YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTH PALM BEACH COUNTY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

MORRISON BROWN ARGIZ & FARRA, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

YOUNG MEN'S CHRISTIAN ASSOCIATION OF SOUTH PALM BEACH COUNTY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees and Management
Young Men's Christian Association
of South Palm Beach County, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of South Palm Beach County, Inc. (the "YMCA") (a Florida corporation), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Young Men's Christian Association of South Palm Beach County, Inc. as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of the Prime Time Palm Beach County, Inc. Agreements and Notes to Schedule of Expenditures of the Prime Time Palm Beach County, Inc. Agreements on page 27 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 May 10, 2018 on our consideration of the YMCA's internal control over financial reporting and 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 YMCA's internal control over financial reporting and compliance.

Morrison, Brown, Argiz & Farra

Boca Raton, Florida
May 10, 2018

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Cash and cash equivalents	$ 2,988,011	$ -	$ 2,988,011	$ 3,473,096	$ -	$ 3,473,096
Restricted cash	-	178,253	178,253	-	139,947	139,947
Investments	282,294	539,856	822,150	259,406	458,516	717,922
Receivables:						
Unconditional promises to give, net	280,645	14,452	295,097	318,681	13,919	332,600
Grant receivables and other receivables, net	134,142	-	134,142	171,095	-	171,095
Beneficial interest in irrevocable trusts, net	-	1,594,364	1,594,364	-	1,567,685	1,567,685
Prepaid expenses	145,886	-	145,886	141,570	-	141,570
Property and equipment, net	14,023,579	-	14,023,579	14,034,773	-	14,034,773
TOTAL ASSETS	**$ 17,854,557**	**$ 2,326,925**	**$ 20,181,482**	**$ 18,398,621**	**$ 2,180,067**	**$ 20,578,688**
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable and accrued expenses	$ 497,858	$ -	$ 497,858	$ 519,331	$ -	$ 519,331
Deferred revenue	674,902	-	674,902	694,321	-	694,321
Note payable	393,434	-	393,434	589,182	-	589,182
Bonds payable (net of deferred loan costs totaling $89,689 and $96,569 as of December 2017 and 2016, respectively)	6,352,606	-	6,352,606	6,838,793	-	6,838,793
Fair value of interest rate swap	32,573	-	32,573	94,265	-	94,265
Capital lease obligations	291,771	-	291,771	269,617	-	269,617
TOTAL LIABILITIES	8,243,144	-	8,243,144	9,005,509	-	9,005,509
NET ASSETS						
Unrestricted:						
Undesignated	9,329,119	-	9,329,119	9,133,706	-	9,133,706
Board designated	282,294	-	282,294	259,406	-	259,406
Total unrestricted	9,611,413	-	9,611,413	9,393,112	-	9,393,112
Temporarily restricted	-	2,326,925	2,326,925	-	2,180,067	2,180,067
TOTAL NET ASSETS	9,611,413	2,326,925	11,938,338	9,393,112	2,180,067	11,573,179
TOTAL LIABILITIES AND NET ASSETS	**$ 17,854,557**	**$ 2,326,925**	**$ 20,181,482**	**$ 18,398,621**	**$ 2,180,067**	**$ 20,578,688**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31,

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT:						
Contributions, net	$ 891,179	$ 125,852	$ 1,017,031	$ 891,424	$ 36,567	$ 927,991
Special events, net	224,542	-	224,542	203,759	-	203,759
Government and other grants	461,949	-	461,949	390,697	-	390,697
Membership dues	4,584,083	-	4,584,083	4,471,500	-	4,471,500
Program and service fees	5,472,143	-	5,472,143	5,022,192	-	5,022,192
Investment income, net	77,516	41,340	118,856	45,246	29,263	74,509
Net assets released from restrictions	20,334	(20,334)	-	55,180	(55,180)	-
TOTAL REVENUES AND OTHER SUPPORT	11,731,746	146,858	11,878,604	11,079,998	10,650	11,090,648
EXPENSES						
Program services:						
Membership and program services	4,446,579	-	4,446,579	4,224,194	-	4,224,194
Youth development	5,778,291	-	5,778,291	5,378,434	-	5,378,434
Total program services	10,224,870	-	10,224,870	9,602,628	-	9,602,628
Support services:						
Management and general	1,063,522	-	1,063,522	1,006,792	-	1,006,792
Fundraising	286,745	-	286,745	292,749	-	292,749
Total support services	1,350,267	-	1,350,267	1,299,541	-	1,299,541
TOTAL EXPENSES BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAP	11,575,137	-	11,575,137	10,902,169	-	10,902,169
CHANGE IN NET ASSETS BEFORE CHANGE IN FAIR VALUE OF INTEREST RATE SWAP	156,609	146,858	303,467	177,829	10,650	188,479
Change in fair value of interest rate swap	61,692	-	61,692	71,081	-	71,081
CHANGE IN NET ASSETS	218,301	146,858	365,159	248,910	10,650	259,560
NET ASSETS - BEGINNING OF YEAR	9,393,112	2,180,067	11,573,179	9,144,202	2,169,417	11,313,619
NET ASSETS - END OF YEAR	**$ 9,611,413**	**$ 2,326,925**	**$ 11,938,338**	**$ 9,393,112**	**$ 2,180,067**	**$ 11,573,179**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 365,159	$ 259,560
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	927,853	778,208
Bad debt expense	154,086	134,721
Present value discount adjustment	(26,679)	(25,869)
Change in fair value of interest rate swap	(61,692)	(71,081)
Net realized/unrealized gains on investments	(51,500)	(36,241)
Decrease (increase) in assets:		
Restricted cash	(38,306)	40,179
Unconditional promises to give and beneficial interest in irrevocable trusts	37,503	(118,500)
Grant receivables and other receivables	(117,133)	(197,363)
Prepaid expenses	(4,316)	(14,073)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(21,473)	169,559
Deferred revenue	(19,419)	173,494
TOTAL ADJUSTMENTS	778,924	833,034
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,144,083	1,092,594
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(52,728)	(9,578)
Purchases of property and equipment	(806,405)	(544,028)
NET CASH USED IN INVESTING ACTIVITIES	(859,133)	(553,606)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(195,748)	(189,403)
Repayments of bonds payable	(493,067)	(478,752)
Repayments of capital lease obligations	(81,220)	(25,235)
NET CASH USED IN FINANCING ACTIVITIES	(770,035)	(693,390)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(485,085)	(154,402)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,473,096	3,627,498
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,988,011**	**$ 3,473,096**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	**$ 224,054**	**$ 235,304**
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Equipment financed through capital lease	**$ 103,374**	**$ 294,852**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services			Support Services		
	Membership and Program Services	Youth Development	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 1,790,089	$ 3,060,592	$ 4,850,681	$ 624,236	$ 201,889	$ 5,676,806
Employee benefits and payroll taxes	402,025	758,723	1,160,748	109,211	59,998	1,329,957
Professional/contract service	177,428	300,716	478,144	106,367	5,032	589,543
Supplies	152,268	377,437	529,705	31,431	63	561,199
Telephone	17,308	13,013	30,321	15,003	2,282	47,606
Postage and shipping	13,334	3,975	17,309	2,570	1,806	21,685
Occupancy	463,716	276,446	740,162	19,578	-	759,740
Equipment repair and maintenance	39,572	15,110	54,682	4,297	-	58,979
Equipment rental	64,376	23,598	87,974	5,159	-	93,133
Special events	44,650	25,103	69,753	-	36,833	106,586
Media services			-			
and publications	114,475	26,177	140,652	5,258	13,713	159,623
Travel and transportation	13,201	203,401	216,602	61,498	1,151	279,251
Conference and meetings	14,869	29,386	44,255	23,606	811	68,672
Fees, awards, and camps	-	-	-	1,108	-	1,108
Dues and subscriptions	205	202	407	10,861	-	11,268
Financing/bank charges	243,523	136,913	380,436	2,156	-	382,592
Liability insurance	166,860	112,822	279,682	6,605	-	286,287
National YMCA dues	101,051	59,488	160,539	5,210	-	165,749
Bad debt	97,145	56,941	154,086	-	-	154,086
Depreciation and amortization	575,134	323,351	898,485	29,368	-	927,853
Total Expenses	4,491,229	5,803,394	10,294,623	1,063,522	323,578	11,681,723
Less: Special events	(44,650)	(25,103)	(69,753)	-	(36,833)	(106,586)
TOTAL EXPENSES, NET OF SPECIAL EVENTS	**$ 4,446,579**	**$ 5,778,291**	**$ 10,224,870**	**$ 1,063,522**	**$ 286,745**	**$ 11,575,137**

The accompanying notes are an integral part of these consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services			**Support Services**		
	Membership and Program Services	Youth Development	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 1,943,196	$ 2,772,707	$ 4,715,903	$ 545,638	$ 206,871	$ 5,468,412
Employee benefits and payroll taxes	428,606	616,774	1,045,380	133,412	50,738	1,229,530
Professional/contract service	161,746	227,712	389,458	111,187	1,804	502,449
Supplies	172,781	280,042	452,823	23,743	-	476,566
Telephone	14,359	13,249	27,608	14,063	2,299	43,970
Postage and shipping	13,673	7,141	20,814	1,370	2,186	24,370
Occupancy	337,927	322,306	660,233	14,442	-	674,675
Equipment repair and maintenance	32,513	16,271	48,784	3,891	-	52,675
Equipment rental	93,067	31,186	124,253	1,284	-	125,537
Special events	31,878	28,936	60,814	-	32,805	93,619
Media services and publications	144,450	57,152	201,602	7,577	16,493	225,672
Travel and transportation	3,989	186,521	190,510	64,534	1,483	256,527
Conference and meetings	15,494	26,222	41,716	12,933	1,415	56,064
Fees, awards, and camps	-	-	-	1,100	-	1,100
Dues and subscriptions	1,482	1,788	3,270	23,099	-	26,369
Financing/bank charges	193,582	177,774	371,356	9,139	3,304	383,799
Liability insurance	138,490	133,477	271,967	9,647	-	281,614
National YMCA dues	77,742	69,638	147,380	6,375	6,156	159,911
Bad debt	58,567	76,154	134,721	-	-	134,721
Depreciation and amortization	392,530	362,320	754,850	23,358	-	778,208
Total Expenses	4,256,072	5,407,370	9,663,442	1,006,792	325,554	10,995,788
Less: Special events	(31,878)	(28,936)	(60,814)	-	(32,805)	(93,619)
TOTAL EXPENSES, NET OF SPECIAL EVENTS	**$ 4,224,194**	**$ 5,378,434**	**$ 9,602,628**	**$ 1,006,792**	**$ 292,749**	**$ 10,902,169**

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF ORGANIZATION

Young Men's Christian Association of South Palm Beach County, Inc. (the "YMCA") is a not-for-profit corporation organized under the laws of the State of Florida. The YMCA is a cause driven organization that is for youth development, for healthy living and for social responsibility. The YMCA is a member of the YMCA of the USA, a world-wide organization. Each member of the YMCA of the USA is autonomous.

The YMCA provides many programs and services to people of all ages. Some of the programs and services are:

Summer camp

Early childhood development program

Preschool

Social and recreational programs for youths and adults with disabilities

Diabetes prevention

Senior health and wellness programs

Family development programs

Youth and adult sport leagues

Youth and adult aquatic instruction, water safety and drowning prevention

Revenues are derived primarily from program and service fees, membership dues and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the YMCA and the YMCA Foundation of South Palm Beach County, Inc. (the "YMCA Foundation"), which are under common control. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements. The YMCA Foundation was established to provide a permanent source of funding for the YMCA, allowing the YMCA to meet critical community needs now and in the future.

The consolidated financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting standards issued by the Financial Accounting Standards Board ("FASB"). The YMCA reports its three types of net assets as follows:

Unrestricted Net Assets
Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets
Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the YMCA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets
Net assets subject to donor-imposed stipulations for which the assets must be maintained permanently by the YMCA. The YMCA has no such net assets as of and for the years ended December 31, 2017 and 2016.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The YMCA considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash consists of funds limited in use by the donor.

Contributed Services

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers. The YMCA recorded in-kind services totaling approximately $66,000 and $28,000 for the years ended December 31, 2017 and 2016, respectively.

Concentrations of Credit Risk

The YMCA maintains cash balances at local banks. Accounts at a local institution are insured by the Federal Deposit Insurance Corporation. At December 31, 2017 and 2016 and at certain times during the year, the YMCA had amounts on deposit which were in excess of the federally insured limits. The YMCA is required to maintain all cash and cash equivalents at the financial institution that provided the bonds payable (NOTE 11). The YMCA has not experienced any losses in such accounts.

The YMCA invests in marketable debt and equity securities, which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual debt and equity security. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio. The YMCA has an investment policy and utilizes management oversight, and periodically reviews its investment portfolios to monitor these risks.

Concentrations of credit risk exist for the YMCA's unconditional promises to give and beneficial interest in irrevocable trusts due to the size of the amounts and the small number of donors. As of December 31, 2017 and 2016, unconditional promises to give and beneficial interest in irrevocable trusts from one individual donor represented approximately 82% of total unconditional promises to give and beneficial interest in irrevocable trusts.

Concentrations of credit risk with respect to other receivables are limited due to the large number of members comprising the YMCA's membership base. As of December 31, 2017 and 2016, the YMCA had no significant concentrations of credit risk relating to other receivables.

Contributions and Unconditional Promises to Give

The YMCA accounts for contributions in accordance with the provisions of an accounting standard issued by the FASB. In accordance with this standard, contributed goods and services, which meet certain criteria, are recorded as contributions at their estimated fair value at date of receipt. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted support. Donor-restricted contributions whose restrictions are met in the same reporting period they are received are reported as unrestricted support. The allowance for uncollectible unconditional promises to give is based on the YMCA's historical pledge collection experience and management's evaluation of other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Unconditional promises to give are carried at their net realizable value. Multi-year promises are discounted using a fair market rate and reported at their net present value.

Grants

The YMCA receives grant funds from various state and governmental agencies. The amounts received under these grants are designated for specific purposes by the granting agencies. Grants are recognized when the allowable costs as defined by the individual grant agreements are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grant Receivables and Other Receivables, Net

Grant receivables and other receivables consist of membership, general contributions and other program related fees. Management reviews its receivable balances for uncollectible accounts on a monthly basis and either directly writes them off or creates an allowance for doubtful accounts (NOTE 6). The allowance for doubtful accounts is determined taking into account the financial condition of the YMCA's customers, current general economic conditions, and the age of certain balances due to the YMCA. Receivables are charged off after all means of collection have been exhausted.

Split-Interest Agreements

The YMCA has been named as a remainder beneficiary of various charitable remainder annuity and unitrusts. Trust assets are stated at fair market value. The YMCA's beneficial interest was determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. The YMCA used a present value discount rate of 4%.

A contribution is recorded at the fair value of the assets received less a present value discount. The assets related to these trusts are separately identified in the accompanying consolidated statements of financial position as "Beneficial interest in irrevocable trusts, net."

Property and Equipment, Net

The YMCA capitalizes all expenditures in excess of $1,000 for property and equipment. Property and equipment are recorded at cost if purchased and at their estimated fair value if donated. Property and equipment donations are reported as unrestricted support unless the donor has restricted the use of the asset for a specific purpose. Contributions of cash, other assets and unconditional promises to give which are restricted for the purpose of acquiring property and equipment are reported as restricted support. When there are no explicit donor stipulations about how long those long-lived assets must be maintained, the YMCA reports expirations of donor restrictions when the acquired long-lived assets are placed in service. These expirations of donor restrictions are reported as reclassifications to unrestricted net assets.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets.

	Useful lives
Youth learning center	39 years
Buildings and improvements - Boca Raton	5 - 39 years
Buildings and improvements - Boynton Beach	5 - 39 years
Sports field	5 - 15 years
Equipment	2 - 10 years
Vehicles	3 - 7 years

Long-Lived Assets

The YMCA reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded for the years ended December 31, 2017 and 2016.

Bond Financing Costs, Net

The YMCA amortizes costs incurred in obtaining debt financing over the terms of the debt instruments. Accordingly, costs incurred to obtain the bonds payable, as described in NOTES 8 and 11, are being amortized over the terms of the debt instruments utilizing the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments

The YMCA adopted the provision of an accounting standard for utilizing derivative instruments and hedging activities. The standard requires that all derivative financial instruments, such as interest rate swaps contracts and foreign exchange contracts, be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. If the derivative is a hedge, depending on the nature of the hedge, a change in fair value of the derivative will either be offset against the change in the fair value of a hedge asset or liability through earnings.

The YMCA utilizes interest rate swaps to manage interest rate costs and to hedge against risks associated with changing interest rates. The YMCA designates interest rate swaps as hedges of specific debt instruments and accounts for them using the short-cut method, as described in the accounting standard. Interest differentials on interest rate swaps are recognized as adjustments to interest incurred on the related debt instruments (NOTE 13).

Income Taxes

The YMCA qualifies as a tax-exempt organization under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for income taxes has been recorded.

The YMCA recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other non-interest expense, respectively.

The U.S. Federal jurisdiction is the major tax jurisdiction where the YMCA files income tax returns. The YMCA is generally no longer subject to U.S. Federal examinations by tax authorities for years before 2014.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deferred Revenue

Deferred revenue consists of membership dues, various programs and rent received in advance on a multi-year lease (NOTE 9). Membership fees are due on a month to month basis and can be cancelled at any time by the member. Membership fees received in advance of the scheduled payment terms are recorded as deferred revenue. Additionally, program revenue received in advance of the program function is recorded as deferred revenue.

Advertising Costs

The YMCA uses advertising to promote its programs among the audiences its serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2017 and 2016 was approximately $160,000 and $226,000, respectively, and is included within "Media services and publications" in the consolidated statements of functional expenses.

Subsequent Events

The YMCA has evaluated subsequent events through May 10, 2018, which is the date the consolidated financial statements were available to be issued.

Reclassification

Certain items in the 2016 financial statements were reclassified to conform to the 2017 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Revenue From Contracts With Customers

In May 2014, the FASB issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted, but no earlier than annual reporting periods beginning after December 15, 2016. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements.

Lease Accounting

In February 2016, the FASB issued an accounting standard update which amends existing lease guidance. The update requires lessees to recognize a right-of-use asset and related lease liability for many operating leases now currently off-balance sheet under current U.S. GAAP. Accounting by lessors remains largely unchanged from current U.S. GAAP. The update is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early application permitted. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued an accounting standard update which aims to improve information provided to creditors, donors, grantors, and others while also reducing complexity and costs. The update is the first phase of a project regarding not-for-profits which aims to improve and simplify net asset classification requirements and improve the information presented and disclosed in financial statements about liquidity, cash flows, and financial performance. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, with earlier application permitted. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements.

Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB issued an accounting standard update to reduce diversity in practice on eight specific statement of cash flows issues. The update is effective retrospectively for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements.

Restricted Cash

In November 2016, the FASB issued an accounting standard update which amends cash flow statement presentation of restricted cash. The update requires amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The update is effective retrospectively for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The YMCA is currently evaluating the effect the update will have on its consolidated financial statements.

3. INVESTMENTS

Investments at fair value consist of the following at December 31, 2017:

	Unrestricted	Temporarily Restricted	Total
Cash and cash equivalents	$ 18,306	$ 35,096	$ 53,402
Domestic equities	98,408	188,161	286,569
Fixed income securities	35,210	67,323	102,533
Mutual funds	130,370	249,276	379,646
Total	**$ 282,294**	**$ 539,856**	**$ 822,150**

Investments at fair value consist of the following at December 31, 2016:

	Unrestricted	Temporarily Restricted	Total
Cash and cash equivalents	$ 16,430	$ 29,041	$ 45,471
Domestic equities	103,345	182,668	286,013
Fixed income securities	21,596	38,172	59,768
Mutual funds	118,035	208,635	326,670
Total	**$ 259,406**	**$ 458,516**	**$ 717,922**

The following schedule summarizes investment income, net for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Total
Interest income	$ 62,479	$ 14,257	$ 76,736
Net realized gains	8,264	14,706	22,970
Net unrealized gains	10,124	18,406	28,530
Fees	(3,351)	(6,029)	(9,380)
Total	**$ 77,516**	**$ 41,340**	**$ 118,856**

The following schedule summarizes investment income, net for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Total
Interest income	$ 35,503	$ 12,041	$ 47,544
Net realized losses	(3,599)	(6,362)	(9,961)
Net unrealized gains	16,694	29,508	46,202
Fees	(3,352)	(5,924)	(9,276)
Total	**$ 45,246**	**$ 29,263**	**$ 74,509**

4. UNCONDITIONAL PROMISES TO GIVE, NET

Unconditional promises to give, which were recorded at the net present value of estimated future cash flows using a discount rate of 4.00% consisted of the following at December 31, 2017:

Years ended December 31,	Unrestricted	Temporarily Restricted	Total
2018	$ 397,645	$ 10,000	$ 407,645
2019	-	5,000	5,000
Total	397,645	15,000	412,645
Less:			
Allowance for doubtful accounts	(117,000)	-	(117,000)
Discount for the effects of present value	-	(548)	(548)
	$ 280,645	**$ 14,452**	**$ 295,097**

Unconditional promises to give, which were recorded at the net present value of estimated future cash flows using a discount rate of 4.00% consisted of the following at December 31, 2016:

Years ended December 31,	Unrestricted	Temporarily Restricted	Total
2017	$ 427,681	$ 5,000	$ 432,681
2018	-	5,000	5,000
2019	-	5,000	5,000
Total	427,681	15,000	442,681
Less:			
Allowance for doubtful accounts	(109,000)	-	(109,000)
Discount for the effects of present value	-	(1,081)	(1,081)
	$ 318,681	**$ 13,919**	**$ 332,600**

Total bad debt expense, net of recoveries, related to unconditional promises to give for the years ended December 31, 2017 and 2016 was approximately $99,000 and $66,000, respectively.

5. BENEFICIAL INTEREST IN IRREVOCABLE TRUSTS, NET

In 2009, the YMCA became aware that it was the beneficiary of three irrevocable charitable remainder trusts. A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specific distributions to be made to a beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the not-for-profit receives the assets remaining in the trust. These trusts are funded via single premium annuities and have a universal life component whereby the YMCA is a beneficiary. The YMCA's beneficial interest in irrevocable trusts is $1,940,000 which is funded through guaranteed universal life insurance policies in which the premiums are funded through the guaranteed single premium annuities.

The discounted net present value of the beneficial interest in the irrevocable trusts totaled the following at December 31,:

	2017	2016
Remainder in irrevocable trusts	$ 1,940,000	$ 1,940,000
Less: Present value discount	(345,636)	(372,315)
	$ 1,594,364	**$ 1,567,685**

6. GRANT RECEIVABLES AND OTHER RECEIVABLES, NET

Grant receivables and other receivables, net consisted of the following at December 31,:

	2017	2016
Membership and other program related fees	$ 229,142	$ 245,095
Less: Allowance for doubtful accounts	(95,000)	(74,000)
	$ 134,142	**$ 171,095**

Total bad debt expense, net of recoveries, related to other receivables for the years ended December 31, 2017 and 2016 was approximately $55,000 and $69,000, respectively. This is included within "Bad debt" in the consolidated statements of functional expenses.

7. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at December 31,:

	2017	2016
Land	$ 2,516,500	$ 2,516,500
Youth learning center	307,266	307,266
Buildings and improvements - Boca Raton	11,756,396	11,413,726
Buildings and improvements - Boynton Beach	6,287,761	6,074,566
Sports field	228,110	228,110
Equipment	4,614,995	4,023,663
Vehicles	34,642	34,642
Construction in progress	-	240,258
	25,745,670	24,838,731
Less: accumulated depreciation and amortization	(11,722,091)	(10,803,958)
	$ 14,023,579	**$ 14,034,773**

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 was approximately $921,000 and $772,000 (including amortization expense of approximately $110,000 and $40,000 respectively, related to capital leases) (NOTE 14), respectively.

8. BOND FINANCING COSTS, NET

Bond financing costs are recorded at cost and are amortized using the effective interest method over the term of the related bonds payable (NOTE 11). As permitted by U.S. GAAP, as of January 1, 2016, the YMCA elected an accounting alternative which allows bond financing costs to be netted against the related liability. As permitted by the accounting standards, the YMCA elected to early adopt this accounting method and implement the update as of January 1, 2016 using a full retrospective approach.

Bond financing costs consisted of the following at December 31,:

	2017	2016
Deferred financing costs	$ 122,679	$ 122,679
Less: accumulated amortization	(32,990)	(26,110)
	$ 89,689	**$ 96,569**

Amortization expense was approximately $6,900 and $6,700 for the years ended December 31, 2017 and 2016, respectively.

Amortization expense of the bond financing costs for the next five years and thereafter is as follows:

Years ending December 31,	
2018	$ 7,084
2019	7,292
2020	7,508
2021	7,729
2022	7,957
Thereafter	52,119
	$ 89,689

9. DEFERRED REVENUE

Deferred revenue consisted of the following at December 31,:

	2017	2016
Membership dues, program fees and other	$ 366,929	$ 357,746
Rent (NOTE 18)	307,973	336,575
	$ 674,902	**$ 694,321**

10. PENSION PLAN

The YMCA participates in The YMCA Retirement Fund, a national program. Participation in the plan is mandatory for all eligible employees. For the years ended December 31, 2017 and 2016, the YMCA contributed 12% of participants' gross earnings. For the years ended December 31, 2017 and 2016, contributions made on behalf of participating employees totaled approximately $423,000 and $371,000, respectively.

11. BONDS PAYABLE

On January 1, 1999, the YMCA entered into a Loan Agreement with Palm Beach County, Florida to borrow $6,700,000 from the issuance of the Palm Beach County, Florida Economic Development Revenue Bonds Series 1999 (YMCA Boynton Beach Project), to be used to acquire land, equipment and construct an approximately 58,000 square foot YMCA Family Social Service Center.

11. BONDS PAYABLE (CONTINUED)

On November 1, 2003, the YMCA refunded these revenue bonds and entered into a new agreement with Palm Beach County, Florida to borrow $13,700,000 from the issuance of Palm Beach County, Florida Economic Development Refunding and Improvement Revenue Bonds Series 2003 (YMCA Project) for the purpose of refunding the existing bonds, to pay the issuance costs of the new bonds and to fund the construction of the redevelopment project (the "Project") at the Boca Raton, FL facility.

On November 1, 2012, the YMCA refunded the series 2003 revenue bonds and entered into a new agreement on November 2, 2012 with Palm Beach County, Florida, the issuer and Branch Banking and Trust Company, the purchaser, to borrow $8,805,000 from the issuance of Palm Beach County, Florida Industrial Development Revenue Bonds Series 2012. The variable short-term rate as of December 31, 2017 and 2016 was 2.25% and 1.74%, respectively. The YMCA fixed the variable interest rate on these bonds payable at 2.91% through an interest rate swap agreement (NOTE 13). The bonds are secured by the real and personal property of the YMCA. The YMCA must make monthly principal and interest payments. The bonds are due to mature on November 1, 2028.

Bonds payable are presented net of the related bond financing costs (NOTE 8) of $89,689 and $96,569 in the accompanying statements of financial position at December 31, 2017 and 2016, respectively. At December 31, 2017 and 2016, bonds payable, net was $6,352,606 and $6,838,793, respectively.

Several loan covenants exist for the YMCA including meeting the debt service coverage ratio of 1.15 which is tested annually. Management believes that the YMCA was in compliance with these covenants as of December 31, 2017.

Interest expense for the years ended December 31, 2017 and 2016 was approximately $201,000 and $215,000, respectively.

At December 31, 2017, aggregate annual maturities of indebtedness for each of the next five years and thereafter are as follows:

Years ending December 31,	
2018	$ 507,811
2019	522,995
2020	538,634
2021	554,740
2022	571,328
Thereafter	3,746,787
	$ 6,442,295

12. NOTE PAYABLE

In November 2012, the YMCA entered into an agreement with a bank to satisfy the then outstanding interest rate swap liability totaling $1,325,000. The note payable is secured by the real and personal property of the YMCA. The variable short-term rate as of December 31, 2017 and 2016 was 3.41% and 2.66%, respectively. The YMCA fixed the variable interest rate on the note payable at 3.21% through an interest rate swap agreement (NOTE 13). The note payable matures on November 1, 2019. At December 31, 2017 and 2016, the note payable had an outstanding balance of $393,434 and $589,182, respectively.

Several loan covenants exist for the YMCA including meeting the debt service coverage ratio of 1.15 which is tested annually. Management believes that the YMCA was in compliance with these covenants as of December 31, 2017.

At December 31, 2017, aggregate annual maturities of indebtedness are as follows:

Years ending December 31,	
2018	$ 202,307
2019	191,127
	$ 393,434

Interest expense for the years ended December 31, 2017 and 2016 was approximately $16,000 and $22,000, respectively.

13. FAIR VALUE OF INTEREST RATE SWAP

On November 2, 2012, the YMCA entered into a derivative financial instrument with a lender to manage the overall borrowing costs associated with the $8,805,000 of its bond payable (NOTE 11) and $1,325,000 of its note payable (NOTE 12), which matures on November 1, 2028 and November 1, 2019, respectively. Credit loss from counterparty non-performance is not anticipated. At December 31, 2017 and 2016, the outstanding notional balance on the bond payable was $6,442,295 and $6,935,362, respectively, and is fixed at an interest rate of 2.91%. At December 31, 2017 and 2016, the outstanding notional balance on the note payable was $393,434 and $589,182, respectively, and is fixed at an interest rate of 3.21%. The swap is a cash flow hedge, as it has been designated against the bond and note payable carrying a variable rate of interest and converts such loans to fixed debt. Amounts received or paid as a result of the swap agreement are recognized as adjustments to interest expense.

The net effect on the YMCA's operating results is that interest on a portion of the variable rate debt is being hedged based on fixed interest rates. The interest rate swap contract is reflected at fair value in the YMCA's consolidated statements of financial position and the related gain or loss is recognized as a change in net assets. The fair value of the interest rate swap as of December 31, 2017 and 2016 was a liability of $32,573 and $94,265, respectively, which is reflected in the consolidated statements of financial position as "Fair value of interest rate swap." The interest rate swap is valued using third party models that use as their input observable market conditions (NOTE 15). The change in fair value related to the interest rate swap at December 31, 2017 and 2016 was $61,692 and $71,081, respectively, and is reflected in the consolidated statements of activities within the caption "Change in fair value of interest rate swap."

14. CAPITAL LEASE OBLIGATIONS

During the year ended December 31, 2016, the YMCA entered into two separate non-cancelable fitness equipment capital leases expiring at various dates through 2019. During the year ended December 31, 2017, the YMCA entered into an additional non-cancellable fitness equipment capital lease expiring through 2020. As of December 31, 2017 and 2016, the leased property has a recorded cost of approximately $407,000 and $295,000 and a total accumulated amortization of approximately $150,000 and $40,000, respectively. Interest expense incurred on the capital leases was approximately $10,000 and $3,000 for the years ended December 31, 2017 and 2016, respectively.

As of December 31, 2017, future minimum lease payments under theses capital leases are as follow:

Years ending December 31,	
2018	$ 119,234
2019	148,761
2020	39,534
Total future minimum lease payments	307,529
Less: amount representing interest	15,758
Present value of minimum lease payments	291,771
Less current maturities	109,478
Long-term portion of present value of minimum lease payments	**$ 182,293**

Amortization expense of approximately $110,000 and $40,000, for the related capital lease assets, is included within depreciation and amortization expense for the years ended December 31, 2017 and 2016, respectively.

15. FAIR VALUE MEASUREMENTS

The YMCA adopted a FASB accounting standard on fair value measurements. The accounting standard establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides new income recognition criteria for certain derivative contracts. U.S. GAAP requires that a fair value measurement reflect assumptions market participants would use in pricing an asset or liability.

U.S. GAAP defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as an exit price).

15. FAIR VALUE MEASUREMENTS (CONTINUED)

The accounting standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under the accounting standard are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The accounting standard requires the YMCA to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Determination of Fair Value

In determining fair value, the YMCA used market prices of the same or similar instruments whenever such prices are available, even in situations where trading volume may be low when compared with prior periods. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale. Where necessary, the YMCA estimates fair value using other market observable data such as prices for synthetic or derivative instruments, market indices, industry ratings or underlying collateral or models employing techniques such as discounted cash flow analyses. The discount rate used will vary among different types of financial instruments, and particularly in the case of liquid markets, is appropriately adjusted to reflect the illiquidity of the markets. The assumptions used in the models, which typically include assumptions for interest rates, credit losses and prepayments, are corroborated by and independently verified against market observable data where possible. Where appropriate, the YMCA may use a combination of these valuation approaches.

The following sections describe the valuation methodologies used by the YMCA to measure classes of financial instruments at fair value and specify the level in the fair value hierarchy where various financial instruments are generally classified. Valuation models, significant inputs to those models and any significant assumptions are included where appropriate.

Cash and cash equivalents – cash is primarily utilized to hold customers balances awaiting re-investment.

Domestic equities – fair value is based on the quoted share of the market.

Mutual funds and fixed income securities – fair value is based on the number of shares of an underlying fund multiplied by the closing value per share quoted by that fund and held by the YMCA at year end.

Beneficial interest in irrevocable trusts – fair value is based on the face value of the insurance policies along with the life expectancy of the donor and discounted cash flows.

Interest rate swap – The interest rate swap is valued using third party models that use as their input observable market conditions. This valuation process considers factors including interest rate yield curves, money market rates, future prices and long term yields.

15. FAIR VALUE MEASUREMENTS (CONTINUED)

Items Measured at Fair Value on a Recurring Basis

The following table presents the YMCA's financial instruments that are measured at fair value on a recurring basis at December 31, 2017, for each fair value hierarchy level.

		Fair Value Measurements at Reporting Date Using		
Description	12/31/2017	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 53,402	$ 53,402	$ -	$ -
Domestic equities	286,569	286,569	-	-
Fixed income securities	102,533	102,533	-	-
Mutual funds	379,646	379,646	-	-
Beneficial interest in irrevocable trusts, net	1,594,364	-	-	1,594,364
	2,416,514	822,150	-	1,594,364
Liabilities:				
Fair value of interest rate swap	(32,573)	-	(32,573)	-
	$ 2,383,941	**$ 822,150**	**$ (32,573)**	**$ 1,594,364**

The following table presents the YMCA's financial instruments that are measured at fair value on a recurring basis at December 31, 2016, for each fair value hierarchy level.

		Fair Value Measurements at Reporting Date Using		
Description	12/31/2016	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 45,471	$ 45,471	$ -	$ -
Domestic equities	286,013	286,013	-	-
Fixed income securities	59,768	59,768	-	-
Mutual funds	326,670	326,670	-	-
Beneficial interest in irrevocable trusts, net	1,567,685	-	-	1,567,685
	2,285,607	717,922	-	1,567,685
Liabilities:				
Fair value of interest rate swap	(94,265)	-	(94,265)	-
	$ 2,191,342	**$ 717,922**	**$ (94,265)**	**$ 1,567,685**

15. FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in Fair Value of Level 3 Investments

The following table sets forth a summary of changes in the fair value of the YMCA's Level 3 net assets for the years ended December 31,:

	2017	2016
Balance, beginning of year	$ 1,567,685	$ 1,541,816
Change in beneficial interest in irrevocable trust	26,679	25,869
Balance, end of year	**$ 1,594,364**	**$ 1,567,685**

16. ENDOWMENTS

The YMCA's endowment consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment is managed by an independent board of the YMCA Foundation.

The State of Florida has adopted the Florida Uniform Prudent Management of Institutional Funds Act ("FUPMIFA"). The YMCA has interpreted the FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the YMCA would classify 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. As of December 31, 2017 and 2016, YMCA had no permanently restricted endowment assets. The donor-restricted portion of the endowment fund is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the YMCA in a manner consistent with the standard of prudence prescribed by FUPMIFA.

The YMCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund earnings:

(1) The duration and preservation of the fund

(2) The purposes of the YMCA 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 YMCA

(7) The investment policies of the YMCA

Summary of Endowment Net Assets at December 31, 2017:

	Unrestricted	Temporarily Restricted	Total
Donor-restricted endowment funds	$ -	$ 539,856	$ 539,856
Board-designated endowment funds	282,294	-	282,294
Total endowment net assets	**$ 282,294**	**$ 539,856**	**$ 822,150**

16. ENDOWMENTS (CONTINUED)

Summary of Endowment Net Assets at December 31, 2016:

	Unrestricted	Temporarily Restricted	Total
Donor-restricted endowment funds	$ -	$ 458,516	$ 458,516
Board-designated endowment funds	259,406	-	259,406
Total endowment net assets	**$ 259,406**	**$ 458,516**	**$ 717,922**

Changes in endowment net assets for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning	$ 259,406	$ 458,516	$ 717,922
Contributions	-	40,000	40,000
Interest and dividends	7,851	14,257	22,108
Investment change, net	15,037	27,083	42,120
Endowment net assets, ending	**$ 282,294**	**$ 539,856**	**$ 822,150**

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, beginning	$ 242,849	$ 429,254	$ 672,103
Interest and dividends	6,813	12,041	18,854
Investment change, net	9,744	17,221	26,965
Endowment net assets, ending	**$ 259,406**	**$ 458,516**	**$ 717,922**

Funds with Deficiencies

From time to time, the fair value of assets associated with individual temporarily donor restricted endowment funds may fall below the level that the donor or FUPMIFA requires the YMCA to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2017 and 2016.

Return Objectives and Risk Parameters

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs and operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis. Endowment assets include those assets of donor-restricted funds that the YMCA must hold for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a competitive rate of return while assuming a moderate level of investment risk. The YMCA expects its endowment funds, over time, to provide a rate of return in excess of the original restricted principal. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

The investment objective is to achieve long-term growth of principal while recognizing the importance of preservation of capital. The YMCA recognizes that varying degrees of investment risk are generally rewarded with concomitant returns over the long-term. For donor funds that are intended for short-term duration, the investment objective is to preserve principal.

16. ENDOWMENTS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The YMCA has a spending policy for restricted endowment assets as stipulated in the donor's gift agreement. Accordingly, over the long-term, the YMCA expects the current spending policy to allow its endowments to grow.

17. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of December 31,:

	2017	2016
Restricted cash for various programs	$ 178,253	$ 139,947
Restricted investments for various programs	539,856	458,516
Unconditional promises to give, (NOTE 4)	14,452	13,919
Beneficial interests in irrevocable trusts (NOTE 5)	1,594,364	1,567,685
	$ 2,326,925	**$ 2,180,067**

18. COMMITMENTS AND CONTINGENCIES

Operating Agreements

On January 22, 1999, the YMCA and Bethesda Memorial Hospital, Inc. ("BMH") entered into several agreements whereby they joined in a collaborative effort to extend their commitments to provide fitness and wellness services to the community. As part of these agreements, the YMCA dedicated 3,500 square feet of the YMCA Boynton Facility to physical therapy. BMH leases this space and operates its various rehabilitation programs. The lease agreement for the 3,500 square feet is for a 25-year term, which commenced in December 2000. The YMCA manages and operates these programs and retains all revenues, incurs all expenses and assumes all liabilities associated with such programs. The first five years of the lease term were prepaid by BMH, which totaled $385,000. Rent for the remaining 20 years of the lease term is $1 per year. The YMCA is recognizing the prepaid rent on the straight-line basis over the 25-year lease term. During the years ended December 31, 2017 and 2016 the YMCA recognized approximately $15,000 of revenue related to this lease which is reflected within "Program and service fees" in the consolidated statements of activities. The remaining unamortized portion, which is reflected within "Deferred revenue" in the consolidated statements of financial position as of December 31, 2017, and 2016 was approximately $124,000 and $139,000, respectively (NOTE 9).

On November 14, 2003, the YMCA entered into an agreement with BMH in which the YMCA dedicated 2,616 square feet for BMH to lease and establish a sports and back medicine program within the newly redeveloped Boca Raton facility. The lease agreement for the 2,616 square feet is for a 25-year term, which commenced on June 1, 2006. The total rent for the first five years was $329,995, which BMH paid to the YMCA in 5 equal installments of $65,999, with the first installment due on the date of commencement of the term and annually thereafter. Rent for the remaining 20 years of the lease term is $1 per year. The YMCA is recognizing the prepaid rent on the straight-line basis over the 25-year lease term. During the years ended December 31, 2017 and 2016 the YMCA recognized approximately $14,000 of revenue related to this lease which is reflected within "Program and service fees" in the consolidated statements of activities. The remaining unamortized portion, which is reflected within "Deferred revenue" in the consolidated statements of financial position as of December 31, 2017, and 2016 was approximately $184,000 and $198,000, respectively (NOTE 9).

Operating Leases

The YMCA leases buses, fitness equipment, and office equipment under operating lease agreements expiring at various dates through March 2020.

18. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases (Continued)

Approximate minimum future rental payments under these non-cancelable lease agreements having initial or remaining terms in excess of one year as of December 31, 2017 are as follows:

Years ending December 31,		
2018	$	27,000
2019		21,000
2020		5,000
	$	**53,000**

Total expense under these operating leases for the years ended December 31, 2017 and 2016 was approximately $40,000 and $179,000, respectively.

Potential Litigation

The YMCA is exposed to various claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the YMCA's consolidated financial position or the consolidated results of its activities.

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 and Management
Young Men's Christian Association
of South Palm Beach County, Inc.

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 consolidated financial statements of Young Men's Christian Association of South Palm Beach County, Inc. (the "YMCA"), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the YMCA's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCA'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 YMCA's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the YMCA'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 YMCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Morrison, Brown, Argiz & Farra

Boca Raton, Florida
May 10, 2018

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

Section I – Consolidated Financial Statements Findings

No matters were reported.

Section II – Prior Year Consolidated Financial Statements Findings

No matters were reported.

YOUNG MEN'S CHRISTIAN ASSOCIATION
OF SOUTH PALM BEACH COUNTY, INC.

SCHEDULE OF EXPENDITURES OF THE PRIME TIME PALM BEACH COUNTY, INC.
AGREEMENTS AND NOTES TO SCHEDULE OF EXPENDITURES
OF THE PRIME TIME PALM BEACH COUNTY, INC. AGREEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Program Name	Term	Amount	Expenditures
Sports and Wellness Enhancement	10/01/2016-09/30/2017	$ 296,142	$ 266,656
Sports and Wellness Enhancement	10/01/2017-09/30/2018	255,091	24,243
TOTAL		**$ 551,233**	**$ 290,899**

NOTE A. GENERAL

The Schedule of Expenditures of the Prime Time Palm Beach County, Inc. Agreements included herein represents all of Prime Time Palm Beach County agreements with the YMCA for the year ended December 31, 2017.

NOTE B. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of the Prime Time Palm Beach County, Inc. Agreements is presented using the accrual basis of accounting and includes expenses incurred by the YMCA during the year ended December 31, 2017.

NOTE C. BASIS OF PRESENTATION

The Prime Time Palm Beach County, Inc. Agreements included in the Schedule of Expenditures are operated on a cost reimbursement method of payment. Expenditures are reported in accordance with the contracted method of payment.