

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

***As of and for the Years Ended December 31, 2017
and 2016***

And Report of Independent Auditor

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

Board of Directors

(As of December 31, 2017)

Jimmy Granbery, Chair
Wood Caldwell, Chair-elect
David Wilds, Treasurer
Decosta Jenkins, Assistant Treasurer
Lawson Allen, Board Member
Kelvin Ault, Board Member
Dan Banks, Board Member
H. Lee Barfield II, Board Member
David Bohan, Board Member
Leilani Boulware, Board Member
Stewart Bronaugh, Jr., Board Member
Terrence Brooks, Board Member
Laura Beth Brown, Board Member
LaShawnda Bryant, Board Member
Dane Burks, Board Member
Trudy Carpenter, Board Member
George H. Cate, Jr., Board Member
Ramon Cisneros, Board Member
Jonathan Cole, Board Member
Florence Davis, Board Member
Randy Davis, Board Member
Alfred Degrafinreid, Board Member
Marty Dickens, Board Member
Neal Doherty, Board Member
Frank Drowota, Board Member
Jack Elisar, Board Member
Dan Ellis, Board Member
Richard Flores, Board Member
Chad Folk, Board Member
Rich Ford, Board Member

Sandra Fulton, Board Member
Catherine Gemmato-Smith, Board Member
Homer B. Gibbs, Jr., Board Member
Steve Greene, Board Member
John Gromos, Board Member
Roupen Gulbenk, Board Member
James Harbison, Board Member
Michael Harris, Board Member
Leslie Hay, Board Member
Bill Henderson, Board Member
Chris Holmes, Board Member
Bobby Hopkins, Board Member
Don King, Board Member
Walter Knestrick, Board Member
Ronald F. Knox, Jr., Board Member
Bill Lee, Board Member
Walker Mathews, Board Member
Pat McGuigan, Board Member
Rob McNeilly, Board Member
Rebecca Robinson, Board Member
Van Stokes, Board Member
Barbara Sutton, Board Member
Louis Upkins, Board Member
James A. Webb III, Board Member
David Wilson, Board Member
William M. Wilson, Board Member
Carol Yochem, Board Member
Stephen Young, Board Member

Executive Staff

Dan Dummermuth, President &
Chief Executive Officer
Jessica Fain, Senior Vice President &
Chief Strategy Officer
Joey Harwell, Chief Financial Officer
Bob Knestrick, Executive Vice President &
Chief Operating Officer
Peter Oldham, Executive Vice President &
Chief Administrative Officer
Julie Sistrunk, Chief Development Officer
David Abbott, Senior Vice President of Technology
David Shipman, Senior Vice President
of Operations

Ted Cornelius, Vice President of Health Innovation
Brian Harter, Vice President of Programs
Bill Pursell, Vice President of Property
Cathy Robinson, Vice President of Leadership &
Staff Development
Keith Russell, Vice President of Marketing
Jill Tramel, Vice President of Youth Development
Rebecca Walker, Vice President of People Services
Vona Wilson, Chaplain
Mary Alice Yates, Controller

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

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Report of Independent Auditor

To the Board of Directors
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Men's Christian Association of Middle Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Middle Tennessee as of December 31, 2017, 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.

OTHER MATTERS

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2018, on our consideration of the Young Men's Christian Association of Middle Tennessee'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Young Men's Christian Association of Middle Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Young Men's Christian Association of Middle Tennessee's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements as of December 31, 2016 were audited by other auditors whose report dated May 11, 2017 expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
April 23, 2018

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 11,169,488	\$ 10,083,485
Accounts and grants receivable:		
Membership and program fees, net	1,035,327	779,609
Grants and contracts	131,319	232,834
Pledges receivable, net	1,601,293	1,878,604
Note receivable	-	1,353,730
Prepaid expenses and other assets	<u>634,741</u>	<u>745,311</u>
Total Current Assets	14,572,168	15,073,573
Pledges receivable, less current portion, net	99,779	77,888
Property and equipment, net	113,064,434	115,848,724
Cash restricted for investment in property and equipment	<u>179,603</u>	<u>870,610</u>
Total Assets	<u>\$ 127,915,984</u>	<u>\$ 131,870,795</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,258,566	\$ 1,646,005
Accrued expenses	3,294,030	3,472,486
Deferred membership and other revenues	1,968,980	1,938,407
Current portion of notes payable	544,363	565,226
Current portion of bonds payable	1,531,768	1,474,681
Current portion of capital leases	<u>1,020,707</u>	<u>1,263,525</u>
Total Current Liabilities	9,618,414	10,360,330
Line of credit	1,210,975	31,718
Deferred lease revenue	818,488	939,554
Interest rate swap liability	1,698,873	2,365,090
Long-term notes payable, less current portion	2,112,081	4,141,420
Long-term bonds payable, less current portion	41,882,370	43,414,138
Long-term capital leases, less current portion	<u>757,603</u>	<u>435,800</u>
Total Liabilities	<u>58,098,804</u>	<u>61,688,050</u>
Net Assets:		
Unrestricted:		
Undesignated	60,043,615	62,237,791
Board designated	<u>6,695,711</u>	<u>4,135,186</u>
Total Unrestricted	66,739,326	66,372,977
Temporarily restricted	3,077,854	3,809,768
Total Net Assets	<u>69,817,180</u>	<u>70,182,745</u>
Total Liabilities and Net Assets	<u>\$ 127,915,984</u>	<u>\$ 131,870,795</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2016 Total
Operating Activities:					
Public support:					
Contributions	\$ 2,559,341	\$ 355,698	\$ -	\$ 2,915,039	\$ 3,362,707
Foundation and corporate grants	588,346	1,000,663	-	1,589,009	1,452,067
Special events, net	777,622	-	-	777,622	695,653
Gain (loss) of disposal of property and equipment	100,928	-	-	100,928	(252,225)
Total Public Support	<u>4,026,237</u>	<u>1,356,361</u>	<u>-</u>	<u>5,382,598</u>	<u>5,258,202</u>
Revenue:					
Membership fees, net	43,349,303	-	-	43,349,303	42,129,423
Program fees, net	23,436,566	-	-	23,436,566	22,536,131
Government grants and contracts	2,469,124	-	-	2,469,124	2,189,276
Other income	824,209	-	-	824,209	965,132
Sales to members	898,025	-	-	898,025	839,597
Consulting and management fees	217,437	-	-	217,437	187,374
Total Revenue	<u>71,194,664</u>	<u>-</u>	<u>-</u>	<u>71,194,664</u>	<u>68,846,933</u>
Total Public Support and Revenue	<u>75,220,901</u>	<u>1,356,361</u>	<u>-</u>	<u>76,577,262</u>	<u>74,105,135</u>
Expenses:					
Program services	65,440,296	-	-	65,440,296	64,531,444
Administrative	10,232,721	-	-	10,232,721	9,306,949
Fundraising	2,112,075	-	-	2,112,075	2,115,904
Total Expenses	<u>77,785,092</u>	<u>-</u>	<u>-</u>	<u>77,785,092</u>	<u>75,954,297</u>
Changes in net assets from operations	<u>(2,564,191)</u>	<u>1,356,361</u>	<u>-</u>	<u>(1,207,830)</u>	<u>(1,849,162)</u>
Nonoperating Activities:					
Unrealized gain on interest rate swap	666,207	-	-	666,207	746,643
Contributions for capital assets	-	272,254	-	272,254	1,115,509
Loss on restructuring	(96,196)	-	-	(96,196)	(101,581)
Release from restriction	2,360,529	(2,360,529)	-	-	-
Total Nonoperating Activities	<u>2,930,540</u>	<u>(2,088,275)</u>	<u>-</u>	<u>842,265</u>	<u>1,760,571</u>
Change in net assets	366,349	(731,914)	-	(365,565)	(88,591)
Net assets, beginning of year	<u>66,372,977</u>	<u>3,809,768</u>	<u>-</u>	<u>70,182,745</u>	<u>70,271,336</u>
Net assets, end of year	<u>\$ 66,739,326</u>	<u>\$ 3,077,854</u>	<u>\$ -</u>	<u>\$ 69,817,180</u>	<u>\$ 70,182,745</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Activities:				
Public support:				
Contributions	\$ 2,692,132	\$ 670,575	\$ -	\$ 3,362,707
Foundation and corporate grants	592,046	860,021	-	1,452,067
Special events, net	695,653	-	-	695,653
Loss of disposal of property	(252,225)	-	-	(252,225)
Total Public Support	<u>3,727,606</u>	<u>1,530,596</u>	<u>-</u>	<u>5,258,202</u>
Revenue:				
Membership fees, net	42,129,423	-	-	42,129,423
Program fees, net	22,536,131	-	-	22,536,131
Government grants and contracts	2,189,276	-	-	2,189,276
Other income	965,132	-	-	965,132
Sales to members	839,597	-	-	839,597
Consulting and management fees	187,374	-	-	187,374
Total Revenue	<u>68,846,933</u>	<u>-</u>	<u>-</u>	<u>68,846,933</u>
Total Public Support and Revenue	<u>72,574,539</u>	<u>1,530,596</u>	<u>-</u>	<u>74,105,135</u>
Expenses:				
Program services	64,531,444	-	-	64,531,444
Administrative	9,306,949	-	-	9,306,949
Fundraising	2,115,904	-	-	2,115,904
Total Expenses	<u>75,954,297</u>	<u>-</u>	<u>-</u>	<u>75,954,297</u>
Changes in net assets from operations	<u>(3,379,758)</u>	<u>1,530,596</u>	<u>-</u>	<u>(1,849,162)</u>
Nonoperating Activities:				
Unrealized gain on interest rate swap	746,643	-	-	746,643
Contributions for capital assets	413,235	702,274	-	1,115,509
Loss on restructuring	(101,581)	-	-	(101,581)
Release from restriction	1,663,178	(1,663,178)	-	-
Total Nonoperating Activities	<u>2,721,475</u>	<u>(960,904)</u>	<u>-</u>	<u>1,760,571</u>
Change in net assets	<u>(658,283)</u>	<u>569,692</u>	<u>-</u>	<u>(88,591)</u>
Net assets, beginning of year	<u>67,031,260</u>	<u>3,240,076</u>	<u>-</u>	<u>70,271,336</u>
Net assets, end of year	<u>\$ 66,372,977</u>	<u>\$ 3,809,768</u>	<u>\$ -</u>	<u>\$ 70,182,745</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Supporting Services			
	Program Services	Administrative	Fundraising	Total
Personnel Costs:				
Salaries and wages	\$ 29,256,921	\$ 5,428,554	\$ 1,166,363	\$ 35,851,838
Employee benefits	2,700,059	870,420	198,801	3,769,280
Payroll taxes	2,638,476	378,152	80,952	3,097,580
Total Personnel Costs	<u>34,595,456</u>	<u>6,677,126</u>	<u>1,446,116</u>	<u>42,718,698</u>
Nonpersonnel Costs:				
Occupancy	9,053,524	323,422	-	9,376,946
Depreciation and amortization	7,698,892	313,224	-	8,012,116
Supplies	3,995,856	145,414	169,951	4,311,221
Purchased services	2,161,418	352,650	30,863	2,544,931
Financing costs	1,866,166	-	-	1,866,166
Technology system and services	1,004,730	796,720	42,977	1,844,427
Awards, grants, and assistance	1,003,561	-	2,618	1,006,179
Conferences, meetings, and staff development	1,275,837	234,694	42,539	1,553,070
Equipment	813,548	279,943	5,864	1,099,355
Promotion and publication	208,528	659,613	-	868,141
Travel, meals, and entertainment	565,892	149,711	9,925	725,528
Membership and professional dues	539,948	52,211	3,581	595,740
Bad debt expense	217,934	-	325,192	543,126
Miscellaneous	204,828	88,319	31,359	324,506
Liability and other insurance	221,304	46,560	-	267,864
Postage and shipping	12,874	113,114	1,090	127,078
Total Nonpersonnel Costs	<u>30,844,840</u>	<u>3,555,595</u>	<u>665,959</u>	<u>35,066,394</u>
Total Expenses	<u>\$ 65,440,296</u>	<u>\$ 10,232,721</u>	<u>\$ 2,112,075</u>	<u>\$ 77,785,092</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Supporting Services			
	Program Services	Administrative	Fundraising	Total
Personnel Costs:				
Salaries and wages	\$ 28,251,401	\$ 5,047,088	\$ 1,171,947	\$ 34,470,436
Employee benefits	2,936,599	175,628	183,507	3,295,734
Payroll taxes	2,646,991	393,211	81,316	3,121,518
Total Personnel Costs	<u>33,834,991</u>	<u>5,615,927</u>	<u>1,436,770</u>	<u>40,887,688</u>
Nonpersonnel Costs:				
Occupancy	9,280,937	329,103	-	9,610,040
Depreciation and amortization	7,822,319	354,371	-	8,176,690
Supplies	3,852,889	157,046	154,524	4,164,459
Purchased services	1,734,877	451,875	98,038	2,284,790
Financing costs	1,914,019	-	-	1,914,019
Technology system and services	1,056,663	808,883	26,901	1,892,447
Awards, grants, and assistance	1,457,383	-	-	1,457,383
Conferences, meetings, and staff development	1,074,927	265,836	43,863	1,384,626
Equipment	710,110	214,518	6,197	930,825
Promotion and publication	246,349	672,359	-	918,708
Travel, meals, and entertainment	472,515	153,200	8,411	634,126
Membership and professional dues	473,061	52,981	3,862	529,904
Bad debt expense	204,057	-	314,487	518,544
Miscellaneous	167,324	48,226	20,209	235,759
Liability and other insurance	206,759	14,394	-	221,153
Postage and shipping	22,264	168,230	2,642	193,136
Total Nonpersonnel Costs	<u>30,696,453</u>	<u>3,691,022</u>	<u>679,134</u>	<u>35,066,609</u>
Total Expenses	<u>\$ 64,531,444</u>	<u>\$ 9,306,949</u>	<u>\$ 2,115,904</u>	<u>\$ 75,954,297</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (365,565)	\$ (88,591)
Adjustments to reconcile change in net assets:		
Depreciation and amortization	8,012,116	8,176,690
(Gain) loss on disposition and impairment of property and equipment	(100,928)	252,225
Decrease in interest rate swap liability	(666,217)	(746,633)
Contributions for property and equipment	(272,254)	(1,115,509)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(154,203)	(8,340)
Pledges receivable	86,011	(217,099)
Prepaid expenses and other assets	110,570	280,260
Accounts payable and accrued expenses	(406,851)	(1,269,100)
Deferred membership and other revenues	30,573	591,037
Deferred lease revenue	(121,066)	(117,314)
Net cash provided by operating activities	<u>6,152,186</u>	<u>5,737,626</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,996,222)	(7,141,199)
Decrease in cash restricted for investment in property	691,007	155,916
Principal payments received on note receivable	1,353,730	102,923
Proceeds from sale of property and equipment	130,831	3,737,816
Net cash provided by (used in) investing activities	<u>179,346</u>	<u>(3,144,544)</u>
Cash flows from financing activities:		
Proceeds received from contributions for property and equipment	441,663	848,993
Principal payments on debt obligations	(3,592,236)	(2,124,251)
Principal payments on capital lease obligations	(2,094,956)	(1,968,003)
Net cash used in financing activities	<u>(5,245,529)</u>	<u>(3,243,261)</u>
Increase (decrease) in cash and cash equivalents	1,086,003	(650,179)
Cash and cash equivalents, beginning of year	<u>10,083,485</u>	<u>10,733,664</u>
Cash and cash equivalents, end of year	<u>\$ 11,169,488</u>	<u>\$ 10,083,485</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Supplemental cash flow disclosures:		
Noncash investing and financing activities:		
Property and equipment acquired through notes payable	\$ 1,246,610	\$ 54,412
Property and equipment acquired through capitalized leases	\$ 2,173,941	\$ -
Accounts payable for construction-in-progress	\$ 16,495	\$ 175,539
Interest expense paid	<u><u>\$ 1,866,166</u></u>	<u><u>\$ 1,914,019</u></u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—General and summary of significant accounting policies

General – The Young Men's Christian Association of Middle Tennessee (the "YMCA") is a worldwide charitable fellowship united by a common loyalty to Jesus Christ for the purpose of helping people grow in spirit, mind, and body. As the region's leading nonprofit dedicated to strengthening community, the YMCA works side-by-side with neighbors to make sure that everyone, regardless of age, income, or background, has the opportunity to learn, grow and thrive. With 15 family wellness centers and over 250 program locations, the YMCA exists to nurture the potential of children and teens, improve the region's health and well-being and to provide opportunities to give back and support neighbors.

Basis of Presentation – The accompanying financial statements present the financial position and operations of the corporate office and all YMCA centers on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. All significant transactions and balances between and among the corporate office and the centers have been eliminated in combination.

Resources are classified as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction. Unrestricted net assets include certain board designated reserves for contingencies, major maintenance and capital asset additions.

Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose.

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations or certain restricted purposes. The YMCA had no permanently restricted net assets as of December 31, 2017 or 2016.

Contributions and Support – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

The YMCA also receives grant revenue from various federal and state agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Any gifts of equipment or materials are reported as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—General and summary of significant accounting policies (continued)

Donated Services – Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2017 and 2016, contributed services meeting the requirements for recognition in the financial statements was not significant.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, the YMCA considers all cash funds, cash bank accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Accounts and Grants Receivable – Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. The allowance for doubtful accounts for accounts and grants receivable at December 31, 2017 and 2016 is \$84,145 and \$68,951, respectively.

Promises to Give – Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an appropriate discount rate commensurate with the rate on U.S. government bonds whose maturities correspond to the maturities of the contributions and management's estimate of credit risk for each contribution. Amortization of the discount is recognized using the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

Prepaid Expenses – Prepaid expenses include certain marketing and promotional costs pertaining to future campaigns and are paid in advance and charged to operating expense when the campaign occurs.

Advertising, marketing, and promotional costs incurred totaled \$1,233,030 and \$1,273,706 for the years ended December 31, 2017 and 2016, respectively.

Property and Equipment – Land, building, equipment, furniture, and software are reported at cost at the date of purchase or at estimated fair value at date of gift to the YMCA. The YMCA's policy is to capitalize purchases with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from 2 to 40 years for equipment, furniture, and building improvements, five to seven years for software, 15 to 20 years for land improvements and forty years for buildings and building additions.

Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The YMCA assesses recoverability of the carrying value of the asset by estimating future net cash flows expected to result from the assets, including eventual disposition. If the future cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its estimated fair value.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—General and summary of significant accounting policies (continued)

Derivatives – The YMCA utilizes derivative financial instruments to manage its interest rate exposure by reducing the impact of fluctuating interest rates on its debt service requirements. Derivatives are recognized as either assets or liabilities in the statements of financial position at fair value. Changes in the fair value of derivatives are recognized currently in the statements of activities.

Deferred Revenues – Deferred revenue consists of membership dues, unearned revenue from a lease, and advance operational and maintenance costs received from a leasee.

Income from membership dues is deferred initially and recognized over the periods to which the dues relate.

Deferred lease revenue is recognized into income on the straight-line method over the term of the lease.

The reimbursement for operational and maintenance costs relating to a lease is recognized as the actual costs are incurred which is currently expected to represent a term of approximately 15 years.

Grant funds received prior to expenditure are recorded initially as deferred revenue and recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Income Taxes – The YMCA qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The YMCA pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2017 and 2016.

The YMCA files U.S. Federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. In addition, the YMCA files a Tennessee state income tax return.

The YMCA follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The YMCA has no tax penalties or interest reported in the accompanying financial statements. There is no accrual for uncertain tax positions at December 31, 2017 and 2016.

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

Program services – includes activities carried out to fulfill the YMCA's mission to provide nurturing and healthy development of children, teens, adults, seniors, families and communities.

Supporting services – Administrative expenses relate to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Fundraising expenses include the costs of activities directed toward appeals for financial support including annual giving campaigns and grants. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1—General and summary of significant accounting policies (continued)

As part of its fundraising efforts, the YMCA holds periodic special events. Direct expenses related to special events are included within special event revenue in the accompanying statements of activities and totaled \$246,355 and \$268,309 for the years ended December 31, 2017 and 2016, respectively.

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

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

Fair Value Measurements – The YMCA classifies its financial assets and liabilities based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for financial assets and liabilities:

Interest rate swaps are measured at fair value on a recurring basis utilizing Level 2 inputs. The YMCA obtains bank quotations to value its interest rate swaps. For purposes of potential valuation adjustments to its derivative positions, the YMCA evaluates the credit risk of its counterparties as well as that of the YMCA.

The carrying value of cash and cash equivalents, accounts and grants receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying value of contributions receivable approximates fair value because of the present value discount included in the carrying amount. Notes payable, bonds payable, and capital lease obligations have a carrying value which approximates the fair value of the outstanding balance of the notes, bonds, and capital lease obligations, respectively. The estimated fair value amounts have been determined by the YMCA using available market information and appropriate valuation methodologies.

No changes in the valuation methodologies were made during 2017 or 2016.

Subsequent Events – The YMCA evaluated subsequent events through April 23, 2018, when these financial statements were available to be issued. YMCA management is not aware of any significant events that occurred subsequent to the statements of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Cash and cash equivalents

	2017	2016
Cash and cash equivalents	\$ 11,169,488	\$ 10,083,485
Cash restricted for investment in property and equipment	179,603	870,610
	<u>\$ 11,349,091</u>	<u>\$ 10,954,095</u>

Note 3—Contributions receivable

Pledges receivable consisted of the following as of December 31:

	2017	2016
Temporarily restricted:		
Less than one year	\$ 1,666,287	\$ 1,943,986
Over one year	104,327	137,100
	<u>1,770,614</u>	<u>2,081,086</u>
Less allowance for uncollectible contributions	(64,994)	(65,382)
Less discount to net present value	(4,548)	(59,212)
Total	<u>\$ 1,701,072</u>	<u>\$ 1,956,492</u>

Contributions receivable are discounted at rates ranging from 0.72% to 5.17%.

Note 4—Note receivable

During 2015, the YMCA financed the sale of property held for sale by entering into a note receivable agreement with the purchaser. The note required monthly interest payments calculated at an annual rate of 5%. Additionally, periodic principal payments were required with the balance due in full on November 15, 2017. During 2017, this note receivable was paid in full.

Note 5—Property and equipment – held for sale

During 2015, the YMCA ceased operations in a facility with a net recorded value of \$4,913,552 at the date of closure. The property was written down to \$3,749,999 to reflect management's estimate of net proceeds to be received upon the ultimate sale of the property. The property was sold during 2016 for \$3,334,106. The resulting loss on the sale is recorded in loss on disposal of property and equipment in the accompanying 2016 statement of activities.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 6—Property and equipment

Property and equipment consisted of the following as of December 31:

	2017	2016
Land and land improvements	\$ 17,436,399	\$ 17,208,074
Buildings and improvements	136,944,824	133,627,865
Equipment and furniture	40,789,488	35,205,912
Software	2,436,042	4,116,376
Construction in progress	173,163	5,873,799
	<hr/> 197,779,916	<hr/> 196,032,026
Less accumulated depreciation	<hr/> (84,715,482)	<hr/> (80,183,302)
	<hr/> <u>\$ 113,064,434</u>	<hr/> <u>\$ 115,848,724</u>

Construction in progress includes renovations and additions that were underway at December 31, 2017 and 2016 at YMCA centers.

Note 7—Deferred lease revenue

The YMCA maintains a joint occupancy agreement with a nonprofit organization for facility use and maintenance. Under the terms of the joint occupancy agreement, the nonprofit organization has the right to occupy certain space at the Bellevue Family YMCA and J.L. Turner Center for Lifelong Learning until February 28, 2029. The initial agreement required an advance payment of \$2,000,000, of which \$1,486,636 was prepaid rent for the entire initial lease term, and \$513,364 was a prepayment for estimated operational costs and maintenance for approximately 15 years. The remaining unamortized balance of deferred lease revenue for the Bellevue facility totaled \$818,488 and \$939,554 at December 31, 2017 and 2016, respectively.

Note 8—Line of credit

The YMCA maintains a line of credit with a financial institution. The line of credit provides for maximum borrowings of \$15,000,000 through October 31, 2020. The agreement requires monthly interest payments calculated at a rate of LIBOR plus 1.30% (2.66% and 1.92% at December 31, 2017 and 2016, respectively) in addition to a fee of 0.25% of the unused principal balance. The line of credit contains a provision to periodically convert portions of the balance to term notes, based upon the purpose for which the funds were drawn as well as the length of time the funds remain unpaid. During 2016, balances totaling \$1,710,000 were converted to term loans (see Note 9).

Outstanding borrowings on the line of credit totaled \$1,210,975 and \$31,718 at December 31, 2017 and 2016, respectively. The line of credit contains restrictive covenants and is secured by a negative pledge of the YMCA's assets. The YMCA was in compliance with all covenants at December 31, 2017.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 9—Notes and bonds payable

On July 1, 2012, the YMCA entered into an agreement with a financial institution to provide up to \$57 million in financing through a guaranty and credit qualified tax exempt loan and up to \$15 million in financing (see line of credit discussed in Note 8) through a taxable debt facility. These debt instruments served to refinance substantially all existing debt and provide additional borrowing capacity. The industrial development bond associated with the tax exempt loan was approved by the Davidson County Industrial Development Board on May 8, 2012. The guaranty and credit agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's real property. The agreement contains a provision to adjust the monthly payment requirement and provide the financial institution the option to call the bonds, with 90 days' notice, on October 1, 2015, October 1, 2030, and October 1, 2035. The YMCA was in compliance with all covenants at December 31, 2017. Notes and bonds payable consisted of the following at December 31:

	<u>2017</u>	<u>2016</u>
<u>Bonds Payable (1)</u>		
2012 Industrial Revenue bonds, face 2012 Industrial Revenue Bonds, face value \$57,000,000, final maturity date of June 1, 2037. Payments toward principal repayment are due monthly. Interest on the bonds is determined weekly by the Remarketing Agent. Rates at December 31, 2017 and 2016 were 2.47% and 1.90%, respectively.	\$ 43,414,138	\$ 44,888,819
<u>Notes Payable</u>		
Term note converted from the line of credit draw to finance major maintenance and renovation costs. The note requires principal payments of \$13,636 plus interest, due monthly. Remaining principal is due upon maturity on October 31, 2020. The interest rate at December 31, 2017 was 2.66%.	1,636,376	1,800,012
<u>Notes Payable</u>		
Term note converted from the line of credit draw to finance the purchase of wellness equipment. The note requires principal payments of \$30,000 plus interest, due monthly. Remaining principal is due upon maturity on October 31, 2020. The interest rate at December 31, 2017 was 2.66%	975,737	1,440,000
<u>Notes Payable</u>		
Term note converted from the line of credit draw to pay down bond payable portion associated with property sold in 2015. Monthly interest only payments required with principal due in full on January 1, 2018. During 2017, this note payable was paid in full.	-	1,388,730
<u>Notes Payable</u>		
Notes payable on vehicles purchased for employee and program usage. Total monthly payments range from \$389 to \$667, including interest ranging from 0% to 4.89% per annum. Maturities range through 2018.	44,331	77,904
Total notes and bonds payable	<u>\$ 46,070,582</u>	<u>\$ 49,595,465</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 9—Notes and bonds payable (continued)

Annual principal maturities and required reimbursement payments of notes and bonds payable as of December 31, 2017 are as follows:

Years Ending December 31,	Notes Payable	2012 Bond Issue	Total
2018	\$ 544,363	\$ 1,531,768	\$ 2,076,131
2019	537,992	1,591,067	2,129,059
2020	1,574,089	1,652,674	3,226,763
2021	-	1,716,652	1,716,652
2022	-	1,783,116	1,783,116
Thereafter	-	35,138,861	35,138,861
	\$ 2,656,444	\$ 43,414,138	\$ 46,070,582

- (1) Effective November 1, 2015, the YMCA entered into an interest rate swap agreement with a financial institution in order to lessen exposure to fluctuating interest rates on the Bonds. The agreement provides for a 10-year term (maturity of November 1, 2025) and an original notional amount of \$46,426,417. The agreement requires the YMCA to make a monthly interest payment equal to a per annum rate of 2.32% times the current notional amount (\$43,414,138 at December 31, 2017), and the financial institution makes a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 77% of LIBOR (1.05% at December 31, 2017).

Note 10—Temporarily restricted net assets

Temporarily restricted net assets consist principally of contributions restricted for the following at December 31:

	2017	2016
Capital improvements	\$ 1,548,948	\$ 2,255,057
Grants restricted for specific programs	1,000,663	860,021
Contributions restricted for future year operations	528,243	694,690
	\$ 3,077,854	\$ 3,809,768

Note 11—Commitments and contingencies

The YMCA has received certain federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantors.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 12—Concentrations of credit risk

The YMCA maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of December 31, 2017, the YMCA's depositor accounts exceeded FDIC insurance limits by approximately \$12,400,000.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from one donor amounted to 67% of total gross outstanding contributions receivable as of December 31, 2017 (one donor comprised 57% of gross outstanding contributions receivable as of December 31, 2016).

Note 13—Employee benefit plans

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (a separate corporation) (the "Retirement Fund"). This plan is for the benefit of all eligible professional and nonprofessional staff of duly organized and reorganized YMCA's throughout the United States.

Contributions to the plan by employees and employer YMCAs are based on a percentage of the participating employees' salaries. Employer contribution rates were 10% for the years ended December 31, 2017, and 2016, respectively. Total contributions to the plan by the YMCA of Middle Tennessee, which are included in employee benefits in the accompanying statements of functional expenses amounted to \$1,918,939 in 2017 and \$1,861,769 in 2016.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

Note 14—Related party transactions and related entities

The YMCA purchases insurance, contracts for marketing services, law services, construction services, and architectural services from entities in which certain board members are affiliated. The total of such expenditures approximated \$131,000 in 2017 and \$216,000 in 2016.

The YMCA Foundation of Middle Tennessee (the "YMCA Foundation") was formed to establish a sustaining means of support, using its income primarily for the benefit of the YMCA. The YMCA has representation on the YMCA Foundation's Board of Directors but does not have a majority voting interest. The YMCA Foundation receives donor designated funds and also makes grants to other nonprofit organizations. For the year ended December 31, 2017, the YMCA Foundation paid out total grants of \$105,042 (\$386,306 in 2016), of which \$86,000 (\$323,184 in 2016) was paid to the YMCA and included in grant revenues. During 2016, the YMCA made a \$500,000 pledge to the YMCA Foundation which was paid during 2017.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 14—Related party transactions and related entities (continued)

A condensed summary of financial information of the YMCA Foundation as of and for the years ended December 31, follows:

	2017	2016
Total assets	\$ 9,623,817	\$ 8,758,105
Total liabilities	39,074	284,859
Net assets	<u>\$ 9,584,743</u>	<u>\$ 8,473,246</u>
Net assets:		
Unrestricted	\$ 8,585,849	\$ 6,974,364
Unrestricted - Philanthropic funds	44,792	44,065
Temporarily restricted	954,102	1,454,817
Total assets	<u>\$ 9,584,743</u>	<u>\$ 8,473,246</u>
Total support and revenue, including realized and unrealized gains on investments of \$990,122 in 2017 and \$541,686 in 2016.	<u>\$ 1,303,089</u>	<u>\$ 1,311,789</u>
Total expenses	<u>\$ 191,592</u>	<u>\$ 454,623</u>
Resources held for the benefit of the YMCA	<u>\$ 9,539,951</u>	<u>\$ 8,429,181</u>

Note 15—Leases

The YMCA is obligated under several noncancelable operating leases for office space, equipment and vehicles that expire at various dates through 2020. Total rental expense incurred under these leases for the years ended December 31, 2017 and 2016 amounted to: office space - \$646,481 and \$738,255, respectively; equipment - \$123,124 and \$169,316, respectively; and vehicles - \$111,632 and \$162,604, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2021. Total capital lease payments made under these leases for the years ended December 31, 2017 and 2016 amounted to \$2,174,285 and \$2,020,876, including \$79,329 and \$52,873 of imputed interest, respectively.

Assets recorded under capital leases are included in property, plant and equipment and consisted of the following at December 31:

	2017	2016
Cost	\$ 5,140,287	\$ 3,839,939
Accumulated depreciation	(3,338,047)	(2,732,833)
Net book value	<u>\$ 1,802,240</u>	<u>\$ 1,107,106</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 15—Leases (continued)

Future minimum lease payments required under all noncancelable leases as of December 31, 2017 are:

Years Ending December 31,	Office	Equipment	Vehicles	Total	Capital Lease
					Equipment
2018	\$ 369,333	\$ 125,358	\$ 6,519	\$ 501,210	\$ 1,079,236
2019	206,819	125,358	6,519	338,696	833,200
2020	118,147	125,358	1,087	244,592	118,725
2021	2,006	-	-	2,006	112,085
	<u>\$ 696,305</u>	<u>\$ 376,074</u>	<u>\$ 14,125</u>	<u>\$ 1,086,504</u>	<u>2,143,246</u>
Less interest imputed at rates ranging from 1.50% to 4.06%					364,936
Present value of future minimum lease payments					<u>\$ 1,778,310</u>

ADDITIONAL INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2017

Grant Description	Federal CFDA Number	Grantor's Number	Grant Period	Expenditures	Expenditures to Subrecipients
Federal Awards:					
<u>U.S. Department of Agriculture</u>					
<i>Passed through State of Tennessee Department of Human Services</i>					
Child and Adult Care Food Program (CACFP):					
Margaret Maddox Family YMCA	10.558*	03-47-30024-00-4	10/1/16-9/30/17	\$ 8,743	\$ -
Margaret Maddox Family YMCA	10.558*	03-47-30024-00-4	10/1/17-9/30/18	2,702	-
School Age Services	10.558*	03-47-30024-00-4	10/1/16-9/30/17	553,666	-
School Age Services	10.558*	03-47-30024-00-4	10/1/17-9/30/18	190,630	-
Robertson County YCAP	10.558*	03-47-30024-00-4	10/1/16-9/30/17	4,573	-
Robertson County YCAP	10.558*	03-47-30024-00-4	10/1/17-9/30/18	2,365	-
Total 10.558				762,679	-
<i>Passed through State of Tennessee Department of Human Services</i>					
Summer Food Service Program for Children (SFSP):					
School Age Services	10.559	03-47-30024-00-4	6/1/17 - 7/31/17	126,821	-
Total U.S. Department of Agriculture				889,500	-
<u>U.S. Department of Justice</u>					
<i>Passed through the YMCA of the United States of America</i>					
Juvenile Mentoring Program - Individual Model	16.726	N/A	11/1/15-12/31/17	61,166	-
Juvenile Mentoring Program - Group Model	16.726	N/A	10/1/16-9/30/18	16,553	-
Total U.S. Department of Justice				77,719	-
<u>U.S. Department of Health and Human Services</u>					
<i>Passed through State of Tennessee Department of Health</i>					
Affordable Care Act (ACA) Abstinence Education Program	93.235	GR175194900	10/1/16-9/30/17	29,199	-
Total U.S. Department of Health and Human Services				29,199	-

(*) Denotes a major program

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2017

Grant Description	Federal CFDA Number	Grantor's Number	Grant Period	Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>					
Passed through Metropolitan Development and Housing Agency of the Metropolitan Government of Nashville and Davidson County					
Community Development Block Grant	14.218	N/A	6/1/17-7/31/17	\$ 14,012	\$ -
Total U.S. Department of Housing and Urban Development				<u>14,012</u>	<u>-</u>
<u>U.S. Centers for Disease Control and Prevention</u>					
Passed through State of Tennessee Department of Health					
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPFH)	93.757	GR1750375	7/1/16-6/30/17	84,445	30,525
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPFH)	93.757	GR1854477	7/1/17-6/30/18	<u>32,715</u>	<u>-</u>
Total U.S. Centers for Disease Control and Prevention				<u>117,160</u>	<u>30,525</u>
Total Expenditures of Federal Awards				<u>1,127,590</u>	<u>30,525</u>
State Awards:					
State of Tennessee Department of Finance and Administration					
Center for Civic Engagement Youth in Government	n/a	n/a	7/1/16-6/30/17	25,000	-
Statewide YCAP	n/a	n/a	7/1/16-6/30/17	51,664	-
Statewide YCAP	n/a	n/a	7/1/17-6/30/18	<u>299,688</u>	<u>249,376</u>
Total State of Tennessee Department of Finance and Administration				<u>376,352</u>	<u>249,376</u>
State of Tennessee Department of Agriculture					
Northwest Preschool Gardening Program	n/a	n/a	7/1/15-6/30/16	<u>1,000</u>	<u>-</u>
Total State of Tennessee Department of Agriculture				<u>1,000</u>	<u>-</u>
Total Expenditures of State Awards				<u>377,352</u>	<u>249,376</u>
Total Expenditures of Federal and State Awards				<u>\$ 1,504,942</u>	<u>\$ 279,901</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED DECEMBER 31, 2017

Note 1—Basis of accounting

The supplementary schedule of expenditures of federal and state awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Young Men's Christian Association of Middle Tennessee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Young Men's Christian Association of Middle Tennessee.

Note 2—Indirect cost allocation

The Association did not elect to use the 10% de minimis indirect cost rate; however, no indirect costs were allocated to the awards during 2017.

**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 *Government Auditing Standards***

To the Board of Directors
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Young Men's Christian Association of Middle Tennessee (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of 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 Young Men's Christian Association of Middle Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
April 23, 2018

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

Report on Compliance for Each Major Program

We have audited the Young Men's Christian Association of Middle Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Young Men's Christian Association of Middle Tennessee's major federal programs for the year ended December 31, 2017. The Young Men's Christian Association of Middle Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Young Men's Christian Association of Middle Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 occurred. An audit includes examining, on a test basis, evidence about the Young Men's Christian Association of Middle Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Young Men's Christian Association of Middle Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, the Young Men's Christian Association of Middle Tennessee 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 for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the Young Men's Christian Association of Middle Tennessee 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 Young Men's Christian Association of Middle Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Young Men's Christian Association of Middle Tennessee'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 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 will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekant LLP

Nashville, Tennessee
April 23, 2018

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED DECEMBER 31, 2017

FINDINGS – PRIOR AUDIT FINDINGS

None.