	220,349	179,199
Investment in leases receivable, current portion	188,606	-	-	188,606	162,232
Sinking funds	-	-	-	-	592,777
Prepaid expenses and other	386,071	-	-	386,071	356,400
Investments	11,496,702	-	-	11,496,702	11,047,947
TOTAL CURRENT ASSETS	14,833,501	1,166,601	-	16,000,102	16,058,317
ENDOWMENT INVESTMENTS	370,732	23,102	521,062	914,896	698,501
INVESTMENT IN PARTNERSHIP	-	-	-	-	500
PROPERTY AND EQUIPMENT, net	36,335,656	17,745,969	-	54,081,625	51,368,721
OTHER ASSETS					
Notes receivable, related party including interest, net of allowance for doubtful accounts of \$-0- and \$2,951,248 as of December 31, 2012 and 2011, respectively	-	-	-	-	4,885,234
Pledges receivable, less current portion, net	-	113,333	-	113,333	-
Investment in leases receivable, net of current portion	2,446,764	-	-	2,446,764	2,385,625
Deferred financing costs, net	136,627	-	-	136,627	141,321
TOTAL ASSETS	\$ 54,123,280	\$ 19,049,005	\$ 521,062	\$ 73,693,347	\$ 75,538,219

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

(with summarized financial information as of December 31, 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of notes payable	\$ 146,667	\$ -	\$ -	\$ 146,667	\$ -
Current portion of bonds payable	-	-	-	-	790,000
Accounts payable	1,161,815	-	-	1,161,815	1,017,600
Accrued expenses	1,530,076	-	-	1,530,076	1,540,811
Deposits	186,048	-	-	186,048	198,710
Deferred revenues:					
Membership revenues	648,405	-	-	648,405	721,456
Other	124,289	-	-	124,289	180,702
TOTAL CURRENT LIABILITIES	3,797,300	-	-	3,797,300	4,449,279
NOTES PAYABLE, net of current portion	653,333	-	-	653,333	-
BONDS PAYABLE, net of current portion	10,000,000	-	-	10,000,000	9,890,000
INTEREST RATE SWAP AGREEMENT	217,864	-	-	217,864	1,310,912
DEFERRED GAIN	-	-	-	-	465,172
TOTAL LIABILITIES	14,668,497	-	-	14,668,497	16,115,363
NET ASSETS					
Unrestricted:					
Undesignated	39,084,051	-	-	39,084,051	34,340,663
Board designated - quasi endowment	370,732	-	-	370,732	205,923
Restricted	-	19,049,005	521,062	19,570,067	24,876,270
TOTAL NET ASSETS	39,454,783	19,049,005	521,062	59,024,850	59,422,856
TOTAL LIABILITIES AND NET ASSETS	\$ 54,123,280	\$ 19,049,005	\$ 521,062	\$ 73,693,347	\$ 75,538,219

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

(with summarized financial information for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
PUBLIC SUPPORT:					
United Way allocation	\$ 720,142	\$ 666,411	\$ -	\$ 1,386,553	\$ 1,500,668
Gifts and bequests	1,751,776	637,670	2,126	2,391,572	1,456,846
	2,471,918	1,304,081	2,126	3,778,125	2,957,514
REVENUE:					
Fees and grants from governmental agencies	3,771,636	-	-	3,771,636	4,616,865
Membership fees	13,838,922	-	-	13,838,922	11,984,995
Program fees	9,273,253	-	-	9,273,253	8,609,313
Residence and related services	1,339,508	-	-	1,339,508	1,446,256
Investment, dividend and interest income	838,914	23,102	26,358	888,374	415,883
Debt forgiveness	-	-	-	-	1,000,000
Other income	450,111	-	-	450,111	269,566
Special events revenue, net of direct costs of \$20,325 and \$46,118 in 2012 and 2011, respectively	1,861	-	-	1,861	65,856
Gain on sale of property	1,600	-	-	1,600	17,760
Gain on swap termination	374,119	-	-	374,119	-
	29,889,924	23,102	26,358	29,939,384	28,426,494
NET ASSETS RELEASED FROM RESTRICTIONS:					
In satisfaction of time and use restrictions and allocation of earnings	6,134,353	(6,134,353)	-	-	-
Amortization of donated property	527,517	(527,517)	-	-	-
	6,661,870	(6,661,870)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 39,023,712	\$ (5,334,687)	\$ 28,484	\$ 33,717,509	\$ 31,384,008

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

(with summarized financial information for 2011)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total	2011 Total
EXPENSES:					
Program services:					
Youth Development	\$ 17,090,710	\$ -	\$ -	\$ 17,090,710	\$ 15,320,205
Healthy Living	8,085,833	-	-	8,085,833	6,764,236
Social Responsibility	5,314,201	-	-	5,314,201	5,097,074
	30,490,744	-	-	30,490,744	27,181,515
Support services:					
Management	3,158,326	-	-	3,158,326	2,973,300
Fundraising	204,581	-	-	204,581	194,332
	3,362,907	-	-	3,362,907	3,167,632
Other expenses:					
Bad debt expense	44,000	-	-	44,000	52,746
Fair value adjustment on interest rate swap agreements	217,864	-	-	217,864	202,827
TOTAL EXPENSES	34,115,515	-	-	34,115,515	30,604,720
CHANGE IN NET ASSETS	4,908,197	(5,334,687)	28,484	(398,006)	779,288
NET ASSETS, beginning of year	34,546,586	24,383,692	492,578	59,422,856	58,643,568
NET ASSETS, end of year	\$ 39,454,783	\$ 19,049,005	\$ 521,062	\$ 59,024,850	\$ 59,422,856

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	Program Services			Support Services		2012	2011
	Youth Development	Healthy Living	Social Responsibility	Management	Fundraising	Total	Total
Salaries	\$ 9,481,453	\$ 4,622,552	\$ 2,615,583	\$ 1,597,816	\$ 152,665	\$ 18,470,069	\$ 16,409,898
Payroll taxes	852,749	417,413	245,951	144,415	13,570	1,674,098	1,449,160
Pension	384,778	154,058	137,358	109,894	6,674	792,762	788,873
Employee benefits	683,675	261,676	252,627	132,088	2,580	1,332,646	1,681,040
Contract fees-other	140,725	33,774	56,322	343,577	20,423	594,821	835,481
Supplies	629,818	254,226	196,025	27,017	38	1,107,124	988,653
Postage	18,743	6,465	5,998	16,267	1,294	48,767	52,105
Printing	24,936	13,928	7,463	34,999	3,329	84,655	59,988
Telephone	126,045	45,723	53,465	23,117	-	248,350	215,378
Accounting fees	-	-	5,000	57,278	-	62,278	54,579
Legal fees	-	-	3,378	26,409	-	29,787	22,191
Occupancy	2,052,897	996,169	789,069	20,214	35	3,858,384	3,314,330
Equipment	253,481	153,693	97,029	122,774	-	626,977	608,677
Travel	69,389	30,616	91,886	51,026	1,048	243,965	201,245
Conferences	41,899	27,401	13,017	35,739	1,891	119,947	105,530
Interest	354,178	167,404	116,839	19,302	-	657,723	614,287
Bank service fees	198,052	93,610	65,335	1,493	99	358,589	333,635
Depreciation and amortization	1,399,553	661,504	461,694	74,315	-	2,597,066	1,796,328
Liability insurance	155,502	66,799	52,990	52,662	-	327,953	298,898
Dues	6,564	1,312	1,972	30,921	605	41,374	45,409
General	10,613	3,736	4,201	73,961	-	92,511	83,858
National support	164,115	61,947	35,691	19,949	(3)	281,699	215,256
Advertising	41,545	11,827	5,308	143,093	333	202,106	174,348
	<u>\$ 17,090,710</u>	<u>\$ 8,085,833</u>	<u>\$ 5,314,201</u>	<u>\$ 3,158,326</u>	<u>\$ 204,581</u>	33,853,651	30,349,147
Bad debt expense						44,000	52,746
Fair market value adjustment on interest rate swap agreement						217,864	202,827
						<u>\$ 34,115,515</u>	<u>\$ 30,604,720</u>

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (398,006)	\$ 779,288
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts restricted to endowment or capital improvements	(639,796)	(418,000)
Depreciation	2,069,549	1,559,783
Amortization	527,517	236,545
Forgiveness of debt	-	(1,000,000)
Provision for uncollectible receivables	-	890
Unrealized (gain) loss on investments	(456,079)	59,763
Realized (gain) loss on investments, net	(16,151)	8,892
Amortization of deferred gain on sale of property	-	(13,860)
Fair value adjustments on interest rate swap agreements, net	(156,255)	202,827
(Increase) decrease in:		
Accounts receivable	47,004	(74,406)
Prepaid expenses	(29,671)	(5,841)
Other assets	4,694	13,671
Increase (decrease) in:		
Accounts payable	144,215	319,795
Accrued expenses	(10,235)	216,111
Deposits	(12,662)	48,281
Deferred revenues	(129,464)	187,344
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>944,660</u>	<u>2,121,083</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(1,288,759)	(1,342,713)
Cash received from dissolution of the YHLP and Y, Inc.	371,111	-
Payments received on investment in leases receivable	167,471	154,410
Purchases of investments	(6,299,102)	(1,154,090)
Proceeds from sale of investments	6,106,182	548,256
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (943,097)</u>	<u>\$ (1,794,137)</u>

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

(with summarized financial information for the year ended December 31, 2011)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital campaigns or endowment	\$ 485,313	\$ 433,735
Reduction of debt obligations	(10,680,000)	(755,000)
Proceeds from debt re-finance	10,800,000	-
Settlement of swap liability	(1,144,804)	-
Net receipts from (funding of) sinking funds	592,777	(87,673)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	53,286	(408,938)
NET INCREASE (DECREASE) IN CASH	54,849	(81,992)
CASH, beginning of year	1,897,579	1,979,571
CASH, end of year	\$ 1,952,428	\$ 1,897,579

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for interest	\$ 559,850	\$ 592,356
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See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE A - Nature of business and reporting entity

The Young Men's Christian Association (YMCA) of Central Ohio (the Association) reflecting its Judeo-Christian principles, is an association of volunteers, members and staff, open to and serving all, providing programs and services which develop spirit, mind and body. Financial assistance is available based on need. The Association seeks to identify and involve those in need.

The Association consists of twelve full facility branches, one of which includes a residential facility, one resident camp, one park/outdoor center and numerous outreach sites. Programs are under three areas of focus, Youth Development, programs that nurture the potential of children and teens; Healthy Living, programs that improve health and wellbeing; and Social Responsibility, programs and activities that relate to giving back and providing support to the greater Central Ohio Community. The programs are funded primarily by membership and program fees, United Way, charitable contributions and government grants.

The Association is an affiliate of YMCA of the USA (National). With the dues paid to the National organization, YMCA of Central Ohio receives such benefits as use of the "YMCA" name and participation in a retirement plan (see Note J).

The prior year summarized consolidated financial statements of the Association include the financial activities of both The Young Men's Christian Association of Central Ohio and its 79% owned subsidiary, YMCA Housing, Inc. (Y, Inc.). The Y, Inc.'s investment in The YMCA Housing Limited Partnership (YHLP), a related entity of which the Y, Inc. was a 1% general partner, was stated at cost. The YHLP had separately issued financial statements. Effective January 1, 2012 the YHLP and Y, Inc. were dissolved (see Note N).

NOTE B - Summary of significant accounting policies

The following is a summary of the significant accounting policies followed in preparing the Association's financial statements:

Income taxes

The Young Men's Christian Association of Central Ohio is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code. Income taxes on unrelated businesses income, if any, are provided at the applicable rates on income for financial reporting purposes. There was no unrelated business income tax expense for the year ended December 31, 2012.

The Young Men's Christian Association of Central Ohio's income tax filings are subject to audit by various taxing authorities. The Association's open audit periods are 2009 through current. In evaluating its activities, management believes its position of tax-exempt status is current based on current facts and circumstances. They further have assessed that there are no activities unrelated to the purpose of the Association and therefore no tax is to be recognized. It is the policy of the Association to include in operating expenses any penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in operating expenses for the year ended December 31, 2012.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of significant accounting policies (continued)

Financial statement presentation

The financial statements are presented in accordance with Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under ASC 958-205, the Association is required to report information regarding its financial position, activities and cash flows according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions.

The Association classifies its unrestricted net assets into two classes; board designated - quasi endowment and undesignated. Board designated - quasi endowment net assets consist of donations made by bequest from donors' estates and the policy of the Board is to separate these donations from general-type donations.

The Association is the beneficiary of certain endowments established at the Columbus Foundation, the Pickaway County Community Foundation, and the Community Foundation of Delaware County. Income from the endowment funds' investments is currently expendable by the Association when received. These funds are subject to the variance power of each foundation's governing body and are therefore excluded from the Association's financial statements. The fair market value of these funds was \$81,448 at December 31, 2012.

Property and equipment

Expenditures greater than \$2,500 for equipment, and \$7,500 for building improvements, replacements and renovations are capitalized at cost. Ordinary repairs and maintenance are charged to expense when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When property and equipment are sold or retired, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations.

Donated assets are capitalized, and recorded as support, at their fair market value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

For donated assets, of which use is given over a specified period of time and the donor retains legal title, the contributions are recorded as temporarily restricted support and as long-lived assets at their fair market values at date of receipt of the donations. The net assets are released from restriction over the estimated useful life of the donated property or the allowed period of use, whichever is shorter.

Revenue recognition

Contributions and related investment income

The Association records contributions and related investment income in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Contributions, including unconditional promises to give, are recognized when the conditions are substantially met.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contributions and related investment income (continued)

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence and/or nature of any donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution and related investment income is received, the Association reports the support as unrestricted.

Revenues

Fees and grants from governmental agencies are recognized as revenue when the related services are performed, while membership fees are recognized over the related membership period. Program fees, residence and related services and other revenue are generally recognized as revenue at time of receipt.

Public support

The Association receives funds from the United Way of Central Ohio as a member agency.

Allowance for doubtful accounts

The Association reports receivables at estimated net realizable value. Management determines the allowance for doubtful accounts when necessary based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings.

Use of estimates

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

Functional expenses

The Association allocates its expenses on a functional basis among its various programs and support services. Allocated expenses are charged to each program based on direct expenditures incurred.

Advertising

Advertising costs are expensed as incurred.

Donated services

Contributed services are recorded when they meet the criteria of (1) creating or enhancing nonfinancial assets or (2) requiring specialized skills, and are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. The Association receives services from volunteers throughout the year, however these services do not meet the criteria defined above and therefore, are not recorded in the financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of significant accounting policies (continued)

Derivative instruments and hedging activities

The Association accounts for derivatives and hedging activities in accordance with ASC 815-10, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the statement of financial position at their respective fair values.

The Association holds derivative contracts to manage its interest rate exposure on a portion of its debt. On the date the derivative contract was entered into, the Association considered the derivative to be a hedge of the variability of cash flows to be paid related to variable interest rates on portions of its debt. All changes in the fair value of derivatives are recorded in the change in net assets since the Association is a nonprofit organization that does not report a separate earnings measure.

The estimated fair value of the Association's interest rate swap is based on broker price quotations and represents the estimated amount that the Association would pay to terminate the contract. Cash flows from derivative financial instruments are recognized in the statement of cash flows in a manner consistent with the underlying transaction.

Events occurring after reporting date

The Association has evaluated events and transactions that occurred between January 1, 2013 and June 25, 2013, which is the date that the financial statements were available to be issued for possible recognition or disclosure in the financial statements.

Prior period information

The 2011 summarized comparative information presented is consolidated and includes the financial information of YMCA of Central Ohio and YMCA Housing, Inc. (see Note N). The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2011, from which the summarized information was derived. Certain 2011 amounts have been reclassified to conform with the 2012 presentation.

NOTE C - Investments and fair value measurements

Assets and liabilities are carried at fair value and classified and disclosed in one of the following three categories in accordance with ASC 820-10, *Fair Value Measurements and Disclosures*:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE C - Investments and fair value measurements (continued)

The Association's financial assets and liabilities recorded at fair value on a recurring basis include investments in money market funds, certificate of deposits, fixed income securities, mutual funds and interest rate swaps in a liability position. Alternative assets are composed of real estate and infrastructure mutual funds, commodities mutual funds and investments in gold notes. The Association determines the fair values of the available for sale securities using quoted market prices, broker/dealer prices or statements of account received from investment managers, which were principally based on quoted market or broker/dealer prices.

The Association determines the fair value of the interest rate swaps using quotes provided by the respective bank counterparties that are based on models whose inputs are observable LIBOR forward interest rate curves built using LIBOR rates, Eurodollar features, and US Dollar swap rates. Further, fair market value is derived from models using the income approach, which considers the use of cash flow data, discounted back to present day in determining the fair market value of the interest rate swap.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2012 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value	Level 1	Level 2	Level 3
<u>Assets</u>				
Cash and fixed income				
Cash	\$ 566,879	\$ 566,879	\$ -	\$ -
Money market funds	1,007	1,007	-	-
Certificates of deposit	393,420	-	393,420	-
Bonds and bond funds	7,103,732	145,113	6,958,619	-
Endowment bond funds	326,278	326,278	-	-
Equities				
US large cap equity	1,355,027	1,247,172	107,855	-
US mid cap equity	328,495	328,495	-	-
EAFE Equity	649,284	649,284	-	-
Asia ex-Japan equity	211,897	211,897	-	-
Emerging market equity	120,988	120,988	-	-
European large cap equity	67,692	67,692	-	-
Endowment equity funds	455,626	455,626	-	-
Alternative assets				
Real estate and infrastructure	307,876	307,876	-	-
Hard assets	523,397	523,397	-	-
Total assets	<u>\$12,411,598</u>	<u>\$ 4,951,704</u>	<u>\$ 7,459,894</u>	<u>\$ -</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE C - Investments and fair value measurements (continued)

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value	Level 1	Level 2	Level 3
<u>Liabilities</u>				
Interest rate swap	\$ 217,864	\$ -	\$ 217,864	\$ -
Total liabilities	\$ 217,864	\$ -	\$ 217,864	\$ -

During 2012, the Association recorded realized investment gains of \$16,151, interest and dividend income of \$261,952 and unrealized investment gains of \$456,079. These amounts are included in the caption "investment, dividend and interest income" on the statement of activities. This financial statement caption also includes interest earned on cash balances, which is not included here.

At December 31, 2012, investments of \$914,896 are classified as non-current assets reflecting an amount equivalent to the aggregate of permanently restricted endowments and board designated endowment funds at that date.

NOTE D - Pledges receivable

Pledges receivable represent unconditional promises to give at December 31, 2012. Those amounts are recorded as contributions based upon the net present value of the amounts expected to be collected.

The following is a schedule of net pledges receivable as of December 31, 2012:
Pledges are due as follows:

Within one year	\$ 246,763
One to five years	<u>113,333</u>
	360,096
Less: allowance for doubtful collection	<u>26,414</u>
Net pledges receivable	<u>\$ 333,682</u>

At December 31, 2012, two donors represented 55% of the total pledges receivable balance.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE E - Unrestricted property and equipment

Unrestricted property and equipment as of December 31, 2012 consisted of the following:

Non-depreciable assets:	
Land	\$ 2,818,644
Construction in progress	<u>453,431</u>
	3,272,075
Depreciable assets:	
Building and land/leasehold improvements	50,513,421
Furniture, fixtures, equipment and vehicles	<u>8,472,133</u>
	<u>58,985,554</u>
Total unrestricted property and equipment	62,257,629
Less: accumulated depreciation	<u>25,921,973</u>
Net unrestricted property and equipment	<u>\$ 36,335,656</u>

Construction in progress consists of costs incurred as of December 31, 2012 to renovate the Hilltop branch. Estimated costs to complete this project are \$1,600,000.

During the construction of the Liberty, Grove City, Gahanna and Hilliard facilities, the Association entered into direct financing lease agreements with The Ohio State University (OSU) for the construction and operation of a Wellness Center at each of those branches. OSU leases the Wellness Centers for an initial lease period of 20 years. The rent commencement date for the various leases was the first day of operation by OSU at the various branches. Under these direct financing lease agreements, base rent is charged at an amount equal to the monthly mortgage principal amortization plus a prorata share of closing and financing costs incurred during construction, which would be payable if the OSU space costs were amortized on a level payment basis at 5% per annum over a term of twenty years.

In addition to the base rent, OSU pays the Association its prorata share of the operating expenses and the interest incurred on the financing of the OSU space costs, at the rate of interest charged to the Association. At the end of the initial 20 year lease terms, OSU has options to extend their leases for at least an additional 20 year period. These lease options only require OSU to continue to pay their prorata share of operating costs for the space, without any further base rent.

Investment in leases receivable at December 31, 2012 of \$2,635,370 reflects the balance due to the Association for the costs of the Liberty, Grove City, Gahanna and Hilliard Branch Wellness Centers. At December 31, 2012, the leases receivable amounts were updated to include each location's pro-rata share of the costs incurred to re-finance the Association's debt related to the original construction of these facilities (see Note G).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE E - Unrestricted property and equipment (continued)

The investment in leases receivable consists of the following at December 31, 2012:

	<u>Amount</u>
Investment in lease receivable, OSU Liberty Branch Wellness Center, entered into in January 2003, with an initial lease term through April 2023.	\$ 687,891
Investment in lease receivable, OSU Grove City Branch Wellness Center, entered into in June 2003, with an initial lease term through May 2023.	579,200
Investment in lease receivable, OSU Gahanna Branch Wellness Center, entered into in April 2004, with an initial lease term through March 2024.	671,999
Investment in lease receivable, OSU Hilliard Branch Wellness Center, entered into in August 2004, with an initial lease term through July 2024.	696,280
	<u>2,635,370</u>
Less: current portion	188,606
Total long term investment in leases receivable	<u>\$ 2, 446,764</u>

Management reviews these lease receivables for collectibility and has determined that no allowance is considered necessary in relation to these balances.

The following is a summary of the future minimum principal payments to be received under the lease agreements for the next five years and in the aggregate as of December 31, 2012:

<u>Year</u>	<u>Amount</u>
2013	\$ 188,606
2014	198,540
2015	208,700
2016	219,377
2017	230,601
Thereafter	1,589,546
	<u>\$ 2,635,370</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE F - Temporarily restricted property and equipment

Liberty Township

In May, 2000, the Association entered into a 27-year, below-market lease agreement with the Board of Trustees of Liberty Township for certain real property being utilized for the Association's Liberty branch at a cost of \$1 per year. The lease is renewable for one additional 27-year period. As part of the lease agreement, the Liberty Township Board of Trustees, at its sole cost and expense, constructed the facilities in accordance with the Association's approval of architectural schematic plans of the building and other improvements. Under the lease agreement, the lessor retains title to the real property. The leasehold value for the use of the building and land was recorded at its fair market value.

The Association is responsible for providing all fitness and office equipment necessary for the operation of the facilities, as well as all costs related to the day-to-day operations of the facilities (e.g. insurance, utilities, repair and maintenance).

Land lease - Grove City

In April, 2002, the Association entered into a 99-year, below-market lease agreement with the city of Grove City, Ohio for land being utilized for the Association's Grove City branch at a cost of \$1 per year. This lease is renewable for one additional 99-year period. Under the lease agreement, the lessor retains title to the land. The leasehold value was recorded as temporarily restricted support at its fair market value at the date of receipt.

Land lease - Gahanna

In February, 2002, the Association entered into a 99-year, below-market lease agreement with the city of Gahanna, Ohio for land being utilized for the Association's Gahanna branch at a cost of \$1 per year. This lease is renewable for one additional 99-year period. Under the lease agreement, the lessor retains title to the land. The leasehold value was recorded as temporarily restricted support at its fair market value at the date of receipt.

Land lease - Hilliard

In October 2002, the Association entered into a 20-year, below-market lease agreement with an individual for 9.5 acres of land being utilized for the Association's Hilliard branch at an annual cost of \$1 per acre. This lease has four renewal options of 20 years each. The Association exercised all four of these renewal options in September 2003 extending the lease through October 2102. The leasehold value was recorded as temporarily restricted support at its fair market value at the date of receipt.

Under the lease agreement, the lessor retains title to the land. It is the intent of the lessor to gift portions of the property to the Association during the initial 20-year lease period. If the lessor has not donated all the property within the initial lease period, the Association has the option to purchase the property for \$100 per acre. If the lessor dies prior to the property being donated, the property is to be bequeathed to the Association. In 2004, 2005 and 2007 the lessor donated, and transferred the title for an aggregate 62.5% interest in the 9.5 acres. The value of the 62.5% interest was recorded as non-depreciable land based on then current appraised values and the corresponding original value of the leased land was reduced by the 62.5% interest. The remaining 37.5% of the land was donated and the title transferred in 2012. No additional contribution was recognized at that time, since the appraised value of the portion transferred to the Association in 2012 did not materially differ from its original 2002 fair value.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE F - Temporarily restricted property and equipment (continued)

Land lease Delaware

In 2010 the Association entered into a 20-year, below market lease agreement with the City of Delaware, Ohio and the state of Ohio, Adjutant General's Department for certain real property at a cost of \$1 per year. This lease is renewable for up to four, five-year terms at a cost of \$1 per year. As part of the lease agreements the City of Delaware constructed a facility at its sole cost and expense, in accordance with the Association's approval of architectural plans for a building and other improvements, on land leased from the Adjutant General's Department. Under the lease agreement the lessor will retain title to the real property. The leasehold value for the use of the building and land were recorded as temporarily restricted support at its estimated fair market value upon execution in 2010.

Construction of the facility was completed in the fall of 2011. The Association is responsible for providing all fitness and office equipment necessary for the operation of the facilities, as well as all costs related to the day-to-day operations of the facilities (e.g. insurance, utilities, repair and maintenance).

Donated leasehold interests for operating facilities are summarized as follows:

Land

Gahanna	\$ 1,504,400
Liberty Township	331,800
Grove City	110,400
Delaware	<u>335,280</u>
	<u>2,281,880</u>

Building

Liberty Township	5,159,448
Delaware	<u>12,287,900</u>
	<u>17,447,348</u>
Total	19,729,228
Less: accumulated amortization	<u>1,983,259</u>
Net temporarily restricted property and equipment	<u>\$ 17,745,969</u>

The land leasehold interests are being amortized over periods ranging from 40-99 years. The building leasehold interests are being amortized over 40 years.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE G - Debt

Debt as of December 31, 2012 consisted of the following:

	<u>Amount</u>
Loan agreement with the Delaware County Port Authority in relation to Delaware County Port Authority Economic Development Revenue Bonds, series 2012 matures January 1, 2023. Variable interest is computed by the bank using LIBOR as defined in the loan agreement. Interest rate at December 31, 2012 at .91%	\$ 10,000,000
Note payable to a bank; monthly principal payments of \$13,333 plus interest at a variable rate due until maturity on January 1, 2018; interest rate is LIBOR + 1.2% (1.41% at December 31, 2012)	<u>800,000</u> 10,800,000
Less: current portion	<u>146,667</u>
Total long term notes payable	<u>\$ 10,653,333</u>

Promissory note/bond financing

In 2002, the Association issued \$21,000,000 of economic development revenue bonds with an associated promissory note to the Rickenbacker Port Authority to help finance the construction costs, equipment, site improvements, and interim financing of new facilities as well as the purchase of equipment and fixtures. The promissory note bore interest at the municipal swap index rate which fluctuates weekly, and principal payments through December 2012 were made in accordance with a repayment schedule agreed to by both the Association and Rickenbacker Port Authority. On December 28, 2012, the Association refinanced this promissory note and entered into a loan agreement with the Delaware County Port Authority to issue economic development revenue bonds in the amount of \$10,000,000. The rights to these bonds were transferred to a bank, so the bonds are not being remarketed. The loan agreement bears interest at a rate defined in the bond purchase agreement and fluctuates monthly. Monthly payments of interest commence February 1, 2013 through the maturity date, and monthly payments of principal will commence on February 1, 2014 through the loan's maturity date of January 1, 2023. This loan is secured by the first mortgage lien on the Grove City, Gahanna, and Hilliard facilities and all improvements and fixtures existing and to be constructed thereon, and a security interest in the business assets relating to these facilities.

In June 2009, the Association entered into a new letter of credit agreement with a bank in the amount of \$12,309,918 as credit enhancement for the original promissory note with the Rickenbacker Port Authority. During 2012 this letter of credit was allowed to expire due to the refinancing of the debt.

As part of the refinancing, the Association entered into a note payable with a bank in the amount of \$800,000. Monthly payments of principal and interest commence February 1, 2013 until the loans maturity date of January 1, 2018. Interest is computed at LIBOR plus 1.20% (1.41% at December 31, 2012). This loan is co-collateralized with the \$10,000,000 loan agreement above by the first mortgage lien on Grove City, Gahanna and Hilliard facilities and all improvements and fixtures existing and to be constructed thereon, and a security interest in the business assets relating to these facilities.

The Association was in compliance with all banking covenants at December 31, 2012.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE G - Debt (continued)

The Association incurred placement fees in connection with the bond re-financing in the amount of \$136,627, which are classified on the statement of financial position as deferred financing costs. These costs are being amortized over a period of 10 years. Amortization of these costs is included in interest expense. Existing placement fees in connection with the original bond issuance and the issuance of a new letter of credit in 2009 in the amount of \$127,650 were written off in 2012.

At December 31, 2012, amortization of the deferred financing costs for the next five years is expected to be as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 13,663
2014	13,663
2015	13,663
2016	13,663
2017	13,663

The original promissory note bore interest at the municipal swap index rate and fluctuated weekly. On December 19, 2005, the Association entered into an interest rate swap arrangement effective January 2, 2007 that effectively fixed the interest rate on the entire outstanding balance of the promissory note at 3.98%. The original notional amount of the contract was \$14,145,000 and it was scheduled to decline to \$6,365,000 through maturity on January 1, 2017. The swap was designed to hedge the risk of changes in interest payments on the promissory note caused by changes in the municipal swap index rate. Net cash settlement gains and losses attributed to the swap were included in interest expense. In conjunction with the re-finance of the debt, this swap was terminated effective December 31, 2012. A payment in the amount of \$1,144,804 was made as the final settlement of this swap agreement in December of 2012 which resulted in a gain of \$374,119 being recognized.

As the new bond financing bears interest based upon LIBOR as defined in the agreement and fluctuates monthly, on December 27, 2012, the Association entered into a new interest rate swap arrangement effective January 1, 2013 that effectively fixes the interest rate at 1.92%. The original notional amount of the contract is \$10,000,000 and it is scheduled to decline to \$100,823 through maturity on January 23, 2023. The swap is designed to hedge the risk of changes in interest payments on the bond financing caused by changes in the LIBOR rates. Net cash settlement gains and losses attributed to the swap are included in interest expense.

The fair market value of the interest rate swap as of December 31, 2012 is \$217,864 which is classified as a long-term liability on the statement of financial position since the Association's intent is to maintain the arrangement over the term of the underlying debt through 2023. The interest rate swap agreement does not hedge against interest incurred under the note payable to a bank.

The Association adopted the provisions of ASC 815, *Accounting for Derivative Instruments and Certain Hedging Activities* which requires a tabular format presentation for the fair value amounts of derivative instruments, as well as gains and losses on derivative instruments.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE G - Debt (continued)

The fair values of derivative instruments at December 31, 2012 are as follows:

Derivatives not designated as hedging instruments under Subtopic 815-20	Liability Derivatives	
	Statement of Financial Position Location	Fair Value
Interest rate swap agreement	Long-term liabilities	<u>\$ 217,864</u>

The effect of derivative instruments on the statement of activities and changes in net assets for the year ended December 31, 2012:

Derivatives not designated as hedging instruments under Subtopic 815-20	Location of gain (loss) recognized in unrestricted net assets on derivative	Amount of gain (loss) recognized in unrestricted net assets on derivative instruments
Interest rate swap agreement (old)	Gain on termination	<u>\$ 374,119</u>
Interest rate swap agreement (new)	Other expenses	<u>\$ (217,864)</u>

At December 31, 2012, required minimum future principal payments on long-term debt for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 146,667
2014	1,102,711
2015	1,206,540
2016	1,226,283
2017	1,247,134
Thereafter	<u>5,870,665</u>
	<u>10,800,000</u>

Line of credit

On October 30, 2012 the Association entered into a \$1,000,000 line of credit with a bank maturing October 31, 2013. The loan is collateralized by accounts on hand at the lending institution. Interest is payable monthly at LIBOR plus 1.25% (LIBOR was .21% at December 31, 2012). There was no outstanding balance on the line of credit as of December 31, 2012.

NOTE H - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2012, consist of pledges receivable of \$278,636 (see Note D), United Way revenue receivable of \$666,411, purpose restricted contributions of \$334,887, endowment fund investment income of \$23,102 to be appropriated for 2013 operations, and net property and equipment of \$17,745,969 (see Note F).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE I - Endowments

The Board is required to interpret Ohio's Uniform Prudent Management of Institutional Funds Act, and set prudent spending and investment policies based on the following considerations:

- The duration and preservation of the funds
- The purpose of the YMCA and the donor-restricted endowment fund
- 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 need to make distributions and preserve capital

The Association's endowment consists of contributions restricted by the donors and board designated quasi endowments. 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 Association's current policy states that the total amount available for expenditures is 50% of the investment earnings and appreciation, not to exceed 5% of the average balance of the previous twelve quarters. The other 50% of the investment earnings and appreciation are to remain invested in the endowment funds. The investment policy of the Association suggests that assets in the endowments be invested 60%/40% between equity and fixed income accounts with proper diversification.

	2012 Endowment Details				
	Permanently Restricted	Temporarily Restricted	Unrestricted		Total Funds
			Board Designated	Undesignated	
Beginning balances	\$ 492,578	\$ -	\$ 214,347	\$ (8,424)	\$ 698,501
2012 investment income, net	26,358	23,102	25,473	8,424	83,357
2012 contributions	<u>2,126</u>	<u>-</u>	<u>130,912</u>	<u>-</u>	<u>133,038</u>
Ending balances	<u>\$ 521,062</u>	<u>\$ 23,102</u>	<u>\$ 370,732</u>	<u>\$ -</u>	<u>\$ 914,896</u>

NOTE J - Retirement plan

The Association participates in the national YMCA's defined contribution contributory retirement plan (the Plan), which covers substantially all professional and support staff once they have been employed for a period of two years and have worked a minimum of 1,000 hours during the year. The Plan provides for contributions based on the participant's gross earnings at 8%. The Association contributed approximately \$793,000 to the Plan for the year ended December 31, 2012.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE K - Postretirement health insurance plan

The Association provides medical and dental insurance to certain retirees. Full-time employees become eligible to receive these benefits after attainment of 60 years of age and completion of 15 years of service (55 years of age for those who have 15 years of service completed by January of 2013). Coverage ends upon attainment of 65 years of age or Medicare eligibility, whichever comes first. Premiums will be paid by the Association at the same amount as it provides for active employees, and retirees who elect to receive benefits must contribute towards this coverage. The Association accrued a liability in the amount of approximately \$142,000 at December 31, 2012 for estimated future premium contributions. Significant assumptions utilized in estimating this liability include an average age at retirement of 62 years, 6% annual increases in insurance costs for each succeeding benefit year, a present value discount rate of 5% and an approximate utilization rate of 24%.

NOTE L - Concentrations of credit risk

ASC 825-10-50-20, *Concentrations of Credit Risk of all Financial Investments*, requires disclosures of information about concentrations of credit risk for all financial instruments. The Association's financial instruments that are exposed to concentrations of credit risk consist principally of cash, receivables, leases receivables, and investments (see Notes C, D, and E). The Association places its cash in a number of quality financial institutions and products to limit its risk. The Association does from time to time have cash balances at financial institutions in excess of the FDIC insured maximum. At December 31, 2012, accounts receivable includes a United Way allocation receivable which represents 40% of the total accounts receivable balance. Subsequent to December 31, 2012, the Association collected substantially all of this receivable.

NOTE M - Operating leases

The Association leases office space at one location under an operating lease that expires in February 2017. Minimum future rental payments under this non-cancelable operating lease as of December 31, 2012 are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$ 33,250
2014	34,635
2015	34,913
2016	34,913
2017	5,819
	<u>\$ 143,530</u>

Office rent expense totaled \$27,708 in 2012.

NOTE N - Dissolution of YHLP and Y, Inc.

The Young Men's Christian Association of Central Ohio (YMCA) owned 79% of a subsidiary, YMCA Housing, Inc. (Y, Inc.), which was the 1% general partner of the YMCA Housing Limited Partnership (YHLP). YHLP was established to facilitate the central branch rehabilitation. Third-party limited partner investors received the low income and historic rehabilitation tax credits for their equity investment in the rehabilitation.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE N - Dissolution of YHLP and Y, Inc. (continued)

The YMCA had notes receivable from the YHLP for funds provided for the rehabilitation project. The amount receivable under the notes at December 31, 2011 was \$4,885,234, net of allowance of \$2,951,248. These notes, which bore interest from 0% to 4.9% were collateralized by substantially all of the YHLP's assets, and were to mature on December 31, 2012.

The YHLP leased the residential portion of the central branch of the YMCA according to the terms of a 99-year lease agreement. Rents for the life of the lease totaling \$1,295,270 were paid at inception in 1995. The YMCA recorded this transaction as a sale of an asset with a corresponding deferred gain on sale of \$692,707. The deferred gain was being recognized over 50 years which represented the life of the YHLP Partnership Agreement.

Effective January 1, 2012, the YHLP limited partners formally transferred all their interests, rights, duties, and obligations in the YHLP to the YMCA for a nominal amount and the general partner, Y, Inc. transferred its interest, rights, duties, and obligations in the YHLP to the YMCA as well. Subsequent to the transfer but also effective January 1, 2012 the YHLP and Y, Inc. were dissolved. Due to the related party nature of the transaction, the assets transferred to the YMCA were recorded at the YMCA's net carrying amount of the notes receivable from the YHLP less the unamortized deferred gain rather than the higher carrying value shown on the YHLP's financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Health and Human Services:</u>		
Passed-through the Franklin County Department of Job and Family Services: Temporary Assistance for Needy Families [TANF] After School and Summer Camp Programs	93.558	\$ 205,185
<u>U.S. Department of Housing and Urban Development:</u>		
Passed-through Ohio Department of Development; City of Columbus and Community Shelter Board: Home Investment Partnership Program	14.239	163,998
<u>U.S. Department of Education:</u>		
Passed-through the Educational Service Center of Central Ohio: Special Education - Grants for Infants and Families	84.181	499,203
Passed-through Twenty-First Century Community Learning Centers After school program	84.287	<u>222,084</u>
Total U.S. Department of Education		721,287
<u>U.S. Department of Agriculture:</u>		
Passed-through the Ohio Department of Education: Child and Adult Care Food Program	10.558	314,018
<u>U.S. Department of Justice:</u>		
Passed-through the Ohio Department of Youth Services and the Franklin County Board of Commissioners: Juvenile Justice and Delinquency Prevention	16.540	45,439
<u>U.S. Department of Commerce:</u>		
Passed-through Connected Nation, Connect Ohio: ARRA - Broadband Technology Opportunities Program	11.557	<u>4,269</u>
Total Expenditures of Federal Awards		<u>\$ 1,454,196</u>

See notes to schedule of expenditures of federal awards.

THE YOUNG MEN’S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - Basis of presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of The Young Men’s Christian Association of Central Ohio. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012

The prior year audit disclosed no findings and questioned costs relative to the federal awards, and no uncorrected or unresolved findings exist from the prior audit's Summary Schedule of Prior Audit Findings.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
The Young Men's Christian Association
of Central Ohio
Columbus, Ohio

We have audited, in accordance with the 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, the financial statements of The Young Men's Christian Association of Central Ohio (the Association), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



June 25, 2013

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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To the Board of Trustees
The Young Men's Christian Association
of Central Ohio
Columbus, Ohio

Report on Compliance for Each Major Federal Program

We have audited The Young Men's Christian Association of Central Ohio's (the Association) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2012. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

SS&G, Inc.

June 25, 2013

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THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Feral Program or Cluster</u>
10.558	Child and Adult Care Food Program
84.181	Special Education – Grants for Infants and Families

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS:

There were no findings required to be reported in accordance with generally accepted Government Auditing Standards.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

There were no findings or questioned costs for Federal awards for the year ended December 31, 2012.