

**Sarasota Family Young Men's
Christian Association, Inc.**

Financial Statements,
Supplemental Information,
Contract Compliance, and
Independent Auditor's Report
June 30, 2017 and 2016

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Kerkering, Barberio & Co.
Certified Public Accountants

Independent Auditor's Report

The Board of Directors
Sarasota Family Young Men's Christian Association, Inc.
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Sarasota Family Young Men's Christian Association, Inc. (YMCA), a nonprofit organization, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 qualified audit opinion.

Basis for Qualified Opinion

We were unable to obtain the audited financial statements of the Children's Educational Opportunity Foundation, Inc. (formerly known as the YMCA Foundation of Sarasota, Inc.) (Foundation) supporting the YMCA's beneficial interest in the net assets of the Foundation stated at \$5,540,486 on the Statement of Financial Position at June 30, 2016. We were also unable to satisfy ourselves as to the amount receivable from the Foundation in the amount of \$649,555 (See Note 4). The effects on the Statement of Activities have not been determined.

Qualified Opinion

In our opinion, except for the effects on the 2016 financial statements related to the activity of the Children's Educational Opportunity Foundation, Inc. described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Sarasota Family Young Men's Christian Association, Inc. as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplemental and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.650, *Rules of the Auditor General*, and the Schedule of Expenditures of Local Assistance and Matching Funds are presented for purposes of additional analysis and are not a required part of the basic 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 December 20, 2017 on our consideration of Sarasota Family 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 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 Sarasota Family Young Men's Christian Association, Inc.'s internal control over financial reporting and compliance.



Sarasota, Florida
December 20, 2017

Sarasota Family Young Men's Christian Association, Inc.

Statements of Financial Position

June 30, 2017 and 2016

| | 2017 | (As Restated) 2016 |
|--|----------------------|-------------------------------|
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ 1,357,898 | \$ 3,113,903 |
| Accounts receivable, net (Note 4) | 455,879 | 864,560 |
| Contracts receivable (Note 5) | 1,094,046 | 265,897 |
| Other assets (Note 6) | 282,564 | 256,051 |
| Investments - partnerships (Note 7) | 182,676 | 76,792 |
| Investments - trust account (Note 7) | 417,785 | 391,841 |
| Land, buildings and equipment, net (Note 8) | 12,414,776 | 13,340,433 |
| Beneficial interest in the net assets of the Foundation (Note 1) | 5,458,385 | 5,540,486 |
| Total Assets | \$ 21,664,009 | \$ 23,849,963 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 1,332,635 | \$ 1,813,483 |
| Accrued expenses | 469,360 | 961,546 |
| Deferred revenue and government contracts (Note 14) | 1,393,242 | 1,479,842 |
| Custodial liabilities (Note 12) | 131,561 | 88,881 |
| Capital lease obligations payable (Note 10) | 281,474 | 416,698 |
| Notes payable (Note 11) | 2,511,416 | 2,604,129 |
| Total Liabilities | 6,119,688 | 7,364,579 |
| Net Assets: | | |
| Unrestricted: | | |
| Undesignated | 9,957,745 | 10,818,169 |
| Beneficial interest in the unrestricted net assets of the Foundation | 4,134,656 | 4,109,374 |
| Total unrestricted | 14,092,401 | 14,927,543 |
| Temporarily restricted (Note 16): | | |
| Temporarily restricted net assets | 128,191 | 126,729 |
| Beneficial interest in the temporarily restricted net assets of the Foundation | 1,041,619 | 1,149,002 |
| Total temporarily restricted | 1,169,810 | 1,275,731 |
| Permanently restricted (Note 17): | | |
| Beneficial interest in the permanently restricted net assets of the Foundation | 282,110 | 282,110 |
| Total permanently restricted | 282,110 | 282,110 |
| Total net assets | 15,544,321 | 16,485,384 |
| Total Liabilities and Net Assets | \$ 21,664,009 | \$ 23,849,963 |

See accompanying notes to financial statements.

Sarasota Family Young Men's Christian Association, Inc.

Statements of Activities
Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>(As Restated) 2016</u> |
|---|----------------------|-------------------------------|
| Unrestricted Net Assets: | | |
| Revenue, Support and Releases: | | |
| Contracts and government grants | \$ 35,340,781 | \$ 33,561,965 |
| Membership dues, net of scholarships of \$278,835 and \$269,088 respectively | 5,520,574 | 5,663,449 |
| Program fees, net of discounts of \$155,289 and \$164,159, respectively | 3,210,055 | 3,085,770 |
| Children's Educational Opportunity Foundation, Inc. grants | 323,784 | 1,357,505 |
| United Way grants | 159,376 | 169,302 |
| Sales of supplies and services, net of cost of sales of \$45,811 and \$50,203, respectively | 12,410 | 20,252 |
| Other revenue | 165,002 | 192,447 |
| Net assets released from restrictions | 40,906 | 53,717 |
| Total revenue, support and releases | <u>44,772,888</u> | <u>44,104,407</u> |
| Functional Expenses: | | |
| Program services | 45,046,128 | 43,169,561 |
| Management and general | 1,767,385 | 1,824,194 |
| Fundraising | 159,885 | 10,321 |
| Total functional expenses | <u>46,973,398</u> | <u>45,004,076</u> |
| Non-Operating Activities: | | |
| Contributions | 1,062,734 | 175,155 |
| Event income, net of contributions and expenses | (123,472) | (12,765) |
| In-kind contributions | 222,762 | 162,212 |
| Interest income | 13,470 | 12,993 |
| Gain (loss) on disposal of equipment | (32,266) | 18,565 |
| Equity gain in investment | 105,884 | 39,180 |
| Distribution from investment in partnership | 94,700 | 16,000 |
| Unrealized and realized gain (loss) on investments - trust account | (3,726) | 15,942 |
| Unrelated business tax expense | - | (429) |
| Change in the beneficial interest in net assets of the Foundation | 25,282 | 229,087 |
| Total non-operating activities | <u>1,365,368</u> | <u>655,940</u> |
| Change in unrestricted net assets | <u>(835,142)</u> | <u>(243,729)</u> |
| Temporarily Restricted Net Assets: | | |
| Contributions | 42,368 | 28,052 |
| Change in the beneficial interest in net assets of the Foundation | (107,383) | (56,992) |
| Net assets released from restrictions | (40,906) | (53,717) |
| Change in temporarily restricted net assets | <u>(105,921)</u> | <u>(82,657)</u> |
| Change in net assets | <u>(941,063)</u> | <u>(326,386)</u> |
| Net assets, at the beginning of year | <u>16,485,384</u> | <u>16,811,770</u> |
| Net assets, at the end of year | <u>\$ 15,544,321</u> | <u>\$ 16,485,384</u> |

See accompanying notes to financial statements.

Sarasota Family Young Men's Christian Association, Inc.

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

| | 2017 | (As Restated) 2016 |
|--|--------------|-----------------------|
| Cash Flows from Operating Activities: | | |
| Change in net assets | \$ (941,063) | \$ (326,386) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,180,454 | 1,187,983 |
| (Gain) loss on disposal of equipment | 32,266 | (18,565) |
| Unrealized and realized (gain) loss on investments - trust account | 3,726 | (15,942) |
| Equity gain on investments | (105,884) | (39,180) |
| Change in the beneficial interest in net assets of the Foundation | 82,101 | (172,095) |
| Bad debts | 59,052 | 69,657 |
| Contributed stock | (24,968) | - |
| Change in operating assets: | | |
| Accounts and contracts receivable, net | (478,520) | 33,577 |
| Other assets | (26,513) | 80,213 |
| Change in operating liabilities: | | |
| Accounts payable | (480,848) | 872,968 |
| Accrued expenses | (492,186) | 38,429 |
| Deferred revenue and government contracts | (86,600) | (440,335) |
| Custodial liabilities | 42,680 | (6,982) |
| Total adjustments | (295,240) | 1,589,728 |
| Net cash provided by (used in) operating activities | (1,236,303) | 1,263,342 |
| Cash Flows from Investing Activities: | | |
| Distribution received from Y Associates | - | 94,168 |
| Purchase of investments - trust account | (29,845) | (26,005) |
| Purchases of land, buildings and equipment | (272,501) | (389,527) |
| Proceeds from sale of investments | 25,143 | 24,844 |
| Proceeds from disposal of assets | 5,007 | 18,565 |
| Net cash used in investing activities | (272,196) | (277,955) |
| Cash Flows from Financing Activities: | | |
| Proceeds from line of credit | 219,425 | - |
| Principal payments on line of credit | (219,425) | - |
| Principal payments on notes payable and capital lease obligations payable | (247,506) | (240,780) |
| Net cash used in financing activities | (247,506) | (240,780) |
| Change in cash and cash equivalents | (1,756,005) | 744,607 |
| Cash and cash equivalents, at the beginning of year | 3,113,903 | 2,369,296 |
| Cash and cash equivalents, at the end of year | \$ 1,357,898 | \$ 3,113,903 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 143,864 | \$ 136,214 |

Material non-cash transactions not reflected in the statements of cash flows include:

Building improvement and purchases of other assets through financing or capital leases totaling \$15,837 and \$150,625 in 2017 and 2016, respectively.

In-kind contributions totaled \$222,762 and \$162,212 in 2017 and 2016, respectively.

See accompanying notes to financial statements.

Sarasota Family Young Men's Christian Association, Inc.

Statement of Functional Expenses

Year Ended June 30, 2017

(With Summarized Information for the Year Ended June 30, 2016)

| | Youth & Family Services | Educational Outreach Services | Health Enhancement | Foster Care / Child Welfare | Program Services | Management and General | Fund- Raising | Total | 2016 Total |
|---|--|--|-------------------------------|--|-----------------------------|-----------------------------------|--------------------------|----------------------|-----------------------|
| Subcontracted services | \$ - | \$ - | \$ - | \$ 7,443,974 | \$ 7,443,974 | \$ - | \$ - | \$ 7,443,974 | \$ 7,611,397 |
| Residential services | - | - | - | 8,292,612 | 8,292,612 | - | - | 8,292,612 | 7,096,938 |
| Foster parent, adoption and independent living subsidies | - | - | - | 7,690,045 | 7,690,045 | - | - | 7,690,045 | 7,470,925 |
| Client services | - | - | - | 1,585,815 | 1,585,815 | 36 | - | 1,585,851 | 1,427,586 |
| Youth scholarships | 17,500 | 114,750 | 2,000 | - | 134,250 | - | - | 134,250 | 108,750 |
| Salaries | 1,709,271 | 488,026 | 4,273,249 | 3,473,059 | 9,943,605 | 879,370 | 61,385 | 10,884,360 | 10,875,471 |
| Employee benefits and payroll taxes | 457,221 | 114,282 | 804,972 | 951,347 | 2,327,822 | 207,820 | 9,280 | 2,544,922 | 2,449,980 |
| Professional services | 34,019 | 2,417 | 38,676 | 270,171 | 345,283 | 173,049 | 11,525 | 529,857 | 428,932 |
| Supplies | 89,298 | 54,971 | 583,527 | 115,068 | 842,864 | 53,220 | 40,259 | 936,343 | 925,199 |
| Telephone and networking | 19,825 | 1,986 | 59,702 | 88,048 | 169,561 | 4,839 | 204 | 174,604 | 180,419 |
| Postage and shipping | 877 | 600 | 8,636 | 26,639 | 36,752 | 3,700 | 5,950 | 46,402 | 42,271 |
| Occupancy | 85,704 | 9,104 | 1,653,465 | 858,236 | 2,606,509 | 164,399 | - | 2,770,908 | 2,758,138 |
| Repairs and maintenance | 11,873 | 4,616 | 191,209 | 75,406 | 283,104 | 51,656 | 13,977 | 348,737 | 311,936 |
| Community relations | - | - | 4,402 | 56 | 4,458 | 61,974 | - | 66,432 | 81,845 |
| In-kind contribution expense | - | - | - | 215,632 | 215,632 | - | - | 215,632 | 162,212 |
| Travel and client transportation | 39,282 | 42,103 | 52,482 | 160,346 | 294,213 | 15,907 | 220 | 310,340 | 389,137 |
| Staff development and conferences | 21,769 | 4,636 | 85,460 | 39,793 | 151,658 | 53,480 | 242 | 205,380 | 170,119 |
| Dues and licenses | 29,928 | 12,716 | 147,338 | 72,476 | 262,458 | 17,529 | 8,252 | 288,239 | 258,888 |
| General insurance | 51,845 | 3,079 | 390,348 | 358,879 | 804,151 | 25,340 | - | 829,491 | 683,500 |
| Credit card and bank charges | - | - | 138,909 | 9,160 | 148,069 | 14,955 | 5,897 | 168,921 | 172,038 |
| Miscellaneous | - | - | 124,235 | - | 124,235 | (4,474) | - | 119,761 | 1,340 |
| Bad debts | - | - | 55,392 | 1,648 | 57,040 | 2,012 | - | 59,052 | 69,657 |
| Total functional expenses before depreciation, amortization, and interest | 2,568,412 | 853,286 | 8,614,002 | 31,728,410 | 43,764,110 | 1,724,812 | 157,191 | 45,646,113 | 43,676,678 |
| Depreciation and amortization | 68,043 | 578 | 1,051,219 | 54,137 | 1,173,977 | 3,783 | 2,694 | 1,180,454 | 1,187,983 |
| Interest | 407 | - | 14,952 | - | 15,359 | 14,153 | - | 29,512 | 17,585 |
| Mortgage interest | - | - | 92,682 | - | 92,682 | 24,637 | - | 117,319 | 121,830 |
| Total functional expenses | \$ <u>2,636,862</u> | \$ <u>853,864</u> | \$ <u>9,772,855</u> | \$ <u>31,782,547</u> | \$ <u>45,046,128</u> | \$ <u>1,767,385</u> | \$ <u>159,885</u> | \$ <u>46,973,398</u> | \$ <u>45,004,076</u> |

See accompanying notes to financial statements.

Sarasota Family Young Men's Christian Association, Inc.

Statement of Functional Expenses

Year Ended June 30, 2016

(With Summarized Information for the Year Ended June 30, 2017)

| | Youth & Family Services | Educational Outreach Services | Health Enhancement | Foster Care / Child Welfare | Program Services | Management and General | Fund- Raising | Total | 2017 Total |
|--|--|--|-------------------------------|--|-----------------------------|-----------------------------------|--------------------------|----------------------|-----------------------|
| Subcontracted services | \$ - | \$ - | \$ - | \$ 7,611,397 | \$ 7,611,397 | \$ - | \$ - | \$ 7,611,397 | \$ 7,443,974 |
| Residential services | - | - | - | 7,096,938 | 7,096,938 | - | - | 7,096,938 | 8,292,612 |
| Foster parent, adoption and independent living subsidies | - | - | - | 7,470,925 | 7,470,925 | - | - | 7,470,925 | 7,690,045 |
| Client services | - | - | - | 1,427,586 | 1,427,586 | - | - | 1,427,586 | 1,585,851 |
| Youth scholarships | 2,500 | 106,250 | - | - | 108,750 | - | - | 108,750 | 134,250 |
| Salaries | 1,720,347 | 517,514 | 4,368,115 | 3,335,564 | 9,941,540 | 933,627 | 304 | 10,875,471 | 10,884,360 |
| Employee benefits and payroll taxes | 437,285 | 114,557 | 761,295 | 932,641 | 2,245,778 | 204,113 | 89 | 2,449,980 | 2,544,922 |
| Professional services | 28,866 | 5,974 | 58,552 | 216,985 | 310,377 | 118,555 | - | 428,932 | 529,857 |
| Supplies | 94,388 | 53,929 | 646,308 | 67,693 | 862,318 | 62,694 | 187 | 925,199 | 936,343 |
| Telephone and networking | 19,109 | 2,253 | 63,622 | 89,507 | 174,491 | 5,925 | 3 | 180,419 | 174,604 |
| Postage and shipping | 1,320 | 799 | 4,860 | 30,015 | 36,994 | 5,179 | 98 | 42,271 | 46,402 |
| Occupancy | 78,035 | 10,413 | 1,646,102 | 844,482 | 2,579,032 | 178,367 | 739 | 2,758,138 | 2,770,908 |
| Repairs and maintenance | 16,492 | 2,524 | 163,494 | 75,452 | 257,962 | 53,974 | - | 311,936 | 348,737 |
| Community relations | - | - | 11,213 | 12 | 11,225 | 70,620 | - | 81,845 | 66,432 |
| In-kind contribution expense | - | - | 999 | 161,213 | 162,212 | - | - | 162,212 | 215,632 |
| Travel and client transportation | 41,135 | 52,160 | 102,363 | 156,326 | 351,984 | 37,153 | - | 389,137 | 310,340 |
| Staff development and conferences | 19,421 | 10,199 | 60,531 | 33,173 | 123,324 | 46,795 | - | 170,119 | 205,380 |
| Dues and licenses | 23,440 | 11,257 | 151,776 | 51,864 | 238,337 | 15,130 | 5,421 | 258,888 | 288,239 |
| General insurance | 55,549 | 2,680 | 389,416 | 210,640 | 658,285 | 25,215 | - | 683,500 | 829,491 |
| Credit card and bank charges | - | - | 145,115 | 8,718 | 153,833 | 17,460 | 745 | 172,038 | 168,921 |
| Miscellaneous | - | - | - | - | - | 1,340 | - | 1,340 | 119,761 |
| Bad debts | - | - | 48,220 | 4,023 | 52,243 | 17,369 | 45 | 69,657 | 59,052 |
| Total functional expenses before depreciation, amortization, and interest | 2,537,887 | 890,509 | 8,621,981 | 29,825,154 | 41,875,531 | 1,793,516 | 7,631 | 43,676,678 | 45,646,113 |
| Depreciation and amortization | 65,019 | 1,349 | 1,053,391 | 61,057 | 1,180,816 | 4,477 | 2,690 | 1,187,983 | 1,180,454 |
| Interest | - | - | 16,968 | - | 16,968 | 617 | - | 17,585 | 29,512 |
| Mortgage interest | - | - | 96,246 | - | 96,246 | 25,584 | - | 121,830 | 117,319 |
| Total functional expenses | \$ 2,602,906 | \$ 891,858 | \$ 9,788,586 | \$ 29,886,211 | \$ 43,169,561 | \$ 1,824,194 | \$ 10,321 | \$ 45,004,076 | \$ 46,973,398 |

See accompanying notes to financial statements.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

I. Description of Organization

The Sarasota Family Young Men's Christian Association, Inc. (YMCA), was established in 1945, and provided various programs and services in three counties during the years ended June 30, 2017 and 2016. The financial statements and notes are representations of the YMCA's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements. The Mission Statement of the Sarasota Family Young Men's Christian Association, Inc. is, "We build strong kids, strong families and strong communities."

The YMCA Foundation of Sarasota (YMCA Foundation) is an organization which was created in 1981 for the sole purpose of raising funds to support the YMCA. In September 2016, the YMCA Foundation stopped raising funds for the YMCA and the YMCA assumed that function directly. At that time, the YMCA Foundation changed its name to the Children's Educational Opportunity Foundation, Inc. (Foundation). The *Not-for Profit Entities* Topic of the FASB Accounting Standards Codification establishes standards for transactions in which a donor makes a contribution to a not-for-profit organization (recipient) that agrees to transfer those assets to another entity (beneficiary). Pursuant to the *Not-for Profit Entities* Topic, the YMCA recognizes its beneficial interest in the net assets of the Foundation. Therefore, the net assets of the Foundation and change in net assets for the year are included in the financial statements of the YMCA. An independent Board of Trustees directs the Foundation. The financial statements of the YMCA and the Foundation are not consolidated as the criteria for consolidation under accounting principles generally accepted has not been met. See Notes 26 and 27 related to the Foundation.

The major program areas of the YMCA include:

Youth & Family Services - The YMCA Family Management Services provide family counseling and consultation on a non-residential basis, directed at preventing youth from running away, being truant or becoming ungovernable. Residential services are provided through the Youth Shelter for runaway youth ages 10 through 17. The YMCA TRIAD Alternative Schools provide academic, vocational and behavioral skills to expelled youth in collaboration with the Department of Juvenile Justice and the Sarasota County school system. The School House Link coordinates educational services for homeless youth in Sarasota County.

Educational Outreach Services - Operation Graduation is a continuum of educational outreach programs serving children from preschool to high school seniors. Programs include the Home Instruction for Parents for Preschool Youngsters (HIPPY), a home-based educational program in which YMCA Parent Educators teach parents and other guardians to prepare their children for school; and Y Achievers for middle and high school students to enhance academic achievement. The YMCA provides after-school programs in Sarasota County elementary schools and within the Hardee County Family YMCA Branch.

Health Enhancement - The YMCA maintains four traditional health enhancement facilities, three in Sarasota County and one in Hardee County. Collectively, these facilities provide a full range of fitness/cardiovascular training, specialty aerobic classes, youth and adult basketball, racquetball, soccer, aquatic classes, swim teams, gymnastic classes and teams, therapy programs, youth leadership and teen activities. Summer camp for elementary school age children is also provided in Sarasota and Hardee counties.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

I. Description of Organization (Continued)

Foster Care/Child Welfare - In 1997, the YMCA led the Governor's privatization efforts for Child Welfare/Foster Care in Sarasota County. The YMCA provided its Child Welfare/Foster Care Program in three counties during the years ended June 30, 2017 and 2016. The Child Welfare/Foster Care Program provides the following services: diversion, intervention, child and family assessment, case management through sub-contracts with local agencies, family preservation, parent training and support groups, out of home placement, reunification and adoptions.

2. Summary of Significant Accounting Policies

Revenue Recognition

The accounting and reporting policies of the YMCA comply with the accounting and reporting provisions of the American Institute of Certified Public Accountants. Net assets and public support, revenue and gains are classified based on the existence or absence of donor-imposed restrictions. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets are utilized to account for public support and program revenues that are unrestricted in nature. Donor-restricted contributions whose restrictions are met in the year of contribution are reported as unrestricted support.

Temporarily Restricted Net Assets are utilized to account for contributions that are donor-restricted for uses which have not yet been fulfilled either by time or purpose. Net assets restricted for construction of buildings are considered temporarily restricted until the YMCA places the asset in service.

Permanently Restricted Net Assets represent donor-restricted endowments whereby the use of principal is prohibited. The income generated by these endowments may be unrestricted or designated for a specific program by the donor.

Use of Estimates

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

Donated Materials and Services

Donated property and equipment for use by the YMCA are capitalized at the fair value at the time of receipt. The YMCA has recorded the revenue and expense relating to services donated by attorneys, architects and contractors. The value of these services, property and equipment recorded in the accompanying financial statements amounted to \$222,762 and \$162,212 for the years ended June 30, 2017 and 2016, respectively.

A substantial number of unpaid volunteers have made significant contributions of their time to support the programs of the YMCA. These services do not meet the criteria for recognition as donated revenue under generally accepted accounting principles, and as a result, the value of these volunteer hours has not been recognized in the statements of activities.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Income Taxes

The YMCA has been recognized by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code of 1986. Under the Income Taxes Topic of the FASB Accounting Standards Codification, the YMCA has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions, other than disclosed above, that would have a material impact on the financial statements of the YMCA.

The YMCA files income tax returns in the U.S. federal jurisdiction and the state of Florida. The tax periods open to examination by the major taxing jurisdictions to which the YMCA is subject include the fiscal years ended June 30, 2014 through June 30, 2017.

Financial Instruments Not Measured at Fair-Value

Certain of the YMCA's financial instruments are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and liabilities include cash and cash equivalents, accounts receivable, contracts receivable, other assets, accounts payable, accrued expenses, deferred revenue and government contracts and custodial liabilities.

Debt Issuance Costs

Effective July 1, 2016, the YMCA elected to change its method of presentation relating to debt issuance costs in accordance with FASB Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30)*. Prior to 2016, the YMCA's policy was to present these debt issuance costs as an asset on the statement of financial position, net of accumulated amortization. Beginning in 2017, the YMCA has presented these costs as a direct deduction to the related debt. The ASU requires retrospective application to all periods presented in the financial statements. Accordingly, for 2016, debt issuance costs, net of accumulated amortization, in the amount of \$69,159 have been deducted from the related debt liability.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

3. Cash and Cash Equivalents

Cash consists of various checking and money market accounts. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less, except for investments to be applied to specific purposes that are included in the YMCA's long-term investment strategies. Due to the timing of receipts from its various funding sources, the YMCA may periodically have cash balances with any one financial institution exceeding the FDIC insured amount. Management makes every effort to maintain accounts with various financial institutions to minimize the occurrence of this situation.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

3. Cash and Cash Equivalents (Continued)

The YMCA is a fiscal agent for certain funding sources. Funds are received and payments are distributed to program participants based upon requirements established by the funding sources. The YMCA maintains separate bank accounts for the cash received on behalf of the program participants and records the related custodial liability.

Restricted cash for federal grants and other purposes at June 30, 2017 and 2016 amounted to \$882,679 and \$2,436,970, respectively. Restricted cash equivalents for investments at June 30, 2017 and 2016 amounted to \$13,164 and \$32,728, respectively.

4. Accounts Receivable

Accounts receivable consist of membership fees, child care program fees, gymnastics and swim team fees, amounts pledged by the Foundation, and other receivables. Accounts receivable for membership fees and program dues are stated net of an allowance for uncollectible accounts of \$19,911 and \$9,262 at June 30, 2017 and 2016, respectively. The allowance is approximately 31% and 15%, respectively, of accounts receivable for membership fees and program dues and is based on historical collections. Management reviews accounts quarterly and writes off individual accounts that are deemed uncollectible.

Accounts receivable at June 30, 2017 and 2016 includes receivables from the Foundation in the amount of \$300,000 and \$649,555 respectively, for grants and reimbursement of expenses. No allowance has been recorded against these amounts as management deems this balance fully collectible.

5. Contracts Receivable

Contracts receivable represent funds due from federal, state and local government agencies for YMCA social service programs including Educational Outreach Services, Youth and Family Services and Foster Care/Child Welfare. Contracts receivable totaled \$1,094,046 and \$265,897 at June 30, 2017 and 2016, respectively. Management considers contracts receivable to be fully collectible.

6. Other Assets

Other assets include prepaid expenses, pledges receivable, deposits, and inventory of YMCA clothing items, racquetball and aquatics related merchandise, stated at the lower of cost (first-in, first-out method) or market (net realizable value).

Other assets are comprised of the following at June 30:

| | 2017 | 2016 |
|--------------------|-------------------|-------------------|
| Prepaid expenses | \$ 203,989 | \$ 218,451 |
| Pledges receivable | 40,939 | - |
| Deposits | 27,423 | 27,423 |
| Inventory | 10,213 | 10,177 |
| | <u>\$ 282,564</u> | <u>\$ 256,051</u> |

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

7. Investments

Partnerships

The YMCA is a limited partner in Community Based Care Integrated Health, LLC (CBCIH). The purpose of the CBCIH is to establish a trust to cover medical expenses in excess of Medicare payments. The YMCA's investment in the CBCIH totaled \$182,676 and \$76,792 as of June 30, 2017 and 2016, respectively. The CBCIH makes a quarterly determination of whether the assets held by the trust are sufficient to meet the obligations under the service agreement. If deemed insufficient, the YMCA is liable for any obligations under the services agreement or debt of the CBCIH as determined by their respective share of the CBCIH's revenue. The YMCA will have thirty days from the date of the notice from the CBCIH to provide additional contributions.

Trust Account

As collateral for the note payable, described in Note 11, the YMCA is required to maintain a balance of investment securities of \$400,000, which are recorded at market value. The market value, cost and provision for unrealized gain (loss) of investments are summarized in the aggregate as follows at June 30:

| | 2017 | | |
|---|------------|------------|-----------------------------|
| | Cost | Fair Value | Accumulated Unrealized Gain |
| Equities | \$ 30,055 | \$ 31,751 | \$ 1,696 |
| Fixed Income | 381,804 | 386,034 | 4,230 |
| Cash in investments | 13,164 | 13,164 | - |
| Total investment securities and cash in investments | \$ 425,023 | \$ 430,949 | \$ 5,926 |
| | 2016 | | |
| | Cost | Fair Value | Accumulated Unrealized Gain |
| Fixed Income | \$ 381,804 | \$ 391,841 | \$ 10,037 |
| Cash in investments | 32,728 | 32,728 | - |
| Total investment securities and cash in investments | \$ 414,532 | \$ 424,569 | \$ 10,037 |

Investment activity for the year ended June 30, 2017 resulted in realized gains of \$385 and unrealized losses of \$4,111. Investment activity for the year ended June 30, 2016 resulted in realized losses of \$2,197 and unrealized gains on investments of \$18,139.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

8. Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of June 30:

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Land | \$ 1,087,115 | \$ 1,087,115 |
| Buildings | 23,984,874 | 24,479,044 |
| Equipment | 2,526,795 | 2,551,273 |
| Furniture and fixtures | 3,317,076 | 3,493,171 |
| Vehicles | 521,255 | 523,177 |
| Equipment under capital lease agreements | 1,333,758 | 1,357,959 |
| Leasehold improvements | 1,843,050 | 1,833,700 |
| Art | 18,600 | 18,600 |
| | <u>34,632,523</u> | <u>35,344,039</u> |
| Less accumulated depreciation and amortization | <u>(22,217,747)</u> | <u>(22,003,606)</u> |
| | <u>\$ 12,414,776</u> | <u>\$ 13,340,433</u> |

The YMCA capitalizes computer software and other assets exceeding \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for equipment, furniture and fixtures, and vehicles; and 10 to 30 years for buildings and improvements. Equipment under capital lease agreements is amortized using the straight-line method over the life of the leases and has a net book value of \$175,145 and \$376,534 as of June 30, 2017 and 2016, respectively. Leasehold improvements are being amortized over the lesser of the lease terms or the estimated useful lives of the assets. Land, buildings and equipment are recorded at cost, or if donated, at the fair market value at the time of receipt. Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$1,176,721 and \$1,183,684, respectively.

Equipment has been purchased with funds received from other governmental agencies. Title to these assets acquired with government agency funds vests with the YMCA as long as the YMCA has a contract with the agencies. In accordance with contract provisions, the YMCA has segregated and identified this equipment. Upon contract termination, the equipment reverts to the respective agencies in accordance with their proportional interests. As of June 30, 2017 and 2016, government funded assets had a total net book value of \$143,515 and \$136,929, respectively.

9. Tax Deferred Annuity Plan

The YMCA 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, 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 (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 YMCAs through-out 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 defined contribution plans, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

9. Tax Deferred Annuity Plan (Continued)

In accordance with the agreement with the Retirement Fund, contributions to the Fund are a percentage of the participating employees' qualified compensation. The Fund is fully funded through retirement plan contributions for all eligible employees made by the YMCA. Employees can participate in additional voluntary accounts either on a tax-deferred or after-tax basis. The YMCA's contributions charged to retirement costs for the fiscal years ended June 30, 2017 and 2016 were \$717,668 and \$709,048, respectively.

10. Lease Commitments

The YMCA has entered into capital lease agreements for equipment and copiers through 2020. Future minimum payments under capital leases are as follows for the years ending June 30:

| | |
|--|------------|
| 2018 | \$ 163,380 |
| 2019 | 123,222 |
| 2020 | 6,389 |
| Total future minimum lease payments | 292,991 |
| Less portion representing interest | (11,517) |
| Present value of future minimum lease payments | 281,474 |
| Less current portion | (151,061) |
| Non-current portion | \$ 130,413 |

The YMCA leases space for administrative and program services. Lease terms range from 1 to 9 years with options to renew. Total future minimum lease payments under the operating leases are as follows:

| | Minimum Lease Commitments | Sublease Income | Net Lease Commitments |
|----------------------|--|----------------------------|----------------------------------|
| Year Ending June 30: | | | |
| 2018 | \$ 855,134 | \$ 79,903 | \$ 775,231 |
| 2019 | 795,267 | 81,501 | 713,766 |
| 2020 | 819,125 | 83,131 | 735,994 |
| 2021 | 761,359 | 84,793 | 676,566 |
| 2022 | 170,360 | 86,489 | 83,871 |
| Thereafter | 550,900 | 269,986 | 280,914 |
| | \$ 3,952,145 | \$ 685,803 | \$ 3,266,342 |

Certain leases require payments for common area maintenance and also provide for adjustments to minimum lease payments annually based on fluctuations in the Consumer Price Index. These adjustments are estimated based on historical information and are included in the minimum lease commitment amounts above. The YMCA subleases office space to an unrelated not-for-profit 501(c)(3) corporation. Sublease income will also increase two percent annually per the sublease agreement. Total rent expense for the years ended June 30, 2017 and 2016 amounted to \$990,283 and \$1,071,562, respectively, net of sublease income.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

II. Debt

Notes Payable

Notes payable consisted of the following at June 30:

| | 2017 | 2016 |
|--|--------------|-----------|
| <p>In October 2014, the YMCA entered into a mortgage payable to a financial institution for \$2,825,000, payable in monthly payments over a 20 year period of \$17,817, including interest at 4.40% for the first five years, beginning November 29, 2014. After the initial five years, interest shall be paid at a fluctuating rate equal to a margin of 3.25% over the weekly average yield on the United States Treasury Securities adjusted to a constant maturity of one year to be adjusted every year on the anniversary date of this note. Final payment, including all outstanding principle, plus accrued interest, shall be due on October 29, 2034. The mortgage is secured by the related property and the initial purchase of \$400,000 of investment securities, as described in Note 7.</p> | | |
| | \$ 2,576,802 | 2,673,288 |
| Less current portion | (102,550) | (98,143) |
| Non-current portion | \$ 2,474,252 | 2,575,145 |

Long-term scheduled maturities of the June 30, 2017 outstanding principal balance in each of the next five years and thereafter are as follows:

| | | |
|---|----|-----------|
| 2018 | \$ | 102,550 |
| 2019 | | 107,154 |
| 2020 | | 111,965 |
| 2021 | | 116,992 |
| 2022 | | 120,000 |
| Thereafter | | 2,018,141 |
| Total debt | | 2,576,802 |
| Less debt issuance costs, net of accumulated amortization | | (65,386) |
| Total debt | \$ | 2,511,416 |

At the closing of the mortgage payable, the YMCA incurred debt issuance costs of \$75,446. Debt issuance costs are amortized over the life of the related debt issue and are included in the depreciation and amortization line in the statement of functional expenses. Amortization expense related to debt issuance costs was \$3,772 and \$4,489 for the years ended June 30, 2017 and 2016, respectively. Interest expense related to the mortgage payable totaled \$117,319 and \$121,830 for the years ended June 30, 2017 and 2016, respectively.

Line of Credit

In November 2016, the YMCA entered into a revolving line of credit for maximum allowable borrowings of \$750,000 through November 2017. Borrowings under the line of credit accrue interest at a rate of The Wall Street Journal Prime Rate plus 1.5%, adjusted daily through the term of the note. Interest is to be paid monthly. The principal balance, plus any unpaid interest is payable in November 2017. The line is secured by the mortgaged property and investment securities described in Notes Payable. There was no outstanding balance at June 30, 2017.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

12. Custodial Liabilities

The YMCA is the custodian for Social Security benefits for the children in its care. The YMCA is responsible for receiving funds from Social Security and disbursing such to the respective beneficiaries pursuant to requirements set forth by Social Security and the Florida Department of Children and Families. The funds are maintained in separate bank accounts. Custodial liabilities totaled \$131,561 and \$88,881 as of June 30, 2017 and 2016, respectively.

13. Matching Requirements on Governmental Contracts

The YMCA has been awarded contracts from federal and state agencies, which require matching contributions by the YMCA. The matching requirements were met or exceeded on completed contracts during the years ended June 30, 2017 and 2016.

The YMCA (lead agency) administers the Foster Care and Child Welfare program for Sarasota, Manatee and Desoto counties. Under Florida Statute, a lead agency may not provide more than 35% of direct client services and must disburse and pass through contract funds received to entities that provide direct client services. In addition there are designated contract funds that are passed through to or paid to or on behalf of the client (adoption subsidy, independent living subsidy, client supplies and services). Government grant revenue includes the following components:

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Amounts paid to subrecipients | \$ 16,016,293 | \$ 14,162,975 |
| Amounts paid to or on behalf of clients | 8,961,123 | 8,686,442 |
| Amounts related to services provided by the YMCA | 7,098,017 | 7,398,488 |
| Total | <u>\$ 32,075,433</u> | <u>\$ 30,247,905</u> |

14. Deferred Revenue and Governmental Contracts

As of June 30, 2017 and 2016, deferred revenue and government contracts totaled \$1,393,242 and \$1,479,842, respectively, and include the following:

Programs and membership revenue is deferred and recognized over the term of the program or membership on a straight-line basis. As of June 30, 2017 and 2016, deferred programs and membership revenue totaled \$695,664 and \$662,770, respectively.

Certain government contracts and grants are received ratably over the respective contract periods. The YMCA recognizes the related revenue as grant expenditures are made. Any excess of funds received over the amount earned is considered deferred revenue which amounted to \$697,578 and \$817,072 at June 30, 2017 and 2016, respectively.

15. Fair Value of Financial Assets and Liabilities

The YMCA adopted the *Fair Value Measurements and Disclosures* Topic of the FASB Accounting Standards Codification which provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

15. Fair Value of Financial Assets and Liabilities (Continued)

The following table presents information about the YMCA's assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of June 30, 2017 and 2016, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quotes prices (interest rates, yield curves, etc.), or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The inputs reflect the YMCA's assumptions based on the best information available in the circumstance.

The following methods and assumptions were used by the YMCA in estimating the fair value of its financial instruments:

Equity - The fair value is measured based on quoted prices in principal active markets for identical assets as of the valuation date (Level 1).

Fixed Income - The fair value is measured based on quoted prices for similar assets, observable inputs other than quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means (Level 1).

Investments - partnerships - The fair value is primarily based on the respective net asset value reported by management of each limited partnership rather than actual market transactions and other observable market data (Level 3).

For the year ended June 30, 2017:

| Description | Balance | Level 1 | Level 2 | Level 3 |
|--------------------------|-------------------|-------------------|-------------|-------------------|
| Assets: | | | | |
| Equities: | | | | |
| Small growth | \$ 487 | \$ 487 | \$ - | \$ - |
| Large value | 31,264 | 31,264 | - | - |
| Total equities | <u>31,751</u> | <u>31,751</u> | - | - |
| Fixed Income: | | | | |
| Corporate bond | 139,247 | 139,247 | - | - |
| Preferred stock | 19,585 | 19,585 | - | - |
| Ultrashort bond | 25,430 | 25,430 | - | - |
| Intermediate-term bond | 131,797 | 131,797 | - | - |
| Long-term corporate bond | 69,975 | 69,975 | - | - |
| Total fixed income | <u>386,034</u> | <u>386,034</u> | - | - |
| Investments-partnerships | <u>182,676</u> | - | - | <u>182,676</u> |
| Total investments | <u>\$ 600,461</u> | <u>\$ 417,785</u> | <u>\$ -</u> | <u>\$ 182,676</u> |

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

15. Fair Value of Financial Assets and Liabilities (Continued)

For the year ended June 30, 2016:

| Description | Balance | Level 1 | Level 2 | Level 3 |
|--------------------------|-------------------|-------------------|-------------|------------------|
| Assets: | | | | |
| Fixed Income: | | | | |
| Corporate bond | \$ 141,544 | \$ 141,544 | - | - |
| Preferred stock | 19,945 | 19,945 | - | - |
| Ultrashort bond | 25,293 | 25,293 | - | - |
| Intermediate-term bond | 134,154 | 134,154 | - | - |
| Long-term corporate bond | 70,905 | 70,905 | - | - |
| Total fixed income | <u>391,841</u> | <u>391,841</u> | <u>-</u> | <u>-</u> |
| Investments-partnerships | 76,792 | - | - | 76,792 |
| Total investments | <u>\$ 468,633</u> | <u>\$ 391,841</u> | <u>\$ -</u> | <u>\$ 76,792</u> |

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is presented below:

| | Investments- Partnerships |
|----------------------------|------------------------------|
| Balance - June 30, 2015 | \$ 131,780 |
| Liquidation of partnership | (94,168) |
| Equity gain in investment | 39,180 |
| Balance - June 30, 2016 | <u>76,792</u> |
| Distribution | (16,000) |
| Equity gain in investment | 121,884 |
| Balance - June 30, 2017 | <u>\$ 182,676</u> |

The fair value of the investments listed below have been estimated based on net asset value (NAV) per share based on the cash flow received from the projected sales proceeds. Those funds which are redeemable at the reported net asset value per share at or near the reporting date have been considered to be valued based upon level 2 inputs. Funds which are not redeemable at or near the reporting date have been considered to be valued based upon Level 3 inputs.

| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|-----------------------------------|---------------|-------------------------|-------------------------|--------------------------------|
| Investments - partnerships (a) | \$ 182,676 | \$ - | n/a | n/a |

(a) This investment represents the YMCA's interest the CBCIH.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

15. Fair Value of Financial Assets and Liabilities (Continued)

The components of the beneficial interest in the net assets of the Foundation that are measured at fair value on a recurring and non-recurring basis as of June 30, 2017 are included in the following table:

| Description | Balance | Level 1 | Level 2 | Level 3 |
|---|---------------------|---------------------|-------------|-------------------|
| Equity securities | \$ 2,225,998 | \$ 2,225,998 | \$ - | \$ - |
| Mutual funds | 1,390,326 | 1,390,326 | - | - |
| Contributions receivable from charitable trusts | 593,703 | - | - | 593,703 |
| Assets held in charitable trusts and annuities | 172,705 | 172,705 | - | - |
| Total assets | <u>\$ 4,382,732</u> | <u>\$ 3,789,029</u> | <u>\$ -</u> | <u>\$ 593,703</u> |
| Liability under trust agreements | <u>\$ 64,326</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 64,326</u> |
| Pledges receivable | <u>\$ 314,332</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 314,332</u> |

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended June 30, 2017:

| | Contributions Receivable From Charitable Trusts | Liability Under Trust Agreements |
|---|---|--|
| Beginning Balance - June 30, 2016 | \$ 539,150 | \$ 129,134 |
| Liabilities under trust agreements | - | - |
| Change in fair value of charitable trusts | 54,553 | (64,808) |
| Ending balance - June 30, 2017 | <u>\$ 593,703</u> | <u>\$ 64,326</u> |

The components of the beneficial interest in the net assets of the Foundation that are measured at fair value on a recurring and non-recurring basis as of June 30, 2016 are unknown.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets are generated from donor contributions and are restricted as to use within the following programs and organization at June 30:

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Child Welfare/Foster Care | \$ 77,084 | \$ 114,599 |
| Health Enhancement | 15,547 | 12,130 |
| Capital | 35,560 | - |
| Beneficial interest in net assets of the Foundation | <u>1,041,619</u> | <u>1,149,002</u> |
| | <u>\$ 1,169,810</u> | <u>\$ 1,275,731</u> |

17. Permanently Restricted Net Assets

Permanently restricted net assets consisted of the beneficial interest in the net assets of the Foundation in the amounts of \$282,110 as of June 30, 2017 and 2016.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

18. Net Assets Released From Restrictions

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes for the years ended June 30:

| | <u>2017</u> | | <u>2016</u> |
|---|------------------|-----------|---------------|
| Expiration of restrictions | | | |
| Child Welfare/Foster Care | \$ 40,629 | \$ | 48,717 |
| Health Enhancement | 277 | | 5,000 |
| Total net assets released from restrictions | <u>\$ 40,906</u> | <u>\$</u> | <u>53,717</u> |

19. Discounted Membership Dues and Program Fees

The YMCA also makes contributions to the general public through subsidies to those who qualify for discounted membership and program fees. These scholarships amounted to \$434,124 and \$433,247 for the years ended June 30, 2017 and 2016, respectively.

20. Transactions with the Children's Educational Opportunity Foundation, Inc.

The YMCA must apply for grants and the Foundation maintains full authority over grant decisions. The following is contribution revenue from the Foundation, net of related expenses, for the years ended June 30:

| | <u>2017</u> | | <u>2016</u> |
|---|-------------------|-----------|------------------|
| Contributions from the Foundation | \$ 318,118 | \$ | 1,393,345 |
| Prior years contribution revenue recognized | 5,666 | | 14,974 |
| Contributions deferred | - | | (50,814) |
| Total contribution revenue recognized | <u>\$ 323,784</u> | <u>\$</u> | <u>1,357,505</u> |

The Foundation reimbursed the YMCA for payroll, payroll related and other expenses paid on behalf of the Foundation in the amount of \$205,249 and \$347,633, for the years ended June 30, 2017 and 2016, respectively. Additionally, the Foundation paid the YMCA rent in the amount of \$10,128 and \$46,063. The YMCA had a payable to the Foundation in the amount of \$96,381 and \$0 as of June 30, 2017 and 2016, respectively.

Beginning March 1, 2006, the YMCA began leasing office space in a building in Desoto County owned by the Foundation. Total rent and related reimbursable expenses paid to the Foundation for the years ended June 30, 2017 and 2016 amounted to \$83,030 and \$83,030, respectively.

21. Related Party Transactions

Certain Board members hold positions at financial institutions with which the YMCA holds cash balances. Additionally, one board member holds a position at a company with which the YMCA has obtained remodeling services. The total amount paid towards the remodeling services totaled \$69,078 and \$7,800 for the years ended June 30, 2017 and 2016, respectively. Another board member is a consultant with a company that provides services to the YMCA. The total paid for consultant services totaled \$2,000 and \$0 for the years ended June 30, 2017 and 2016, respectively. Board members are required to complete conflict of interest disclosure statements and abstain from voting on related issues.

22. Concentrations

For the years ended June 30, 2017 and 2016, approximately 78% and 76%, respectively, of revenue and support was derived from government grants and contracts. Approximately 91% and 90% of the government grants and contracts revenue was provided for the Foster Care and Child Welfare Programs during the years ended June 30, 2017 and 2016, respectively.

Sarasota Family Young Men's Christian Association, Inc.

Notes to Financial Statements (Continued)

June 30, 2017 and 2016

23. Risks and Uncertainties

The YMCA's ability to maintain its operations are largely dependent on selling memberships to its health facilities and receiving government and other grant funding.

24. Contingencies

The YMCA is a recipient of federal, state and other third party reimbursement funds that are subject to special compliance audits by the granting agencies and other third party agencies that provide these reimbursements. The outcome of these audits may result in expenditures that would be disallowed. Disallowed amounts, if any, would constitute a contingent liability.

The YMCA is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the YMCA.

In June 2009, the YMCA along with several other entities entered into a settlement agreement with regard to a not-for-profit Foundation (the NPO Foundation). Under the settlement, the YMCA will receive annual distributions from the NPO Foundation in amounts that are not determinable. In addition, if the NPO Foundation terminates before January 1, 2029, the YMCA will receive 1/36th of the net assets of the NPO Foundation. If the NPO Foundation terminates after January 1, 2029, the NPO Foundation will determine what amount, if any, the YMCA will receive. As of June 30, 2017 and 2016, no amounts have been recorded related to these contingent gains as the amounts are not determinable.

25. Self-Insurance

During the year ended June 30, 2017, the YMCA adopted a self-insurance plan for health claims. The YMCA is responsible for claims up to \$844,000. After that claims are covered by an insurance carrier. Management believes they have adequately provided for all claims incurred but not paid in the accompanying financial statements.

26. Prior Period Adjustment

Due to additional information available during the audit for the year ended June 30, 2017, the financial statements for June 30, 2016 have been restated. The beneficial interest in the net assets of the Foundation and the change in net assets increased by \$172,095. The accompanying schedules and footnotes have been restated.

27. Subsequent Events

The YMCA has evaluated all events subsequent to the statement of financial position date of June 30, 2017 and through the date that these financial statements were available for issuance, December 20, 2017 and has determined, except as set forth below, that there are no subsequent events that require disclosure.

In July 2017, the prior Board of Trustees of the Children's Educational Opportunity Foundation, Inc. resigned and responsibility for the Foundation now rests with the YMCA.

In December 2017, the YMCA sold land and buildings with a net book value of \$803,121. Cash proceeds from the sale totaled \$583,322, resulting in a net loss on sale of assets of (\$219,799).

Supplemental Information

Sarasota Family Young Men's Christian Association, Inc.
Schedule of Expenditures of Federal Awards And State Financial Assistance
Year Ended June 30, 2017

| <u>Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA State CSFA Number</u> | <u>Pass-through Entity Identification or Contract Number</u> | <u>Federal Reimbursable Expenditures</u> | <u>Transfers to Subrecipients</u> |
|---|---|--|--|---|
| FEDERAL GRANTS AND CONTRACTS | | | | |
| U.S. Department of Health and Human Services | | | | |
| Basic Center Program Grant | 93.623 | 90CY6820-01-00 | \$ 120,290 | \$ - |
| Passed-through Florida Department of Children and Families Services: | | | | |
| Promoting Safe and Stable Families | 93.556 | QJ2B0 | 552,914 | 509,613 |
| Grants to States for Access and Visitation Programs | 93.597 | QJ2B0 | 25,927 | 25,927 |
| Chafee Education and Training Vouchers Program (ETV) | 93.599 | QJ2B0 | 43,045 | - |
| Adoption and Legal Guardianship Incentive Payments | 93.603 | QJ2B0 | 55,890 | - |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | QJ2B0 | 368,651 | 209,266 |
| Adoption Assistance | 93.659 | QJ2B0 | 4,091,982 | 452,857 |
| Child Abuse and Neglect State Grants | 93.669 | QJ2B0 | 5,272 | 5,267 |
| Chafee Foster Care Independence Program | 93.674 | QJ2B0 | 141,031 | 104,833 |
| Medical Assistance Program | 93.778 | QJ2B0 | 140,346 | 139,314 |
| Passed-through the Florida's Office of Early Learning: | | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | Hardee | 4,642 | - |
| Passed-through Florida Department of Children and Families Services: | | | | |
| Foster Care-Title IV-E | | QJ2B0 | 6,996,194 | 4,094,773 |
| Passed through the Florida Network of Youth and Family Services: | | | | |
| Foster Care-Title IV-E | | N/A | 25,950 | - |
| Passed-through Community Based Care Lead Agencies: | | | | |
| Foster Care-Title IV-E | | N/A | 620 | - |
| Total Foster Care-Title IV-E | 93.658 | | <u>7,022,764</u> | <u>4,094,773</u> |
| Passed-through Florida Department of Children and Families Services: | | | | |
| Social Services Block Grant | | QJ2B0 | 1,600,272 | 1,312,183 |
| Passed-through Community Based Care Lead Agencies: | | | | |
| Social Services Block Grant | | N/A | 439 | - |
| Total Social Services Block Grant | 93.667 | | <u>1,600,711</u> | <u>1,312,183</u> |
| Passed-through Florida Department of Children and Families Services: | | | | |
| Temporary Assistance for Needy Families | | QJ2B0 | 2,649,510 | 900,802 |
| Passed-through the Florida Department of Education / University of South Florida: | | | | |
| Temporary Assistance for Needy Families | | 5830-1467-11-J | 480,000 | - |
| Total Temporary Assistance for Needy Families | 93.558 | | <u>3,129,510</u> | <u>900,802</u> |
| Total U.S. Department of Health and Human Services | | | \$ <u>17,302,975</u> | \$ <u>7,754,835</u> |

Sarasota Family Young Men's Christian Association, Inc.
Schedule of Expenditures of Federal Awards And State Financial Assistance (Continued)
Year Ended June 30, 2017

| Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA State CSFA Number | Pass-through Entity Identification or Contract Number | Federal Reimbursable Expenditures | Transfers to Subrecipients |
|---|--------------------------------------|---|---|----------------------------------|
| FEDERAL GRANTS AND CONTRACTS (CONTINUED) | | | | |
| U.S. Department of Education | | | | |
| Passed-through School Board of Sarasota County: Education for Homeless Children and Youth | 84.196A | N/A | \$ 76,317 | \$ - |
| Passed-through School Board of Sarasota County: Title I Grants to Local Educational Agencies | | N/A | 72,068 | - |
| Title I Triad - Grants to Local Educational Agencies | | N/A | 80,596 | - |
| Total Title I Grants to Local Educational Agencies | 84.010 | | <u>152,664</u> | <u>-</u> |
| Total U.S. Department of Education | | | \$ <u>228,981</u> | \$ <u>-</u> |
| U.S. Department of Agriculture | | | | |
| Passed-through Florida Department of Health: Child and Adult Care Food Program '16 | | A-1413 | 1,734 | - |
| Child and Adult Care Food Program '17 | | A-1413 | 93 | - |
| Total Child and Adult Care Food Program | 10.558 | | <u>1,827</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | \$ <u>1,827</u> | \$ <u>-</u> |
| U.S. Department of Homeland Security | | | | |
| Passed-through 2-1-1 Manasota: Emergency Food and Shelter National Board Program | 97.024 | LRO171400-021 | 11,250 | - |
| Total U.S. Department of Homeland Security | | | \$ <u>11,250</u> | \$ <u>-</u> |
| Total Federal Grants and Contracts | | | \$ <u>17,545,033</u> | \$ <u>7,754,835</u> |

Sarasota Family Young Men's Christian Association, Inc.
Schedule of Expenditures of Federal Awards And State Financial Assistance (Continued)
Year Ended June 30, 2017

| Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA State CSFA Number | Pass-through Entity Identification or Contract Number | State Reimbursable Expenditures | Transfers to Subrecipients |
|---|--------------------------------------|---|---------------------------------------|----------------------------------|
| STATE GRANTS AND CONTRACTS | | | | |
| Florida Department of Juvenile Justice | | | | |
| Passed-through the Florida Network of Youth and Family Services: | | | | |
| Children and Families in Need of Services (CINS/FINS) '16 | | N/A | \$ 348,857 | \$ - |
| Children and Families in Need of Services (CINS/FINS) '17 | | N/A | 482,996 | - |
| Children and Families in Need of Services (CINS/FINS) (Probation Respite) | | N/A | 6,014 | - |
| Total Children and Families in Need of Services (CINS/FINS) | 80.005 | | <u>837,867</u> | <u>-</u> |
| Total Florida Department of Juvenile Justice | | | \$ 837,867 | \$ - |
| Florida Department of Children and Families | | | | |
| Out-of-Home Supports '17 | | QJ2B0 | \$ 866,266 | \$ 144,729 |
| Out-of-Home Supports '16 | | QJ2B0 | 386,600 | - |
| Total Out-of-Home Supports | 60.074 | | <u>1,252,866</u> | <u>144,729</u> |
| In-Home Supports '17 | | QJ2B0 | 60,730 | - |
| In-Home Supports '16 | | QJ2B0 | 33,671 | - |
| Total In-Home Supports | 60.075 | | <u>94,401</u> | <u>-</u> |
| Independent Living Program | 60.112 | QJ2B0 | 129,857 | 23,125 |
| CBC - Sexually Exploited Children | 60.138 | QJ2B0 | 294,610 | - |
| Extended Foster Care Program | 60.141 | QJ2B0 | 253,893 | - |
| Total Florida Department of Children and Families | | | \$ 2,025,626 | \$ 167,854 |
| Total State Grants and Contracts | | | \$ 2,863,493 | \$ 167,854 |
| Total Federal and State Grants and Contracts | | | \$ 20,408,526 | \$ 7,922,689 |

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal and state granting activity of Sarasota Family Young Men's Christian Association, Inc. (YMCA), and is presented on the Generally Accepted Accounting Principles basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and Chapter 10.650, Rules of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Indirect Cost Election

YMCA has not elected to use the 10% de minimis cost rate as covered in 2 CFR section 200.414 and has a federally negotiated rate with their cognizant agency.

Sarasota Family Young Men's Christian Association, Inc.
Schedule of Expenditures of Local Assistance and Matching Funds
Year Ended June 30, 2017

| Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA State CSFA Number | Pass-through Entity Identification or Contract Number | Local/Matching Reimbursable Expenditures | Transfers to Subrecipients |
|---|--------------------------------------|---|--|----------------------------------|
| LOCAL GRANTS AND CONTRACTS | | | | |
| Sarasota County, Florida | | | | |
| Contracted Human Services: | | | | |
| Family Haven Allican Core, SHL Reach Case Manager '16 | N/A | 2016-0034 | \$ 12,785 | \$ - |
| Family Haven Allican Core, SHL Reach Case Manager '17 | N/A | 2017-0026 | 22,562 | - |
| Youth and Family Services, Y-Achievers, HIPPY and Operation Graduation '16 | N/A | 2016-0029 | 53,418 | - |
| Youth and Family Services, Y-Achievers, HIPPY and Operation Graduation '17 | N/A | 2017-0070 | 184,522 | - |
| Sarasota County Aquatics Center | N/A | 2015-280 | 180,000 | - |
| Total Sarasota County, Florida | | | \$ 453,287 | \$ - |
| School Board of Sarasota County | | | | |
| Triad Alternative Program '16 | N/A | N/A | 51,663 | - |
| Triad Alternative Program '17 | N/A | N/A | 970,479 | - |
| Total School Board of Sarasota County | | | \$ 1,022,142 | \$ - |
| Total Local Grants and Contracts | | | \$ 1,475,429 | \$ - |
| MATCHING FUNDS FOR FEDERAL PROGRAMS | | | | |
| Passed-through Florida Department of Children and Families Services: | | | | |
| To be Tested pursuant to OCA Activity | N/A | QJ2B0 | 9,142 | 8,373 |
| Promoting Safe and Stable Families | N/A | QJ2B0 | 46,005 | 31,571 |
| Temporary Assistance for Needy Families Block Grant | N/A | QJ2B0 | 1,419,367 | 613,191 |
| Chafee Education and Training Vouchers Program | N/A | QJ2B0 | 10,761 | - |
| Child Welfare Services - State Grants | N/A | QJ2B0 | 122,884 | 69,755 |
| Foster Care Title IV E | N/A | QJ2B0 | 8,327,844 | 5,202,973 |
| Adoption Assistance | N/A | QJ2B0 | 2,939,095 | 452,857 |
| Independent Living | N/A | QJ2B0 | 35,258 | 26,208 |
| Medical Assistance Program | N/A | QJ2B0 | 140,346 | 139,314 |
| Block Grants for Community Mental Health Services | N/A | QJ2B0 | 328,071 | 318,697 |
| Passed-through Community Based Care Lead Agencies: | | | | |
| Foster Care Title IV E | N/A | N/A | 1,031 | - |
| Total Matching Funds for Federal Programs | | | \$ 13,379,804 | \$ 6,862,939 |
| Total Federal and State Grants and Contracts | | | \$ 20,408,526 | \$ 7,922,689 |
| Total Grants and Contracts | | | \$ 35,263,759 | \$ 14,785,628 |

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

The Board of Directors
Sarasota Family Young Men's Christian Association, Inc.
Sarasota, 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 and Chapter 10.650, *Rules of the Auditor General*, the financial statements of Sarasota Family Young Men's Christian Association, Inc. (YMCA), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2017.

In our report dated December 20, 2017, we expressed a qualified opinion as we were unable to obtain the audited financial statements of the Children's Education Opportunity Foundation, Inc. (formerly known as the YMCA Foundation of Sarasota, Inc.) (Foundation) supporting the YMCA's beneficial interest in the net assets of the Foundation. We were also unable to satisfy ourselves as to the amount receivable from the Foundation to the YMCA. In our opinion, except for the effects on the 2016 financial statements related to the activity of the Foundation, we expressed that the financial statements referred to above present fairly, in all material respects, the financial position of the YMCA as of June 30, 2017 and 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the YMCA'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 YMCA's internal control. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the YMCA's 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sarasota, Florida
December 20, 2017



Kerkering, Barberio & Co.
Certified Public Accountants

Report on Compliance for Each Major Federal Program and State Project; and Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida

Independent Auditor's Report

The Board of Directors
Sarasota Family Young Men's Christian Association, Inc.
Sarasota, Florida

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Sarasota Family Young Men's Christian Association, Inc.'s (YMCA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services Statements Projects Compliance Supplement that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2017. The YMCA's major federal programs and state financial assistance 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 federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal programs and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the YMCA's major federal programs and state financial assistance 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; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.650, *Rules of the Auditor General*. Those standards, and the Uniform Guidance and 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 federal program and state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the YMCA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Auditor's Responsibility (Continued)

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

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the YMCA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the YMCA 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 YMCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and 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 each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with Uniform Guidance and 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 YMCA'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 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 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 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 Uniform Guidance and the Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



Sarasota, Florida
December 20, 2017

Contract Compliance

Sarasota Family Young Men's Christian Association, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Identification of Major Programs and Projects:

| | | | |
|---|--|---|---|
| Type of auditor's report issued: | <u>qualified</u> | CFDA Numbers | Name of Federal Program or Cluster |
| Internal control over financial reporting: | | 93.556, 93.558, 93.597, 93.599, 93.603, 93.645, 93.658, 93.659, 93.667, 93.669, 93.674, 93.778 | Foster Care |
| < Material weakness(es) identified? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | | |
| < Significant deficiency(ies) identified | <input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported | | |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | | |

Federal Awards and State Awards

CSFA Numbers

Name of State Project

| | | | |
|--|--|--|---|
| Internal control over major programs and projects: | | 80.005 | Children and Families in Need of Services |
| < Material weakness(es) identified? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 60.074, 60.075, 60.112, 60.138, 60.141 | Foster Care Community Based Support |
| < Significant deficiency(ies) identified? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> none reported | | |
| Type of auditor's report issued on compliance for major programs and major projects: | <u>unmodified</u> | Dollar threshold used to distinguish between type A and type B Federal programs: <u>\$ 750,000</u> | |
| Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) and the provisions of the Florida Single Audit Act in accordance with Chapter 10.650 of the Rules of the Auditor General | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | Dollar threshold used to distinguish between type A and type B State projects: <u>\$ 300,000</u> | |
| | | Auditee qualified as low-risk auditee? | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no |

Section II - Financial Statement Findings

None

Section III - Findings and Questioned Costs For Federal and State Awards

None

Section IV - Other

Other than the finding noted above, there are no additional comments that are required to be included in a management letter by Section 215.97(9)(f) and 215.97(10)(d) of the Florida Statutes, Auditor General Rule 10.654(1)(e) or 10.656(3)(e).

Summary Schedule of Prior Audit Findings



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

Sarasota Family YMCA, Inc.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FEDERAL PROGRAMS AND STATE PROJECTS**

Fiscal Year Ended June 30, 2017

**PRIOR YEAR FINDINGS and QUESTIONED COSTS –
MAJOR STATE PROJECTS**

**Finding
Number**

2016-001

Prior Audit Finding

Children and Families in Need of Services – Name of State Project
Florida Department of Juvenile Justice – Sponsoring State Agency
Florida Network of Youth and Family Services, Inc. - Name of pass-
through entity
80.005 – CFSA number

Condition: During our compliance testing of the CINS/FINS program, we determined that the program did not meet the training requirements as stated in the CINS/FINS program manual.

Auditor's Recommendation: We recommend that management establish a process of oversight to ensure that the required training hours for direct care staff are met annually.

Current Status: Additional training opportunities have been offered by providing training at each staff meeting to assist staff in obtaining required hours. The Shelter Director created a mandatory training worksheet to check off mandatory trainings are being completed. Training for the Shelter staff will be reviewed on a monthly basis by the Program Coordinator. As staff near their approaching year end date, they are reminded to complete the required number of training hours prior to the anniversary. Implementation of the monthly checks began several months ago and is ongoing.

SARASOTA YMCA

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