

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF  
FLORIDA'S FIRST COAST, INC.**  
(A Not-for-Profit Organization)  
and  
**STRONG COMMUNITIES REALTY CORPORATION**  
(A Not-for-Profit Organization)  
Combined Financial Report  
Years Ended September 30, 2014 and 2013

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF  
FLORIDA'S FIRST COAST, INC.**  
(A Not-for-Profit Organization)  
and  
**STRONG COMMUNITIES REALTY CORPORATION**  
(A Not-for-Profit Organization)

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Accountants  
Consultants  
Wealth Advisors

LBA Certified Public Accountants, PA

## **Report of Independent Certified Public Accountants on the Combined Financial Statements**

To the Board of Directors of  
The Young Men's Christian Association of Florida's First Coast, Inc.  
and Strong Communities Realty Corporation  
Jacksonville, Florida

### **Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of The Young Men's Christian Association of Florida's First Coast, Inc. (a not-for-profit organization) and Strong Communities Realty Corporation (a not-for-profit organization), (collectively referred to as the Association), which comprise the combined statements of financial position as of September 30, 2014 and 2013, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Combined Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these combined 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 audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2014 and 2013, 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.

## **Other Matters**

### *Other Financial Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of financial awards on pages 18-19, and the schedule of source and expenditure of city grant funds on pages 28-31 are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Chapter 10.650, *Rules of the Auditor General* of the State of Florida and the City of Jacksonville, Florida Ordinance 118.205, respectively, and is not a required part of the combined financial statements. Such other financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The other financial information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information is fairly stated, in all material respects, in relation to the combined 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 February 11, 2015, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Association's internal control over financial reporting and compliance.

*LBA Certified Public Accountants, P.A.*

February 11, 2015

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Combined Statements of Financial Position  
September 30, 2014 and 2013

	2014	2013
<b>Assets:</b>		
Cash:		
Unrestricted	\$ 487,267	\$ 1,027,000
Temporarily restricted	2,238,796	120,486
Accounts receivable	566,789	563,928
Prepaid expenses	363,479	155,352
Pledges receivable:		
Unrestricted	109,951	-
Temporarily restricted	11,013,689	12,292,844
Land, buildings and equipment, net	50,603,895	51,378,950
Bond issue costs, net	105,600	110,400
Deposits	10,209	10,240
Total assets	\$ 65,499,675	\$ 65,659,200
<b>Liabilities and net assets:</b>		
Accounts payable	\$ 1,223,687	822,616
Accrued expenses	573,583	948,853
Deferred revenue	162,417	357,765
Long-term debt	17,458,000	18,090,400
Capital leases	76,070	36,682
Interest rate swaps	365,371	650,506
Total liabilities	19,859,128	20,906,822
<b>Net assets:</b>		
Unrestricted	19,412,553	18,093,446
Temporarily restricted	22,517,994	22,948,932
Permanently restricted	3,710,000	3,710,000
Total net assets	45,640,547	44,752,378
Total liabilities and net assets	\$ 65,499,675	\$ 65,659,200

*See accompanying notes to combined financial statements.*

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Combined Statement of Activities  
Year Ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue, gains and other support:</b>				
Contributions	\$ 3,341,224	\$ 1,941,986	\$ -	\$ 5,283,210
Special events	216,718	-	-	216,718
United Way of NE Florida and St. Johns County	270,973	-	-	270,973
Federal grants	706,637	-	-	706,637
State grants	1,967,682	25,175	-	1,992,857
Local grants	851,730	-	-	851,730
Program fees	8,993,464	-	-	8,993,464
Membership dues	15,632,101	-	-	15,632,101
Merchandise sales	38,857	-	-	38,857
Investment income	685	-	-	685
Miscellaneous	95,203	-	-	95,203
Net loss on disposal of land, buildings and equipment	(57,790)	-	-	(57,790)
Net realized loss on stock donations	<u>(8,948)</u>	<u>-</u>	<u>-</u>	<u>(8,948)</u>
Total revenue, gains and other support	<u>32,048,536</u>	<u>1,967,161</u>	<u>-</u>	<u>34,015,697</u>
Net assets released from restrictions	<u>2,398,099</u>	<u>(2,398,099)</u>	<u>-</u>	<u>-</u>
<b>Expenses:</b>				
Youth development	14,204,926	-	-	14,204,926
Healthy living	13,571,001	-	-	13,571,001
Social responsibility	322,645	-	-	322,645
Management and general	4,295,004	-	-	4,295,004
Fund raising	<u>1,019,087</u>	<u>-</u>	<u>-</u>	<u>1,019,087</u>
Total expenses	<u>33,412,663</u>	<u>-</u>	<u>-</u>	<u>33,412,663</u>
Decrease in value of interest rate swap liability	<u>285,135</u>	<u>-</u>	<u>-</u>	<u>285,135</u>
Change in net assets	<u>1,319,107</u>	<u>(430,938)</u>	<u>-</u>	<u>888,169</u>
Net assets, beginning of year	<u>18,093,446</u>	<u>22,948,932</u>	<u>3,710,000</u>	<u>44,752,378</u>
Net assets, end of year	<u>\$ 19,412,553</u>	<u>\$ 22,517,994</u>	<u>\$ 3,710,000</u>	<u>\$ 45,640,547</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Combined Statement of Activities  
Year Ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, gains and other support:</b>				
Contributions	\$ 1,452,253	\$ 9,398,258	\$ -	\$ 10,850,511
Special events	149,990	-	-	149,990
United Way of NE Florida and St. Johns County	306,144	-	-	306,144
Federal grants	583,819	120,486	-	704,305
State grants	1,896,289	-	-	1,896,289
Local grants	968,767	-	-	968,767
Program fees	8,756,890	-	-	8,756,890
Membership dues	15,380,996	-	-	15,380,996
Merchandise sales	50,314	-	-	50,314
Investment income	1,877	-	-	1,877
Miscellaneous	354,583	-	-	354,583
Net loss on disposal of land, buildings and equipment	(26,588)	-	-	(26,588)
Net realized loss on stock donations	(4,147)	-	-	(4,147)
Total revenue, gains and other support	<u>29,871,187</u>	<u>9,518,744</u>	<u>-</u>	<u>39,389,931</u>
 Net assets released from restrictions	<u>649,568</u>	<u>(649,568)</u>	<u>-</u>	<u>-</u>
 <b>Expenses:</b>				
Youth development	14,212,388	-	-	14,212,388
Healthy living	13,062,804	-	-	13,062,804
Social responsibility	346,914	-	-	346,914
Management and general	5,034,753	-	-	5,034,753
Fund raising	1,098,790	-	-	1,098,790
Total expenses	<u>33,755,649</u>	<u>-</u>	<u>-</u>	<u>33,755,649</u>
Decrease in value of interest rate swap liability	304,471	-	-	304,471
Change in net assets	<u>(2,930,423)</u>	<u>8,869,176</u>	<u>-</u>	<u>5,938,753</u>
Net assets, beginning of year	<u>21,023,869</u>	<u>14,079,756</u>	<u>3,710,000</u>	<u>38,813,625</u>
 Net assets, end of year	<u>\$ 18,093,446</u>	<u>\$ 22,948,932</u>	<u>\$ 3,710,000</u>	<u>\$ 44,752,378</u>

*See accompanying notes to combined financial statements.*

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Combined Statement of Functional Expenses  
Year Ended September 30, 2014

	Program Services				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Management and General	Fund Raising	Total	Total
Salaries	\$ 6,721,449	\$ 6,831,528	\$ 190,270	\$ 13,743,247	\$ 1,859,512	\$ 582,054	\$ 2,441,566	\$ 16,184,813
Employee benefits	389,574	486,292	16,105	891,971	162,916	56,097	219,013	1,110,984
Payroll taxes	621,169	642,116	17,345	1,280,630	164,094	47,854	211,948	1,492,578
Professional fees and contract services	210,055	103,983	897	314,935	511,851	116,247	628,098	943,033
Supplies	1,561,066	545,371	13,788	2,120,225	58,876	14,898	73,774	2,193,999
Telephone	99,583	73,242	1,717	174,542	75,318	6,486	81,804	256,346
Postage	3,169	4,098	45	7,312	9,509	2,944	12,453	19,765
Occupancy	2,195,308	2,044,683	36,658	4,276,649	182,036	5,095	187,131	4,463,780
Rental and maintenance of equipment	321,359	778,262	2,864	1,102,485	41,083	2,084	43,167	1,145,652
Printing and publications	81,391	139,282	1,203	221,876	310,602	133,830	444,432	666,308
Travel	144,696	38,599	2,195	185,490	70,833	10,934	81,767	267,257
Conferences, conventions and meetings	110,485	92,637	3,264	206,386	76,037	21,998	98,035	304,421
Membership dues	6,600	6,110	53	12,763	308,050	9,307	317,357	330,120
Insurance	270,527	237,508	5,369	513,404	56,789	1,159	57,948	571,352
Interest	255,567	420,265	3,630	679,462	33,511	684	34,195	713,657
Miscellaneous	<u>14,797</u>	<u>6,098</u>	<u>138</u>	<u>21,033</u>	<u>13,705</u>	<u>280</u>	<u>13,985</u>	<u>35,018</u>
Total expenses before depreciation and amortization	13,006,795	12,450,074	295,541	25,752,410	3,934,722	1,011,951	4,946,673	30,699,083
Depreciation and amortization	<u>1,198,131</u>	<u>1,120,927</u>	<u>27,104</u>	<u>2,346,162</u>	<u>360,282</u>	<u>7,136</u>	<u>367,418</u>	<u>2,713,580</u>
<b>Total expenses</b>	<b><u>\$ 14,204,926</u></b>	<b><u>\$ 13,571,001</u></b>	<b><u>\$ 322,645</u></b>	<b><u>\$ 28,098,572</u></b>	<b><u>\$ 4,295,004</u></b>	<b><u>\$ 1,019,087</u></b>	<b><u>\$ 5,314,091</u></b>	<b><u>\$ 33,412,663</u></b>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Combined Statement of Functional Expenses  
Year Ended September 30, 2013

	Program Services				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total	Management and General	Fund Raising	Total	Total
Salaries	\$ 6,916,696	\$ 6,669,687	\$ 206,692	\$ 13,793,075	\$ 2,441,600	\$ 590,138	\$ 3,031,738	\$ 16,824,813
Employee benefits	409,072	465,573	15,545	890,190	208,927	54,463	263,390	1,153,580
Payroll taxes	646,793	634,462	19,531	1,300,786	220,851	52,399	273,250	1,574,036
Professional fees and contract services	192,756	69,561	995	263,312	489,684	203,910	693,594	956,906
Supplies	1,422,211	551,970	14,606	1,988,787	94,198	22,072	116,270	2,105,057
Telephone	109,461	65,754	2,010	177,225	67,405	5,148	72,553	249,778
Postage	4,486	2,892	70	7,448	10,005	2,786	12,791	20,239
Occupancy	2,131,892	1,963,905	38,666	4,134,463	175,073	5,842	180,915	4,315,378
Rental and maintenance of equipment	252,650	596,724	2,731	852,105	40,299	2,066	42,365	894,470
Printing and publications	86,186	97,284	1,755	185,225	244,735	111,148	355,883	541,108
Travel	128,934	32,282	1,800	163,016	66,631	11,361	77,992	241,008
Conferences, conventions and meetings	104,400	93,307	2,181	199,888	142,191	18,885	161,076	360,964
Membership dues	7,086	9,314	98	16,498	305,589	9,238	314,827	331,325
Insurance	267,031	225,291	5,693	498,015	54,874	1,120	55,994	554,009
Interest	268,679	441,827	3,816	714,322	35,230	719	35,949	750,271
Miscellaneous	<u>6,213</u>	<u>3,455</u>	<u>94</u>	<u>9,762</u>	<u>14,735</u>	<u>301</u>	<u>15,036</u>	<u>24,798</u>
Total expenses before depreciation and amortization	12,954,546	11,923,288	316,283	25,194,117	4,612,027	1,091,596	5,703,623	30,897,740
Depreciation and amortization	<u>1,257,842</u>	<u>1,139,516</u>	<u>30,631</u>	<u>2,427,989</u>	<u>422,726</u>	<u>7,194</u>	<u>429,920</u>	<u>2,857,909</u>
Total expenses	<u>\$ 14,212,388</u>	<u>\$ 13,062,804</u>	<u>\$ 346,914</u>	<u>\$ 27,622,106</u>	<u>\$ 5,034,753</u>	<u>\$ 1,098,790</u>	<u>\$ 6,133,543</u>	<u>\$ 33,755,649</u>

See accompanying notes to combined financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Combined Statements of Cash Flows  
Years Ended September 30, 2014 and 2013

	2014	2013
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 888,169	\$ 5,938,753
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	11,190	48,233
In-kind contribution of donated stock	(2,119,054)	(369,464)
In-kind contribution of land	(596,000)	-
Net realized loss on donated stock	8,948	4,147
Depreciation	2,708,780	2,853,109
Amortization	4,800	4,800
Change in value of interest rate swaps	(285,135)	(304,471)
Net loss on disposal of equipment	57,790	26,588
Net changes in:		
Accounts receivable	(2,861)	(144,239)
Prepaid expenses	(208,127)	188,182
Deposits	31	78
Accounts payable	401,071	293,078
Accrued expenses	(375,270)	552,467
Deferred revenue	(195,348)	263,608
Net cash provided by operating activities	298,984	9,354,869
<b>Cash flows from investing activities:</b>		
Purchases of land, building and equipment	(1,335,412)	(1,817,217)
Proceeds from sale of land, building and equipment	-	16,995
Proceeds from sales of donated stock	2,110,106	365,317
Net cash provided (used) by investing activities	774,694	(1,434,905)
<b>Cash flows from financing activities:</b>		
Principal payments on capital leases	(20,715)	(25,647)
Principal payments on long-term debt	(632,400)	(1,124,800)
Collection of pledges receivable	1,158,014	(7,881,103)
Net cash provided (used) by financing activities	504,899	(9,031,550)
Net increase (decrease) in cash	1,578,577	(1,111,586)
Cash, beginning of year	1,147,486	2,259,072
Cash, end of year	\$ 2,726,063	\$ 1,147,486
Cash - unrestricted	\$ 487,267	\$ 1,027,000
Cash - temporarily restricted	2,238,796	120,486
	\$ 2,726,063	\$ 1,147,486

See accompanying notes to combined financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**1. Nature of Activities**

The Young Men's Christian Association of Florida's First Coast, Inc. (the Y) is a cause-driven not-for-profit organization focused on strengthening the foundations of community through three areas of focus. The Y develops youth and teens through programs that help them realize their full potential, improves the health of individuals by providing them with programs and services that make them feel empowered and creates an environment where everyone, regardless of income, age or background, feels a sense of belonging and has the opportunity to thrive.

Strong Communities Realty Corporation is a not-for-profit corporation organized exclusively for charitable, religious, educational and scientific purposes. In particular, the corporation owns the facility which houses the Tiger Academy, a free public school that approaches the education of each child with a commitment to helping him or her grow in spirit, mind and body. Tiger Academy focuses on rigorous academic standards, character development, personal and social responsibility and strong family involvement, while providing each child with a structured and nurturing learning environment.

The Young Men's Christian Association of Florida's First Coast, Inc. and Strong Communities Realty Corporation are collectively referred to as the Association.

**2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of the Association is presented to assist in understanding the combined financial statements. The combined financial statements and accompanying notes are representations of the Association's management. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the combined financial statements.

Use of Estimates

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

Basis of Presentation

In accordance with authoritative guidance, the Association is required to report information regarding its combined financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

*Unrestricted Net Assets* - Net assets representing resources generated from operations that are not subject to donor-imposed stipulations.

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

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that the assets must be maintained permanently by the Association.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**2. Summary of Significant Accounting Policies (Continued)**

Principles of Combination

All material intercompany accounts and transactions are eliminated in the combination.

Restrictions on Assets

The restrictions on assets at September 30, 2014 and 2013, relate to funds raised through the Forward in Faith, Tiger Academy and the Riverside Avenue Campaigns, funds received on cash advance grants and a contributed wellness facility.

Funds raised through the various campaigns are used to add, improve and maintain the Association's investment in land, building and equipment and for the operation of Tiger Academy. Cash and pledges receivable raised through these campaigns are temporarily restricted to additional investments in land, building and equipment and the payment of long-term debt.

Accounts Receivable

Management evaluates total accounts receivable, and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote. The allowance for doubtful accounts was zero at September 30, 2014 and 2013. No interest is charged on accounts receivable that are past due.

Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Association. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets.

The Association uses the allowance method to determine uncollectible, unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restriction. Contributions of assets other than cash are recorded at their fair value at the date received and subsequent gains or losses related to disposal are recorded in the combined statements of activities.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**2. Summary of Significant Accounting Policies (Continued)**

Contribution of Services

A substantial number of unpaid volunteers have made significant contributions of their time to the Association. No amounts have been reflected in the combined statements for these contributed services since the contribution of these services did not create or enhance non-financial assets or require specialized skills. When professional services are provided, in-kind values are recorded as contributions.

Bond Issue Costs

The costs incurred in connection with the issuance of the Jacksonville Economic Development Commission Industrial Development Revenue Refunding Bonds, Series 2011 are being amortized over the term of the related indebtedness.

Land, Buildings and Equipment

Land, buildings and equipment, which include amounts recorded under capital leases, are stated at cost and any purchases or donations in excess of \$2,000 are capitalized. Maintenance and repairs are charged to expense as incurred. When items of land, buildings and equipment are sold or otherwise disposed of, the asset and related accumulated depreciation accounts are eliminated, and any gain or loss is included in the combined statements of operations.

Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements recorded at the inception of the lease are depreciated over the life of the lease, or the useful life of the improvement, whichever is shorter; for improvements made during the lease term, the depreciation period is the shorter of the useful life or the remaining lease term (including any renewal periods that are deemed to be reasonable assured). Equipment under capital leases is depreciated over the lives of the respective leases or the estimated useful lives of the assets, whichever is shorter. Asset lives for financial statement reporting of depreciation are:

Land improvements	5 – 20 years
Buildings	10 – 40 years
Leasehold improvements	5 – 10 years
Furniture and equipment	5 – 15 years
Automobiles	4 – 8 years

The Association reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of long-lived assets is measured by comparing the carrying amount of the asset or asset group to the undiscounted cash flows that the asset or asset group is expected to generate. If the undiscounted cash flows of such assets are less than the carrying amount, the impairment to be recognized is measured by the amount by which the carrying amount, if any, exceeds its fair value. No impairments were deemed to exist at September 30, 2014 and 2013.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**2. Summary of Significant Accounting Policies (Continued)**

Interest Rate Swaps

The Association uses interest rate swap agreements as a cash flow hedge to manage interest rate risk exposure. The interest rate swaps are considered derivative financial instruments and, as such, the Association recognizes them as either assets or liabilities on the statements of financial position at fair value. This strategy stabilizes interest expense through periods of changing interest rates. The Association does not trade in these derivatives for speculative purposes.

Advertising

The Association expenses advertising costs as they are incurred. Advertising expense for the years ended September 30, 2014 and 2013 was approximately \$495,000 and \$370,000, respectively.

Income Taxes

The Young Men's Christian Association of Florida's First Coast, Inc. and Strong Communities Realty Corporation are private not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes, respectively. As such, only unrelated business income is subject to income tax. The Young Men's Christian Association of Florida's First Coast, Inc. and Strong Communities Realty Corporation are not classified as private foundations.

The Association evaluates its tax positions for any uncertainties based on the technical merits of the positions taken. The Association recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be upheld on examination by taxing authorities. The Association has analyzed the tax positions taken and has concluded that as of September 30, 2014 and 2013, there were no uncertain tax positions taken, or expected to be taken, that would require recognition of a liability or disclosure in the combined financial statements.

Management is required to analyze all open tax years, as defined by the statute of limitations, for all major jurisdictions, including federal and certain state taxing authorities. At September 30, 2014, the Association is no longer subject to U.S. federal income tax examinations by taxing authorities for years before 2011. As of and for the years ended September 30, 2014 and 2013, the Association did not have a liability for any unrecognized taxes. The Association has no examinations in progress and is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax liabilities will significantly change in the next twelve months.

Functional Expense Allocation

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

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**2. Summary of Significant Accounting Policies (Continued)**

Subsequent Events

The Association has evaluated events through the date of the report of independent certified public accountants, the date the combined financial statements were available to be issued.

**3. Fair Value Measurements**

Authoritative guidance provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2 Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There has been no change in the methodology used at September 30, 2014 and 2013. Following is a description of the valuation methodology used for financial instruments measured at fair value:

*Interest rate swaps:* Valued at fair market value based upon the lending institutions' valuation models and assumptions and available market data on the last business day of the reporting period.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**3. Fair Value Measurements (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Association's financial instruments at fair value at September 30, 2014:

	Level 1	Level 2	Level 3	Total
Interest rate swaps	\$ -	\$ (365,371)	\$ -	\$ (365,371)

The following table sets forth by level, within the fair value hierarchy, the Association's financial instruments at fair value at September 30, 2013:

	Level 1	Level 2	Level 3	Total
Interest rate swaps	\$ -	\$ (650,506)	\$ -	\$ (650,506)

There were no transfers between Level 1, Level 2 or Level 3 investments during the years ended September 30, 2014 and 2013.

**4. Pledges Receivable**

Amounts due from pledges receivable are generated from the Forward in Faith, Tiger Academy and Riverside Avenue Campaigns.

No provision for uncollectible pledges for September 30, 2014 and 2013 has been established by management based on expected and historical collections.

The pledges receivable are due in the succeeding years as follows at September 30:

	2014	2013
Receivable in less than one year	\$ 2,647,449	\$ 2,726,138
Receivable between one to five years	4,086,350	5,822,670
Receivable in more than five years	6,072,214	5,925,000
	12,806,013	14,473,808
Less discounts to net present value	(1,682,373)	(2,180,964)
Net pledges receivable	\$ 11,123,640	\$ 12,292,844

Pledges receivable with due dates extending beyond one year are discounted using the Association's average borrowing rate of 6%, at the time the pledges were made.

Pledges receivable from four donors each accounted for 27, 16, 11 and 10 percent of total pledges receivable at September 30, 2014. Pledges receivable from four donors each accounted for 28, 16, 12 and 12 percent of total pledges receivable at September 30, 2013.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**5. Land, Buildings and Equipment**

Land, buildings and equipment consisted of the following at September 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 7,822,539	\$ 7,226,539
Land improvements	6,718,372	6,706,722
Buildings	54,789,178	54,066,006
Leasehold improvements	991,279	1,000,971
Furniture and equipment	5,650,517	6,045,381
Automobiles	159,377	159,377
Construction in progress	<u>1,522,166</u>	<u>1,092,436</u>
	77,653,428	76,297,432
Less: Accumulated depreciation	<u>(27,049,533)</u>	<u>(24,918,482)</u>
	<u>\$ 50,603,895</u>	<u>\$ 51,378,950</u>

Construction in progress at September 30, 2014 and 2013, relates primarily to the new Riverside branch facility.

Land, buildings and equipment include a wellness facility donated in 2008 valued at \$16,500,000. The donation has restrictive covenants which prohibit the Association from converting the building and land from its use as a wellness facility. The land was recorded at fair value at the date of donation in permanently restricted net assets. The building and associated equipment were recorded at fair value at the date of donation in temporarily restricted net assets.

**6. Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for the year ended September 30:

	<u>2014</u>	<u>2013</u>
Debt service and other operating expenses from collection of pledges receivable	\$ 1,868,325	\$ 200,838
Depreciation for temporarily restricted assets	409,288	448,730
Federal grant funds expended	<u>120,486</u>	<u>-</u>
	<u>\$ 2,398,099</u>	<u>\$ 649,568</u>

**7. Restricted Net Assets**

Permanently restricted net assets consist of land related to a donated wellness facility. The land was recorded at fair value at the date of donation in permanently restricted net assets in the amount of \$3,710,000.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
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Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**7. Restricted Net Assets (Continued)**

Temporarily restricted net assets consist primarily of donations that have been restricted for a specific purpose or program supporting the activities of the Association that will be met by the actions of the Association and/ or the passage of time. Temporarily restricted net assets consisted of the following at September 30:

	2014	2013
Pledges receivable relating to capital campaigns	\$ 11,013,689	\$ 12,292,844
Donated wellness facility assets, net	8,761,764	9,171,052
Payments on pledges restricted to the Riverside campaign	2,717,366	1,364,550
Cash advances on federal and state grant funds	25,175	120,486
	\$ 22,517,994	\$ 22,948,932

**8. Long-Term Debt**

The Association has Jacksonville Economic Development Commission Industrial Development Revenue Refunding Bonds Series 2011 (Revenue Bonds), payable quarterly, in periodic principal amounts ranging from \$48,700 to \$546,200. The final payment is due March 1, 2036. Interest is payable monthly at a variable rate based on the floating rate set by the bond market (2.26% at September 30, 2014).

The Revenue Bonds are secured by a mortgage on certain existing property, and certain property acquired with the bond proceeds. The net book value of the property acquired with bond proceeds for the year ended September 30, 2014 was \$20,022,352.

The Revenue Bond Agreement requires the Association to comply with certain covenants and reporting requirements. At September 30, 2014, the Association was in violation of two of the covenants. The Revenue Bond Agreement also provides for an optional put of the Revenue Bonds by the holder to the Association, which has been exercised by the bond holder. The bond holder has entered into negotiations with the Association for an extension of the put date as well as a forbearance of the noted covenant requirements, in order to permit the Association to continue negotiations with a new lender for refinance of the Revenue Bonds.

The Association has interest rate swaps that convert the variable rate on the revenue and refunding bonds to a fixed rate as more fully disclosed in Note 10.

Interest charged to expense during the years ended September 30, 2014 and 2013, was \$707,727 and \$746,250, respectively.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**9. Capital Leases**

The Association leases certain office and fitness equipment which are accounted for as capital leases that expire at various dates from December 2016 to January 2018. Monthly payments range from \$132 to \$905 per month, including interest from 2% to 7%. The obligations are collateralized by the related equipment.

Future minimum lease payments under capital lease obligations at September 30, 2014 were as follows:

2015	\$ 27,499
2016	24,295
2017	16,390
2018	<u>19,759</u>
	87,943
Less: Imputed interest	<u>(11,873)</u>
Net minimum lease payments	<u>\$ 76,070</u>

Interest expense under capital leases amounted to \$5,931 and \$4,022 for the years ended September 30, 2014 and 2013, respectively.

Leased property under capital lease obligations at September 30 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Leased property	\$ 523,620	\$ 698,684
Less: Accumulated amortization	<u>(427,669)</u>	<u>(616,815)</u>
	<u>\$ 95,951</u>	<u>\$ 81,869</u>

**10. Interest Rate Swaps**

At September 30, 2014 and 2013, the Association had interest rate swaps as follows:

Notional Amount	Interest Rate	Maturity Date	Fair Value	
			<u>2014</u>	<u>2013</u>
\$ 9,988,000*	3.97%	March 1, 2016	\$ (204,170)	\$ (290,542)
\$ 4,325,000*	3.70%	March 1, 2016	<u>(161,201)</u>	<u>(359,964)</u>
			<u>\$ (365,371)</u>	<u>\$ (650,506)</u>

\* The notional amounts for 2013 were \$10,844,000 and \$4,425,000, respectively.

The fair value of the interest rate swaps represent the amount the Association would pay or receive to sell the interest rate swap at interest rates in effect at September 30, 2014 and 2013. The change in fair value of the interest rate swaps is reflected in the combined statements of activities.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**11. Retirement Plan**

The Association participates in The YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986 (the Code), as amended and the YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the Code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (the Fund). The Fund is a not-for-profit, tax exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCA's throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the YMCA Retirement Fund Retirement Plan Agreement, contributions to the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the Association. Total contributions charged to retirement costs in the fiscal years ended September 30, 2014 and 2013 aggregated \$677,460 and \$686,864, respectively. The amounts payable to the retirement fund for the fiscal years ended September 30, 2014 and 2013 were \$101,225 and \$98,130, respectively.

**12. Payments to National Organization**

In accordance with the affiliation agreement with the national organization, YMCA of the USA, dues are based on a percentage of gross income net of any allowable deductions. Total dues under this agreement for each of the years ended September 30, 2014 and 2013, were \$267,115 and \$263,365, respectively.

**13. Commitments and Contingencies**

Operating Leases

The Association leases various equipment under non-cancelable operating leases expiring at various dates from October 2014 to May 2017. Lease expense under these operating leases was \$574,766 and \$314,761 for the years ended September 30, 2014 and 2013, respectively.

Future minimum lease payments at September 30, 2014 were as follows:

2015	\$ 411,599
2016	243,779
2017	<u>73,708</u>
Total	<u>\$ 729,086</u>

In addition, the land on which the St. Augustine branch is located is leased at no cost from the State of Florida Department of Natural Resources, Division of Recreation and Parks. The lease commenced on October 29, 1984, and continues for a period of twenty-five years, with an option to renew the lease for an additional fifteen years. In 2009, the renewal option was exercised. No amounts have been reflected in the combined financial statements because there is no clearly measurable basis for determining its value.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Notes to Combined Financial Statements  
Years Ended September 30, 2014 and 2013

**13. Commitments and Contingencies (Continued)**

Related Entity Operating Lease Agreement

The Tiger Academy (Academy) operates in a facility owned by Strong Communities Realty Corporation (Realty). The Academy leases the facility from Realty under a lease agreement for a period of 20 years beginning July 1, 2009, with the option to renew for two consecutive five year periods. The monthly rent payments for the remaining term of the lease amount to \$16,752. The Academy made payments on the lease in the amount of \$83,888 and \$77,414 for the year ended September 30, 2014 and 2013 respectively. The remaining amount of the lease that was to be due on September 30, 2014 and 2013, amounted to \$111,480 and \$146,570, respectively, and was forgiven by Realty and is recorded in the combined statements of financial position as an in-kind donation. Certain officers of the Association serve as directors of Realty. All intercompany revenue and expenditures are eliminated in the combination.

Concentrations of Credit Risk

Financial instruments which potentially subject the Association to a concentration of credit risk consist principally of cash. Cash balances are exposed to credit risk since the Association periodically maintains balances in excess of federally insured limits. The Association does not believe it is exposed to any significant credit risk on these deposits.

Government Regulation

The Association is subject to various state and federal laws and regulations, which, among other things, impose limits on interest rate charges and insurance premiums and require licensing and other qualifications.

**14. Supplemental Disclosures of Cash Flow Information**

During the years ended September 30, 2014 and 2013, the cash paid for interest was \$711,781 and \$751,811, respectively. During the year ended September 30, 2014, the non-cash investing activities consisted of purchases of equipment under capital leases in the amount of \$60,103. At September 30, 2013, the Association did not purchase any equipment under capital leases.

**15. Subsequent Event**

The Association is currently negotiating a refinance of the Revenue Bonds as described in note 8, with the proceeds of a new tax-exempt revenue bond to be issued by the City of Jacksonville and sold to the new lender. The Association anticipates that the refinance transaction will close during its third fiscal quarter, 2015, and will extend the existing debt maturity to 2036.

## Other Financial Information

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Schedule of Expenditures of Financial Awards  
Year Ended September 30, 2014

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	Period	CFDA CFSA Number	Pass - Through Grantors Numbers	Federal Expenditures	State Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>					
<i>Passed through Florida Department of Agriculture and Consumer Services:</i>					
National School Lunch Program (Breakfast)	7/01/2013-6/30/2014	10.553	01-0541	\$ 20,421	\$ -
National School Lunch Program (Breakfast)	7/01/2014-6/30/2015	10.553	01-0541	6,385	-
National School Lunch Program (General Revenue Lunch)	7/01/2013-6/30/2014	10.555	01-0541	77,660	-
National School Lunch Program (General Revenue Lunch)	7/01/2014-6/30/2015	10.555	01-0541	19,405	-
National School Lunch Program (Afterschool Snack Program)	7/01/2013-6/30/2014	10.555	01-0541	15,410	-
National School Lunch Program (Afterschool Snack Program)	7/01/2014-6/30/2015	10.555	01-0541	5,218	-
				<u>144,499</u>	<u>-</u>
<i>Passed through Florida Department of Health:</i>					
Childcare Food Program	10/01/2013-9/30/2014	10.558	A-2920	32,360	-
				<u>32,360</u>	<u>-</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>					
<i>Passed through Florida Department of Education:</i>					
<i>Passed through Duval County:</i>					
21st CCLC ELT	6/11/2013-7/31/2014	84.287	N/A	157,791	-
21st CCLC ELT	5/09/2014-6/30/2015	84.287	N/A	61,440	-
Title I - School Wide Program	7/01/2013-6/30/2014	84.010	N/A	78,837	-
Title I - Parent Involvement Fund	7/01/2013-6/30/2014	84.010	N/A	3,193	-
Title I - Part A District Initiative	7/01/2013-6/30/2014	84.010A	N/A	60,084	-
Title I - School Implementation	7/01/2013-6/30/2014	84.010A	N/A	15,944	-
Title I - School Improvement - Part A 1003(3)	7/01/2014-12/31/2014	84.010A	N/A	6,655	-
Title II - Part A Teacher and Principal Training	7/01/2013-6/30/2014	84.376A	N/A	6,769	-
				<u>390,713</u>	<u>-</u>
<b>CENTERS FOR DISEASE CONTROL AND PREVENTION:</b>					
<i>Passed through YMCA of the USA:</i>					
Enhance Fitness Discrimination Grant	9/30/2011-9/29/2012	93.068	1U58DP003824-01	546	-
ACHIEVE Grant	9/29/2011-2/28/2014	93.283	1U58DP001665	30,093	-
Racial and Ethnic Approaches to Community Health (REACH)	12/28/2012-9/30/2014	93.738	N/A	108,426	-
				<u>139,065</u>	<u>-</u>
<i>Florida Department of Education:</i>					
Take Stock in Children	7/01/2013-6/30/2014	N/A	N/A	-	40,108
Take Stock in Children	7/01/2014-6/30/2015	N/A	N/A	-	11,487
				<u>-</u>	<u>51,595</u>
<i>State of Florida Medicaid:</i>					
Daystar	10/01/2013-9/30/2014	N/A	N/A	-	192,871
				<u>-</u>	<u>192,871</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**

Schedule of Expenditures of Financial Awards  
Year Ended September 30, 2014

Federal/State Grantor/Pass-Through Grantor/Federal Program/State Project	Period	CFDA CFSA Number	Pass - Through Grantors Numbers	Federal Expenditures	State Expenditures
<b>Florida Department of Agriculture and Consumer Services:</b>					
National School Lunch Program (Breakfast Supplement)	7/01/2013-6/30/2014	N/A	N/A	\$ -	\$ 939
National School Lunch Program (Cafeteria Supplement)	7/01/2013-6/30/2014	N/A	N/A	-	1,188
				<u>-</u>	<u>2,127</u>
<b>Florida Department of Education:</b>					
<b>Passed through Duval County School District:</b>					
Capital Outlay Funding	7/01/2013-6/30/2014	N/A	N/A	-	66,281
Florida Teachers Lead Program	7/01/2013-6/30/2014	N/A	N/A	-	3,920
Florida Education Finance Program (FEFP) - Teacher Salary	7/01/2013-6/30/2014	N/A	N/A	-	38,606
Florida Education Finance Program (FEFP)	7/01/2013-6/30/2014	N/A	N/A	-	1,009,900
Florida Education Finance Program (FEFP)	7/01/2014-6/30/2015	N/A	N/A	-	328,597
Capital Outlay Funding	7/01/2014-6/30/2015	N/A	N/A	-	17,607
				<u>-</u>	<u>1,464,911</u>
<b>Florida Department of Education:</b>					
<b>Passed through Early Learning Coalition of Duval:</b>					
Voluntary Pre-Kindergarten (VPK)	7/01/2013-6/30/2014	48.108	N/A	-	69,846
Voluntary Pre-Kindergarten (VPK)	7/01/2014-6/30/2015	48.108	N/A	-	10,856
				<u>-</u>	<u>80,702</u>
<b>Florida Department of Education:</b>					
<b>Passed through Episcopal Children's Services:</b>					
Voluntary Pre-Kindergarten (VPK)	7/01/2013-6/30/2014	N/A	N/A	-	38,483
				<u>-</u>	<u>38,483</u>
<b>Florida Department of Education:</b>					
<b>Passed through Florida State Alliance for YMCA's:</b>					
YMCA Reads!	7/01/2013-6/30/2014	48.068	N/A	-	99,485
YMCA Reads!	7/01/2014-6/30/2015	48.068	N/A	-	37,508
				<u>-</u>	<u>136,993</u>
Total expenditures of financial awards				<u>\$ 706,637</u>	<u>\$ 1,967,682</u>

See accompanying notes to schedule of expenditures of financial awards.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Notes to Schedule of Expenditures of Financial Awards  
Year Ended September 30, 2014

**1. Basis of Accounting**

The accompanying schedule of expenditures of financial awards includes the federal and state activity of The Young Men's Christian Association of Florida's First Coast, Inc. and Strong Communities Realty Corporation and is prepared on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic combined financial statements.

**2. Pass-through Awards**

The Association receives certain federal awards and state financial assistance from pass-through awards of the state, local government and other entities. The total amount of such pass-through awards is included in the schedule of expenditures of financial awards.

**3. Reconciliation of State Awards Received to Expended**

The following table reconciles the state grant revenue as reported on the combined statements of activities to state expenditures reported on the schedule of expenditures of financial awards as of September 30, 2014.

State grant revenue	\$ 1,992,857
Cash advances on state grant funds	<u>(25,175)</u>
State grant expenditures	<u>\$ 1,967,682</u>

LBA Certified Public Accountants, PA

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Combined Financial Statements Performed in Accordance with  
Government Auditing Standards**

To the Board of Directors of  
The Young Men's Christian Association of Florida's First Coast, Inc.  
and Strong Communities Realty Corporation  
Jacksonville, Florida

We have audited, 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, the combined financial statements of The Young Men's Christian Association of Florida's First Coast, Inc. (a not-for-profit organization) and Strong Communities Realty Corporation (a not-for-profit organization), (collectively referred to as the Association) which comprise the combined statement of financial position as of September 30, 2014 and the related combined statements of activities, functional expenses and cash flows for the year then ended and have issued our report thereon dated February 11, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's combined 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 the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's combined 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 combined 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 Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LBA Certified Public Accountants, P.A.*

February 11, 2015

LBA Certified Public Accountants, PA

**Independent Auditors' Report on Compliance For  
Each Major Program and on Internal Control Over Compliance Required by  
OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General of the  
State of Florida**

To the Board of Directors of  
The Young Men's Christian Association of Florida's First Coast, Inc.  
and Strong Communities Realty Corporation  
Jacksonville, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited The Young Men's Christian Association of Florida's First Coast, Inc. (a not-for-profit organization) and Strong Communities Realty Corporation's (a not-for-profit organization), (collectively, the Association) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that could have a direct and material effect on each of the Association's major federal programs or state projects for the year ended September 30, 2014. The Association's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs and state projects.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Association's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*; and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Those standards, OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to

above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Association's compliance.

### **Opinion of Each Major Federal Program and State Project**

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

### **Report on Internal Control Over Compliance**

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the requirements that could have a direct and material effect on a major federal program or a state project in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Accountants  
Consultants  
Wealth Advisors

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General* of the State of Florida. Accordingly, this report is not suitable for any other purpose.

*LBA Certified Public Accountants, P.A.*

February 11, 2015

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Summary of Auditor's Results**

Financial Statement Section

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency(ies) identified, not considered to be material weakness(es)?	___ Yes <u>X</u> No
Control deficiency(ies) identified not considered to be significant deficiency(ies)?	___ Yes <u>X</u> No
Noncompliance material to financial statement noted?	___ Yes <u>X</u> No

Federal Awards and State Financial Assistance Section

Dollar Threshold used to determine Type A programs:	<u>\$300,000</u>
Auditee qualified as low-risk auditee for federal awards purposes?	<u>X</u> Yes    ___ No
Auditee qualified as low-risk auditee for state financial assistance purposes?	<u>X</u> Yes    ___ No
Type of auditor's report on compliance for major programs/projects:	<u>Unmodified</u>
Internal control over compliance:	
Material weakness(es) identified?	___ Yes <u>X</u> No
Significant deficiency (ies) identified not considered to be material weakness(es)?	___ Yes <u>X</u> No
Control deficiency(ies) identified, not considered to be significant deficiency(ies)?	___ Yes <u>X</u> No
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section 501(a)) and Chapter 10.650, <i>Rules of the Auditor General</i> of the State of Florida?	___ Yes <u>X</u> No

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2014

**Summary of Auditor's Results (Continued)**

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	National School Lunch Program (Breakfast)
10.553	National School Lunch Program (General Revenue Lunch)
10.555	National School Lunch Program (Afterschool Snack Program)
84.010	Title 1 – School Wide Program
84.010	Title 1 – Parent Involvement Fund
84.010A	Title 1 – Part A District Initiative
84.010A	Title 1 – School Implementation
84.010A	Title 1 – School Improvement – Part A 1003 (3)

Identification of major state projects:

<u>CFSA Number(s)</u>	<u>Name of State Program or Cluster</u>
N/A	Florida Education Finance Program (FEFP)
N/A	Florida Education Finance Program (FEFP)–Teacher Salary

The management letter required by Auditor General Rule Section 10.656(3)(e) is not included in this report because there were no findings required to be reported.

The summary schedule of prior year findings was not presented, as there were no findings during the prior fiscal year audit.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Schedule of Source and Expenditure of City Grant Funds  
Per Ordinance Code Chapter 118-208(e)  
Year Ended September 30, 2014

Appropriations from the City of Jacksonville grants are included in the operating fund. An analysis of the Grant accounts for the year ended September 30, 2014, is as follows:

*City of Jacksonville Grant Funding For Fiscal Year 2013/2014 Audit*

Receipt of City Funds

	CY FY 2013-2014 Grant #7255-30
Amount of Award (Per City Budget Ordinance)	\$ 142,272
Actual Funds Received From City in Last Audit Period	-
Actual Amount Received This Period	141,894
Amount Remaining To Be Distributed	\$ -

Expenditure of City Funds

*City FY 2013-2014 Rufus E. Payne Elementary Team Up Program #7255-30 - \$142,272*

Item	Budgeted	Actual 7/1/2013- 9/30/2013	Actual 10/1/2013- 6/30/2014	Total Actual	Remaining Balance
Salaries	\$ 119,559	\$ 19,197	\$ 100,199	\$ 119,396	\$ 163
Indirect	12,933	2,123	10,776	12,899	34
Background and drug screenings	692	613	79	692	-
Program supplies	2,663	-	2,663	2,663	-
Mileage	860	214	611	825	35
Office expense - supplies	1,499	-	1,353	1,353	146
Office expense - telephone	459	91	368	459	-
Field trip entrance fees	808	-	808	808	-
Field trip transportation	360	-	360	360	-
Educational materials	2,439	1,120	1,319	2,439	-
<b>Total</b>	<b>\$ 142,272</b>	<b>\$ 23,358</b>	<b>\$ 118,536</b>	<b>\$ 141,894</b>	<b>\$ 378</b>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Schedule of Source and Expenditure of City Grant Funds  
Per Ordinance Code Chapter 118-208(e)  
Year Ended September 30, 2014

Receipt of City Funds

	CY FY 2013-2014 Grant #7255-31
Amount of Award (Per City Budget Ordinance)	\$ 119,016
Actual Funds Received From City in Last Audit Period	-
Actual Amount Received This Period	<u>119,006</u>
Amount Remaining To Be Distributed	<u><u>\$ -</u></u>

Expenditure of City Funds

*City FY 2013-2014 George Washington Carver Elementary Team Up Program #7255-31 - \$119,016*

Item	Budgeted	Actual 7/1/2013- 9/30/2013	Actual 10/1/2013- 6/30/2014	Total Actual	Remaining Balance
Salaries	\$ 100,728	\$ 9,368	\$ 91,351	\$ 100,719	\$ 9
Indirect	10,819	1,230	9,589	10,819	-
Background and drug screenings	929	839	90	929	-
Program supplies	1,895	94	1,801	1,895	-
Mileage	493	84	409	493	-
Office expense – supplies	750	429	321	750	-
Field trip entrance fees	648	-	648	648	-
Field trip transportation	360	-	360	360	-
Educational materials	<u>2,394</u>	<u>1,483</u>	<u>911</u>	<u>2,394</u>	<u>-</u>
<b>Total</b>	<u><u>\$ 119,016</u></u>	<u><u>\$ 13,527</u></u>	<u><u>\$ 105,480</u></u>	<u><u>\$ 119,007</u></u>	<u><u>\$ 9</u></u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Schedule of Source and Expenditure of City Grant Funds  
Per Ordinance Code Chapter 118-208(e)  
Year Ended September 30, 2014

Receipt of City Funds

	CY FY 2014-2015 Grant #7255-33
Amount of Award (Per City Budget Ordinance)	\$ 261,288
Actual Funds Received From City in Last Audit Period	-
Actual Amount Received This Period	39,193
Amount Remaining To Be Distributed	\$ 222,095

Expenditure of City Funds

*City FY 2014-2015 Rufus E. Payne Elementary Team Up Program #7255-33 - \$261,288*

Item	Budgeted	Actual 7/1/2014- 9/30/2014	Actual 10/1/2014- 6/30/2015	Total Actual	Remaining Balance
Salaries	\$ 227,874	\$ 36,782	\$ -	\$ 36,782	\$ 191,092
Indirect	23,754	3,918	-	3,918	19,836
Background and drug screening	1,300	1,300	-	1,300	-
Program supplies	2,000	583	-	583	1,417
Mileage	1,062	207	-	207	855
Office expense – supplies	850	313	-	313	537
Office expense – telephone	730	-	-	-	730
Field trip entrance fees	1,200	-	-	-	1,200
Field trip transportation	700	-	-	-	700
Educational materials	1,818	-	-	-	1,818
<b>Total</b>	<b>\$ 261,288</b>	<b>\$ 43,103</b>	<b>\$ -</b>	<b>\$ 43,103</b>	<b>\$ 218,185</b>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF FLORIDA'S FIRST COAST, INC.  
AND STRONG COMMUNITIES REALTY CORPORATION**  
Schedule of Source and Expenditure of City Grant Funds  
Per Ordinance Code Chapter 118-208(e)  
Year Ended September 30, 2014

*City of Jacksonville Grants #7255-32 DuPont & Parkwood, Tiger (Jacksonville Children's Commission Grant)*

Receipt of City Funds

	CY FY 2013-2014
Amount of Award (Per City Budget Ordinance)	\$ 77,625
Actual Funds Received From City in Last Audit Period	-
Actual Amount Received This Period	75,900
Amount Remaining To Be Distributed	\$ 1,725
	Actual Expenses 2013-2014
Summer Camp Seat Funding:	
Salaries	\$ 55,326
Employee Benefits	284
Payroll Taxes	5,320
Supplies	13,509
Occupancy	1,461
Total	\$ 75,900

*City of Jacksonville Grants #7255-24 Johnson (Jacksonville Children's Commission Grant)*

Receipt of City Funds

	CY FY 2013-2014
Amount of Award (Per City Budget Ordinance)	\$ 89,625
Actual Funds Received From City in Last Audit Period	60,000
Actual Amount Received This Period	29,625
Amount Remaining To Be Distributed	\$ -
	Actual Expenses 2013-2014
Summer Camp Seat Funding:	
Salaries	\$ 22,239
Employee Benefits	6
Payroll Taxes	2,138
Supplies	4,493
Occupancy	749
Total	\$ 29,625

