



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

AUDITED FINANCIAL STATEMENTS

For the year ended December 31, 2014

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

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2014, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2014, 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.

Other Matters - Summarized Comparative Information

The 2013 financial statements of The Young Men's Christian Association of Central Ohio were audited by SS&G, Inc. whose shareholders and professional staff joined BDO USA, LLP as of January 1, 2015, and has subsequently ceased operations. SS&G, Inc.'s report dated June 18, 2014 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, 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 2014 financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2014, as required by 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 24, 2015 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.

BDO USA, LLP

June 24, 2015

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

(with summarized financial information as of December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 3,266,468	\$ -	\$ -	\$ 3,266,468	\$ 2,699,122
Accounts receivable, net	2,776,462	612,716	-	3,389,178	2,675,484
Pledges receivable, current portion, net	48,224	212,358	-	260,582	470,543
Investment in leases receivable, current portion	208,700	-	-	208,700	198,540
Prepaid expenses and other	260,112	-	-	260,112	279,011
Investments	9,924,257	-	-	9,924,257	11,746,665
TOTAL CURRENT ASSETS	16,484,223	825,074	-	17,309,297	18,069,365
ENDOWMENT INVESTMENTS	436,110	22,202	601,278	1,059,590	1,033,843
PROPERTY AND EQUIPMENT, net	36,672,836	16,819,089	-	53,491,925	54,353,955
OTHER ASSETS					
Pledges receivable, less current portion, net	-	40,000	-	40,000	60,000
Investment in leases receivable, net of current portion	2,114,864	-	-	2,114,864	2,285,772
Deferred financing costs, net	113,193	-	-	113,193	127,289
Interest rate swap agreement	-	-	-	-	58,491
TOTAL ASSETS	\$ 55,821,226	\$ 17,706,365	\$ 601,278	\$ 74,128,869	\$ 75,988,715

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

(with summarized financial information as of December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of notes payable	\$ 285,396	\$ -	\$ -	\$ 285,396	\$ 160,000
Current portion of bonds payable	1,046,540	-	-	1,046,540	942,711
Accounts payable	1,605,054	-	-	1,605,054	2,149,888
Accrued expenses	2,520,059	-	-	2,520,059	1,891,510
Deposits	218,592	-	-	218,592	208,116
Deferred revenues:					
Membership	725,219	-	-	725,219	363,122
Other	654,095	-	-	654,095	408,335
TOTAL CURRENT LIABILITIES	7,054,955	-	-	7,054,955	6,123,682
NOTES PAYABLE, net of current portion	490,077	-	-	490,077	493,333
BONDS PAYABLE, net of current portion	8,010,749	-	-	8,010,749	9,057,289
INTEREST RATE SWAP AGREEMENT	44,649	-	-	44,649	-
OTHER LONG-TERM LIABILITIES AND RESERVES	284,207	-	-	284,207	254,500
TOTAL LIABILITIES	15,884,637	-	-	15,884,637	15,928,804
NET ASSETS					
Unrestricted:					
Undesignated	39,500,479	-	-	39,500,479	40,620,993
Board designated - quasi endowment	436,110	-	-	436,110	431,167
Restricted	-	17,706,365	601,278	18,307,643	19,007,751
TOTAL NET ASSETS	39,936,589	17,706,365	601,278	58,244,232	60,059,911
TOTAL LIABILITIES AND NET ASSETS	\$ 55,821,226	\$ 17,706,365	\$ 601,278	\$ 74,128,869	\$ 75,988,715

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

(with summarized financial information for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
PUBLIC SUPPORT:					
United Way allocation	\$ 1,075,778	\$ 612,716	\$ -	\$ 1,688,494	\$ 1,510,402
Gifts and bequests	1,694,931	122,079	-	1,817,010	2,546,141
	2,770,709	734,795	-	3,505,504	4,056,543
REVENUE:					
Fees and grants from governmental agencies	10,531,962	-	-	10,531,962	5,594,922
Membership fees	14,899,455	-	-	14,899,455	15,159,161
Program fees	9,838,434	-	-	9,838,434	9,220,806
Residence and related services	1,574,056	-	-	1,574,056	1,557,776
Investment, dividend and interest income	256,990	22,202	22,202	301,394	892,980
Other income	527,109	-	-	527,109	536,146
Other gains and (losses):					
Fair value adjustment on interest rate swap agreements	(103,140)	-	-	(103,140)	276,355
Gain on sale of equipment	15,881	-	-	15,881	-
	37,540,747	22,202	22,202	37,585,151	33,238,146
NET ASSETS RELEASED FROM RESTRICTIONS:					
In satisfaction of time and use restrictions and allocation of earnings	1,009,226	(1,009,226)	-	-	-
Amortization of donated property	470,081	(470,081)	-	-	-
	1,479,307	(1,479,307)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 41,790,763	\$ (722,310)	\$ 22,202	\$ 41,090,655	\$ 37,294,689

See accompanying notes to financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

(with summarized financial information for 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total	2013 Total
EXPENSES:					
Program services:					
Youth Development	\$ 25,089,260	\$ -	\$ -	\$ 25,089,260	\$ 19,790,147
Healthy Living	7,596,886	-	-	7,596,886	7,747,921
Social Responsibility	5,858,223	-	-	5,858,223	5,163,844
	38,544,369	-	-	38,544,369	32,701,912
Support services:					
Management	3,897,970	-	-	3,897,970	3,073,410
Fundraising	388,244	-	-	388,244	362,358
	4,286,214	-	-	4,286,214	3,435,768
Other expenses:					
Bad debt expense	75,751	-	-	75,751	121,948
TOTAL EXPENSES	42,906,334	-	-	42,906,334	36,259,628
CHANGE IN NET ASSETS	(1,115,571)	(722,310)	22,202	(1,815,679)	1,035,061
NET ASSETS, beginning of year	41,052,160	18,428,675	579,076	60,059,911	59,024,850
NET ASSETS, end of year	\$ 39,936,589	\$ 17,706,365	\$ 601,278	\$ 58,244,232	\$ 60,059,911

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, 2014

(with summarized financial information for the year ended December 31, 2013)

	Program Services			Support Services		2014	2013
	Youth Development	Healthy Living	Social Responsibility	Management	Fundraising	Total	Total
Salaries	\$ 11,540,909	\$ 4,489,480	\$ 3,145,977	\$ 1,851,521	\$ 253,362	\$ 21,281,249	\$ 18,891,528
Payroll taxes	1,032,600	399,932	287,707	160,083	21,995	1,902,317	1,901,750
Pension	450,886	142,733	124,546	115,717	9,789	843,671	748,703
Employee benefits	987,565	296,149	303,994	216,411	21,391	1,825,510	1,585,247
Contract fees-other	3,589,871	63,400	174,948	569,076	16,554	4,413,849	1,852,376
Supplies	1,400,356	425,591	307,302	22,890	5,889	2,162,028	1,229,547
Postage	13,961	5,978	4,508	17,007	1,120	42,574	36,443
Printing	31,332	12,348	7,144	28,518	6,980	86,322	88,808
Telephone	192,629	43,232	56,124	33,139	2,040	327,164	259,447
Accounting fees	-	-	-	54,818	-	54,818	62,532
Legal fees	3,956	-	7,771	67,905	-	79,632	51,703
Occupancy	2,590,718	744,909	640,514	8,207	2,883	3,987,231	4,018,547
Equipment	403,605	99,759	66,602	96,570	-	666,536	659,500
Travel	127,100	39,452	103,117	47,496	16,032	333,197	284,391
Conferences	91,907	47,141	16,225	36,421	23,037	214,731	183,270
Interest	135,662	41,078	31,676	3,189	-	211,605	222,209
Bank service fees	209,291	63,349	48,850	68,348	126	389,964	364,516
Depreciation and amortization	1,813,418	549,094	423,425	121,388	-	2,907,325	2,644,752
Liability insurance	204,745	58,483	49,521	43,141	-	355,890	348,576
Dues	8,103	1,179	1,080	43,408	1,895	55,665	55,203
General	29,413	8,268	12,308	33,593	93	83,675	53,906
National support	191,388	58,398	43,306	8,191	3,317	304,600	303,765
Advertising	39,845	6,933	1,578	250,933	1,741	301,030	290,961
	<u>\$ 25,089,260</u>	<u>\$ 7,596,886</u>	<u>\$ 5,858,223</u>	<u>\$ 3,897,970</u>	<u>\$ 388,244</u>	<u>42,830,583</u>	<u>36,137,680</u>
Bad debt expense						75,751	121,948
						<u>\$ 42,906,334</u>	<u>\$ 36,259,628</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, 2014

(with summarized financial information for the year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,815,679)	\$ 1,035,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts restricted to endowment or capital improvements	(122,079)	(350,667)
Depreciation	2,387,814	2,126,739
Amortization	519,511	518,013
Change in allowance for uncollectible receivables	15,410	22,961
Unrealized loss (gain) on investments	235,206	(503,559)
Realized gain on investments, net	(164,058)	(26,791)
Gain on sale of equipment	(15,881)	-
Fair value adjustments on interest rate swap agreements, net	103,140	(276,355)
(Increase) decrease in:		
Accounts receivable	(713,694)	(919,538)
Prepaid expenses	18,899	107,060
Other assets	14,096	9,338
Increase (decrease) in:		
Accounts payable	(544,834)	988,073
Accrued expenses	658,256	615,934
Deposits	10,476	22,068
Deferred revenues	607,857	(1,237)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,194,440</u>	<u>3,367,100</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets-net of any sales proceeds	(2,405,601)	(2,917,082)
Payments received on investments in leases receivable	160,748	151,058
Purchases of investments	(269,862)	(9,904,463)
Proceeds from sale of investments	<u>1,995,374</u>	<u>10,065,903</u>
NET CASH USED IN INVESTING ACTIVITIES	\$ (519,340)	\$ (2,604,584)

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, 2014

(with summarized financial information for the year ended December 31, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital campaigns or endowment	\$ 336,630	\$ 130,845
Reduction of debt obligations	<u>(444,384)</u>	<u>(146,667)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(107,754)</u>	<u>(15,822)</u>
NET INCREASE IN CASH	567,346	746,694
CASH, beginning of year	<u>2,699,122</u>	<u>1,952,428</u>
CASH, end of year	<u><u>\$ 3,266,468</u></u>	<u><u>\$ 2,699,122</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u><u>\$ 198,741</u></u>	<u><u>\$ 202,312</u></u>
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SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING INFORMATION

During 2014, the Association financed the purchase of equipment through a term note in the amount of \$376,187.

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, two park/outdoor centers 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 K).

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, 2014.

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 2011 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, 2014.

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 preparation of the financial statements in conformity with generally accepted accounting principles requires the Association 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.

Beneficial interests

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 and recognized as support when amounts are awarded to the Association. The fair market value of these funds was \$95,244 at December 31, 2014.

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 which range from 3 to 40 years. 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

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 or the expenditures are made, while membership fees are recognized over the related membership period. Program fees, residence and related services and other revenue are generally recognized as revenue when earned.

Public support

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

Allowance for doubtful accounts

The Association reports accounts receivable, pledges receivable, and leases receivable 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 generally accepted accounting principles, 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, 2015 and June 24, 2015, 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 2013 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2013, from which the summarized information was derived. Certain 2013 comparative amounts have been reclassified to conform with the 2014 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 generally accepted accounting principles:

- 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 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, 2014 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	\$ 547,759	\$ 547,759	\$ -	\$ -
Money market funds	49	49	-	-
Certificates of deposit	3,787		3,787	-
Bonds and bond funds	5,790,307	1,240,295	4,550,012	-
Endowment bond funds	358,833	358,833	-	-
Equities				
US large cap equity	1,416,709	1,329,447	87,262	-
US mid cap equity	359,973	359,973	-	-
Foreign Large Cap Equity	1,203,123	1,203,123	-	-
Asia ex-Japan equity	230,371	230,371	-	-
Japan stock	79,496	79,496	-	-
Endowment equity funds	579,033	579,033	-	-
Alternative assets				
Commodities Broad Basket	414,407	356,457	57,950	-
Total assets	<u>\$ 10,983,847</u>	<u>\$ 6,284,836</u>	<u>\$ 4,699,011</u>	<u>\$ -</u>
<u>Liabilities</u>				
Interest rate swap	\$ 44,469	\$ -	\$ 44,469	\$ -
Total liabilities	<u>\$ 44,469</u>	<u>\$ -</u>	<u>\$ 44,469</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 2014, the Association recorded realized investment gains of \$164,058, interest and dividend income of \$372,542 and unrealized investment losses of (\$235,206). 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, 2014, investments of \$1,059,590 are classified as non-current assets reflecting an amount equivalent to the aggregate of permanently restricted endowments and board designated quasi-endowment funds at that date.

NOTE D - Pledges receivable

Pledges receivable represent unconditional promises to give at December 31, 2014. 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, 2014:
Pledges are due as follows:

Within one year	\$ 325,368
One to five years	<u>40,000</u>
	365,368
Less: allowance for doubtful collection	<u>64,786</u>
Net pledges receivable	<u>\$ 300,582</u>

At December 31, 2014, two donors represented 39% 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, 2014 consisted of the following:

Non-depreciable assets:

Land	\$ 2,818,644
Construction in progress	<u>1,091,136</u>
	3,909,780

Depreciable assets:

Building and land/leasehold improvements	53,159,986
Furniture, fixtures, equipment and vehicles	<u>10,102,689</u>
	<u>63,267,675</u>

Total unrestricted property and equipment 67,172,455

Less: accumulated depreciation 30,499,619

Net unrestricted property and equipment \$36,672,836

Construction in progress consists of costs incurred as of December 31, 2014 for building improvements not yet placed in service. These improvements consist mainly of refresh projects at the Hilliard, Grove City and Gahanna branch locations. Anticipated costs to complete these projects is approximately \$300,000.

NOTE F – Investments in leases receivable

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, 2014 of \$2,323,564 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 H).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE F – Investments in leases receivable (continued)

The investment in leases receivable consists of the following at December 31, 2014:

	<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.	\$ 600,693
Investment in lease receivable, OSU Grove City Branch Wellness Center, entered into in June 2003, with an initial lease term through May 2023.	507,351
Investment in lease receivable, OSU Gahanna Branch Wellness Center, entered into in April 2004, with an initial lease term through March 2024.	595,091
Investment in lease receivable, OSU Hilliard Branch Wellness Center, entered into in August 2004, with an initial lease term through July 2024.	<u>620,429</u>
	2,323,564
Less: current portion	<u>208,700</u>
Total long term investment in leases receivable	<u>\$ 2,114,864</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, 2014:

<u>Year</u>	<u>Amount</u>
2015	\$ 208,700
2016	219,377
2017	230,601
2018	242,399
2019	254,800
Thereafter	<u>1,167,687</u>
	<u>\$ 2,323,564</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE G – Temporarily restricted property and equipment

The Association has been the recipient of a number of contributed leasehold interests for branch facilities in Central Ohio. The fair values of those leasehold interests were recognized as temporarily restricted contributions in the year each arrangement was entered into, ranging from 2000 through 2010. A summary of each contributed leasehold arrangement follows:

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 had 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. The land owner subsequently gifted title to the land to the Association in years prior to 2014.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE G - 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	\$ 1,512,400
Liberty Township	331,800
Grove City	110,400
Delaware	<u>335,280</u>
	<u>2,289,880</u>

Building

Liberty Township	5,159,448
Delaware	<u>12,287,900</u>
	<u>17,447,348</u>
Total	19,737,228
Less: accumulated amortization	<u>2,918,139</u>
Net temporarily restricted property and equipment	<u>\$ 16,819,089</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 H - Debt

Debt as of December 31, 2014 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, 2014 at .89%	\$ 9,057,289
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 + 1.0% (1.35% at December 31, 2014)	493,333
Note payable to a bank; monthly principal payments of \$10,450 plus interest at a fixed rate until maturity on March 1, 2017; interest rate is 2.58%. This note is collateralized by specific equipment as stated in the agreement.	<u>282,140</u>
	9,832,762
Less: current portion	<u>1,331,936</u>
Total long term debt	<u>\$ 8,500,826</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 commenced on February 1, 2014 and continue 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% (1.35% at December 31, 2014). 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 not in compliance with the fixed charge coverage ratio bank covenant for the third quarter of 2014, however, a waiver was obtained from the bank. The Association was in compliance with all banking covenants at December 31, 2014.

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.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE H – Debt (continued)

Promissory note/bond financing (continued)

At December 31, 2014, amortization of the deferred financing costs for the next four years is expected to be as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 13,663
2016	13,663
2017	13,663
2018	13,663

The bond financing bears interest based upon LIBOR as defined in the agreement and fluctuates monthly. On December 27, 2012, the Association entered into an interest rate swap arrangement effective January 1, 2013 that effectively fixes the interest rate at 1.92%. The original notional amount of the contract was \$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, 2014 is (\$44,649) 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 separate note payable to a bank.

The fair values of derivative instruments at December 31, 2014 are as follows:

Derivatives not designated as hedging instruments under Subtopic 815-20	<u>Liability Derivatives</u>	
	Statement of Financial Position Location	Fair Value
Interest rate swap agreement	Long-term liabilities	\$ <u>44,649</u>

The effect of derivative instruments on the statement of activities and changes in net assets for the year ended December 31, 2014:

Derivatives not designated as hedging instruments under Subtopic 815-20	Location of loss recognized in unrestricted net assets on derivative	Amount of loss recognized in unrestricted net assets on derivative instruments
Interest rate swap agreement	Other gains and losses	\$ <u>103,140</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE H - Debt (continued)

Promissory note/bond financing (continued)

At December 31, 2014, required minimum future principal payments on long-term debt for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 1,331,936
2016	1,351,679
2017	1,278,483
2018	1,121,408
2019	1,129,378
Thereafter	<u>3,619,878</u>
	<u>\$ 9,832,762</u>

Line of credit

The Association entered into a \$1,000,000 line of credit with a bank expiring September 30, 2015. The loan is collateralized by accounts on hand at the lending institution. Interest is payable monthly at LIBOR plus 1.75%. There is no balance outstanding at December 31, 2014 on this line of credit.

NOTE I - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2014, consist of pledges receivable of \$252,358, United Way revenue receivable of \$612,716, endowment fund investment income of \$22,202 to be appropriated for 2015 operations, and net property and equipment held via donated leaseholds of \$16,819,089 (see Note G).

NOTE J - Endowments

The Board has interpreted 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 YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE J - Endowments (continued)

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 remainder 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.

	2014 Endowment Details			Total Funds
	Permanently Restricted	Temporarily Restricted	Unrestricted Board Designated	
Beginning balances	\$ 579,076	\$ 23,600	\$ 431,167	\$ 1,033,843
Transfer to operations	-	(23,600)	-	(23,600)
2014 investment income, net	22,202	22,202	4,943	49,347
Ending balances	<u>\$ 601,278</u>	<u>\$ 22,202</u>	<u>\$ 436,110</u>	<u>\$ 1,059,590</u>

NOTE K - 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 \$844,000 to the Plan for the year ended December 31, 2014.

NOTE L – 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 \$135,000 at December 31, 2014 for estimated future premium contributions. A liability in the approximate amount of \$39,000 is included in accrued expenses for amounts expected to be due within one year.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO

NOTES TO FINANCIAL STATEMENTS

NOTE L – Other long term liabilities and reserves (continued)

The Association ended participation in a partially self-funded plan with the Ohio Bureau of Workers' Compensation (BWC) effective July 1, 2014. 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, 2014. 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 \$149,000 and is reported in other long-term liabilities and reserves at December 31, 2014. The current portion of this reserve is \$150,000 and is included in accrued liabilities at December 31, 2014. After July 1, 2014, the Association switched to full premium under the Ohio BWC plan.

NOTE M - Concentrations of credit risk

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 F). 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, 2014, accounts receivable includes a grant receivable from Head Start and a United Way allocation receivable which represents 29% and 18%, respectively, of the total accounts receivable balance.

NOTE N - 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, 2014 are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 49,088
2016	49,088
2017	8,181
	<u>\$ 106,357</u>

Office rent expense totaled \$47,334 in 2014.

THE YOUNG MEN’S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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	\$ 384,004
<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 Education:</u>		
Passed-through the Educational Service Center of Central Ohio: Special Education - Grants for Infants and Families	84.181	605,602
Passed-through Twenty-First Century Community Learning Centers After school program	84.287	<u>236,560</u>
Total U.S. Department of Education		842,162
<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	224,726
Head Start	93.600	<u>4,563,032</u>
Total U.S. Department of Health and Human Services		<u>4,787,758</u>
Total Expenditures of Federal Awards		<u>\$ 6,177,924</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.



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**Independent Auditor's 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, 2014, 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 24, 2015.

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 opinions 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.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

June 24, 2015



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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

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 the Association's major federal program for the year ended December 31, 2014. The Association's major federal program is 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 the Association's major federal program 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 the 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 its major federal program for the year ended December 31, 2014.



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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance of the 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.

BDO USA, LLP

June 24, 2015

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's 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 auditor's 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:

CFDA Number
93.600

Name of Feral Program or Cluster
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, 2014

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

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

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, 2014 that were required to be reported.