Central Florida Young Men's Christian Association, Inc.

Consolidated Financial and Compliance Report
December 31, 2017

Contents

Independent Auditor's Report

To the Audit Committee
Central Florida Young Men's Christian Association, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Central Florida Young Men's Christian Association, Inc., which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Florida Young Men's Christian Association, Inc. as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, as required by State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of Central Florida Young Men's Christian Association, Inc.'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 effectiveness of the Central Florida Young Men's Christian Association, Inc.'s 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 Central Florida Young Men's Christian Association, Inc.'s internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
June 29, 2018

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Financial Position
December 31, 2017 and 2016
(In Thousands)

	2017	2016
Assets		
Cash and cash equivalents	**$ 8,848**	$ 9,020
Investments (Notes 3 and 8)	**4,925**	4,324
Pledges and grants receivable, net (Note 2)	**5,461**	6,658
Prepaid expenses and other assets	**2,019**	1,836
Cash and cash equivalents restricted for investment in property and equipment	**8,023**	9,591
Property and equipment, net (Notes 4, 5 and 7)	**82,777**	84,082
Total assets	**$ 112,053**	$ 115,511
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 4,243**	$ 4,129
Deferred membership and program revenues	**1,967**	2,482
Scholarships payable (Note 9)	**1,123**	1,152
Interest rate swaps (Notes 6 and 8)	**1,259**	1,650
Notes and capital leases payable, net (Note 7)	**1,154**	2,012
Bonds payable, net (Notes 5 and 6)	**30,255**	31,038
Total liabilities	**40,001**	42,463
Commitments and contingencies (Notes 4, 6, 7, 9 and 12)		
Net assets (Note 10):		
Unrestricted	**60,315**	61,538
Temporarily restricted	**11,042**	10,815
Permanently restricted	**695**	695
Total net assets	**72,052**	73,048
Total liabilities and net assets	**$ 112,053**	$ 115,511

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016
(In Thousands)

	2017				2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenues:								
Public support:								
Pledges and contributions	$ 3,623	$ 3,280	$ -	$ 6,903	$ 3,676	$ 2,276	$ 2	$ 5,954
Grant and contract revenue	5,528	89	-	5,617	5,521	44	-	5,565
Total public support	9,151	3,369	-	12,520	9,197	2,320	2	11,519
Revenues:								
Membership dues	29,782	-	-	29,782	31,503	-	-	31,503
Program fees	23,309	-	-	23,309	23,043	-	-	23,043
Rental revenue	662	-	-	662	676	-	-	676
Investment income (Note 3)	518	-	-	518	397	-	-	397
Other income and losses, net	(92)	-	-	(92)	282	-	-	282
Total revenues	54,179	-	-	54,179	55,901	-	-	55,901
Special events revenues	218	-	-	218	270	-	-	270
Less: costs of direct benefits to donors	(118)	-	-	(118)	(166)	-	-	(166)
Net revenues from special events	100	-	-	100	104	-	-	104
Net assets released from restrictions (Note 10)	3,142	(3,142)	-	-	8,570	(8,545)	(25)	-
Total public support and revenues	66,572	227	-	66,799	73,772	(6,225)	(23)	67,524
Expenses:								
Membership and program services	59,747	-	-	59,747	60,364	-	-	60,364
Supporting services:								
Management and general	6,068	-	-	6,068	6,071	-	-	6,071
Fundraising	2,371	-	-	2,371	1,350	-	-	1,350
Total expenses	68,186	-	-	68,186	67,785	-	-	67,785
Change in net assets from operations	(1,614)	227	-	(1,387)	5,987	(6,225)	(23)	(261)
Other changes:								
Change in fair value of interest rate swaps (Note 6)	391	-	-	391	478	-	-	478
Transfer due to change in donor purpose	-	-	-	-	-	500	(500)	-
Change in other changes	391	-	-	391	478	500	(500)	478
Change in net assets	(1,223)	227	-	(996)	6,465	(5,725)	(523)	217
Net assets, beginning of year	61,538	10,815	695	73,048	55,073	16,540	1,218	72,831
Net assets, end of year	$ 60,315	$ 11,042	$ 695	$ 72,052	$ 61,538	$ 10,815	$ 695	$ 73,048

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016
(In Thousands)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (996)	$ 217
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,900	4,516
Loan cost amortization	76	76
Net realized and unrealized gains on investments	(355)	(265)
Donated investments	(141)	(110)
Donated property and equipment	(286)	-
Loss (gain) on sale/disposal of property and equipment	486	(59)
Decrease in fair value of interest rate swaps	(391)	(478)
Changes in operating assets and liabilities:		
Decrease in pledges and grants receivable	1,197	742
(Increase) decrease in prepaid expenses and other assets	(91)	642
Increase (decrease) in accounts payable and accrued expenses	114	(563)
(Decrease) increase in deferred membership and program revenues	(515)	224
Decrease in scholarships payable	(29)	(30)
Net cash provided by operating activities	3,969	4,912
Cash flows from investing activities:		
Net change in cash and cash equivalents restricted for investment in property and equipment	1,568	(27)
Purchases of property and equipment	(3,809)	(5,544)
Proceeds from sale of property and equipment	14	59
Proceeds from sales of investments	218	147
Purchases of investments	(323)	(252)
Net cash used in investing activities	(2,332)	(5,617)
Cash flows from financing activities:		
Proceeds from issuance of bonds payable	-	3,478
Redemption of bonds payable	(853)	(935)
Principal payments on notes and capital leases payable	(956)	(1,315)
Net cash (used in) provided by financing activities	(1,809)	1,228
Net (decrease) increase in cash and cash equivalents	(172)	523
Cash and cash equivalents:		
Beginning	9,020	8,497
Ending	$ 8,848	$ 9,020
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,050	$ 1,045
Supplemental schedule of noncash investing and financing activities:		
Notes payable incurred for payment of general liability insurance	$ 92	$ 519
Capital lease obligation incurred for purchase of new equipment	$ -	$ 925

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Functional Expenses
Year Ended December 31, 2017
(In Thousands)

	2017			
	Membership and Program Services	Supporting Services		
		Management and General	Fundraising	Total
Salaries and benefits:				
Salaries	$ 27,365	$ 2,822	$ 727	$ 30,914
Health insurance and other employee benefits	2,119	495	53	2,667
Payroll taxes	1,983	274	49	2,306
Retirement plan contributions (Note 12)	1,707	341	72	2,120
Total salaries and benefits	33,174	3,932	901	38,007
Other expenses:				
Occupancy	8,823	119	5	8,947
Supplies	3,650	46	122	3,818
Contract services	3,117	689	65	3,871
Other	1,023	533	7	1,563
Pledge bad debt expense	-	-	1,192	1,192
Insurance	1,194	48	-	1,242
Printing, promotional and advertising	1,060	56	34	1,150
Interest	990	155	-	1,145
Equipment rental and maintenance	916	94	-	1,010
Travel and training	660	179	45	884
National dues	457	-	-	457
Total other expenses	21,890	1,919	1,470	25,279
Total expenses before depreciation and amortization	55,064	5,851	2,371	63,286
Depreciation and amortization	4,683	217	-	4,900
Total expenses	$ 59,747	$ 6,068	$ 2,371	$ 68,186

(Continued)

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Functional Expenses (Continued)
Year Ended December 31, 2016
(In Thousands)

	2016			
	Membership	Supporting Services		
	and Program Services	Management and General	Fundraising	Total
Salaries and benefits:				
Salaries	$ 28,074	$ 2,407	$ 779	$ 31,260
Health insurance and other employee benefits	2,214	434	66	2,714
Payroll taxes	2,035	220	54	2,309
Retirement plan contributions (Note 12)	1,694	322	81	2,097
Total salaries and benefits	34,017	3,383	980	38,380
Other expenses:				
Occupancy	9,231	500	5	9,736
Supplies	4,010	96	11	4,117
Contract services	2,190	1,181	18	3,389
Other	1,197	137	6	1,340
Pledge bad debt expense	-	-	193	193
Printing, promotional and advertising	1,105	100	83	1,288
Insurance	1,244	22	-	1,266
Interest	971	159	-	1,130
Equipment rental and maintenance	893	115	3	1,011
Travel and training	674	235	51	960
National dues	459	-	-	459
Total other expenses	21,974	2,545	370	24,889
Total expenses before depreciation and amortization	55,991	5,928	1,350	63,269
Depreciation and amortization	4,373	143	-	4,516
Total expenses	$ 60,364	$ 6,071	$ 1,350	$ 67,785

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Central Florida Young Men's Christian Association, Inc. (the Association or YMCA) was established to strengthen the community by providing community services affording individuals and families the use of YMCA facilities on a membership basis and by offering special programs to the entire community regardless of their ability to pay. Program services are provided in Orange, Seminole, Osceola, Lake, Brevard and Marion Counties. Program services are focused on youth development, healthy living and social responsibility and consist of family-oriented programs, such as camping, sports, aquatic-type programs and childcare services.

The Central Florida YMCA Foundation, Inc. (the Foundation) was established in October 2001, as a separate 501(c)(3) organization to provide scholarships to individuals for the use of YMCA facilities and programs.

The Central Florida YMCA Childcare Services, Inc. (YMCA Childcare) was established in February 2003, as a separate Florida not-for-profit corporation to provide childcare services to Walt Disney World employees. YMCA Childcare is a for-profit entity for tax purposes.

Principles of consolidation: The Association, the Foundation and YMCA Childcare (collectively, the Organization) have common members on their Boards of Directors and use the same management and employees. They were organized to achieve common goals. Therefore, the financial statements are presented on a consolidated basis. All significant intercompany accounts and transactions have been eliminated in consolidation.

A summary of the Organization's significant accounting policies follows:

Accounting principles: A not-for-profit organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed restricted stipulations, but may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that they be permanently maintained by the Organization.

Liquidity: Assets are presented in the accompanying consolidated statements of financial position according to their nearness of conversion to cash and liabilities according to their nearness of their maturity and resulting use of cash.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include checking, money market and overnight sweep accounts. Cash and cash equivalents restricted for investment in property and equipment are held based on donor imposed restrictions.

Investments and investment income: Investments are stated at fair value. Realized gains and losses are recorded at the date of disposition based on the difference between the net proceeds and the cost of the investments sold, using the specific identification method. Unrealized gains and losses are reported for the changes in fair value between reporting periods. Interest and dividend income are recognized when earned. Investment income, reported in the accompanying consolidated statements of activities, includes realized and unrealized gains and losses, as well as interest and dividend income.

Fair value measurements (Note 8): Under the Financial Accounting Standards Board's (FASB) authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization often uses certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Organization uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Property and equipment: Property and equipment are stated at cost, if purchased or at estimated fair value on the date received, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their estimated useful life or the term of the lease.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups have been recognized during the years ended December 31, 2017 and 2016.

Derivative financial instruments: The Organization's derivative financial instruments consist of interest rate swaps used to reduce its exposure to interest rate changes related to its variable rate debt. The differentials paid or received on interest rate swaps are recognized as an adjustment to the interest expense related to the debt. The related amount payable to or receivable from counterparties is included in assets or liabilities. The Organization accounts for interest rate swaps as either assets or liabilities in the consolidated statements of financial position and are measured at fair value. Changes in the fair values of the interest rate swaps have been recorded in the accompanying consolidated statements of activities.

Donor-imposed restrictions: Revenues and support are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restrictions.

Grant and contract revenue: The Organization records grant and contract revenue as exchange transactions in which each party receives and sacrifices commensurate value, or contributions. Funds from exchange transactions are not considered contributions and, as such, are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose.

Membership dues and program fees: Membership dues are recognized as revenue over the applicable membership period. Program fees are recognized as revenue over the program period. Membership dues and program fees received but not yet earned are reported as deferred revenue.

Contributed facilities and services (Note 9): The Organization has certain land and buildings under long-term lease agreements with third parties with favorable payment terms. The Organization records these leases as contributions, exchange transactions or agency transactions based on the specifics of each lease agreement. Contributions and exchange transactions require the lease terms be measured at fair value. Agency transactions, including those that are considered concession arrangements do not require the Organization to record the lease activity.

Contributed services are recognized and recorded at fair value only to the extent they create or enhance nonfinancial assets or require specialized skills provided by individuals possessing these skills, and would typically need to be purchased if not provided by donations. In addition, no amounts have been reflected for non-professional donated services; however, a substantial number of volunteers have donated significant amounts of their time to the operations of the Organization.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Advertising: Advertising costs are expensed the first time the advertising takes place. Total advertising costs were $938 and $1,102 during the years ended December 31, 2017 and 2016, respectively.

Functional expenses: Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent relative to each function. All other expenses are allocated based on management's estimate of the relative functional activity. The Organization's functional categories are as follows:

Membership and program services: Expenses related to membership activities and program services.

Management and general: All other functional expenses of the Organization not related to membership and program services or fundraising.

Fundraising: Expenses related to the Organization's efforts in soliciting public support.

Income taxes: The Association and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under similar provisions of the Florida Income Tax Code. Accordingly, no provision for federal and state income taxes has been recorded in the accompanying consolidated financial statements.

The earnings of YMCA Childcare are subject to state and federal taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the period in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. At December 31, 2017 and 2016, YMCA Childcare had federal net operating loss carryforwards (NOLs) for which a 100% valuation allowance was recorded to state the deferred tax assets at estimated net realizable value due to the uncertainty related to realization of the NOLs through future taxable income. These NOLs can be carried forward and applied against future taxable income, if any, and expire in the years 2028 through 2034.

The Organization has assessed whether there are any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. The Association, Foundation and YMCA Childcare file tax returns in the U.S. federal jurisdiction. Generally, these entities are no longer subject to U.S. federal income tax examinations by taxing authorities for years before December 31, 2014.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods of nonpublic entities beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on its consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the effect that the standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU No. 2016-05 is effective for annual periods beginning after December 15, 2017. The Organization is currently evaluating the effect that the standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. ASU No. 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU No. 2016-15 is effective for annual periods beginning after December 15, 2017. ASU No. 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. The Organization is currently evaluating the effect that the standard will have on its consolidated financial statements.

The FASB has issued, certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU's described above. The Organization has considered the new pronouncements and does not believe that any other new or modified principles will have a material impact on the Organization's reported financial position or operations in the near term.

Reclassifications: Certain amounts in the 2016 consolidated financial statements have been reclassified in order to conform with the 2017 presentation. These reclassifications had no effect on the previously reported results of operations or cash flows.

Subsequent events: Management has evaluated subsequent events through June 29, 2018, which is the date the consolidated financial statements were available to be issued.

(In Thousands)

Note 2. Pledges and Grants Receivable

Pledges and grants receivable are unconditional promises to give and are recorded as assets and revenues in the period received at their estimated fair values. Pledges and grants receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. Contribution revenue from in-kind leases (see Note 9) are recognized over the term of the contributed lease and are included in pledges receivable. The Organization provides an allowance for doubtful accounts at the time revenues are recorded, and re-evaluates and adjusts the allowance periodically based on historical collection experience. Pledges and grants receivable as of December 31, 2017 and 2016, are due as follows:

	2017	2016
Less than one year	$ 5,963	$ 4,060
One to five years	892	1,682
More than five years	129	1,328
	6,984	7,070
Less: allowance for doubtful accounts	(1,476)	(318)
Less: present value discount at 0.72% – 4.70%	(47)	(94)
	$ 5,461	$ 6,658
Pledges receivable	$ 4,933	$ 5,649
Grants receivable	528	1,009
	$ 5,461	$ 6,658

Note 3. Investments

The fair value of investments as of December 31, 2017 and 2016 consists of the following:

	2017	2016
Mutual funds	$ 1,973	$ 1,862
Exchange traded funds	2,944	2,438
Equities	8	24
	$ 4,925	$ 4,324

During the years ended December 31, 2017 and 2016, the Organization recorded net realized and unrealized gains on investments of $355 and $265, respectively. Interest and dividends earned on investments and cash and cash equivalents for the years ended December 31, 2017 and 2016, were $163 and $132, respectively. These amounts are included in investment income in the accompanying consolidated statements of activities.

(In Thousands)

Note 4. Property and Equipment

Property and equipment consists of the following as of December 31, 2017 and 2016:

	Useful Life	2017	2016
Undeveloped land		$ 430	$ 430
Land and land improvements	10-20 years	5,391	5,391
Buildings and building improvements	10-40 years	102,865	91,986
Leasehold improvements	10-40 years	5,688	6,113
Outdoor sports facilities	5-20 years	10,307	10,317
Furniture and equipment	2-10 years	20,863	20,885
Construction in progress		3,659	12,170
		149,203	147,292
Less: accumulated depreciation and amortization		(66,426)	(63,210)
		$ 82,777	$ 84,082

Construction in progress includes the costs of renovation of existing facilities. There is no capitalized interest during the years ended December 31, 2017 or 2016, as construction in progress is financed by pledges and contributions.

The Organization has entered into contracts associated with the renovation of existing facilities. As of December 31, 2017, the total remaining cost under those contracts is $796. All construction on these facilities is expected to be completed during 2018.

Depreciation and amortization expense for the years ended December 31, 2017 and 2016, was $4,900 and $4,516, respectively.

Note 5. Bonds Payable

In November 2014, the Orange County Industrial Development Authority (the Authority) issued a $33,000 Industrial Development Revenue and Refunding Bond (Central Florida YMCA Project) Series 2014 (the 2014 Bonds) on behalf of the Organization. The 2014 Bonds qualify as tax-exempt, which requires the Organization to use the proceeds for specified purposes, as defined in the loan agreement between the Authority and the Organization, signed in conjunction with the bond issuance. In accordance with the loan agreement, $19,675 in proceeds from the 2014 Bond were used to retire previously existing Industrial Development Revenue Bonds issued by the Authority (the Prior Bonds). The remaining proceeds were available to be drawn down for the acquisition, construction, refurbishment and equipping of improvements to the Frank DeLuca Family YMCA facility and the acquisition and refurbishment of the Center for Health and Wellness (Oviedo YMCA). The Prior Bonds, under a prior loan agreement, were issued for the acquisition, construction and equipping of social service center facilities in Orange, Seminole, Marion, Brevard and Osceola Counties.

(In Thousands)

Note 5. Bonds Payable (Continued)

Outstanding bonds payable, net of debt issuance costs, from the 2014 Bonds as of December 31, 2017 and 2016, are as follow:

	2017	2016
2014 Bonds	$ 30,741	$ 31,594
Less: debt issuance costs	(486)	(556)
	$ 30,255	$ 31,038

All draws on the 2014 Bonds, up to $33,000, were completed by May 1, 2016. Interest on the 2014 Bonds is calculated at a variable rate using the one (1) month London InterBank Offer Rate (LIBOR) plus a margin of 1.20% (2.25% as of December 31, 2017). The 2014 Bonds mature November 1, 2039, with a mandatory tender date ten years from the date of closing or November 2024. A portion of the 2014 Bonds are subject to interest rate swaps, converting the variable rate of interest to a fixed rate of interest (see Note 6). The 2014 Bonds are collateralized by certain real property.

Redemption of the 2014 Bonds for the next five years and thereafter are to occur as follows:

Years ending December 31:	
2018	$ 889
2019	924
2020	961
2021	1,002
2022	1,043
Thereafter	25,922
	$ 30,741

Note 6. Interest Rate Swaps

The 2014 Bonds are subject to two interest rate swap agreements (the Swap Agreements) with a bank to convert the interest payments on the Organization's bonds payable from a floating interest rate to a fixed interest rate. This is to effectively reduce the impact of fluctuating interest rates on the Organization's cash flow. As of December 31, 2017, the two Swap Agreements carry notional amounts of $5,500 and $12,715 and fixed interest rates to 3.60% and 2.65% on overall decreasing notational amounts in exchange for the bank paying the Organization a tax-exempt rate based on the variable rate associated with the bonds payable. The Swap Agreements expire on July 1, 2018 and November 1, 2024, respectively.

As of December 31, 2017 and 2016, the fair values of the Swap Agreements were in an unfavorable position of $1,259 and $1,650, respectively, which are included as a liability in the consolidated statements of financial position. During the years ended December 31, 2017 and 2016, the change in fair value of the Swap Agreements was a gain of $391 and $478, respectively, which is included in the consolidated statements of activities as change in fair value of interest rate swaps.

In the event the agreements are terminated, the Organization may be required to pay a termination fee to the bank based on a calculation that considers the difference between the floating rate and the fixed rate.

(In Thousands)

Note 7. Notes and Capital Leases Payable

Notes and capital leases payable, less debt issuance costs, consists of the following as of December 31, 2017 and 2016:

	2017	2016
Term loan for the construction of two day-care facilities on Walt Disney World Hospitality & Recreation Corporation land. Principal and interest payments on January 1, 2011, calculated at a ten-year amortization. Interest is based on a variable rate equal to the 30-day LIBOR rate plus 170 basis points (3.06% as as of December 31, 2017). The loan is collateralized by certain buildings of the Association and matures on October 1, 2020.	$ 322	$ 429
Financing arrangements for the purchase of property/casualty and general insurance plans, with initial terms ranging from ten to eleven months and interest rates ranging from 5.42% to 6.42%. The financing arrangements matures in April 2018.	37	152
Capital lease agreements for equipment, with initial terms ranging from three to five years and interest rates ranging from 2.30% to 6.48%. The leases mature dates ranging from August 2018 to April 2021.	811	1,453
	1,170	2,034
Less: debt issuance costs	(16)	(22)
	$ 1,154	$ 2,012

Aggregate maturities of notes and capital leases payable maturing in future years are as follows:

Years ending December 31:	
2018	$ 698
2019	282
2020	191
2021	23
	1,194
Less: interest associated with capital lease arrangements	(24)
	$ 1,170

(In Thousands)

Note 8. Fair Value Measurements

The following tables summarize the fair value measurements by level measured on a recurring basis as of December 31, 2017 and 2016:

	2017			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Large cap equities	$ 8	$ -	$ -	$ 8
Mutual funds:				
Large cap fund	28	-	-	28
Mid cap fund	8	-	-	8
World allocation fund	921	-	-	921
Intermediate bonds fund	478	-	-	478
International equities fund	20	-	-	20
Bank loans fund	518	-	-	518
Exchange traded funds:				
Large cap fund	1,364	-	-	1,364
Large blend fund	154	-	-	154
Small cap fund	355	-	-	355
Corporate bonds fund	181	-	-	181
Intermediate bonds fund	48	-	-	48
International equities fund	364	-	-	364
Utilities fund	144	-	-	144
Real estate fund	109	-	-	109
Commodities fund	116	-	-	116
Multialternative fund	109	-	-	109
Total investments (Note 3)	$ 4,925	$ -	$ -	$ 4,925
Interest rate swaps (Note 6)	$ -	$ (1,259)	$ -	$ (1,259)

(In Thousands)

Note 8. Fair Value Measurements (Continued)

	2016			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Large cap equities	$ 24	$ -	$ -	$ 24
Mutual funds:				
Large cap fund	24	-	-	24
Mid cap fund	8	-	-	8
World allocation fund	819	-	-	819
Intermediate bonds fund	482	-	-	482
International equities fund	17	-	-	17
Bank loans fund	512	-	-	512
Exchange traded funds:				
Large cap fund	1,203	-	-	1,203
Small cap fund	314	-	-	314
Corporate bonds fund	331	-	-	331
Intermediate bonds fund	48	-	-	48
International equities fund	216	-	-	216
Utilities fund	133	-	-	133
Real estate fund	62	-	-	62
Commodities fund	69	-	-	69
Multialternative fund	62	-	-	62
Total investments (Note 3)	$ 4,324	$ -	$ -	$ 4,324
Interest rate swaps (Note 6)	$ -	$ (1,650)	$ -	$ (1,650)

Shares of equities are valued based on the quoted market price of the stock on active markets as of the valuation date. Shares of exchange traded funds and mutual funds are valued based on the quoted market price of the fund on active markets as of the valuation date which represents the net asset value of shares held by the Organization. The fair value of the interest rate swaps are estimated based on the amount the Organization would pay to terminate the agreements as of the reporting date, taking into account current interest rates and the creditworthiness of the Organization. The interest rate swaps are valued by a third party and are based on observable market-based inputs or unobservable inputs that are corroborated by market data. Observable market inputs include yield curves, counterparty credit risk and other related data.

(In Thousands)

Note 9. Commitments and Contingencies

Operating leases: The Organization leases office space, certain facilities and equipment under operating leases, which expire on various dates from 2018 through 2023, including extension options. Future annual minimum lease payments due under these operating leases as of December 31, 2017, are as follows:

Years ending December 31:		
2018	$	436
2019		381
2020		355
2021		338
2022		21
Thereafter		31
	$	1,562

Rent expense for the years ended December 31, 2017 and 2016, was $1,814 and $1,763, respectively.

In-kind leases: The Organization leases certain land, buildings, equipment and outdoor sports facilities from third parties under favorable lease terms. Certain leases are recorded as contributions within the consolidated statements of activities at the inception of the lease. Other leases, with governmental agencies, are accounted for as concession arrangements. The leases that qualify for contributions at their inception have a remaining pledge receivable amounting to $1,443 and $1,557 as of December 31, 2017 and 2016, respectively. Rent expense associated with these in-kind leases totaled $662 and $997 for the years ended December 31, 2017 and 2016, respectively, which is included in membership and program services in the accompanying consolidated statements of activities.

Future annual in-kind rent expense from the pledge receivable associated with the favorable lease term leases are as follows:

Years ending December 31:		
2018	$	244
2019		244
2020		244
2021		244
2022		142
Thereafter		1,758
	$	2,876

One of these leases includes an agreement with the City of Orlando to provide scholarships totaling $1,440 to the City of Orlando residents over a ten-year period. As of December 31, 2017 and 2016, scholarships payable associated with this agreement amounted to $1,123 and $1,152, respectively.

(In Thousands)

Note 9. Commitments and Contingencies (Continued)

Self-insured health care: The Organization is self-insured for group health insurance up to a maximum of $2,000 in the aggregate and a $150 annual maximum per employee. Management has accrued $168 and $140 as of December 31, 2017 and 2016, for estimated claims, including claims which are known and claims which are estimated to have occurred but which have not yet been reported, which are included in accounts payable and accrued expenses in the accompanying consolidated statements of activities. This estimate is based on information provided by the Organization's insurance provider. Adjustments to the estimated claims accrual are made when the need for such adjustments becomes apparent.

Litigation: The Organization is involved in lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the consolidated financial statements. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of operations of the Organization.

Note 10. Net Assets

Temporarily restricted net assets are restricted for the following purposes as of December 31, 2017 and 2016:

	2017	2016
Capital projects and leasing of assets	$ 10,393	$ 9,971
Community programs	116	342
Scholarships	533	502
	$ 11,042	$ 10,815

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors as follows:

	2017	2016
Expenditures for capital projects and leasing of assets	$ 2,083	$ 7,665
Community programs	315	318
Scholarships	500	318
Favorable term leases	244	244
Other	-	25
	$ 3,142	$ 8,570

The Organization treats its donor restricted endowment fund as a permanently restricted net asset held by the Foundation. This endowment fund is invested separately from other investments of the Organization. The Organization's return objective for the endowment fund is low yield based on risk parameters that are also low to protect the endowment corpus. The returns on the endowment fund have been included in unrestricted investment income in the consolidated statements of activities since they are either unrestricted by the donor or are restricted for scholarships that are granted during the course of the same year.

(In Thousands)

Note 10. Net Assets (Continued)

Changes in the Foundation's endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets at December 31, 2015	$ -	$ 1,218	$ 1,218
Pledges and contributions	-	2	2
Interest and dividends	20	-	20
Net realized and unrealized gains on investments	26	-	26
Net assets released from restrictions	-	(25)	(25)
Contribution to the Association	(46)	-	(46)
Transfer due to change in donor purpose	-	(500)	(500)
Endowment net assets at December 31, 2016	-	695	695
Interest and dividends	15	-	15
Net realized and unrealized gains on investments	57	-	57
Contribution to the Association	(72)	-	(72)
Endowment net assets at December 31, 2017	$ -	$ 695	$ 695

The endowment incurred a net investment gain of $72 during the year ended December 31, 2017, that was contributed to the Association through a contribution by the Foundation.

The endowment incurred a net investment gain of $46 during the year ended December 31, 2016, that was contributed to the Association through a contribution by the Foundation.

Note 11. Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents in financial institutions in excess of Federal Deposit Insurance Corporation limits and investments. At various times during the year, and as of year-end, cash balances held at financial institutions are in excess of federally-insured limits. The Organization believes no significant concentration of credit risk exists with respect to these cash balances.

Cash and cash equivalents consist of checking, money market and overnight sweep accounts which are deposited with financial institutions. Investments consist primarily of equities and fixed income funds. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the current investment strategy is prudent for the long-term welfare of the Organization.

In addition, the Organization receives substantial support and revenue from individuals, businesses and governmental entities in the Central Florida area. The financial strength of the Organization is therefore, contingent upon these individuals, businesses and governmental entities, which may be tied to the economy of Central Florida.

(In Thousands)

Note 12. Retirement Benefit Plan

The Organization participates in a defined contribution pension plan organized under section 403(b) of the Internal Revenue Code. This plan is administered by a separate corporation, the YMCA Retirement Fund, and covers all full-time employees upon completion of two years of service and all part-time employees after they have worked 1,000 hours in each of their two years of service. The Organization funds its contributions at an amount equal to 12% of eligible compensation. Contributions are made on a monthly basis and amounted to $2,120 and $2,097 during the years ended December 31, 2017 and 2016, respectively.

Note 13. Related Party Transactions and Conflict-of-Interest Policy

In the ordinary course of business, the Organization enters into transactions with other organizations that have individuals who serve on the Organization's Board of Directors. These transactions are made at arm's length and include the following:

	2017	2016
Program fees	$ 2,160	$ 2,384
Contract services	82	-
Rent and utilities	1,157	950
Advertising agency	495	123
Legal	-	32
Insurance	40	-

Other business transactions conducted during the years ended December 31, 2017 and 2016, with members of the Organization's Board of Directors, or companies for which they are affiliated, include deposits with a certain financial institution as of December 31, 2017 and 2016, totaling $16,616 and $18,842, respectively.

It is the policy of the Organization that all officers, directors and committee members shall avoid any conflict between their own individual interests and the interests of the Organization. Included among the Organization's board members and officers are volunteers from the financial and civic community who provide valuable assistance to the Organization in the development of policies and programs. The Organization has a conflict-of-interest policy, whereby, board and committee members must advise the board of any direct or indirect interest in any transaction or relationship with the Organization and not participate in discussions and decisions regarding any action affecting their individual, professional or business interests.

Central Florida Young Men's Christian Association, Inc.

Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2017

Grantor/Program Title	State CSFA Number	Contract/ Grant Number	State Expenditures
State Financial Assistance:			
State of Florida Department of Education and			
Commissioner of Education:			
School and Instructional Enhancement Programs	48.040	833-90730-7Q001	$ 785,987
Total expenditures of state financial assistance			$ 785,987

See notes to schedule of expenditures of state financial assistance.

Central Florida Young Men's Christian Association, Inc.

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended December 31, 2017

Note 1. Basis of Presentation

The accompanying schedule of expenditures of state financial assistance (the Schedule) includes the state financial assistance project activity of Central Florida Young Men's Christian Association, Inc. (the Association) under programs of the State of Florida for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of the State of Florida Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are recognized on the accrual basis of accounting. Such expenditures are reported following the cost principles established by the State of Florida Department of Financial Services, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers (contract or grant number) are presented where available.

Note 3. Subrecipients

There was no state financial assistance passed through to subrecipients by the Association.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the Audit Committee
Central Florida Young Men's Christian Association, Inc.

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 consolidated financial statements of Central Florida Young Men's Christian Association, Inc. (the Association), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated June 29, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we considered material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Association's Response to Finding
The Association's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

RSM US LLP

Orlando, Florida
June 29, 2018

Report on Compliance for its Major State Financial Assistance Project and Report on Internal Control Over Compliance required by State of Florida Chapter 10.650, *Rules of the Auditor General*

Independent Auditor's Report

To the Audit Committee
Central Florida Young Men's Christian Association, Inc.

Report on Compliance for its Major State Financial Assistance Project
We have audited Central Florida Young Men's Christian Association, Inc.'s (the Association) compliance with the types of compliance requirements described in the Department of Education's State Projects Compliance Supplement that could have a direct and material effect on the Association's major state financial assistance project for the year ended December 31, 2017. The Association's major state financial assistance project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state financial assistance project.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for the Association's major state financial assistance project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the State of Florida Chapter 10.650*, Rules of the Auditor General.* Those standards and the State of Florida Chapter 10.650, *Rules of the Auditor General*, 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 state financial assistance 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 its major state financial assistance project. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on its Major State Financial Assistance Project
In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state financial assistance project for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on its major state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major state financial assistance project and to test and report on internal control over compliance in accordance with the State of Florida Chapter 10.650, *Rules of the Auditor General*, 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 state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state financial assistance 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 state financial assistance 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.

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

RSM US LLP

Orlando, Florida
June 29, 2018

Central Florida Young Men's Christian Association, Inc.

Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?	X	Yes		None Reported
Noncompliance material to financial statements noted?		Yes	X	No

State Financial Assistance

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State of Florida Chapter 10.650, *Rules of the Auditor General*?		Yes	X	No

Identification of major programs:

CSFA Number(s)	Name of State Financial Assistance Project
48.040	School and Instructional Enhancement Programs

Dollar threshold used to distinguish between type A and type B state financial assistance projects: $ 235,796

II. Financial Statement Findings

The results of our audit of the Association disclosed a finding required to be reported in accordance with *Government Auditing Standards*. Finding 2017-001 is detailed on page 30.

III. Findings and Questioned Costs for State Financial Assistance

No matters to report.

IV. Reporting

1. No Summary Schedule of Prior Audit Findings is presented because there were no prior audit findings.
2. See Corrective Action Plan on finding 2017-001 on page 30.
3. A management letter was issued on June 29, 2018, with a significant deficiency pertaining to finding 2017-001.

Findings – Financial Statement Audit

2017-001 Misappropriation of Assets

Condition and criteria: In October 2017, the Association's e-mail system was compromised by an unknown third party. The unknown third party sent certain false e-mails from the accounts of two senior leaders instructing accounting staff to engage in a financial transaction. A fraudulent invoice was provided, resulting in a fraudulent payment by the Association.

Effect: A wire transfer in the amount $372,519 was sent to pay the fraudulent invoice.

Cause: The Association's internal control system was not working as designed.

Auditor recommendation: We recommend that the Association change its internal control policies and procedures, specifically around wire transfers as well as provide further training for employees on fraudulent e-mail and other IT based attacks.

Corrective action plan: Management created a task force consisting of senior leadership and volunteer board members to oversee the investigation of and response to the fraudulent transaction. The Association has reviewed all internal control procedures over banking transactions, including wire transfers and implemented revisions where necessary. The Association sends a limited number of wires annually, however, has specifically implemented additional internal controls over wire transfer including strengthening of existing dual verification requirements. Additionally, the Association has implemented cybersecurity training for all staff and will continue such trainings on an on-going basis. The Association has also upgraded to multi-factor authentication for administrators accessing the e-mail system.

RSM US LLP

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June 29, 2018

To Management and the Audit Committee
Central Florida Young Men's Christian Association, Inc.

In planning and performing our audit of the consolidated financial statements of Central Florida Young Men's Christian Association, Inc. (the Organization) as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 Organization's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiency in the Organization's internal control to be significant deficiency:

2017-001 Misappropriation of Assets

Condition and criteria: In October 2017, the Organization's e-mail system was compromised by an unknown third party. The unknown third party sent certain false e-mails from the accounts of two senior leaders instructing accounting staff to engage in a financial transaction. A fraudulent invoice was provided, resulting in a fraudulent payment by the Organization.

Effect: A wire transfer in the amount $372,519 was sent to pay the fraudulent invoice.

Cause: The Organization's internal control system was not working as designed.

Auditor recommendation: We recommend that the Organization change its internal control policies and procedures, specifically around wire transfers as well as provide further training for employees on fraudulent e-mail and other IT based attacks.

Corrective action plan: Management created a task force consisting of senior leadership and volunteer board members to oversee the investigation of and response to the fraudulent transaction. The Organization has reviewed all internal control procedures over banking transactions, including wire transfers and implemented revisions where necessary. The Organization sends a limited number of wires annually, however, has specifically implemented additional internal controls over wire transfer including strengthening of existing dual verification requirements. Additionally, the Organization has implemented cybersecurity training for all staff and will continue such trainings on an on-going basis. The Organization has also upgraded to multi-factor authentication for administrators accessing the e-mail system.

This communication is intended solely for the information and use of management, the Audit Committee and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP