

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE PALM BEACHES, INC.**

REPORT ON AUDITS OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

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Report of Independent Auditors

To the Board of Directors of
Young Men's Christian Association
of the Palm Beaches, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Young Men's Christian Association of the Palm Beaches, Inc. (YMCA) which comprise the statements of financial position as of December 31, 2017 and 2016 and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YMCA as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Templeton & Company, LLP

West Palm Beach, Florida
June 4, 2018



YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Assets:		
Cash and cash equivalents	\$ 845,914	\$ 106,710
Restricted cash and cash equivalents	100,200	100,200
Accounts receivable	29,933	44,934
Unconditional promises to give	20,000	12,425
Prepaid expenses	23,076	112,436
Other assets	5,750	35,030
Property and equipment, net	<u>2,004,214</u>	<u>2,539,442</u>
Total assets	<u>\$ 3,029,087</u>	<u>\$ 2,951,177</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 27,899	\$ 118,762
Accrued expenses	30,959	58,739
Line of credit	-	139,982
Mortgage note payable, net	<u>798,225</u>	<u>819,012</u>
Total liabilities	<u>857,083</u>	<u>1,136,495</u>
Net assets:		
Unrestricted	2,051,804	1,675,596
Temporarily restricted	38,000	56,886
Permanently restricted	<u>82,200</u>	<u>82,200</u>
Total net assets	<u>2,172,004</u>	<u>1,814,682</u>
Total liabilities and net assets	<u>\$ 3,029,087</u>	<u>\$ 2,951,177</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

**STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016**

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:								
Contributions	\$ 482,170	\$ 20,000	\$ -	\$ 502,170	\$ 167,105	\$ 38,886	\$ -	\$ 205,991
Program and other fees	732,108	-	-	732,108	887,329	-	-	887,329
Membership dues	401,839	-	-	401,839	415,397	-	-	415,397
Special events, net of direct expenses	174,628	-	-	174,628	100,102	-	-	100,102
Investment income	1,075	-	-	1,075	950	-	-	950
Gain on sale of property and equipment	502,919	-	-	502,919	-	-	-	-
Increase in value of split-interest agreements	-	-	-	-	-	76,177	-	76,177
Net assets released from restrictions	38,886	(38,886)	-	-	386,059	(386,059)	-	-
Total revenues and other support	<u>2,333,625</u>	<u>(18,886)</u>	<u>-</u>	<u>2,314,739</u>	<u>1,956,942</u>	<u>(270,996)</u>	<u>-</u>	<u>1,685,946</u>
Expenses:								
Program services	1,591,946	-	-	1,591,946	1,615,614	-	-	1,615,614
Supporting services	365,471	-	-	365,471	385,788	-	-	385,788
Total expenses	<u>1,957,417</u>	<u>-</u>	<u>-</u>	<u>1,957,417</u>	<u>2,001,402</u>	<u>-</u>	<u>-</u>	<u>2,001,402</u>
Increase (decrease) in net assets	376,208	(18,886)	-	357,322	(44,460)	(270,996)	-	(315,456)
Net assets - beginning of year	<u>1,675,596</u>	<u>56,886</u>	<u>82,200</u>	<u>1,814,682</u>	<u>1,720,056</u>	<u>327,882</u>	<u>82,200</u>	<u>2,130,138</u>
Net assets - end of year	<u>\$ 2,051,804</u>	<u>\$ 38,000</u>	<u>\$ 82,200</u>	<u>\$ 2,172,004</u>	<u>\$ 1,675,596</u>	<u>\$ 56,886</u>	<u>\$ 82,200</u>	<u>\$ 1,814,682</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services						Supporting Services			Total Expenses	
	Wellness	Aquatics	Sports and Recreation	Skate Park	Camp	Child Care	Total	Management and General	Fund Raising		Total
Personnel costs:											
Salaries and payroll taxes	\$ 173,353	\$ 161,111	\$ 39,901	\$ 34,460	\$ 60,808	\$ 384,631	\$ 854,264	\$ 164,632	\$ 46,200	\$ 210,832	\$ 1,065,096
Benefits	12,186	6,653	1,837	3,650	8,687	30,502	63,515	9,829	2,069	11,898	75,413
Total personnel costs	185,539	167,764	41,738	38,110	69,495	415,133	917,779	174,461	48,269	222,730	1,140,509
Advertising and printing	7,601	7,912	2,073	1,695	-	744	20,025	495	-	495	20,520
Contract services	-	-	-	-	775	389	1,164	-	-	-	1,164
Depreciation	34,574	33,573	14,971	3,862	37,690	55,946	180,616	-	-	-	180,616
Employee development	864	948	69	69	170	978	3,098	55	-	55	3,153
Food and beverage	443	528	380	99	6,029	1,390	8,869	-	-	-	8,869
Insurance	3,422	9,610	1,726	1,175	18,078	31,949	65,960	20,460	-	20,460	86,420
Interest	3,839	3,996	1,047	856	-	43,221	52,959	-	-	-	52,959
Maintenance and repairs	26,352	37,253	7,128	10,711	8,143	27,560	117,147	23,344	-	23,344	140,491
National field support	4,311	6,362	1,775	1,107	3,485	12,884	29,924	-	-	-	29,924
Office and other	10,656	11,641	3,010	2,351	3,428	21,762	52,848	42,238	-	42,238	95,086
Professional fees	-	-	-	-	-	-	-	25,436	-	25,436	25,436
Program supplies	6,663	16,236	3,601	5,418	4,277	24,040	60,235	1,964	-	1,964	62,199
Rental expenses	1,887	1,964	514	421	(186)	162	4,762	-	-	-	4,762
Taxes and licenses	1,625	1,948	443	362	1,675	2,816	8,869	2,271	-	2,271	11,140
Telephone	-	-	-	-	1,720	2,907	4,627	6,777	-	6,777	11,404
Travel and conferences	508	550	138	113	55	157	1,521	7,131	-	7,131	8,652
Utilities	14,151	14,731	3,859	3,156	10,313	12,431	58,641	12,275	-	12,275	70,916
Vehicle expense	-	-	-	-	372	2,530	2,902	295	-	295	3,197
Total expenses	<u>\$ 302,435</u>	<u>\$ 315,016</u>	<u>\$ 82,472</u>	<u>\$ 69,505</u>	<u>\$ 165,519</u>	<u>\$ 656,999</u>	<u>\$ 1,591,946</u>	<u>\$ 317,202</u>	<u>\$ 48,269</u>	<u>\$ 365,471</u>	<u>\$ 1,957,417</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services						Supporting Services			Total Expenses	
	Wellness	Aquatics	Sports and Recreation	Skate Park	Camp	Child Care	Total	Management and General	Fund Raising		Total
Personnel costs:											
Salaries and payroll taxes	\$ 184,415	\$ 165,023	\$ 14,916	\$ 20,760	\$ 102,855	\$ 369,862	\$ 857,831	\$ 151,419	\$ 35,251	\$ 186,670	\$ 1,044,501
Benefits	12,513	8,307	848	3,386	13,831	23,516	62,401	5,929	1,222	7,151	69,552
Total personnel costs	196,928	173,330	15,764	24,146	116,686	393,378	920,232	157,348	36,473	193,821	1,114,053
Advertising and printing	8,308	8,630	1,134	1,025	499	225	19,821	1,273	-	1,273	21,094
Contract services	-	-	-	-	2,330	607	2,937	-	-	-	2,937
Depreciation	25,254	37,518	12,436	2,344	70,840	42,951	191,343	-	-	-	191,343
Food and beverage	226	369	31	28	9,807	1,396	11,857	-	-	-	11,857
Insurance	5,291	11,926	2,225	1,366	50,335	26,971	98,114	26,272	-	26,272	124,386
Interest	-	-	-	-	-	42,309	42,309	9,775	-	9,775	52,084
Maintenance and repairs	25,825	29,574	3,364	3,315	21,742	30,333	114,153	25,579	-	25,579	139,732
National field support	6,307	9,563	1,280	1,044	4,841	14,582	37,617	-	-	-	37,617
Office and other	9,370	10,563	1,225	1,152	17,391	13,516	53,217	71,099	-	71,099	124,316
Professional fees	-	-	-	-	2,000	-	2,000	26,955	-	26,955	28,955
Program supplies	5,695	13,096	1,187	1,181	5,560	8,336	35,055	2,362	-	2,362	37,417
Telephone	-	-	-	-	4,274	2,821	7,095	6,696	-	6,696	13,791
Travel and conferences	323	(128)	45	41	655	-	936	8,018	-	8,018	8,954
Utilities	16,026	16,644	2,187	1,977	23,670	14,828	75,332	13,816	-	13,816	89,148
Vehicle expense	4	3	-	-	598	2,991	3,596	122	-	122	3,718
Total expenses	<u>\$ 299,557</u>	<u>\$ 311,088</u>	<u>\$ 40,878</u>	<u>\$ 37,619</u>	<u>\$ 331,228</u>	<u>\$ 595,244</u>	<u>\$ 1,615,614</u>	<u>\$ 349,315</u>	<u>\$ 36,473</u>	<u>\$ 385,788</u>	<u>\$ 2,001,402</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 357,322	\$ (315,456)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	180,616	191,343
Amortization of debt issuance costs	2,410	2,410
Gain on sale of property and equipment	(502,919)	-
Beneficial interest in split-interest agreements	-	(76,177)
Noncash contributions of property and equipment	(157,941)	-
Changes in operating assets and liabilities:		
Accounts receivable	15,001	(9,825)
Unconditional promises to give	(7,575)	(8,492)
Prepaid expenses	89,360	(77,821)
Other assets	29,280	-
Accounts payable	(90,863)	2,460
Accrued expenses	<u>(27,780)</u>	<u>(37,814)</u>
Net cash used in operating activities	<u>(113,089)</u>	<u>(329,372)</u>
Cash flows from investing activities:		
Proceeds from beneficial interest in split-interest agreements	-	376,059
Proceeds from sale of property and equipment	1,029,600	-
Acquisitions of property and equipment	<u>(14,128)</u>	<u>(85,911)</u>
Net cash provided by investing activities	<u>1,015,472</u>	<u>290,148</u>
Cash flows from financing activities:		
Principal payments on notes payable	-	(26,092)
Borrowings from (payments on) line of credit, net	(139,982)	41,179
Principal payments on mortgage note payable	<u>(23,197)</u>	<u>(16,777)</u>
Net cash used in financing activities	<u>(163,179)</u>	<u>(1,690)</u>
Increase (decrease) in cash and cash equivalents	739,204	(40,914)
Cash and cash equivalents at beginning of year	<u>106,710</u>	<u>147,624</u>
Cash and cash equivalents at end of year	<u>\$ 845,914</u>	<u>\$ 106,710</u>

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization

The Young Men's Christian Association of the Palm Beaches, Inc. (YMCA) is a Florida not-for-profit entity, which was incorporated on December 30, 1946. The YMCA was organized to promote the spiritual, mental, social and physical welfare of all people, especially for residents of Palm Beach County, Florida. In 2017, the YMCA sold its camp & recreational facility in Alachua County, Florida that was open to groups and organizations from around the surrounding area and state. The YMCA is a member of the YMCA of the USA, a world-wide not-for-profit organization. Each member YMCA is autonomous.

Description of program services

The following are the descriptions of the program services provided by the YMCA:

Health, wellness, and fitness - Provides aerobic instruction, rehabilitative programs, and a fitness facility for its members and guests. The fitness facility includes weight training, aerobic machines, a spin room, an indoor volley ball room and offers such programs as tae kwon do, yoga and tai chi in addition to the traditional aerobic exercise classes.

Aquatics - Provides swim lessons for individuals from infants to senior citizens, specialized swim instruction for disabled individuals, team sports, aquatic safety, and lap swimming.

Sports and recreation - Provides group and youth sports emphasizing teamwork and cooperation, developing good values, and allows young players to enjoy sports in a positive and fun environment. Programs provide basic instruction in team sports such as soccer, flag football, basketball, and volleyball. Also provided is a skate park for safe skating, scooting, and biking for youth and adults.

Camp - Provides day camp and recreational camp facilities and activities. Day Camp is provided for preschool and school aged children during the summer, winter and spring holidays. The branch camp in North Florida offered the use of its recreational facilities including nature trail hiking, an Olympic size pool, overnight cabins, a ropes course, archery ranges, a lodge and dining hall, and an outdoor religious center.

Family Life - Offers safe and affordable quality preschool education (VPK), child care, wrap-around, and aftercare for children. Childcare programs encourage a positive environment for youth to engage in developmentally appropriate activities to stimulate their growth intellectually, physically and socially.

Note 2 - Summary of Significant Accounting Policies

Basis of presentation

The financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic ASC 958, *Not-for-Profit Entities*. Under ASC 958, the YMCA is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets – Net assets not subject to donor-imposed restrictions. Such net assets are available for any purpose consistent with the YMCA's mission.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 - Summary of Significant Accounting Policies, Continued

Basis of presentation, continued

Temporarily restricted net assets – Net assets subject to specific, donor-imposed restrictions that must be met 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 and are reported in the statement of activities as releases from restriction. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to unrestricted support.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions requiring they be maintained permanently by the YMCA. Such net assets are normally restricted to long-term investment, with income earned and appreciation available for specific or general YMCA purposes.

Revenue is reported as an increase in unrestricted net assets unless use of the related asset is limited by donor-imposed or contractual restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by contract.

Cash and cash equivalents

Cash and cash equivalents consist of all unrestricted highly-liquid investments with an initial maturity date of three months or less from the date of purchase.

Restricted cash and cash equivalents

Restricted cash and cash equivalents consists of cash received with donor-imposed restrictions to purchase property and equipment in connection with capital campaign improvements and permanently restricted assets to be held indefinitely (see Note 7).

Accounts receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts when considered necessary. Management does not consider an allowance necessary at December 31, 2017.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated property and equipment

Donations of property and equipment are reported as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the YMCA reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The YMCA reclassifies temporarily restricted net assets to unrestricted net assets at that time. The YMCA received donated property and equipment in 2017 in the amount of \$157,941.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 - Summary of Significant Accounting Policies, Continued

Property and equipment

Property and equipment is stated at cost and is depreciated using the straight-line method over periods of 3 to 40 years. Additions and betterments which have an economic useful life that extends beyond 12 months and a cost of \$5,000 or more are capitalized.

Impairment of long-lived assets

The carrying value of the YMCA's long-lived assets is reviewed to determine if facts or circumstances suggest that the assets may be impaired or that the remaining useful, depreciable life may need to be changed. The YMCA considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate that the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book value.

Fair value of financial instruments

Cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

Revenue recognition

Contributions of cash and investments are presented as unrestricted support if they are received with no donor stipulations that limit the use of the donated assets. Contributions are recognized as revenues when they are received or unconditionally pledged.

YMCA records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as temporarily restricted. YMCA reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Special events, net

The YMCA conducts special events for the purpose of raising money for annual operations. Special events are recorded when the event takes place. The YMCA had revenues of \$305,938 less related direct expenses of \$131,310 for the year ended December 31, 2017 and revenues of \$207,804 less related direct expenses of \$107,702 for the year ended December 31, 2016.

Advertising

The YMCA generally uses print and online forms of advertising to promote its programs and community outreach events. Advertising costs are expensed as incurred. Advertising related expenses were \$20,520 and \$21,094 for the years ended December 31, 2017 and 2016, respectively, and are included in advertising and printing in the accompanying statements of functional expenses.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 - Summary of Significant Accounting Policies, Continued

Use of estimates

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

Contributed services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the YMCA. Many individuals volunteer their time and perform a variety of tasks that assist the YMCA with specific assistance programs, campaign solicitations, and various committee assignments, but such services are not recorded, because there is no objective basis available to measure the value of such services.

Income taxes

YMCA is a tax-exempt, not-for-profit corporation under Internal Revenue Code (IRC) Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. YMCA files tax returns in the U.S. federal jurisdiction and is no longer subject to U.S. federal tax examinations for years before 2014.

Functional allocation of expenses

The costs of providing the services YMCA offers are summarized on a functional basis in the accompanying statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on systematic methods and estimates made by management.

Concentration of credit risk

YMCA's cash balances on deposit with banks are guaranteed up to certain limits by the Federal Deposit Insurance Corporation (FDIC). YMCA is exposed to risk for the amount of funds held in any one account in excess of the insurance limit. YMCA has not experienced any losses in such accounts.

New accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which is intended to increase transparency and comparability of accounting for lease transactions. The ASU will require all leases to be recognized on the statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. The new pronouncement is effective for years beginning after December 15, 2018. The YMCA is currently evaluating the effects the ASU will have on its financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 2 - Summary of Significant Accounting Policies, Continued

New accounting pronouncements, continued

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements for Not-for-Profit Entities*. ASU 2016-14 makes certain revisions that address many, but not all, of the identified issues about the current financial reporting for Not-for-Profit Entities. The ASU addresses the following key qualitative and quantitative matters:

- Net asset classes
- Investment return
- Expenses and related information
- Presentation of operating cash flows
- Liquidity and availability of resources

The amendments in ASU 2016-14 are effective for financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in this update are permitted. The amendments are applied on a retrospective basis in the year the update is first applied. In the period the update is first applied, the entity must disclose the nature of any reclassifications or restatements and their effects, if any, on changes in net assets for each period presented.

Note 3 - Property and Equipment

Property and equipment consists of the following at December 31,:

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 884,284	\$ 1,078,301
Buildings	3,158,134	4,384,577
Furniture and fixtures	94,305	159,001
Equipment	<u>466,442</u>	<u>549,862</u>
	4,603,165	6,171,741
Accumulated depreciation	<u>(2,654,080)</u>	<u>(3,694,836)</u>
	1,949,085	2,476,905
Construction in progress	<u>55,129</u>	<u>62,537</u>
	<u>\$ 2,004,214</u>	<u>\$ 2,539,442</u>

Construction in progress represents costs incurred to construct new fields at the YMCA's facilities on Congress Avenue in West Palm Beach, Florida.

Depreciation expense totaled \$180,616 and \$191,343, respectively, for the years ended December 31, 2017 and 2016.

In July 2017, the YMCA sold Camp McConnell, its resident camp in Alachua County, Florida for net proceeds of \$1,029,600. The sale of the property and equipment resulted in a net gain of \$502,919 for the year ended December 31, 2017.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 4 – Line of Credit

The YMCA has a working capital line of credit with a local bank to borrow up to a maximum amount of \$500,000. The maturity date is May 6, 2020. The YMCA's facilities at Congress Avenue in West Palm Beach, Florida have been pledged as collateral. In addition, all rents, leases, revenues, profits and all proceeds from sale or disposition have been assigned as collateral. Interest is at a rate of WSJ Prime plus a 1.25% floating rate with a floor of 5.25%, beginning May 6, 2017. At December 31, 2017, the interest rate was 6.00% and there was no outstanding balance.

Note 5 – Mortgage Note Payable, Net

In April 2014, the YMCA entered into a construction loan agreement for a total not to exceed \$890,000. During the construction period, payments of interest only were payable monthly. The permanent term was to commence November 1, 2014 for a period of 10-years until November 1, 2024. During the first 5-years of the permanent loan, the interest rate is to remain at 4.75% per annum. At November 1, 2019, the interest rate is to be adjusted to a rate equal to the "Prime Rate," as defined, plus 1.25%. Commencing on December 1, 2014, monthly payments at the applicable rate plus principal payments based on a twenty-five year amortization schedule, payable monthly, are due in arrears on the first day of each month, until the maturity date, at which time all outstanding principal, and accrued interest shall be due and payable.

The YMCA's facilities at Congress Avenue in West Palm Beach, Florida have been pledged as collateral. In addition, all rents, leases, revenues, profits and all proceeds from sale or disposition have been assigned as collateral.

In 2016, the YMCA adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the statement of activities and statement of functional expenses and amounted to \$2,410 for each of the years ended December 31, 2017 and 2016.

The outstanding balance of the mortgage note payable at December 31, was as follows:

	<u>2017</u>	<u>2016</u>
Mortgage note payable-principal	\$ 814,691	\$ 837,887
Less: Unamortized debt issuance costs	<u>(16,466)</u>	<u>(18,875)</u>
Total mortgage note payable, net	<u>\$ 798,225</u>	<u>\$ 819,012</u>

The scheduled principal payments due in each of the five years subsequent to December 31, 2017, and thereafter, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 22,484
2019	21,946
2020	14,617
2021	15,666
2022	16,646
Thereafter	<u>723,332</u>
Total	<u>\$ 814,691</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 6 - Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
Capital campaign and improvements	\$ 18,000	\$ 18,000
Programs in future periods	<u>20,000</u>	<u>38,886</u>
	<u>\$ 38,000</u>	<u>\$ 56,886</u>

Note 7 – Permanently Restricted Net Assets

Permanently restricted net assets consist of fund assets to be held indefinitely. The YMCA's endowment consists of a fund established in 2001. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The income from the assets can be used to support the YMCA's general activities. At December 31, 2017 and 2016, the funds were invested in a money market account bearing interest at .85%. Interest income was \$711 and \$707 in 2017 and 2016, respectively, and was utilized for operating purposes.

Note 8 - Net Assets Released from Restrictions

Net assets are released from donor restrictions by incurring costs or expenses satisfying the restricted purposes or by the occurrence of events as specified by the donors. Net assets were released from restrictions for the years ended December 31, 2017 and 2016 for the following purposes:

	<u>2017</u>	<u>2016</u>
Beneficial interest in split-interest agreements	\$ -	\$ 376,059
Programs	<u>38,886</u>	<u>10,000</u>
	<u>\$ 38,886</u>	<u>\$ 386,059</u>

Note 9 – Retirement Plan

Clerical and professional staff members who meet specified requirements participate in a defined contribution retirement plan administered by the YMCA Retirement Fund. Contributions totaling \$27,273 and \$22,746 for 2017 and 2016, respectively, are included in fringe benefits in the statements of functional expenses. Such contributions were made to the plan based on 12% of the participating employees' salaries for 2017 and 2016.

Note 10 – Related Party Transactions

The YMCA paid \$29,924 and \$37,617 for the years ended December 31, 2017 and 2016, respectively, to the YMCA of the USA. The amounts are based on a percentage of certain revenue and support.

A company owned by a Board member provided equipment and maintenance to the YMCA for the years ended December 31, 2017 and 2016. The cost of the equipment and maintenance was \$13,081 and \$3,447, respectively, and no balance was due as of December 31, 2017 and 2016.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PALM BEACHES, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Note 11 – Subsequent Events

Management evaluated activity of YMCA subsequent to December 31, 2017 through June 4, 2018, the date the financial statements were available to be issued, for events that require recognition in the financial statements or disclosure in the notes thereto.