

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Consolidated Financial Statements,
Supplemental Information,
Contract Compliance, and
Independent Auditor's Report
June 30, 2018

Contents

Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statement of Financial Position	2
Consolidated Statement of Activities.....	3
Consolidated Statement of Cash Flows.....	4
Consolidated Statement of Functional Expenses.....	5
Notes to Consolidated Financial Statements	6-23
Supplemental Information	
Consolidating Statement of Financial Position	24
Consolidated Statement of Activities.....	25
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	26-28
Schedule of Expenditures of Local Assistance and Matching Funds.....	29
Contract Compliance	
Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Report of Independent Auditor on Compliance for Each Major Federal Program and State Project; and Report on Internal Control Over Compliance Required by Uniform Guidance and Chapter 10.650, <i>Rules of the Auditor General of the State of Florida</i>	32-33
Schedule of Findings and Questioned Cost.....	34

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Sarasota Family Young Men's Christian Association, Inc. (YMCA) and YMCA Foundation of Sarasota, Inc. (Foundation), (collectively the Organization), and which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sarasota Family Young Men's Christian Association, Inc. and YMCA Foundation of Sarasota, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 31 to the consolidated financial statements, the Organization has experienced reoccurring losses from operations that raises substantial doubt about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 31. The consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information on pages 24-25 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 on our consideration of Sarasota Family Young Men's Christian Association, Inc. and YMCA Foundation of Sarasota, 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. and YMCA Foundation of Sarasota, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kerbering Barkins & Co." The signature is written in a cursive, flowing style.

Sarasota, Florida
March 29, 2019

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Consolidated Statement of Financial Position

June 30, 2018

Assets

Cash and cash equivalents (Note 3)	\$ 3,075,821
Accounts receivable, net (Note 4)	253,145
Contracts receivable (Note 5)	348,882
Pledges receivable, net (Note 6)	49,051
Assets held in charitable trusts (Note 7)	171,478
Contributions receivable from trusts (Note 7)	454,100
Other assets (Note 8)	186,408
Investments - partnership (Note 9)	220,869
Investments - trust account (Note 9)	3,917,109
Land, buildings and equipment, net (Note 10)	11,839,420
Total Assets	<u>\$ 20,516,283</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 1,190,163
Accrued expenses	516,790
Deferred revenue and government contracts (Note 16)	2,239,105
Liability under trust agreements	6,539
Custodial liabilities (Note 14)	140,348
Capital lease obligations payable (Note 12)	244,496
Notes payable (Note 13)	2,619,211
Total Liabilities	<u>6,956,652</u>

Net Assets:

Unrestricted:	
Undesignated	9,090,294
Board designated (Note 18)	2,003,793
Total unrestricted	<u>11,094,087</u>
Temporarily restricted (Note 19)	1,239,932
Permanently restricted (Note 20)	1,225,612
Total net assets	<u>13,559,631</u>

Total Liabilities and Net Assets	<u>\$ 20,516,283</u>
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See accompanying notes to consolidated financial statements.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Consolidated Statement of Activities
Year Ended June 30, 2018

Unrestricted Net Assets:	
Revenue, Support and Releases:	
Contracts and government grants	\$ 36,915,502
Membership dues, net of scholarships of \$202,219	5,207,963
Program fees, net of discounts of \$79,551	2,540,848
YMCA Foundation, Inc. grants	96,166
United Way grants	123,433
Sales of supplies and services, net of cost of sales of \$35,704	564
Other revenue	110,950
Net assets released from restrictions	257,441
Prior period adjustment (Note 30)	<u>(1,007,502)</u>
Total revenue, support and releases	<u>44,245,365</u>
Functional Expenses:	
Program services	45,949,138
Management and general	1,627,452
Fundraising	770,460
Total functional expenses	<u>48,347,050</u>
Non-Operating Activities:	
Contributions	973,492
In-kind contributions	168,178
Event loss, net of contributions and expenses	(172,598)
Interest income	119,229
Loss on disposal of land, buildings and equipment	(274,133)
Equity gain on investment	38,193
Unrealized and realized gain on investments - trust account	178,195
Change in value of split interest agreements	72,815
Total non-operating activities	<u>1,103,371</u>
Change in unrestricted net assets	<u>(2,998,314)</u>
Temporarily Restricted Net Assets:	
Contributions	263,563
Net assets released from restrictions	(257,441)
Prior period adjustment (Note 30)	64,000
Change in temporarily restricted net assets	<u>70,122</u>
Permanently Restricted Net Assets:	
Prior period adjustment (Note 30)	<u>943,502</u>
Change in permanently restricted net assets	<u>943,502</u>
Change in net assets	<u>(1,984,690)</u>
Net assets, at the beginning of year	<u>15,544,321</u>
Net assets, at the end of year	<u>\$ 13,559,631</u>

See accompanying notes to consolidated financial statements.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Consolidated Statement of Cash Flows

Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Change in net assets	\$ <u>(1,984,690)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	1,129,692
Loss on disposal of land, buildings and equipment	274,133
Unrealized and realized gain on investments - trust account	(178,195)
Equity gain on investments	(38,193)
Change in value of split interest agreements	(72,815)
Bad debts	386,667
Change in operating assets:	
Accounts and contracts receivable, net	324,261
Pledges receivable, net	265,281
Assets held in charitable trusts	1,227
Contributions receivable from trusts	(16,255)
Other assets	98,950
Change in operating liabilities:	
Accounts payable	(46,091)
Accrued expenses	47,430
Deferred revenue and government contracts	845,863
Liability under trust agreements	15,028
Custodial liabilities	8,787
Total adjustments	<u>3,045,770</u>
Net cash provided by operating activities	<u>1,061,080</u>
Cash Flows from Investing Activities:	
Purchase of investments - trust account	(281,544)
Purchases of land, buildings and equipment	(748,812)
Proceeds from sale of investments	732,596
Proceeds from disposal of assets	588,293
Net cash provided by investing activities	<u>290,533</u>
Cash Flows from Financing Activities:	
Proceeds from line of credit	1,225,000
Principal payments on line of credit	(1,225,000)
Principal payments on notes payable and capital lease obligations payable	(345,748)
Net cash used in financing activities	<u>(345,748)</u>
Change in cash and cash equivalents	1,005,865
Cash and cash equivalents, at the beginning of year	2,069,956
Cash and cash equivalents, at the end of year	\$ <u><u>3,075,821</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	\$ <u>149,374</u>
Material non-cash transactions not reflected in the statement of cash flows include:	
Building improvement and purchases of other assets through financing or capital leases	\$ <u>147,325</u>
In-kind contributions	\$ <u>168,178</u>

See accompanying notes to consolidated financial statements.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Youth & Family Services	Educational Outreach Services	Health Enhancement	Foster Care / Child Welfare	Program Services	Management and General	Fund- Raising	Total
Subcontracted services	\$ -	\$ -	\$ -	\$ 6,208,075	\$ 6,208,075	\$ -	\$ -	\$ 6,208,075
Residential services	-	-	-	8,879,141	8,879,141	-	-	8,879,141
Foster parent, adoption and independent living subsidies	-	-	-	7,894,673	7,894,673	-	-	7,894,673
Client services	-	-	-	1,611,729	1,611,729	-	-	1,611,729
Youth scholarships	9,000	70,500	-	-	79,500	-	-	79,500
Salaries	1,846,806	329,250	4,087,207	4,942,051	11,205,314	656,187	262,189	12,123,690
Employee benefits and payroll taxes	517,265	84,984	818,127	1,304,768	2,725,144	168,699	41,163	2,935,006
Professional services	61,091	3,253	61,359	288,905	414,608	238,600	20,442	673,650
Supplies	98,775	14,595	517,693	167,071	798,134	15,878	51,436	865,448
Telephone and networking	21,271	1,874	62,970	107,527	193,642	2,964	1,024	197,630
Postage and shipping	1,042	188	10,603	24,747	36,580	1,786	1,024	39,390
Occupancy	91,639	10,268	1,495,041	767,971	2,364,919	188,575	15,709	2,569,203
Repairs and maintenance	17,828	4,431	236,628	191,237	450,124	72,447	21,468	544,039
Community relations	-	-	66,065	288	66,353	-	-	66,353
In-kind contribution expense	-	-	-	168,178	168,178	-	-	168,178
Travel and client transportation	40,372	9,773	72,374	224,504	347,023	11,564	2,814	361,401
Staff development and conferences	28,276	1,294	74,180	39,873	143,623	20,638	6,058	170,319
Dues and licenses	33,463	8,833	121,446	99,207	262,949	20,722	9,282	292,953
General insurance	53,390	2,717	314,457	211,989	582,553	31,201	-	613,754
Credit card and bank charges	-	-	125,840	10,756	136,596	17,125	8,905	162,626
Miscellaneous	-	-	92,756	-	92,756	104,163	24,150	221,069
Bad debts	-	-	75,138	9,031	84,169	-	302,498	386,667
Total functional expenses before depreciation, amortization, and interest	2,820,218	541,960	8,231,884	33,151,721	44,745,783	1,550,549	768,162	47,064,494
Depreciation and amortization	70,555	373	978,561	51,488	1,100,977	26,417	2,298	1,129,692
Interest	756	-	12,196	-	12,952	11,442	-	24,394
Mortgage interest	-	-	89,426	-	89,426	39,044	-	128,470
Total functional expenses	<u>\$ 2,891,529</u>	<u>\$ 542,333</u>	<u>\$ 9,312,067</u>	<u>\$ 33,203,209</u>	<u>\$ 45,949,138</u>	<u>\$ 1,627,452</u>	<u>\$ 770,460</u>	<u>\$ 48,347,050</u>

See accompanying notes to consolidated financial statements.

Sarasota Family Young Men's Christian Association, Inc. and YMCA Foundation of Sarasota, Inc.

Notes to Consolidated Financial Statements
June 30, 2018

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 year ended June 30, 2018. The Mission Statement of the YMCA is, "We build strong kids, strong families and strong communities."

The YMCA Foundation of Sarasota (Foundation) was created in 1981 for the sole purpose of raising funds to support the YMCA. The YMCA is the sole member of 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 (HIPPPY), 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.

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 year ended June 30, 2018. 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

Principles of Consolidation

The consolidated financial statements include the amounts of the YMCA and Foundation, collectively referred to as the Organization. The YMCA holds an economic interest in the Foundation. All material intercompany transactions have been eliminated.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

2. Summary of Significant Accounting Policies (Continued)

Consolidated Financial Statements

The consolidated financial statements and notes are representations of the Organization'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 consolidated financial statements.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Revenue Recognition

The accounting and reporting policies of the Organization 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 Organization 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.

Donated Materials and Services

Donated property and equipment for use by the Organization are capitalized at the fair value at the time of receipt. The Organization 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 consolidated financial statements amounted to \$168,178 for the year ended June 30, 2018.

A substantial number of unpaid volunteers have made significant contributions of their time to support the programs of the Organization. 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 consolidated statement of activities.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

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 and Foundation have 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 and Foundation have 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 consolidated financial statements.

The YMCA and Foundation file 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 and Foundation are subject include the fiscal years ended June 30, 2015 through June 30, 2018.

Financial Instruments Not Measured at Fair-Value

Certain of the Organization'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 Organization 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)*. Accordingly, the Organization has presented these costs as a direct deduction to the related debt.

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 Organization's long-term investment strategies. Due to the timing of receipts from its various funding sources, the Organization 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.

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, 2018 amounted to \$2,512,655. Restricted cash equivalents for investments at June 30, 2018 amounted to \$25,271.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

4. Accounts Receivable

Accounts receivable consist of membership fees, child care program fees, gymnastics and swim team fees, and other receivables. Accounts receivable for membership fees and program dues are stated net of an allowance for uncollectible accounts of \$62,247 at June 30, 2018. The allowance is approximately 50% 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.

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 \$348,882 at June 30, 2018. Management considers contracts receivable to be fully collectible.

6. Pledges Receivable

As of June 30, 2018, unconditional promises to give totaled \$49,051. Signed pledges are recorded as receivables based upon management evaluations of donors and pledge history.

Pledges receivable as of June 30, 2018 consist of the following:

Pledges receivable	\$	343,383
Less: discount to net present value		-
Less: allowance for uncollectible pledges		(294,332)
Pledges receivable, net		49,051
Less current portion		49,051
Amount collectible within 1-5 years	\$	-

7. Charitable Trusts and Trusts Receivable

The Foundation has been named the remainderman in several irrevocable charitable remainder trusts. The Foundation's beneficial interest in the trusts is measured at the present value of the estimated future distributions based upon the stated rates of return to be received by the designated beneficiaries, equal to 7%, over the trusts' terms.

Trust assets for which the trustees are not independent of the Foundation are recorded as assets held in charitable trusts with the related liability for payments to beneficiaries in the consolidated statement of financial position. The agreements for which the Foundation is not the trustee or the trustees are independent of the Foundation are recorded as contributions receivable from trusts.

8. Other Assets

Other assets are comprised of the following at June 30, 2018:

Prepaid expenses	\$	155,310
Deposits		31,098
	\$	186,408

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

9. Investments

Partnership

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 \$220,869 as of June 30, 2018. 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

The market value, cost and provision for unrealized gain (loss) of investments are summarized in the aggregate as follows at June 30, 2018:

	Cost	Fair Value	Accumulated Unrealized Gain (Loss)
Equities	\$ 1,866,495	\$ 2,314,834	\$ 448,339
Mutual funds – equity	159,547	159,664	117
Fixed Income	1,495,840	1,442,611	(53,229)
Total investment securities	<u>3,521,882</u>	<u>3,917,109</u>	<u>395,227</u>
Cash in investments	<u>146,192</u>	<u>146,192</u>	<u>-</u>
Total investment securities and cash in investments	<u>\$ 3,668,074</u>	<u>\$ 4,063,301</u>	<u>\$ 395,227</u>

As collateral for the note payable described in Note 13, the YMCA is required to maintain a balance of investment securities and cash of \$400,000 with the lending financial institution, which are recorded at market value. The market value of investment securities and cash in held at that financial institution totaled \$426,615 as of June 30, 2018.

Investment activity for the year ended June 30, 2018 resulted in realized and unrealized gains of \$140,438 and \$37,757, respectively.

10. Land, Buildings and Equipment

Land, buildings and equipment consist of the following at June 30, 2018:

Land	\$	1,047,315
Buildings		24,231,154
Equipment		2,573,346
Furniture and fixtures		3,022,411
Vehicles		504,367
Equipment under capital lease agreements		1,282,537
Leasehold improvements		1,971,591
Art		20,600
		<u>34,653,321</u>
Less accumulated depreciation and amortization		(22,813,901)
	\$	<u>11,839,420</u>

Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

10. Land, Buildings and Equipment (Continued)

The Organization 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 \$172,373 as of June 30, 2018. 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 year ended June 30, 2018 totaled \$1,125,920.

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, 2018, government funded assets had a total net book value of \$132,949.

11. 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.

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 year ended June 30, 2018 were \$693,774.

12. Lease Commitments

The Organization has entered into capital lease agreements for equipment and copiers through 2021. Future minimum payments under capital leases are as follows for the years ending June 30:

2019	\$ 175,808
2020	58,795
2021	18,816
Total future minimum lease payments	<u>253,419</u>
Less portion representing interest	<u>(8,923)</u>
Present value of future minimum lease payments	244,496
Less current portion	<u>(184,534)</u>
Non-current portion	<u>\$ 59,962</u>

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

12. Lease Commitments (Continued)

The Organization 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:

Year Ending June 30:	<u>Minimum Lease Commitments</u>	<u>Sublease Income</u>	<u>Net Lease Commitments</u>
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
2023	177,321	88,219	89,102
Thereafter	373,579	181,767	191,812
	<u>\$ 3,097,011</u>	<u>\$ 605,900</u>	<u>\$ 2,491,111</u>

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 year ended June 30, 2018 amounted to \$750,707, net of sublease income.

13. Debt

Notes Payable

Notes payable consisted of the following at June 30, 2018:

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 9.

\$ 2,476,196

In January 2006, the Foundation entered into a mortgage payable to a financial institution for \$770,000, payable in monthly payments over a 15 year period of \$6,919, including interest at 6.9%. Final payment, including all outstanding principle, plus accrued interest, shall be due on February 1, 2021. The mortgage is secured by the related property.

204,629

2,680,825

(179,374)

Less current portion

Non-current portion

\$ 2,501,451

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

13. Debt (Continued)

Notes Payable (Continued)

Long-term scheduled maturities of the June 30, 2018 outstanding principal balance in each of the next five years and thereafter are as follows:

2019	\$	179,374
2020		189,325
2021		172,547
2022		122,429
2023		127,926
Thereafter		1,889,224
Total debt		<u>2,680,825</u>
Less debt issuance costs, net of accumulated amortization		(61,614)
Total debt, net	\$	<u>2,619,211</u>

At the closing of the mortgages payable, the Organization 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 for the year ended June 30, 2018. Interest expense related to the mortgage payable totaled \$128,470 for the year ended June 30, 2018.

Line of Credit

In November 2016, the YMCA entered into a revolving line of credit for maximum allowable borrowings of \$750,000 through November 2019. 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 2019. The line is secured by the mortgaged property and investment securities described in Notes Payable. There was no outstanding balance at June 30, 2018.

14. 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 \$140,348 as of June 30, 2018.

15. 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 year ended June 30, 2018.

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).

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

15. Matching Requirements on Governmental Contracts (Continued)

Government grant revenue includes the following components for the year ended June 30, 2018:

Amounts paid to subrecipients	\$ 14,069,339
Amounts paid to or on behalf of clients	9,261,867
Amounts related to services provided by the YMCA	9,841,321
Total	\$ <u>33,172,527</u>

16. Deferred Revenue and Governmental Contracts

As of June 30, 2018, deferred revenue and government contracts totaled \$2,239,105 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, 2018, deferred programs and membership revenue totaled \$870,846.

Certain government contracts and grants are received ratably over the respective contract periods. The Organization 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 \$1,368,259 at June 30, 2018.

17. Fair Value of Financial Assets and Liabilities

The Organization 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.

The following table presents information about the Organization's assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of June 30, 2018, 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 Organization's assumptions based on the best information available in the circumstance.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

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

The following methods and assumptions were used by the Organization 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).

Pledges receivable, net - The fair value is estimated by discounting future cash flows. Collectability of these receivables is based on the Organization's assumptions based on the best information available in the circumstance (Level 3).

The following table sets forth the fair value hierarchy by level for the Organization's assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

Description	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities	\$ 2,314,834	\$ 2,314,834	\$ -	\$ -
Mutual funds - equity	159,664	159,664		
Fixed income securities	1,442,611	1,442,611	-	-
Total investments - trusts	<u>3,917,109</u>	<u>3,917,109</u>	-	-
Investments - partnerships	220,869	-	-	220,869
Contributions receivable from charitable trusts	454,100	-	-	454,100
Assets held in charitable trusts and annuities	171,478	171,478	-	-
Total assets at fair value	<u>\$ 4,763,556</u>	<u>\$ 4,088,587</u>	<u>\$ -</u>	<u>\$ 674,969</u>
Liabilities:				
Liability under trust agreements	<u>\$ 6,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,539</u>

The following table sets forth the fair value hierarchy by level for the Organization's assets measured at fair value on a non-recurring basis as of June 30, 2018:

Description	Total	Level 1	Level 2	Level 3
Pledges receivable, net	\$ 49,051	\$ -	\$ -	\$ 49,051

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

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

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:

	Contributions Receivable From Charitable Trusts	Liability Under Trust Agreements	Investments- Partnerships
Balance - June 30, 2017	\$ 437,845	\$ 64,326	\$ 182,676
Distributions	-	-	(89,000)
Change in fair value of charitable trusts	16,255	1,265	-
Equity gain on investment	-	-	127,193
Maturities	-	(59,052)	-
Balance - June 30, 2018	\$ 454,100	\$ 6,539	\$ 220,869

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.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments - partnerships (a)	\$ 220,869	\$ -	n/a	n/a

(a) This investment represents the YMCA's interest in the CBCIH. See Note 9.

18. Board Designated Net Assets

The Foundation's Board has designated \$2,003,793 as June 30, 2018, of unrestricted net assets to be utilized as a Board designated endowment. At the discretion of the Board, four to six percent of the fair market value of the assets may be distributed in the form of annual grants to the YMCA.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

19. 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, 2018:

Child Welfare/Foster Care	\$ 94,459
Health Enhancement	816
Scholarships and YMCA Programs	519,079
Charitable Remainder Trusts	625,578
	<u>\$ 1,239,932</u>

20. Permanently Restricted Net Assets

Permanently restricted net assets are generated from donor contributions and are restricted as to use within the following programs and organization at June 30, 2018:

Educational Scholarships	\$ 265,406
Discretionary Scholarships	101,698
Children's Programs	125,780
Homeless and Disadvantaged Youth	101,697
Low Income Families	130,343
Early Childhood Education	235,055
Other	265,633
	<u>\$ 1,225,612</u>

21. Net Assets Released From Restrictions

Net assets released from donor restriction by incurring expenses satisfying the restricted purposes for the year ended June 30, 2018:

Child Welfare/Foster Care	\$ 22,300
Health Enhancement	11,620
Capital	35,560
Scholarships and YMCA Programs	59,961
Charitable Remainder Trusts	128,000
Total net assets released from restrictions	<u>\$ 257,441</u>

22. Endowment

The Organization's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments (quasi-endowments). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

22. Endowment (Continued)

Interpretation of Relevant Law

The Board of Trustees has interpreted the Florida Uniform Prudent Management of Institutional Funds (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by FUPMIFA.

In accordance with FUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Foundation and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of the Foundation.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level classified as permanently restricted net assets. There were no deficiencies of this nature reported in unrestricted net assets as June 30, 2018.

Endowment Net Asset Composition

As of June 30, 2018, endowment net assets consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor restricted endowment funds	\$ -	\$ 247,617	\$ 1,225,612
Board designated quasi-endowment funds	\$ 2,003,793	\$ -	\$ -

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

22. Endowment (Continued)

Change in Endowment Net Assets

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2017	\$ 3,468,696	\$ -	\$ 282,110	\$ 3,750,806
Endowment investment return:				
Interest and dividends	67,907	37,355	-	105,262
Realized and unrealized gain, net	142,165	51,602	-	193,767
Total endowment investment return	210,072	88,957	-	299,029
Investment fees	(8,158)	(4,987)	-	(13,145)
Prior period adjustment	(1,007,502)	64,000	943,502	-
Transfers	(163,835)	154,167	-	(9,668)
Net assets released from restriction	54,520	(54,520)	-	-
Appropriation of endowment for expenditure	(550,000)	-	-	(550,000)
Total endowment activity	(1,464,903)	247,617	943,502	(273,784)
Endowment net assets, June 30, 2018	\$ 2,003,793	\$ 247,617	\$ 1,225,612	\$ 3,477,022

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified periods, as well as board designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that exceeds inflation by at least 1% while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide a real rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

22. Endowment (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy for appropriating for distribution each year up to 4% annually of the 3-year moving average of the month-end market values as of May 31st. Distributions are made at the end of the fiscal year. A distribution up to 6% annually can be made by a majority vote of the Board. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 1% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

23. 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 and discounts amounted to \$281,770 for the year ended June 30, 2018.

24. Related Party Transactions

Certain Board members hold positions at financial institutions with which the Organization holds cash balances. Additionally, one board member holds a position at a company with which the Organization has obtained remodeling services. The amount paid towards the remodeling services totaled \$351,474 for the year ended June 30, 2018. Another board member is a consultant with a company that provides services to the Organization. The amount paid for consultant services totaled \$6,495 for the year ended June 30, 2018. Another Board member is the partner of a law firm that provides legal services to the Organization. The amount paid for the legal services totaled \$18,030 for the year ended June 30, 2018. Board members are required to complete conflict of interest disclosure statements and abstain from voting on related issues.

25. Concentrations

For the year ended June 30, 2018, approximately 83% of revenue and support was derived from government grants and contracts. Approximately 90% of the government grants and contracts revenue was provided for the Foster Care and Child Welfare Programs during the year ended June 30, 2018.

26. Risks and Uncertainties

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

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)

June 30, 2018

27. Commitments

In March 2018, the YMCA entered into a sub-lease agreement (Sub-Lease) with Sarasota Sharks, Inc. (Sharks), an unrelated non-profit organization, for the operation of the Aquatic Complex project, which is partially funded by a contract between Sarasota County Government (County) and the YMCA. The Sub-Lease was originally effective March 1, 2018 through June 30, 2025 to coincide with the County contract. Under the terms of the Sub-Lease, the YMCA provided the Sharks with an initial one time operating grant of \$100,000 for working capital.

Subject to the terms and conditions of the Sub-Lease and the terms and conditions of the County contract, the YMCA leased the Aquatic Complex to the Sharks for an annual amount of ten dollars (\$10) per year. The YMCA continued to maintain all areas covered by the County contract with the exception of the Aquatic Complex, which will be maintained by the Sharks.

Subject to the terms and conditions of the Sub-lease, the YMCA will reimburse the Sharks for its operational costs, not to exceed \$180,000 through September 30, 2019. The YMCA has no obligation to reimburse the Sharks for operational costs not reimbursed by the County regardless of the maximum annual reimbursement amount.

The YMCA was to provide \$100,000 annually to a capital replacement fund through 2025, to be held by the YMCA. Amounts not submitted for in a calendar period were to be accumulated, with the entire balance accrued due to the Sharks.

In January 2019, the YMCA entered into an Escrow Agreement and Release related to the Sub-lease. Under the terms of this agreement, the YMCA has agreed to fund a portion of a capital replacement for a total of \$200,000, in increments of \$100,000. The YMCA has paid the first payment of \$100,000 to the Sharks. The second \$100,000 has been placed in an escrow account subject to the terms of the Escrow Agreement and Release. In consideration for these payments, the Sharks release the YMCA from the obligation to any additional capital fund payments under the Sub-lease, which has been amended accordingly.

Additionally, the Sharks and the YMCA agree to exercise their best efforts to cause the County to enter into a new lease of the Aquatic Complex directly with the Sharks as the tenant, and to thereby eliminate all obligations of the YMCA under both the existing lease of the Aquatic between the County and the YMCA, and the Sub-lease, with the declared mutual goal of the Sharks and the YMCA being to cause such new lease between the County and the Sharks to be effective no later than October 1, 2019.

28. 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 Organization 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 Organization.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)
June 30, 2018

28. Contingencies (Continued)

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, 2018, no amount has been recorded related to these contingent gains as the amounts are not determinable.

29. 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 approximately \$1,339,000. 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 consolidated financial statements. Incurred but not reported (IBNR) claims have been accrued for by using trends and relationships observed in the past and applying to the future based on the assumption that the incurred date of a claim is the same as the date of service.

Actual results could differ from those estimates and assumptions. The IBNR liability totaled \$93,119 as of June 30, 2018, and is included in accrued expenses the accompanying consolidated statement of financial position.

30. Prior Period Adjustment

The Organization reviewed their endowment net assets during the year ended June 30, 2018 which resulted in a reclassification of certain gifts that were misstated from prior years. The reclassification resulted in a decrease in unrestricted net assets of \$1,007,502, an increase in temporarily restricted net assets of \$64,000, and an increase in permanently restricted net assets of \$943,502 as of June 30, 2017. These reclassifications had no effect on the change in net assets previously reported. The accompanying consolidated financial statements have been adjusted to reflect this change.

31. Going Concern

The Organization has experienced recurring losses from operations, which were covered by reserves. Operational losses are not caused by the grant and contract funded segment of the business due to its cost and unit rate reimbursement arrangements. There is substantial doubt about the Organization's ability to continue in its current form as a going concern within one year after March 29, 2019. Management has reviewed its net asset restrictions and calculated budget and cash projections to determine its future cash flow needs, implementing measures to reduce expenditures and increase membership. Management has developed an action plan that focuses on the areas of organizational structure, membership, programming, facilities, marketing, staff training, technology & data and hiring. The Organization exists to meet community need and external partners are being engaged to realize the long-term solution.

The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Organization be unable to continue as a going concern in its current form.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Notes to Consolidated Financial Statements (Continued)

June 30, 2018

32. Subsequent Events

The Organization has evaluated all events subsequent to the consolidated statement of financial position date of June 30, 2018 and through the date that these consolidated financial statements were available for issuance, March 29, 2019 and has determined that, except as set forth below, there are no subsequent events that require disclosure.

The Hardee County branch of the Sarasota Family YMCA is not financially sustainable. After unsuccessfully exhausting efforts to find a partner and raise significant funds, the decision was made to close the branch. The closure will be complete by May 31, 2019.

Supplemental Information

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Consolidating Statement of Financial Position
June 30, 2018

	Sarasota Family Young Men's Christian Association, Inc.	YMCA Foundation of Sarasota, Inc.	Eliminations	Consolidated Total
Assets				
Cash and cash equivalents (Note 3)	\$ 2,440,397	\$ 635,424	\$ -	\$ 3,075,821
Accounts receivable, net (Note 4)	256,271	(6)	(3,120)	253,145
Contracts receivable (Note 5)	348,882	-	-	348,882
Pledges receivable, net (Note 6)	29,051	20,000	-	49,051
Assets held in charitable trusts (Note 7)	-	171,478	-	171,478
Contributions receivable from trusts (Note 7)	-	454,100	-	454,100
Other assets (Note 8)	176,998	9,410	-	186,408
Investments - partnership (Note 9)	220,869	-	-	220,869
Investments - trust account (Note 9)	401,344	3,515,765	-	3,917,109
Land, buildings and equipment, net (Note 10)	11,345,168	494,252	-	11,839,420
Beneficial interest in the net assets of the Foundation	5,086,135	-	(5,086,135)	-
Total Assets	<u>\$ 20,305,115</u>	<u>5,300,423</u>	<u>(5,089,255)</u>	<u>20,516,283</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 1,190,163	\$ -	\$ -	\$ 1,190,163
Accrued expenses	516,790	3,120	(3,120)	516,790
Deferred revenue and government contracts (Note 16)	2,239,105	-	-	2,239,105
Liability under trust agreements	-	6,539	-	6,539
Custodial liabilities (Note 14)	140,348	-	-	140,348
Capital lease obligations payable (Note 12)	244,496	-	-	244,496
Notes payable (Note 13)	2,414,582	204,629	-	2,619,211
Total Liabilities	<u>6,745,484</u>	<u>214,288</u>	<u>(3,120)</u>	<u>6,956,652</u>
Net Assets:				
Unrestricted:				
Undesignated	8,378,221	712,073	-	9,090,294
Board designated (Note 18)	-	2,003,793	-	2,003,793
Beneficial interest in the unrestricted net assets of the Foundation	2,715,866	-	(2,715,866)	-
Total unrestricted	<u>11,094,087</u>	<u>2,715,866</u>	<u>(2,715,866)</u>	<u>11,094,087</u>
Temporarily restricted (Note 19):				
Temporarily restricted net assets	95,275	1,144,657	-	1,239,932
Beneficial interest in the temporarily restricted net assets of the Foundation	1,144,657	-	(1,144,657)	-
Total temporarily restricted	<u>1,239,932</u>	<u>1,144,657</u>	<u>(1,144,657)</u>	<u>1,239,932</u>
Permanently restricted (Note 20):				
Permanently restricted net assets	-	1,225,612	-	1,225,612
Beneficial interest in the permanently restricted net assets of the Foundation	1,225,612	-	(1,225,612)	-
Total permanently restricted	<u>1,225,612</u>	<u>1,225,612</u>	<u>(1,225,612)</u>	<u>1,225,612</u>
Total net assets	<u>13,559,631</u>	<u>5,086,135</u>	<u>(5,086,135)</u>	<u>13,559,631</u>
Total Liabilities and Net Assets	<u>\$ 20,305,115</u>	<u>5,300,423</u>	<u>(5,089,255)</u>	<u>20,516,283</u>

See Independent Auditor's Report.

**Sarasota Family Young Men's Christian Association, Inc.
and YMCA Foundation of Sarasota, Inc.**

Consolidating Statement of Activities
Year Ended June 30, 2018

	Sarasota Family Young Men's Christian Association, Inc.	YMCA Foundation of Sarasota, Inc.	Eliminations	Consolidated Total
Unrestricted Net Assets:				
Revenue, Support and Releases:				
Contracts and government grants	\$ 36,915,502	\$ -	\$ -	\$ 36,915,502
Membership dues, net of scholarships of \$202,219	5,207,963	-	-	5,207,963
Program fees, net of discounts of \$79,551	2,540,848	-	-	2,540,848
YMCA Foundation, Inc. grants	506,127	-	(409,961)	96,166
United Way grants	123,433	-	-	123,433
Sales of supplies and services, net of cost of sales of \$35,704	564	-	-	564
Other revenue	110,950	83,030	(83,030)	110,950
Net assets released from restrictions	69,480	187,961	-	257,441
Prior period adjustment (Note 30)	-	(1,007,502)	-	(1,007,502)
Total revenue, support and releases	<u>45,474,867</u>	<u>(736,511)</u>	<u>(492,991)</u>	<u>44,245,365</u>
Functional Expenses:				
Program services	46,032,168	409,961	(492,991)	45,949,138
Management and general	1,552,835	74,617	-	1,627,452
Fundraising	427,914	342,546	-	770,460
Total functional expenses	<u>48,012,917</u>	<u>827,124</u>	<u>(492,991)</u>	<u>48,347,050</u>
Non-Operating Activities:				
Contributions	1,200,491	(226,999)	-	973,492
In-kind contributions	168,178	-	-	168,178
Event income, net of contributions and expenses	(172,598)	-	-	(172,598)
Interest income	13,967	105,262	-	119,229
Loss on disposal of land, buildings and equipment	(274,133)	-	-	(274,133)
Equity gain on investment	38,193	-	-	38,193
Unrealized and realized gain (loss) on investments	(15,572)	193,767	-	178,195
Change in value of split interest agreements	-	72,815	-	72,815
Change in the beneficial interest in net assets of the Foundation	(1,418,790)	-	1,418,790	-
Total non-operating activities	<u>(460,264)</u>	<u>144,845</u>	<u>1,418,790</u>	<u>1,103,371</u>
Change in unrestricted net assets	<u>(2,998,314)</u>	<u>(1,418,790)</u>	<u>1,418,790</u>	<u>(2,998,314)</u>
Temporarily Restricted Net Assets:				
Contributions	36,564	226,999	-	263,563
Change in the beneficial interest in net assets of the Foundation	103,038	-	(103,038)	-
Net assets released from restrictions	(69,480)	(187,961)	-	(257,441)
Prior period adjustment (Note 30)	-	64,000	-	64,000
Change in temporarily restricted net assets	<u>70,122</u>	<u>103,038</u>	<u>(103,038)</u>	<u>70,122</u>
Permanently Restricted Net Assets:				
Change in the beneficial interest in net assets of the Foundation	943,502	-	(943,502)	-
Prior period adjustment (Note 30)	-	943,502	-	943,502
Change in permanently restricted net assets	<u>943,502</u>	<u>943,502</u>	<u>(943,502)</u>	<u>943,502</u>
Change in net assets	<u>(1,984,690)</u>	<u>(372,250)</u>	<u>372,250</u>	<u>(1,984,690)</u>
Net assets, at the beginning of year	<u>15,544,321</u>	<u>5,458,385</u>	<u>(5,458,385)</u>	<u>15,544,321</u>
Net assets, at the end of year	<u>\$ 13,559,631</u>	<u>\$ 5,086,135</u>	<u>\$ (5,086,135)</u>	<u>\$ 13,559,631</u>

See Independent Auditor's Report

Sarasota Family Young Men's Christian Association, Inc.
Schedule of Expenditures of Federal Awards And State Financial Assistance
Year Ended June 30, 2018

<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	\$ 176,972	\$ -
Passed-through Florida Department of Children and Families Services:				
Promoting Safe and Stable Families	93.556	QJ2B0	436,474	322,028
Grants to States for Access and Visitation Programs	93.597	QJ2B0	31,010	31,010
Chafee Education and Training Vouchers Program (ETV)	93.599	QJ2B0	37,024	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	QJ2B0	856,637	369,412
Adoption Assistance	93.659	QJ2B0	4,488,813	396,972
Child Abuse and Neglect State Grants	93.669	QJ2B0	10,081	2,494
Chafee Foster Care Independence Program	93.674	QJ2B0	89,225	28,752
Medical Assistance Program	93.778	QJ2B0	137,502	127,105
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	14,874	-
Passed-through Florida Department of Children and Families Services:				
Foster Care-Title IV-E		QJ2B0	8,136,706	5,244,493
Passed through the Florida Network of Youth and Family Services:				
Foster Care-Title IV-E		N/A	25,982	-
Passed-through Community Based Care Lead Agencies:				
Foster Care-Title IV-E		N/A	1,195	-
Total Foster Care-Title IV-E	93.658		8,163,883	5,244,493
Passed-through Florida Department of Children and Families Services:				
Social Services Block Grant		QJ2B0	1,389,361	984,395
Passed-through Community Based Care Lead Agencies:				
Social Services Block Grant		N/A	274	-
Total Social Services Block Grant	93.667		1,389,635	984,395
Passed-through Florida Department of Children and Families Services:				
Temporary Assistance for Needy Families		QJ2B0	2,607,352	724,568
Passed-through the Florida Department of Education / University of South Florida:				
Temporary Assistance for Needy Families		5830-1467-21-J	168,000	-
Total Temporary Assistance for Needy Families	93.558		2,775,352	724,568
Total U.S. Department of Health and Human Services			\$ 18,607,482	\$ 8,231,229

Sarasota Family Young Men's Christian Association, Inc.
Schedule of Expenditures of Federal Awards And State Financial Assistance (Continued)
Year Ended June 30, 2018

<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 (CONTINUED)				
U.S. Department of Education				
Passed-through School Board of Sarasota County: Education for Homeless Children and Youth	84.196A	N/A	\$ 83,683	\$ -
Passed-through School Board of Sarasota County: Title I Grants to Local Educational Agencies		N/A	74,182	-
Title I Triad - Grants to Local Educational Agencies		N/A	55,134	-
Total Title I Grants to Local Educational Agencies	84.010		<u>129,316</u>	<u>-</u>
Total U.S. Department of Education			\$ <u>212,999</u>	\$ <u>-</u>
U.S. Department of Agriculture				
Passed-through Florida Department of Health: Child and Adult Care Food Program '17		A-1413	393	-
Child and Adult Care Food Program '18		A-1413	9,160	-
Total Child and Adult Care Food Program	10.558		<u>9,553</u>	<u>-</u>
Total U.S. Department of Agriculture			\$ <u>9,553</u>	\$ <u>-</u>
U.S. Department of Homeland Security				
Passed-through 211 Suncoast: 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>18,841,284</u>	\$ <u>8,231,229</u>

Sarasota Family Young Men's Christian Association, Inc.
Schedule of Expenditures of Federal Awards And State Financial Assistance (Continued)
Year Ended June 30, 2018

<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>State Reimbursable Expenditures</u>	<u>Transfers to Subrecipients</u>
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) '17		N/A	\$ 454,927	\$ -
Children and Families in Need of Services (CINS/FINS) '18		N/A	452,313	-
Children and Families in Need of Services (CINS/FINS) (Probation Respite)		N/A	16,585	-
Total Children and Families in Need of Services (CINS/FINS)	80.005		<u>923,825</u>	<u>-</u>
Total Florida Department of Juvenile Justice			\$ 923,825	\$ -
Florida Department of Children and Families				
Out-of-Home Supports '18		QJ2B0	2,303,286	\$ 355,261
Out-of-Home Supports '17		QJ2B0	21,398	-
Total Out-of-Home Supports	60.074		<u>2,324,684</u>	<u>355,261</u>
In-Home Supports '18		QJ2B0	119,992	-
Total In-Home Supports	60.075		<u>119,992</u>	<u>-</u>
The Independent Living and Road-to-Independence Program	60.112	QJ2B0	133,097	37,407
CBC - Sexually Exploited Children	60.138	QJ2B0	173,800	-
Extended Foster Care Program	60.141	QJ2B0	198,141	-
Total Florida Department of Children and Families			\$ 2,949,714	\$ 392,668
Total State Grants and Contracts			\$ 3,873,539	\$ 392,668
Total Federal and State Grants and Contracts			\$ 22,714,823	\$ 8,623,897

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 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, 2018

<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>Local/Matching Reimbursable Expenditures</u>	<u>Transfers to Subrecipients</u>
LOCAL GRANTS AND CONTRACTS				
Manatee County Government				
Early Childhood Court and Family Reunification Programs '18	N/A	ECC/FPRP 2018	\$ 393,526	\$ -
Total Manatee County Government			<u>\$ 393,526</u>	<u>\$ -</u>
Sarasota County, Florida				
Contracted Human Services:				
Family Haven Alliance Core, SHL Reach Case Manager '17	N/A	2017-0026	7,438	-
Family Haven Alliance Core, SHL Reach Case Manager '18	N/A	2018-0118	22,564	-
Youth and Family Services, Y-Achievers, HIPPY and Operation Graduation '17	N/A	2017-0070	63,816	-
Youth and Family Services, Y-Achievers, HIPPY and Operation Graduation '18	N/A	2018-0113	246,746	-
Sarasota County Aquatics Center	N/A	2015-280	112,305	-
Total Sarasota County, Florida			<u>\$ 452,869</u>	<u>\$ -</u>
School Board of Sarasota County				
Triad Alternative Program '17	N/A	N/A	127,082	-
Triad Alternative Program '18	N/A	N/A	1,018,182	-
Total School Board of Sarasota County			<u>\$ 1,145,264</u>	<u>\$ -</u>
Total Local Grants and Contracts			<u>\$ 1,991,659</u>	<u>\$ -</u>
MATCHING FUNDS FOR FEDERAL PROGRAMS				
Passed-through Florida Department of Children and Families Services:				
Promoting Safe and Stable Families	N/A	QJ2B0	18,920	8,362
Temporary Assistance for Needy Families Block Grant	N/A	QJ2B0	1,849,632	575,051
Chafee Education and Training Vouchers Program	N/A	QJ2B0	19,055	-
Child Welfare Services - State Grants	N/A	QJ2B0	285,549	123,139
Foster Care-Title IV-E	N/A	QJ2B0	6,022,767	3,323,853
Adoption Assistance	N/A	QJ2B0	3,209,102	396,972
Independent Living	N/A	QJ2B0	22,305	7,188
Medical Assistance Program	N/A	QJ2B0	137,504	127,106
Block Grants for Community Mental Health Services	N/A	QJ2B0	416,398	395,139
Passed-through Community Based Care Lead Agencies:				
Foster Care-Title IV-E	N/A	N/A	451	-
Total Matching Funds for Federal Programs			<u>\$ 11,981,683</u>	<u>\$ 4,956,810</u>
Total Federal and State Grants and Contracts			<u>\$ 22,714,823</u>	<u>\$ 8,623,897</u>
Total Grants and Contracts			<u>\$ 36,688,165</u>	<u>\$ 13,580,707</u>

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.
and YMCA Foundation of Sarasota, 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 consolidated financial statements of Sarasota Family Young Men's Christian Association, Inc. (YMCA) and YMCA Foundation of Sarasota, Inc. (Foundation), collectively referred to as the Organization, which comprise the consolidated statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 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.

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

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 Organization's consolidated 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.

A handwritten signature in black ink that reads "Keckering Barkhuis & Co." The signature is written in a cursive style with a large, stylized initial 'K'.

Sarasota, Florida
March 29, 2019

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.
and YMCA Foundation of Sarasota, 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. (YMCA) and YMCA Foundation of Sarasota, Inc.'s (Foundation), collectively referred to as the Organization, 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, 2018. The Organization'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 Organization'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 Organization'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 Organization's compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the Organization 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, 2018.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 Organization'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
March 29, 2019

Contract Compliance

Sarasota Family Young Men's Christian Association, Inc.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Identification of Major Programs and Projects:

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

Federal Awards and State Awards

CSFA Numbers

Name of State Project

Internal control over major programs and projects:		CSFA Numbers 80.005	Name of State Project Children and Families in Need of Services
< Material weakness(es) identified?	____ yes <u>X</u> no	60.074, 60.075, 60.112, 60.138, 60.141	Foster Care Community Based Support
< Significant deficiency(ies) identified?	____ yes <u>X</u> 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	____ yes <u>X</u> no	Dollar threshold used to distinguish between type A and type B State projects: <u>\$ 300,000</u>	
		Auditee qualified as low-risk auditee?	_____ yes <u>X</u> no

Section II - Financial Statement Findings

None

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

None

Section IV - Other

No management letter is required because there were no findings to be reported in a management letter as required 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).