



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2016
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 Report
with Supplemental Information
December 31, 2016**

The Young Men's Christian Association of Central Ohio

Contents

Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3-4
Statement of Activities and Changes in Net Assets	5-6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-30
Single Audit Report	
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	31-32
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance	33-34
Schedule of Expenditures of Federal Awards	35
Notes to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37-40

Independent Auditor's Report

To the Board of Directors
The Young Men's Christian Association of Central Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of The Young Men's Christian Association of Central Ohio, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Young Men's Christian Association of Central Ohio as of December 31, 2016, 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.

To the Board of Directors
The Young Men's Christian Association of Central Ohio

Other Matters - Predecessor Accountants

The financial statements of The Young Men's Christian Association of Central Ohio as of December 31, 2015 were audited by other auditors, whose report dated April 27, 2016 expressed an unmodified opinion on those statements.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for the purpose of additional analysis and is not a required part of the financial statements.

The schedule of expenditures of federal awards 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 April 18, 2017 on our consideration of The Young Men's Christian Association of Central Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Young Men's Christian Association of Central Ohio's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 18, 2017

The Young Men's Christian Association of Central Ohio

Statement of Financial Position

	December 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,933,890	\$ 2,476,287
Investments (Note 3)	8,236,710	8,945,053
Accounts receivable:		
Trade	433,388	400,742
Grants	3,089,130	2,647,106
Current portion of pledges receivable (Note 4)	126,185	129,511
Current portion of investment in leases receivable (Note 5)	230,659	219,377
Prepaid expenses and other current assets	224,618	218,752
Total current assets	14,274,580	15,036,828
Endowment Investments (Notes 3 and 11)	1,000,176	899,110
Property and Equipment - Net (Note 6)	36,509,569	35,903,498
Contributed Leasehold Interests - Net (Note 7)	16,030,144	16,534,588
Pledges Receivable - Net of current portion (Note 4)	-	20,000
Investment in Leases Receivable - Net of current portion (Note 5)	1,590,775	1,829,704
Total assets	\$ 69,405,244	\$ 70,223,728

The Young Men's Christian Association of Central Ohio

Statement of Financial Position (Continued)

	December 31, 2016	December 31, 2015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 386,209	\$ 860,535
Accrued liabilities and other:		
Payroll obligations	1,072,675	1,266,990
Accrued interest	13,836	14,359
Deferred membership revenue	856,614	906,823
Other deferred revenue	581,944	351,108
Accrued expenses	900,252	919,830
Lease line of credit (Note 8)	-	293,415
Current portion of bonds payable (Note 8)	1,072,991	1,226,283
Current portion of notes payable (Note 8)	475,774	125,396
Deposits	202,181	179,876
Total current liabilities	5,562,476	6,144,615
Bonds Payable - Net of current portion (Note 8)	5,786,616	6,845,463
Notes Payable - Net of current portion (Note 8)	1,223,424	204,682
Interest Rate Swap Agreement	22,121	60,914
Other Long-term Liabilities	236,500	354,257
Total liabilities	12,831,137	13,609,931
Net Assets		
Unrestricted:		
Undesignated	39,086,787	38,527,383
Board designated (Note 11)	356,512	292,284
Temporarily restricted (Note 10)	16,774,079	17,437,401
Permanently restricted (Note 10)	356,729	356,729
Total net assets	56,574,107	56,613,797
Total liabilities and net assets	<u>\$ 69,405,244</u>	<u>\$ 70,223,728</u>

The Young Men's Christian Association of Central Ohio

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support				
Contributions - Gifts and bequests	\$ 3,353,825	\$ 43	\$ -	\$ 3,353,868
Contributions - United Way	1,285,290	437,000	-	1,722,290
Contributions - Gain on acquisition (Note 14)	1,687,826	-	-	1,687,826
Governmental grants	14,019,437	-	-	14,019,437
Membership fees	15,533,975	-	-	15,533,975
Program fees	10,860,329	-	-	10,860,329
Residence and related services	1,735,312	-	-	1,735,312
Dividend and interest income	256,505	26,418	-	282,923
Net realized and unrealized gains on investments	171,717	42,257	-	213,974
Change in fair value of interest rate swap agreement	38,793	-	-	38,793
Gain (loss) on sale of property and equipment	800	-	-	800
Miscellaneous income	804,888	-	-	804,888
Amortization of contributed leasehold interests	504,444	(504,444)	-	-
Net assets released from restrictions	664,596	(664,596)	-	-
Total revenue, gains, and other support	50,917,737	(663,322)	-	50,254,415
Expenses				
Program services:				
Youth development	23,931,884	-	-	23,931,884
Healthy living	9,128,293	-	-	9,128,293
Social responsibility	11,164,024	-	-	11,164,024
Management and general	5,392,814	-	-	5,392,814
Fundraising	677,090	-	-	677,090
Total expenses	50,294,105	-	-	50,294,105
Change in Net Assets	623,632	(663,322)	-	(39,690)
Net Assets - Beginning of year	38,819,667	17,437,401	356,729	56,613,797
Net Assets - End of year	<u>\$ 39,443,299</u>	<u>\$ 16,774,079</u>	<u>\$ 356,729</u>	<u>\$ 56,574,107</u>

The Young Men's Christian Association of Central Ohio

Statement of Activities and Changes in Net Assets (Continued)

	Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains, and Other Support				
Contributions - Gifts and bequests	\$ 1,420,959	\$ 215,555	\$ -	\$ 1,636,514
Contributions - United Way	1,039,489	612,716	-	1,652,205
Contributions - Gain on acquisition (Note 14)	-	-	-	-
Governmental grants	12,925,917	-	-	12,925,917
Membership fees	15,642,937	-	-	15,642,937
Program fees	10,449,090	-	-	10,449,090
Residence and related services	1,614,306	-	-	1,614,306
Dividend and interest income	260,167	33,623	-	293,790
Net realized and unrealized gains on investments	(249,110)	(37,790)	-	(286,900)
Change in fair value of interest rate swap agreement	(16,265)	-	-	(16,265)
Gain (loss) on sale of property and equipment	(34,395)	-	-	(34,395)
Miscellaneous income	761,747	-	-	761,747
Amortization of contributed leasehold interests	530,670	(530,670)	-	-
Net assets released from restrictions	816,662	(816,662)	-	-
Total revenue, gains, and other support	45,162,174	(523,228)	-	44,638,946
Expenses				
Program services:				
Youth development	25,666,370	-	-	25,666,370
Healthy living	7,610,430	-	-	7,610,430
Social responsibility	8,233,781	-	-	8,233,781
Management and general	4,514,533	-	-	4,514,533
Fundraising	244,267	-	-	244,267
Total expenses	46,269,381	-	-	46,269,381
Change in Net Assets	(1,107,207)	(523,228)	-	(1,630,435)
Net Assets - Beginning of year	39,926,874	17,960,629	356,729	58,244,232
Net Assets - End of year	\$ 38,819,667	\$ 17,437,401	\$ 356,729	\$ 56,613,797

The Young Men's Christian Association of Central Ohio

Statement of Functional Expenses (with comparative total for year ended December 31, 2015)

	2016							
	Program Services				Supporting Services		Total Expenses	
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	2016	2015
Salaries	\$ 11,480,792	\$ 5,862,326	\$ 6,057,857	\$ 23,400,975	\$ 2,395,607	\$ 401,811	\$ 26,198,393	\$ 23,470,945
Benefits	1,076,141	430,125	576,859	2,083,125	280,676	35,275	2,399,076	1,890,953
Pension	418,658	172,007	207,666	798,331	125,661	15,069	939,061	964,183
Payroll taxes	843,847	438,502	436,139	1,718,488	160,731	28,824	1,908,043	1,981,685
Contract fees	3,050,224	83,587	691,973	3,825,784	344,950	7,947	4,178,681	4,336,659
Supplies	1,189,778	212,864	442,872	1,845,514	70,619	22,437	1,938,570	2,175,002
Printing	16,228	15,206	6,277	37,711	6,111	12,779	56,601	57,861
Telephone	154,072	38,509	72,057	264,638	27,743	3,867	296,248	274,030
Postage	8,638	3,241	6,895	18,774	16,348	1,192	36,314	32,591
Occupancy	1,844,327	761,455	1,277,299	3,883,081	384,120	49,546	4,316,747	4,249,006
Property and liability insurance	160,752	58,774	99,148	318,674	36,417	4,404	359,495	348,511
Advertising	50,430	20,461	17,383	88,274	452,145	3,137	543,556	335,817
Travel	141,980	45,123	112,383	299,486	90,438	4,778	394,702	339,580
Conferences	109,072	80,022	55,429	244,523	54,034	7,742	306,299	253,218
National support	184,560	61,575	62,978	309,113	26,259	4,521	339,893	362,782
Interest and bank charges	260,648	103,757	127,042	491,447	165,018	7,774	664,239	659,281
Depreciation and amortization	1,512,156	601,951	737,038	2,851,145	355,849	45,103	3,252,097	3,097,074
General	1,429,581	138,808	176,729	1,745,118	400,088	20,884	2,166,090	1,440,203
Total functional expenses	\$ 23,931,884	\$ 9,128,293	\$ 11,164,024	\$ 44,224,201	\$ 5,392,814	\$ 677,090	\$ 50,294,105	\$ 46,269,381
Percentage of total	47.58 %	18.15 %	22.20 %	87.93 %	10.72 %	1.35 %	100.00 %	

The Young Men's Christian Association of Central Ohio

Statement of Cash Flows

	Year Ended	
	December 31, 2016	December 31, 2015
Cash Flows from Operating Activities		
Change in net assets	\$ (39,690)	\$ (1,630,435)
Adjustments to reconcile change in net assets to net cash and cash equivalents from operating activities:		
Gifts restricted for endowment or capital improvements	-	(215,555)
Depreciation	2,747,653	2,552,741
Amortization of contributed leasehold interests	504,444	530,670
Amortization of debt issuance costs	14,144	13,663
Bad debt	140,804	170,741
Net realized and unrealized (gains) losses on investments	(213,974)	286,900
Change in fair value of interest rate swap agreement	(38,793)	16,265
(Gain) loss on sale of property and equipment	(800)	34,395
Gain on acquisition of Hilliker (Note 14)	(1,687,826)	-
Changes in operating assets and liabilities which (used) provided cash and cash equivalents:		
Accounts receivable	(626,439)	110,523
Pledges receivable	94,292	105,569
Prepaid expenses and other assets	(5,866)	2,644
Accounts payable	(480,537)	183,572
Accrued expenses	(401,321)	(1,176,921)
Deferred revenue	156,562	(121,383)
Net cash and cash equivalents provided by operating activities	162,653	863,389
Cash Flows from Investing Activities		
Purchases of property and equipment	(983,157)	(1,862,075)
Sale of property and equipment	800	-
Purchases of investments	(178,749)	(976,326)
Proceeds from sale of investments	1,000,000	1,829,110
Cash proceeds from acquisition of Hilliker (Note 14)	22,994	-
Payments received on investments in leases receivable	227,647	274,483
Net cash and cash equivalents provided by (used in) investing activities	89,535	(734,808)
Cash Flows from Financing Activities		
Net proceeds from line of credit	(293,415)	293,415
Proceeds from gifts restricted for endowment or capital improvements	-	105,568
Payments on notes and bonds payable	(1,496,888)	(1,317,745)
Proceeds from notes payable	995,718	-
Net cash and cash equivalents used in financing activities	(794,585)	(918,762)
Net Decrease in Cash and Cash Equivalents	(542,397)	(790,181)
Cash and Cash Equivalents - Beginning of year	2,476,287	3,266,468
Cash and Cash Equivalents - End of year	\$ 1,933,890	\$ 2,476,287
Supplemental Disclosure of Cash Flow Information -		
Cash paid for interest	\$ 178,734	\$ 180,786

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 1 - Nature of Business

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 13 full facility branches as well as two outdoor facilities, including Camp Willson, an overnight camp and conference facility. One of the full facility branches was acquired during 2016 (see Note 14). The Association operates over 100 childcare programs through its branches, area school districts, and other locations. The Association also manages the Van Buren Center, a shelter to support individuals and families experiencing homelessness, and Franklin Station, a permanent apartment living for low-income adults. 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 (Y-USA). As such, the Association receives benefits such as the use of the "YMCA" name and participation in the Y-USA's retirement plan (see Note 12).

Note 2 - Significant Accounting Policies

Basis of Accounting - The accounts of the Association are maintained in accordance with the principles of not-for-profit accounting. The statements have been prepared on an accrual basis.

Basis of 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.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. This category includes board-designated/quasi-endowed net assets consisting of donations made by bequest from donors' estates. It is the Association's policy to separate these donations from general-type donations.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met either by future actions of the Association and/or the passage of time.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations to be maintained permanently by the Association. The donors of these assets permit the Association to use the appreciation earned on related investments for general or specific purposes.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and all highly liquid investments with an original maturity of three months or less.

At December 31, 2016 and 2015, cash equivalents include \$105,423 and \$53,470, respectively, due from credit card processors for members' dues, programming, and childcare payments. Credit card processors pay the Association shortly after the members' remittance.

Investments - Debt and equity securities purchased and held principally for the purpose of selling them in the near term are classified as trading securities. Trading securities are reported at fair value with unrealized gains and losses included in earnings.

Accounts Receivable - The Association's accounts receivable are comprised primarily of trade receivables and grants committed from various funding agencies for use in the Association's activities.

Pledges Receivable - The Association records pledges and unconditional promises to give as receivables and revenue in the year the pledge is made. Those that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as revenue until the conditions are substantially met.

Allowance for Doubtful Accounts - The Association reports accounts receivable, pledges receivable, and leases receivable net of an allowance for doubtful accounts. The allowance is established based on a specific assessment of all receivables that remain unpaid following normal collection periods. In addition, a general valuation allowance is established based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. As of December 31, 2016 and 2015, the Association has recorded an allowance for doubtful accounts against these receivables totaling \$131,073 and \$35,512, respectively.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment - The Association capitalizes expenditures greater than \$2,500 for equipment, and \$7,500 for building improvements, replacements and renovations at cost. Ordinary repairs and maintenance are charged to expense when incurred. Depreciation is computed using the straight-line method over the estimated useful life 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.

Beneficial Interest - The Association is the beneficiary of an endowment established at the Community Foundation of Delaware County. Income from the endowment fund investments is currently expendable by the Association when received. These funds are subject to the variance power of the 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 \$37,004 and \$35,324 at December 31, 2016 and 2015, respectively.

Debt Issuance Costs - Debt issuance costs are reflected net with long-term obligations on the consolidated balance sheets. Amortization of debt issuance costs are expensed within the statements of operations using the straight-line method, over the terms of the related debt.

Contributions - 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.

Revenue - 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 - As a member agency, the Association receives funds from the United Way of Central Ohio and from the United Way of Pickaway County.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

Donated Assets and Services - 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 assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property or equipment are reported as restricted support. In the absence of 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 into 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 restrictions over the estimated useful life of the donated property or the allowed period of use, whichever is shorter.

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.

Interest Rate Swap - The Association has entered into an interest rate swap agreement maturing on January 1, 2023 in order to convert a variable rate note payable to a fixed rate. This interest rate swap is recognized in the accompanying statement of financial position at the fair value of \$22,121 and \$60,914 as of December 31, 2016 and 2015, respectively. Changes in the fair value of the interest rate swap are recognized with revenue on the statement of activities. Realized gains and losses are recognized as a component of interest expense; realized losses totaling \$64,923 and \$87,615 have been recognized in 2016 and 2015, respectively.

Functional Allocation of Expenses - The Association allocates its expenses on a functional basis amongst its various programs and support services. Allocated expenses are charged to each program based on direct expenditures incurred. Although methods of allocation are considered appropriate, other methods could be used that would produce different results.

Advertising - Advertising costs are expensed as incurred.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

Concentration of Credit Risk - The Association's financial instruments that are exposed to concentration of credit risk consist of principally of cash, receivables, lease receivables, and investments. 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.

Tax Status - The Association is an Ohio nonprofit organization, tax-exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. Income taxes on unrelated business 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 years ended December 31, 2016 and 2015.

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

Risks and Uncertainties - The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the statement of financial position.

Upcoming Accounting Pronouncements - In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Association's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Association's financial statements as a result of the facilities leases described in Note 13 and classified as operating leases.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 2 - Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Association's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Association does not believe that the implementation of the new standard will have a significant impact of its methods and timing of revenue recognition for its primary revenue stream (though a formal analysis has not yet been completed) and is currently assessing other less significant revenue streams.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Association, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Association's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Association is currently evaluating the impact this standard will have on the financial statements.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including April 18, 2017, which is the date the financial statements were available to be issued.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset. The Association had no assets or liabilities based on Level 3 inputs as of or during the years ended December 31, 2016 and 2015.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Association's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Association's policy is to recognize transfers amongst the levels of fair value classifications as of the end of the reporting period. There were no transfers amongst the reporting levels during 2016 or 2015.

As of January 1, 2016, the Association implemented new guidance that changes the required disclosures for investments valued at net asset value (NAV) per share (or its equivalent) as a practical expedient. Previously, investments measured at fair value using the NAV practical expedient were classified in the fair value hierarchy based on the redemption features associated with the investment. Under the new guidance, investments measured at fair value using NAV (or its equivalent) as a practical expedient are no longer classified in the fair value hierarchy described above and the information for 2015 has been adjusted to conform to the new disclosure requirements.

The following tables present information about the Association's assets and liabilities measured at fair value on a recurring basis at December 31, 2016 and 2015 and the valuation techniques used by the Association to determine those fair values.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2016

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value	Balance at December 31, 2016
Assets				
Cash and fixed income:				
Cash equivalents	\$ 105,171	\$ -	\$ -	\$ 105,171
Money market funds	3,370	-	-	3,370
Bonds and bond funds	-	3,122,133	-	3,122,133
Endowment bond funds	-	367,451	-	367,451
Equities:				
U.S. large-cap equity	2,004,759	-	-	2,004,759
U.S. mid-cap equity	511,846	-	-	511,846
International equity	931,027	-	-	931,027
Japanese large-cap equity	122,464	-	-	122,464
Global market equity	340,134	-	-	340,134
Endowment common stock	1,014	-	-	1,014
Endowment equity funds	628,341	-	-	628,341
Other - Hedge funds	649,244	-	449,932	1,099,176
Total assets	<u>\$ 5,297,370</u>	<u>\$ 3,489,584</u>	<u>\$ 449,932</u>	<u>\$ 9,236,886</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ 22,121</u>	<u>\$ -</u>	<u>\$ 22,121</u>

Assets and Liabilities Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value	Balance at December 31, 2015
Assets				
Cash and fixed income:				
Cash equivalents	\$ 599,341	\$ -	\$ -	\$ 599,341
Money market funds	1,057	-	-	1,057
Certificates of deposit	-	3,787	-	3,787
Bonds and bond funds	-	4,170,245	-	4,170,245
Endowment bond funds	-	355,633	-	355,633
Equities:				
U.S. large-cap equity	1,560,704	-	-	1,560,704
U.S. mid-cap equity	309,889	-	-	309,889
International equity	631,329	105,909	-	737,238
European large-cap equity	44,942	-	-	44,942
Japanese large-cap equity	84,032	-	-	84,032
Global market equity	324,145	-	-	324,145
Endowment equity funds	542,421	-	-	542,421
Other - Hedge funds	647,494	-	463,235	1,110,729
Total assets	<u>\$ 4,745,354</u>	<u>\$ 4,635,574</u>	<u>\$ 463,235</u>	<u>\$ 9,844,163</u>
Liabilities - Interest rate swap	<u>\$ -</u>	<u>\$ 60,914</u>	<u>\$ -</u>	<u>\$ 60,914</u>

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 3 - Fair Value Measurements (Continued)

The Association determines the fair values of the investments using quoted market prices, broker and dealer prices, or statements of account received from investment managers, which were principally based on quoted market or broker and dealer prices.

The Association determines the fair value of the interest rate swap using quotes provided by the respective bank counterparts that are based on models whose inputs are observable, LIBOR forward interest rate curves, Eurodollar features, and U.S. 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.

During 2016, the Association recorded realized investment losses of \$94,878 and unrealized investment gains of \$308,852. During 2015, the Association recorded realized investment losses of \$7,170 and unrealized investment losses of \$279,730.

As of December 31, 2016 and 2015, investments of \$1,000,176 and \$899,110, respectively, are classified as noncurrent assets reflecting amounts equivalent to the aggregate of restricted endowments and board designated quasi-endowment funds.

Investments in Entities that Calculate Net Asset Value per Share

The Association holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. At year end, the fair value, unfunded commitments, and redemption rules of those investments is as follows:

	December 31, 2016	December 31, 2015	December 31, 2016		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Hedge funds	\$ 449,932	\$ 463,235	\$ -	Quarterly	60 days

The hedge funds represent an investment in a close-ended balanced fund of funds. The fund invests in funds which invest in the equity and fixed-income markets. It allocates its assets primarily among professionally selected investment funds that are managed by experienced third-party investment advisers who invest in a variety of markets and employ, as a group, a range of investment techniques and strategies. The funds are domiciled in the United States.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 4 - Pledges Receivable

Pledges receivable represent unconditional promises to give at December 31, 2016 and 2015. 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, 2016 and 2015:

	2016	2015
Due within one year	\$ 165,507	\$ 167,319
Due from one year to five years	-	92,480
Less allowance for uncollectible contributions	(39,322)	(110,288)
Net pledges receivable	<u>\$ 126,185</u>	<u>\$ 149,511</u>

Note 5 - 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 pro-rata 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 of 5 percent per annum over a term of 20 years.

In addition to the base rent, OSU pays the Association a pro-rata 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 pro-rata share of operating costs for the space, without any further base rent.

The investment in leases receivable at December 31, 2016 and 2015 of \$1,821,434 and \$2,049,081, respectively, 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 refinance the Association's debt related to the original construction of these facilities (See Note 8).

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 5 - Investments in Leases Receivable (Continued)

The Association's investment in leases receivable consists of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
OSU Liberty Branch Wellness Center, entered in January 2003, with interest receivable monthly, based on interest incurred on the financing of the OSU space costs, at the rate of interest charged to the Association, due in April 2023	\$ 461,143	\$ 525,138
OSU Grove City Branch Wellness Center, entered in June 2003, with interest receivable monthly, based on interest incurred on the financing of the OSU space costs, at the rate of interest charged to the Association, due in May 2023	390,364	443,127
OSU Gahanna Branch Wellness Center, entered in April 2004, with interest receivable monthly, based on interest incurred on the financing of the OSU space costs, at the rate of interest charged to the Association, due in March 2024	472,777	527,967
OSU Hilliard Branch Wellness Center, entered in August 2004, with interest receivable monthly, based on interest incurred on the financing of the OSU space costs, at the rate of interest charged to the Association, due in July 2024	<u>497,150</u>	<u>552,849</u>
Total	969,927	1,080,816
Less current portion	<u>(230,659)</u>	<u>(219,377)</u>
Noncurrent portion	<u>\$ 739,268</u>	<u>\$ 861,439</u>

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 5 - Investments in Leases Receivable (Continued)

Interest income related to these receivables totaled \$35,475 and \$37,643 in 2016 and 2015, respectively.

Future minimum principal payments to be received under the lease agreements are as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2017	\$ 230,659
2018	242,459
2019	254,864
2020	266,904
2021	281,611
Thereafter	<u>544,937</u>
Total	<u>\$ 1,821,434</u>

Note 6 - Property and Equipment

Property and equipment as of December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>	<u>Depreciable Life - Years</u>
Land	\$ 2,998,644	\$ 2,818,644	-
Land improvements	607,105	579,382	10-15
Buildings	56,215,071	53,421,070	7-40
Transportation equipment	507,655	484,212	5
Furniture and fixtures	10,679,361	10,253,927	3-5
Leasehold improvements	671,949	671,949	5-20
Construction in progress	<u>23,522</u>	<u>116,658</u>	
Total cost	71,703,307	68,345,842	
Less accumulated depreciation	<u>(35,193,738)</u>	<u>(32,442,344)</u>	
Net carrying amount	<u>\$ 36,509,569</u>	<u>\$ 35,903,498</u>	

Depreciation expense was \$2,747,653 and \$2,552,741 for 2016 and 2015, respectively.

Construction in progress consists of costs incurred for building improvements not yet placed in service. There are no contractually obligated additional costs to complete these projects as of December 31, 2016.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 7 - Contributed Leasehold Interests

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 in which each arrangement was entered, ranging from 2000 through 2010. The Association is responsible for providing all fitness and office equipment necessary for the operation of the related facilities, as well as all costs related to the day-to-day operations of the facilities (e.g. insurance, utilities, repair, and maintenance). 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 for 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.

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 the 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.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 7 - Contributed Leasehold Interests (Continued)

Land Lease - Hilliard

In October 2002, the Association entered into a 20-year, below-market 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 year. 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 year prior to 2016.

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 a 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.

Donated leasehold interest for operating facilities are summarized as follows:

	2016	2015
Land:		
Gahanna	\$ 1,516,400	\$ 1,516,400
Liberty Township	331,800	331,800
Grove City	110,400	110,400
Delaware	335,280	335,280
Building:		
Liberty Township	5,371,002	5,371,002
Delaware	12,287,900	12,287,900
Less accumulated amortization	<u>(3,922,638)</u>	<u>(3,418,194)</u>
Total	<u>\$ 16,030,144</u>	<u>\$ 16,534,588</u>

The land leasehold interests are being amortized over periods ranging from 40 to 99 years. The building leasehold interests are being amortized over 40 years. Amortization expense of \$504,444 and \$530,670 was recognized in 2016 and 2015, respectively.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 8 - Bonds and Notes Payable

Long-term debt at December 31 is as follows:

	2016	2015
Loan agreement with the Delaware County Port Authority in relation to Delaware County Port Authority Economic Development Revenue Bonds, Series 2012. The loan matures in January 2023 and is payable in monthly amounts of principal and interest at the floating LIBOR. The Association has entered into an interest rate swap arrangement related to this loan that effectively fixes the interest rate at 1.92 percent	\$ 6,944,466	\$ 8,010,749
Note payable to a bank; monthly principal payments of \$13,333 plus interest at a variable rate due until maturity in January 2018; interest rate is LIBOR plus 1.0 percent (1.82 percent at December 31, 2016)	173,333	333,333
Note payable to a bank; monthly principal payments of \$10,450 plus interest at a fixed rate of 2.58 percent until maturity in March 2017. This note is collateralized by specific equipment as stated in the agreement	31,349	156,745
Lease line of credit with a bank converted to a term loan in May 2016; monthly payments of \$20,744 including interest at a fixed rate of 2.75 percent until maturity in May 2020. The note is collateralized by the equipment purchased with the borrowings	850,509	-
Mortgage note payable with a bank; monthly payments of \$5,153 including interest at a fixed rate of 4.5 percent until maturity in February 2031. The note is collateralized by the underlying property	644,007	-
Net bond issuance costs being amortized over a period of 10 years. Expected future annual amortization expense is approximately \$14,000 per year through January 2023	(84,859)	(99,003)
Total	8,558,805	8,401,824
Less current portion	1,548,765	1,351,679
Long-term portion	<u>\$ 7,010,040</u>	<u>\$ 7,050,145</u>

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 8 - Bonds and Notes Payable (Continued)

Required minimum principal payments on bonds and notes payable (gross of issuance costs) for each of the years ended December 31 are as follows:

2017	\$ 1,563,979
2018	1,406,208
2019	1,415,799
2020	1,289,481
2021	1,211,320
Thereafter	1,756,877
Less issuance costs	<u>(84,859)</u>
Total	<u>\$ 8,558,805</u>

Lines of Credit

As of December 31, 2015, the Association had entered into a \$1,000,000 lease line of credit with a bank which expired on May 1, 2016, at which time the outstanding balance of \$995,718 was converted to a four-year term lease with the lender, as noted in the debt descriptions above. Borrowings in the amount of \$293,415 were outstanding at December 31, 2015 on the line of credit.

The Association has entered into a \$1,000,000 line of credit with a bank expiring on April 1, 2017, which it is in the process of renewing. The line is collateralized by general assets in the Association. Interest is payable monthly at LIBOR plus 2.00 percent. There is no balance outstanding at December 31, 2016 and 2015 on this line of credit.

Note 9 - Other Long-term Liabilities and Reserves

The Association provides medical and dental insurance to certain retirees with at least 15 years of service. 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 assumptions used to estimate the liability were developed by statistics from the YMCA USA on the average age at retirement and percentage of the total employees who retire from the YMCA with 15 or more years of service. In October 2016, the plan was closed to new participants. As of December 31, 2016 and 2015, the Association has accrued a liability of approximately \$239,000 and \$307,000, respectively, for estimated future premium contributions. The amount is included with accrued current expenses and with other long-term liabilities on the statement of financial position.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 9 - Other Long-term Liabilities and Reserves (Continued)

The Association ended participation in a risk-rated individual retro plan with the Ohio Bureau of Workers' Compensation (BWC) effective July 1, 2014. As a result, the Association is responsible for claims incurred up to a predetermined total liability for a period of 10 years following the plan year end as determined by the contract. The Association records an estimate of the expected future claims based upon prior claims history and the Association's best estimate of the expected future claims. As of December 31, 2016 and 2015, the Association has accrued a liability of approximately \$83,000 and \$181,000, respectively, for estimated future premium contributions. The amount is included with accrued current expenses and with other long-term liabilities on the statement of financial position.

After July 1, 2014, the Association switched to full premium plan under the Ohio BWC; however, this plan was only in effect through June 30, 2015, at which time the Association switched to a prospective bimonthly premium installment plan based on projected annual premiums with a retrospective true-up every year. As of December 31, 2016 and 2015, a liability of approximately \$66,000 and \$63,000, respectively, is included in accrued expenses for amounts expected to be due on the true-up, net of any prepaid estimated premium payments. The amount is included with accrued current expenses on the statement of financial position.

Note 10 - Net Assets

Restricted net assets consist of the following:

	2016	2015
Temporarily restricted:		
Grants receivable	\$ 437,000	\$ 612,716
Pledges receivable - Net	20,000	40,000
Contributed leasehold interests - Net	16,030,144	16,534,588
Accumulated appreciation on endowments	286,935	250,097
Total temporarily restricted	<u>\$ 16,774,079</u>	<u>\$ 17,437,401</u>
Permanently restricted -		
Endowment investments	<u>\$ 356,729</u>	<u>\$ 356,729</u>

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 11 - Donor-restricted and Board-designated Endowments

The Association's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Association
- (7) The investment policies of the Association

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Endowment Net Asset Composition by Type of Fund 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 286,935	\$ 356,729	\$ 643,664
Board-designated endowment funds	356,512	-	-	356,512
Total funds	<u>\$ 356,512</u>	<u>\$ 286,935</u>	<u>\$ 356,729</u>	<u>\$ 1,000,176</u>

Endowment Net Asset Composition by Type of Fund 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 292,284	\$ 250,097	\$ 356,729	\$ 899,110
Investment return:				
Release of restriction	31,837	(31,837)	-	-
Investment income	12,460	26,418	-	38,878
Unrealized gains	19,931	42,257	-	62,188
Endowment net assets - End of year	<u>\$ 356,512</u>	<u>\$ 286,935</u>	<u>\$ 356,729</u>	<u>\$ 1,000,176</u>

Endowment Net Asset Composition by Type of Fund 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 250,097	\$ 356,729	\$ 606,826
Board-designated endowment funds	292,284	-	-	292,284
Total funds	<u>\$ 292,284</u>	<u>\$ 250,097</u>	<u>\$ 356,729</u>	<u>\$ 899,110</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of year	\$ 448,596	\$ 254,264	\$ 356,729	\$ 1,059,589
Investment return:				
Release of board designation	(154,347)	-	-	(154,347)
Investment income	8,141	33,623	-	41,764
Unrealized losses	(10,106)	(37,790)	-	(47,896)
Endowment net assets - End of year	<u>\$ 292,284</u>	<u>\$ 250,097</u>	<u>\$ 356,729</u>	<u>\$ 899,110</u>

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 11 - Donor-restricted and Board-designated Endowments (Continued)

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, the endowment assets are invested in a manner that is intended to produce results that exceed the market index. The Association expects its endowment funds, over time, to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated to the extent it is consistent with the volatility of a comparable market index.

Strategies Employed for Achieving Objectives

The investment policy of the Association suggests that assets in the endowments be invested 60 percent/40 percent between equity and fixed-income accounts with proper diversification. Until such time that the endowment fund market value exceeds \$1,000,000, the portfolio will only be invested in mutual funds. The total return of the endowment fund will be reviewed annually and compared to target balanced index.

The Association's current policy states that the total amount available for expenditures is 50 percent of the investment earnings and appreciation, not to exceed 5 percent of the average balance of the previous 12 quarters. The remainder of the investment earnings and appreciation are to remain invested in the endowments funds.

Note 12 - Employee Benefit Plans

The Association participates in the Y-USA'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 percent. The Association contributed approximately \$939,000 and \$964,000 to the Plan for the years ended December 31, 2016 and 2015, respectively.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 13 - Operating Leases

The Association leases facilities at various locations under operating lease agreements extending through June 2027.

Minimum future rental payments under these noncancelable operating leases as of December 31, 2016 are as follows:

<u>Year Ending</u>	<u>Amount</u>
2017	\$ 169,000
2018	199,000
2019	174,000
2020	147,000
2021	147,000
Thereafter	<u>948,500</u>
Total	<u>\$ 1,784,500</u>

Total rent expense was approximately \$154,000 and \$65,000 for the years ended December 31, 2016 and 2015, respectively.

The Young Men's Christian Association of Central Ohio

Notes to Financial Statements December 31, 2016 and 2015

Note 14 - Acquisition

Effective December 29, 2016, the Association entered into an asset purchase agreement with the Don M. and Margaret Hilliker YMCA (Hilliker) to purchase all assets of Hilliker in exchange for the assumption of all the liabilities of Hilliker. Upon the transfer, the Association will operate a branch facility at the Hilliker location in an effort to expand the programs and services offered in the area.

The acquisition resulted in no consideration transferred from the Association. The following represents a summary of the fair value of assets acquired and liabilities assumed in the acquisition:

	Fair Value as of Acquisition Date
Assets acquired:	
Cash	\$ 22,994
Accounts receivable	60,001
Property and equipment	<u>2,370,567</u>
Total assets acquired	<u>\$ 2,453,562</u>
Liabilities assumed:	
Accounts payable and accrued liabilities	\$ 97,664
Deferred membership revenue	24,065
Notes payable	<u>644,007</u>
Total liabilities assumed	<u>\$ 765,736</u>

The fair value of assets acquired exceeded the fair value of liabilities assumed resulting in recognition of contribution revenue of \$1,687,826 on the statement of activities. The former board of directors of Hilliker agreed to this asset purchase agreement in order to extend the benefits of membership in the Association to the former members of Hilliker. Additionally, with Hilliker's close proximity to Camp Willson, new opportunities to share services, offer new programs, and share staff are quickly evolving to benefit the community.

Single Audit Report

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*

Independent Auditor's Report

To Management and the Board of Trustees
The Young Men's Christian Association of Central 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 basic statement of financial position as of December 31, 2016, and the related basic statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated April 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Young Men's Christian Association of Central Ohio'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.

To Management and the Board of Trustees
The Young Men's Christian Association of Central Ohio

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2016-001, 2016-002, and 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Young Men's Christian Association of Central Ohio'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*.

The Young Men's Christian Association of Central Ohio's Response to Findings

The Young Men's Christian Association of Central Ohio's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Young Men's Christian Association of Central Ohio's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Plante & Moran, PLLC

April 18, 2017

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
The Young Men's Christian Association of Central 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 U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The Young Men's Christian Association of Central Ohio'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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Young Men's Christian Association of Central Ohio'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 Young Men's Christian Association of Central Ohio'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 Young Men's Christian Association of Central Ohio's compliance.

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

Opinion on Each Major Federal Program

In our opinion, The Young Men's Christian Association of Central Ohio 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, 2016.

Report on Internal Control Over Compliance

Management of The Young Men's Christian Association of Central Ohio 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 Young Men's Christian Association of Central Ohio'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 the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

April 18, 2017

The Young Men's Christian Association of Central Ohio

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Date	Award Amount	Federal Expenditures	Total Amount Provided to Subrecipients
U.S. Department of Health and Human Services - Passed through the Franklin County Department of Job and Family Services and Franklin County Commissioners:						
TANF Vaughn-Temporary Assistance to Needy Families	93.558	25-15-1018	8/25/2015-6/12/2016	\$ 115,000	\$ 65,241	\$ -
TANF Vaughn-Temporary Assistance to Needy Families	93.558	25-16-2017	9/1/16-6/16/2017	115,000	37,879	-
TANF Starling - Temporary Assistance to Needy Families	93.558	25-17-2026	9/1/2016-6/16/2017	50,000	5,460	-
Summer Camp - Temporary Assistance to Needy Families	93.558	25-16-1525	6/6/2016-8/12/2016	189,451	180,418	-
Total awards from the Franklin County Department of Job and Family Services and Franklin County Commissioners					288,998	-
U.S. Department of Health and Human Services - Administration for Children Head Start - Passed through the Franklin County Department of Health and Community Wellness:						
Head Start	93.600	05CH 8337/03	11/1/2015-10/31/2016	5,439,186	3,977,447	1,999,468
Head Start	93.600	05CH 8337/04	11/1/2016-3/31/2017	5,439,186	1,141,987	574,078
Total awards from Administration of Children Head Start					5,119,434	2,573,546
U.S. Department of Agriculture - Passed through the Ohio Department of Education:						
Child Care Food Program	10.558	119529	10/1/2015-9/30/2016	492,895	384,357	-
Child Care Food Program	10.558	119529	10/1/2016-9/30/2017	430,070	181,527	-
Total awards from Ohio Department of Education - Child Care Food Program					565,884	-
U.S. Department of Education - Passed through the Ohio Department of Education:						
Ohio Department of Education - 21st Century	84.287	6635	7/1/2015-6/30/2016	149,470	61,617	-
Ohio Department of Education - 21st Century	84.287	6635	7/1/2016-6/30/2017	99,980	49,089	-
Total 21st Century Program Awards					110,706	-
U.S. Department of Education - Passed through the Ohio Department of Education:						
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	FCFC-15-027	7/1/2015-6/30/2016	547,858	244,097	-
Special Education - Grants for Infants and Families (Help Me Grow)	84.181	FCFC-16-027	7/1/2016-6/30/2017	547,858	271,991	-
Total Special Education - Grants for Infants and Families (Help Me Grow) awards					516,088	-
US Department of Housing & Urban Development - Pass through the Ohio Department of Housing & Urban Development and Columbus Department of Housing & Urban Development - Home Investment Partnership Program	14.239	YMCA-16-CSB	1/1/2016-12/31/2016	164,000	147,749	-
Total Home Investment Partnership Program Awards					147,749	-
U.S. Department of Housing and Urban Development - Community Developmental Block Grants Passed through City of Columbus	14.218	YMCA-16-CSB	1/1/2016-12/31/2016	493,875	346,126	-
Total Developmental Block Grants Passed through City of Columbus					346,126	-
Total federal awards					<u>\$ 7,094,985</u>	<u>\$ 2,573,546</u>

The Young Men's Christian Association of Central Ohio

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Young Men's Christian Association of Central Ohio (the "Association") under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Association.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Association has not elected to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

The Young Men's Christian Association of Central Ohio

Schedule of Findings and Questioned Costs Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) 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 weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)?

☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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

The Young Men's Christian Association of Central Ohio

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2016

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	Finding Type - Significant deficiency Criteria - The Association's financial statement application system lacks proper segregation of administrative user duties. Condition - Our audit procedures indicated that multiple members of the accounting staff and management have unlimited administrative access to the financial application system, including the ability to modify user access. Context - The controller and other accountants are administrators over the financial application system. Cause - The Association's financial statement application system is not set up to restrict user access in accordance with the user's other areas of responsibility. Effect - The lack of segregation of duties could result in the cover up of a misappropriation of assets or in fraudulent/erroneous financial statement reporting. Recommendation - The administration function of the financial statement application system should be outsourced to an individual outside of the accounting department. The Association should regularly review all user access levels for appropriateness. Views of Responsible Officials and Planned Corrective Actions - The Association agrees with the finding and has engaged the vendor of our financial statement application system on the mechanics of segregating duties. The user rights have been updated to remove "User Maintenance" from the accounting group, and a new group named "IT" has been created with the permission of "User Maintenance."

The Young Men's Christian Association of Central Ohio

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-002	Finding Type - Significant deficiency Criteria - The Association did not post certain costs to the proper period due to incomplete analysis of accounts payable cut-off. Condition - Our audit procedures indicated multiple invoices were improperly excluded from accounts payable as of 12/31/2016. Context - The improperly excluded invoices represent a lack of matching costs to the appropriate accounting period. Cause - The errors occurred as purchase orders were not generated prior to receiving invoices; therefore the Association was unable to identify the unrecorded liability when performing year-end closing procedures. Effect - The lack of proper cut-off could lead to understated liabilities. Recommendation - The Association should require that a purchase order or other similar tracking document be generated and maintained prior to entering any obligation for goods or services. Views of Responsible Officials and Planned Corrective Actions - The Association agrees with the finding and made the PO system a focus of process improvement for the year. An "Open PO" report has been created and will be sent biweekly to our directors to help them better view and manage their PO's. Branch office managers were given PO training. At the next director's cabinet, purchasing policies will be reviewed with specific guidance on creating PO's before the invoice is generated.

The Young Men's Christian Association of Central Ohio

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-003	Finding Type - Significant deficiency Criteria - The Association did not record previous years' appreciation of permanently restricted endowment assets in accordance with the donor's original intentions. Condition - Our audit procedure indicated that temporarily restricted appreciation on endowments was improperly classified with permanently restricted net assets. Context - The improper classification of restricted net assets indicates a risk of lack of compliance with donor intentions. Cause - The misclassification is a result of the donations originally being gifted to an entity that was later acquired by the YMCA of Central Ohio. Effect - The lack of proper classification could lead to fewer gifts from donors in the future whose wishes were not carried out by the Association. Recommendation - It is recommended that the Association track and keep the documentation for all restricted gifts to appropriately classify the balances year over year. Views of Responsible Officials and Planned Corrective Actions - The Association agrees with the finding. Documentation for all restricted gifts will be recorded and stored in perpetuity. During any future acquisitions, documentation for restricted net assets will be sought and similarly stored.

Section III - Federal Program Audit Findings

None