



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2013

YMCA OF CENTRAL OHIO



WE HAVE A MISSION

To serve the whole community through programs expressing Judeo-Christian principles that build a healthy spirit, mind and body.

ymcacolumbus.org

**THE YOUNG
MEN'S
CHRISTIAN
ASSOCIATION
OF CENTRAL
OHIO**

FINANCIAL
STATEMENTS

FOR THE
YEAR ENDED
DECEMBER 31, 2013

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, 2013 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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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Association as of December 31, 2013, 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 2012 financial statements, and our report dated June 25, 2013 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, 2012, 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 18, 2014, 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 18, 2014

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THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(with summarized financial information as of December 31, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 2,699,122	\$ -	\$ -	\$ 2,699,122	\$ 1,952,428
Accounts receivable	2,062,768	612,716	-	2,675,484	1,755,946
Pledges receivable, current portion, net	21,213	449,330	-	470,543	220,349
Investment in leases receivable, current portion	198,540	-	-	198,540	188,606
Prepaid expenses and other	279,011	-	-	279,011	386,071
Investments	<u>11,746,665</u>	<u>-</u>	<u>-</u>	<u>11,746,665</u>	<u>11,496,702</u>
TOTAL CURRENT ASSETS	17,007,319	1,062,046	-	18,069,365	16,000,102
ENDOWMENT INVESTMENTS	431,167	23,600	579,076	1,033,843	914,896
PROPERTY AND EQUIPMENT, net	37,070,926	17,283,029	-	54,353,955	54,081,625
OTHER ASSETS					
Pledges receivable, less current portion, net	-	60,000	-	60,000	113,333
Investment in leases receivable, net of current portion	2,285,772	-	-	2,285,772	2,446,764
Deferred financing costs, net	127,289	-	-	127,289	136,627
Interest rate swap agreement	<u>58,491</u>	<u>-</u>	<u>-</u>	<u>58,491</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 56,980,964</u>	<u>\$ 18,428,675</u>	<u>\$ 579,076</u>	<u>\$ 75,988,715</u>	<u>\$ 73,693,347</u>

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(with summarized financial information as of December 31, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of notes payable	\$ 160,000	\$ -	\$ -	\$ 160,000	\$ 146,667
Current portion of bonds payable	942,711	-	-	942,711	-
Accounts payable	2,149,888	-	-	2,149,888	1,161,815
Accrued expenses	1,891,510	-	-	1,891,510	1,398,476
Deposits	208,116	-	-	208,116	186,048
Deferred revenues:					
Membership revenues	363,122	-	-	363,122	648,405
Other	408,335	-	-	408,335	124,289
TOTAL CURRENT LIABILITIES	6,123,682	-	-	6,123,682	3,665,700
NOTES PAYABLE, net of current portion	493,333	-	-	493,333	653,333
BONDS PAYABLE, net of current portion	9,057,289	-	-	9,057,289	10,000,000
INTEREST RATE SWAP AGREEMENT	-	-	-	-	217,864
OTHER LONG-TERM LIABILITIES AND RESERVES	254,500	-	-	254,500	131,600
TOTAL LIABILITIES	15,928,804	-	-	15,928,804	14,668,497
NET ASSETS					
Unrestricted:					
Undesignated	40,620,993	-	-	40,620,993	39,084,051
Board designated - quasi endowment	431,167	-	-	431,167	370,732
Restricted	-	18,428,675	579,076	19,007,751	19,570,067
TOTAL NET ASSETS	41,052,160	18,428,675	579,076	60,059,911	59,024,850
TOTAL LIABILITIES AND NET ASSETS	\$ 56,980,964	\$ 18,428,675	\$ 579,076	\$ 75,988,715	\$ 73,693,347

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

(with summarized financial information for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
PUBLIC SUPPORT:					
United Way allocation	\$ 897,686	\$ 612,716	\$ -	\$ 1,510,402	\$ 1,386,553
Gifts and bequests	2,274,681	350,667	-	2,625,348	2,391,572
	3,172,367	963,383	-	4,135,750	3,778,125
REVENUE:					
Fees and grants from governmental agencies	5,514,965	-	-	5,514,965	3,771,636
Membership fees	15,159,161	-	-	15,159,161	13,838,922
Program fees	9,220,806	-	-	9,220,806	9,273,253
Residence and related services	1,557,776	-	-	1,557,776	1,339,508
Investment, dividend and interest income	811,366	23,600	58,014	892,980	888,374
Other income	536,896	-	-	536,896	450,111
Special events revenue, net of direct costs of \$20,325 in 2012	-	-	-	-	1,861
Other gains and (losses):					
Fair value adjustment on interest rate swap agreements	276,355	-	-	276,355	(217,864)
Gain on sale of property	-	-	-	-	1,600
Gain on swap termination	-	-	-	-	374,119
	33,077,325	23,600	58,014	33,158,939	29,721,520
NET ASSETS RELEASED FROM RESTRICTIONS:					
In satisfaction of time and use restrictions and allocation of earnings	1,140,373	(1,140,373)	-	-	-
Amortization of donated property	466,940	(466,940)	-	-	-
	1,607,313	(1,607,313)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 37,857,005	\$ (620,330)	\$ 58,014	\$ 37,294,689	\$ 33,499,645

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

(with summarized financial information for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
EXPENSES:					
Program services:					
Youth Development	\$ 19,790,147	\$ -	\$ -	\$ 19,790,147	\$ 17,090,710
Healthy Living	7,747,921	-	-	7,747,921	8,085,833
Social Responsibility	5,163,844	-	-	5,163,844	5,314,201
	32,701,912	-	-	32,701,912	30,490,744
Support services:					
Management	3,073,410	-	-	3,073,410	3,158,326
Fundraising	362,358	-	-	362,358	204,581
	3,435,768	-	-	3,435,768	3,362,907
Other expenses:					
Bad debt expense	121,948	-	-	121,948	44,000
TOTAL EXPENSES	36,259,628	-	-	36,259,628	33,897,651
CHANGE IN NET ASSETS	1,597,377	(620,330)	58,014	1,035,061	(398,006)
NET ASSETS, beginning of year	39,454,783	19,049,005	521,062	59,024,850	59,422,856
NET ASSETS, end of year	\$ 41,052,160	\$ 18,428,675	\$ 579,076	\$ 60,059,911	\$ 59,024,850

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, 2013

(with summarized financial information for the year ended December 31, 2012)

	Program Services			Support Services		2013	2012
	Youth Development	Healthy Living	Social Responsibility	Management	Fundraising	Total	Total
Salaries	\$ 10,113,071	\$ 4,420,154	\$ 2,588,016	\$ 1,529,877	\$ 240,410	\$ 18,891,528	\$ 18,470,069
Payroll taxes	1,017,778	446,426	270,650	144,116	22,780	1,901,750	1,674,098
Pension	392,226	138,936	118,195	95,656	3,690	748,703	792,762
Employee benefits	833,325	316,804	280,376	139,542	15,200	1,585,247	1,332,646
Contract fees-other	1,332,885	42,468	133,398	329,875	13,750	1,852,376	594,821
Supplies	756,041	252,086	203,827	15,750	1,843	1,229,547	1,107,124
Postage	10,596	5,376	3,641	14,343	2,487	36,443	48,767
Printing	31,559	13,153	8,294	22,160	13,642	88,808	84,655
Telephone	144,898	44,033	50,663	17,693	2,160	259,447	248,350
Accounting fees	-	-	-	62,532	-	62,532	62,278
Legal fees	-	-	6,877	20,452	24,374	51,703	29,787
Occupancy	2,355,272	939,260	720,784	3,200	31	4,018,547	3,858,384
Equipment	331,069	155,202	82,983	90,246	-	659,500	626,977
Travel	95,311	41,530	95,611	42,365	9,574	284,391	243,965
Conferences	71,895	44,298	13,565	46,028	7,484	183,270	119,947
Interest	129,014	50,509	33,663	9,023	-	222,209	657,723
Bank service fees	191,486	74,933	49,941	47,672	484	364,516	358,589
Depreciation and amortization	1,541,342	603,440	402,181	97,789	-	2,644,752	2,597,066
Liability insurance	178,409	64,480	49,214	56,473	-	348,576	327,953
Dues	7,643	1,529	2,473	41,643	1,915	55,203	41,374
General	11,663	6,412	5,571	30,260	-	53,906	92,511
National support	189,952	61,781	33,446	16,255	2,331	303,765	281,699
Advertising	54,712	25,111	10,475	200,460	203	290,961	202,106
	<u>\$ 19,790,147</u>	<u>\$ 7,747,921</u>	<u>\$ 5,163,844</u>	<u>\$ 3,073,410</u>	<u>\$ 362,358</u>	<u>36,137,680</u>	<u>33,853,651</u>
Bad debt expense						<u>121,948</u>	<u>44,000</u>
						<u>\$ 36,259,628</u>	<u>\$ 33,897,651</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, 2013

(with summarized financial information for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,035,061	\$ (398,006)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts restricted to endowment or capital improvements	(350,667)	(639,796)
Depreciation	2,126,739	2,069,549
Amortization	518,013	527,517
Change in allowance for uncollectible receivables	22,961	-
Unrealized gain on investments	(503,559)	(456,079)
Realized gain on investments, net	(26,791)	(16,151)
Fair value adjustments on interest rate swap agreements, net	(276,355)	(156,255)
(Increase) decrease in:		
Accounts receivable	(919,538)	47,004
Prepaid expenses	107,060	(29,671)
Other assets	9,338	4,694
Increase (decrease) in:		
Accounts payable	988,073	144,215
Accrued expenses	615,934	(10,235)
Deposits	22,068	(12,662)
Deferred revenues	(1,237)	(129,464)
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,367,100	944,660
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,917,082)	(1,288,759)
Cash received from dissolution of the YHLP and Y, Inc.	-	371,111
Payments received on investment in leases receivable	151,058	167,471
Purchases of investments	(9,904,463)	(6,299,102)
Proceeds from sale of investments	10,065,903	6,106,182
NET CASH USED IN INVESTING ACTIVITIES	\$ (2,604,584)	\$ (943,097)

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, 2013

(with summarized financial information for the year ended December 31, 2012)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital campaigns or endowment	\$ 130,845	\$ 485,313
Reduction of debt obligations	(146,667)	(10,680,000)
Proceeds from debt re-finance	-	10,800,000
Settlement of swap liability	-	(1,144,804)
Net receipts from sinking funds	-	592,777
	<u>(15,822)</u>	<u>53,286</u>
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		
	746,694	54,849
NET INCREASE IN CASH		
CASH, beginning of year	<u>1,952,428</u>	<u>1,897,579</u>
CASH, end of year	<u>\$ 2,699,122</u>	<u>\$ 1,952,428</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u>\$ 202,312</u>	<u>\$ 559,850</u>
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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).

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, 2013.

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 2010 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, 2013.

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 \$92,457 at December 31, 2013.

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, 2014 and June 18, 2014, 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 2012 summarized comparative information presented includes 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, 2012, from which the summarized information was derived. Certain 2012 comparative amounts have been reclassified to conform with the 2013 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 an asset position. Alternative assets are composed of commodities broad basket funds. 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, 2013 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	\$ 627,738	\$ 627,738	\$ -	\$ -
Money market funds	30	30	-	-
Certificates of deposit	3,787	-	3,787	-
Bonds and bond funds	7,083,635	251,618	6,832,017	-
Endowment bond funds	321,214	321,214	-	-
Equities				
US large cap equity	1,397,297	1,397,297	-	-
US mid cap equity	403,031	403,031	-	-
Foreign Large Cap Equity	1,130,486	1,130,486	-	-
Asia ex-Japan equity	290,454	290,454	-	-
Emerging market equity	78,255	78,255	-	-
European large cap equity	147,765	147,765	-	-
Endowment equity funds	598,643	598,643	-	-
Alternative assets				
Commodities Broad Basket	698,173	698,173	-	-
Interest rate swap	58,491	-	58,491	-
Total assets	<u>\$12,838,999</u>	<u>\$ 5,944,704</u>	<u>\$ 6,894,295</u>	<u>\$ -</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE C - Investments and fair value measurements (continued)

During 2013, the Association recorded realized investment gains of \$26,791, interest and dividend income of \$286,217 and unrealized investment gains of \$503,559. 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, 2013, investments of \$1,033,843 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, 2013. 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, 2013:
Pledges are due as follows:

Within one year	\$ 519,918
One to five years	<u>60,000</u>
	579,918
Less: allowance for doubtful collection	<u>49,375</u>
Net pledges receivable	<u>\$ 530,543</u>

At December 31, 2013, three donors represented 70% 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, 2013 consisted of the following:

Non-depreciable assets:	
Land	\$ 2,818,644
Construction in progress	<u>97,620</u>
	2,916,264
Depreciable assets:	
Building and land/leasehold improvements	52,712,325
Furniture, fixtures, equipment and vehicles	<u>9,542,122</u>
	<u>62,254,447</u>
Total unrestricted property and equipment	65,170,711
Less: accumulated depreciation	<u>28,099,785</u>
Net unrestricted property and equipment	<u>\$ 37,070,926</u>

Construction in progress consists of costs incurred as of December 31, 2013 for gym equipment not placed in service.

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, 2013 of \$2,484,312 reflects the balance due to the Association for the costs of the Liberty, Grove City, Gahanna and Hilliard Branch Wellness Centers. In 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, 2013:

	<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.	\$ 645,577
Investment in lease receivable, OSU Grove City Branch Wellness Center, entered into in June 2003, with an initial lease term through May 2023.	544,358
Investment in lease receivable, OSU Gahanna Branch Wellness Center, entered into in April 2004, with an initial lease term through March 2024.	634,756
Investment in lease receivable, OSU Hilliard Branch Wellness Center, entered into in August 2004, with an initial lease term through July 2024.	<u>659,621</u>
	2,484,312
Less: current portion	<u>198,540</u>
Total long term investment in leases receivable	<u>\$ 2,285,772</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, 2013:

<u>Year</u>	<u>Amount</u>
2014	\$ 198,540
2015	208,700
2016	219,377
2017	230,601
2018	242,399
Thereafter	<u>1,384,695</u>
	<u>\$ 2,484,312</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 as temporarily restricted support 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 retained title to the land until all portions of the property were gifted to the Association during the initial 20-year lease period. 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 2013. 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	\$ 1,508,400
Liberty Township	331,800
Grove City	110,400
Delaware	<u>335,280</u>
	<u>2,285,880</u>

Building

Liberty Township	5,159,448
Delaware	<u>12,287,900</u>
	<u>17,447,348</u>
Total	19,733,228
Less: accumulated amortization	<u>2,450,199</u>
Net temporarily restricted property and equipment	<u>\$ 17,283,029</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, 2013 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, 2013 at .89%	\$ 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% (1.37% at December 31, 2013)	<u>653,333</u> 10,653,333
Less: current portion	<u>1,102,711</u>
Total long term notes payable	<u>\$ 9,550,622</u>

Promissory note/bond financing

On December 28, 2012, the Association refinanced its existing debt which financed the construction, equipment, site improvements, and the purchase of equipment and fixtures of certain facilities, 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 commenced February 1, 2013 and continue 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.

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 commenced February 1, 2013 and continue until the loans maturity date of January 1, 2018. Interest is computed at LIBOR plus 1.20% (1.37% at December 31, 2013). 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, 2013.

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 2012 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.

At December 31, 2013, amortization of the deferred financing costs for the next five years is expected to be as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 13,663
2015	13,663
2016	13,663
2017	13,663
2018	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%. In conjunction with the 2012 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 value of the interest rate swap as of December 31, 2013 is \$58,491 which is classified as a long-term asset 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 separate 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, 2013 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 assets	<u>\$ 58,491</u>

The effect of derivative instruments on the statement of activities and changes in net assets for the year ended December 31, 2013:

Derivatives not designated as hedging instruments under Subtopic 815-20	Location of gain recognized in unrestricted net assets on derivative	Amount of gain recognized in unrestricted net assets on derivative instruments
Interest rate swap agreement	Other gains and losses	<u>\$ 276,355</u>

At December 31, 2013, required minimum future principal payments on long-term debt for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 1,102,711
2015	1,206,540
2016	1,226,283
2017	1,247,134
2018	1,121,408
Thereafter	<u>4,749,257</u>
	<u>\$ 10,653,333</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 was collateralized by accounts on hand at the lending institution. Interest was payable monthly at LIBOR plus 1.25%. This line of credit was not renewed upon maturity.

NOTE H - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2013, consist of pledges receivable of \$509,330, United Way revenue receivable of \$612,716, endowment fund investment income of \$23,600 to be appropriated for 2014 operations, and net property and equipment held via donated leaseholds of \$17,283,029 (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.

	2013 Endowment Details			Total Funds
	Permanently Restricted	Temporarily Restricted	Unrestricted Board Designated	
Beginning balances	\$ 521,062	\$ 23,102	\$ 370,732	\$ 914,896
Transfer to operations		(23,102)		(23,102)
2013 investment income, net	58,014	23,600	43,435	125,409
2013 contributions	-	-	17,000	17,000
Ending balances	<u>\$ 579,076</u>	<u>\$ 23,600</u>	<u>\$ 431,167</u>	<u>\$ 1,033,843</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 \$749,000 to the Plan for the year ended December 31, 2013.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE K – Other long term liabilities and reserves

The Association provides medical and dental insurance to certain retirees. 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 reported in other long-term liabilities and reserves in the amount of approximately \$134,000 at December 31, 2013 for estimated future premium contributions. A liability in the approximate amount of \$35,000 is included in accrued expenses for amounts expected to be due within one year.

The Association participates in a partially self-funded plan with the Ohio Bureau of Workers' Compensation (BWC). The Association is responsible for claims incurred, up to a pre-determined total liability for a period of 10 years following the plan year end as determined in the contract. The Association records an estimate of the expected future claims to be paid based on injury claims that were incurred during the period prior to December 31, 2013. This estimate is based upon prior claims history and the Association's best estimate of the expected future claims. The long-term portion of the liability is estimated at \$121,000 and is reported in other long-term liabilities and reserves at December 31, 2013. The current portion of this reserve is \$152,000 and is included in accrued liabilities at December 31, 2013.

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, 2013, accounts receivable includes a grant receivable from Head Start and a United Way allocation receivable which represents 34% and 23%, respectively, of the total accounts receivable balance.

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, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 34,635
2015	34,913
2016	34,913
2017	5,819
	<u>\$ 110,280</u>

Office rent expense totaled \$33,250 in 2013.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

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 YHLP leased the residential portion of the central branch of the YMCA according to the terms of a 99-year lease 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, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Agriculture:</u>		
Passed-through the Ohio Department of Education: Child and Adult Care Food Program	10.558	\$ 339,615
<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	164,000
<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	6,649
Edward Byrne Memorial Justice Assistance Grant	16.738	<u>40,000</u>
Total U.S. Department of Justice		<u>46,649</u>
<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	617,932
Passed-through Twenty-First Century Community Learning Centers After school program	84.287	<u>312,419</u>
Total U.S. Department of Education		930,351
<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	230,835
Head Start	93.600	<u>1,511,609</u>
Total U.S. Department of Health and Human Services		<u>1,742,444</u>
Total Expenditures of Federal Awards		<u>\$ 3,223,059</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, 2013

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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INDEPENDENT AUDITORS' 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, 2013, 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 18, 2014.

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.

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INDEPENDENT AUDITORS' 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

Internal Control over Financial Reporting (continued)

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency identified as finding 2013-1.

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*.

Response to Findings

The Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 18, 2014

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INDEPENDENT AUDITORS' 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, 2013. The Association's major federal programs are identified in the summary of auditor's 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.

Auditor's 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, 2013.

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INDEPENDENT AUDITORS' 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.

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 18, 2014

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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, 2013

SECTION 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>
84.287	Twenty-First Century Community Learning Centers
93.600	Head Start

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, 2013

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

2013-1 - Significant deficiency in internal controls surrounding timely reconciliation of the cash account

Criteria – Cash accounts should be reconciled to bank statements on a monthly basis to identify any unrecorded or inappropriate transactions, and assure that cash balances are properly stated.

Condition - Our testing of internal controls indicated although bank reconciliations were performed by the time the audit commenced, they were not being performed on a regular and timely basis and a number of months were performed subsequent to year end.

Cause – The delay in performing the reconciliations was due to challenges encountered in reconciling certain transactions which were processed by new membership software, making the reconciliation process more difficult. In addition, there was an unexpected void in the finance department’s staffing, hindering the accounting department’s ability to stay current with certain routine duties in the last half of 2013.

Effect – The lack of timely cash reconciliations could lead to undetected fraud or errors and the misstatement of the Association’s cash balances.

Recommendation - We suggest that procedures surrounding the reconciliation of cash accounts be strengthened to require reconciliations to be performed promptly after receipt of monthly bank statements.

Auditee’s response to finding:

The December 31, 2013 bank reconciliation was brought current by management prior to the start of the audit and the 2014 bank statements are being reconciled on a monthly basis.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs for federal awards for the year ended December 31, 2013.