Central Florida Young Men's Christian Association, Inc.

Consolidated Financial Report
December 31, 2018

Contents

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Central Florida Young Men's Christian Association, Inc., which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Florida Young Men's Christian Association, Inc. as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting

As discussed in Note 1 to the accompanying financial statements, the Central Florida Young Men's Christian Association, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

RSM US LLP

Orlando, Florida
May 23, 2019

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Financial Position
December 31, 2018 and 2017
(In Thousands)

		2018		2017
Assets				
Cash and cash equivalents	**$**	**9,987**	$	8,848
Investments (Notes 3 and 8)		**4,834**		4,925
Pledges and grants receivable, net (Note 2)		**3,482**		5,461
Prepaid expenses and other assets		**1,725**		2,019
Cash and cash equivalents restricted for investment in property and equipment		**7,134**		8,023
Property and equipment, net (Notes 4, 5 and 7)		**81,532**		82,777
Total assets	**$**	**108,694**	$	112,053
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**4,574**	$	4,243
Deferred membership and program revenues		**1,364**		1,967
Scholarships payable (Note 9)		**1,094**		1,123
Interest rate swaps (Notes 6 and 8)		**877**		1,259
Notes and capital leases payable, net (Note 7)		**479**		1,154
Bonds payable, net (Notes 5 and 6)		**29,186**		30,255
Total liabilities		**37,574**		40,001
Commitments and contingencies (Notes 6, 7, 9 and 13)				
Net assets (Note 10):				
Without donor restrictions		**60,034**		60,315
With donor restrictions		**11,086**		11,737
Total net assets		**71,120**		72,052
Total liabilities and net assets	**$**	**108,694**	$	112,053

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017
(In Thousands)

	2018			2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:						
Public support:						
Pledges and contributions	**$ 3,715**	**$ 1,632**	**$ 5,347**	$ 3,623	$ 3,280	$ 6,903
Grant and contract revenue	**3,920**	**316**	**4,236**	5,528	89	5,617
Total public support	**7,635**	**1,948**	**9,583**	9,151	3,369	12,520
Revenues:						
Membership dues	**28,618**	**-**	**28,618**	29,782	-	29,782
Program fees	**24,448**	**-**	**24,448**	23,309	-	23,309
Rental revenue	**513**	**-**	**513**	662	-	662
Investment (loss) income, net	**(248)**	**-**	**(248)**	518	-	518
Other income and losses, net	**886**	**-**	**886**	(92)	-	(92)
Total revenues	**54,217**	**-**	**54,217**	54,179	-	54,179
Special events revenues	**211**	**-**	**211**	218	-	218
Less: costs of direct benefits to donors	**(141)**	**-**	**(141)**	(118)	-	(118)
Net revenues from special events	**70**	**-**	**70**	100	-	100
Net assets released from restrictions (Note 10)	**2,599**	**(2,599)**	**-**	3,142	(3,142)	-
Total public support and revenues	**64,521**	**(651)**	**63,870**	66,572	227	66,799
Expenses:						
Membership and program services	**57,584**	**-**	**57,584**	59,747	-	59,747
Supporting services:						
Management and general	**6,159**	**-**	**6,159**	6,068	-	6,068
Fundraising	**1,441**	**-**	**1,441**	2,371	-	2,371
Total expenses	**65,184**	**-**	**65,184**	68,186	-	68,186
Change in net assets from operations	**(663)**	**(651)**	**(1,314)**	(1,614)	227	(1,387)
Other changes:						
Change in fair value of interest rate swaps (Note 6)	**382**	**-**	**382**	391	-	391
Change in other changes	**382**	**-**	**382**	391	-	391
Change in net assets	**(281)**	**(651)**	**(932)**	(1,223)	227	(996)
Net assets, beginning of year	**60,315**	**11,737**	**72,052**	61,538	11,510	73,048
Net assets, end of year	**$ 60,034**	**$ 11,086**	**$ 71,120**	$ 60,315	$ 11,737	$ 72,052

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(In Thousands)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (932)	$ (996)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,763	4,900
Loan cost amortization	76	76
Net realized and unrealized loss (gain) on investments	460	(355)
Donated investments	(82)	(141)
Donated property and equipment	(959)	(286)
Loss on sale/disposal of property and equipment	208	486
Decrease in fair value of interest rate swaps	(382)	(391)
Changes in operating assets and liabilities:		
Decrease in pledges and grants receivable	1,979	1,197
Decrease (increase) in prepaid expenses and other assets	294	(91)
Increase in accounts payable and accrued expenses	331	114
Decrease in deferred membership and program revenues	(603)	(515)
Decrease in scholarships payable	(29)	(29)
Net cash provided by operating activities	5,124	3,969
Cash flows from investing activities:		
Net change in cash and cash equivalents restricted for investment in property and equipment	889	1,568
Purchases of property and equipment	(2,771)	(3,809)
Proceeds from sale of property and equipment	4	14
Proceeds from sales of investments	32	218
Purchases of investments	(319)	(323)
Net cash used in investing activities	(2,165)	(2,332)
Cash flows from financing activities:		
Principal payments on bonds payable	(1,139)	(853)
Principal payments on notes and capital leases payable	(681)	(956)
Net cash used in financing activities	(1,820)	(1,809)
Net increase (decrease) in cash and cash equivalents	1,139	(172)
Cash and cash equivalents:		
Beginning	8,848	9,020
Ending	$ 9,987	$ 8,848
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,039	$ 1,050
Supplemental schedule of noncash investing and financing activities:		
Notes payable incurred for payment of general liability insurance	$ -	$ 92

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Functional Expenses
Year Ended December 31, 2018
(In Thousands)

	2018			
	Membership and Program Services	Supporting Services		
		Management and General	Fundraising	Total
Salaries and benefits:				
Salaries	$ 26,072	$ 2,876	$ 276	$ 29,224
Health insurance and other employee benefits	2,078	481	37	2,596
Payroll taxes	1,895	277	27	2,199
Retirement plan contributions (Note 13)	1,567	332	29	1,928
Total salaries and benefits	31,612	3,966	369	35,947
Other expenses:				
Occupancy	9,159	195	1	9,355
Supplies	3,591	55	11	3,657
Contract services	2,844	516	110	3,470
Other	782	750	9	1,541
Insurance	1,222	32	-	1,254
Interest	964	155	-	1,119
Printing, promotional and advertising	1,021	56	20	1,097
Pledge bad debt expense	-	-	906	906
Travel and training	658	153	14	825
Equipment rental and maintenance	737	42	1	780
National dues	470	-	-	470
Total other expenses	21,448	1,954	1,072	24,474
Total expenses before depreciation and amortization	53,060	5,920	1,441	60,421
Depreciation and amortization	4,524	239	-	4,763
Total expenses	$ 57,584	$ 6,159	$ 1,441	$ 65,184

(Continued)

Central Florida Young Men's Christian Association, Inc.

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

	2017			
	Membership and Program Services	Supporting Services		
		Management and General	Fundraising	Total
Salaries and benefits:				
Salaries	$ 27,365	$ 2,822	$ 727	$ 30,914
Health insurance and other employee benefits	2,119	495	53	2,667
Payroll taxes	1,983	274	49	2,306
Retirement plan contributions (Note 13)	1,707	341	72	2,120
Total salaries and benefits	33,174	3,932	901	38,007
Other expenses:				
Occupancy	8,823	119	5	8,947
Contract services	3,117	689	65	3,871
Supplies	3,650	46	122	3,818
Other	1,023	533	7	1,563
Insurance	1,194	48	-	1,242
Pledge bad debt expense	-	-	1,192	1,192
Printing, promotional and advertising	1,060	56	34	1,150
Interest	990	155	-	1,145
Equipment rental and maintenance	916	94	-	1,010
Travel and training	660	179	45	884
National dues	457	-	-	457
Total other expenses	21,890	1,919	1,470	25,279
Total expenses before depreciation and amortization	55,064	5,851	2,371	63,286
Depreciation and amortization	4,683	217	-	4,900
Total expenses	$ 59,747	$ 6,068	$ 2,371	$ 68,186

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

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

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

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

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

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

Accounting principles: A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restricted stipulations, but may be designated for specific purposes by action of the Board of Directors.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time or permanently maintained by the Organization.

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset groups. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups have been recognized during the years ended December 31, 2018 and 2017.

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

Donor-imposed restrictions: Revenues and support are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

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

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

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

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

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

Advertising: Advertising costs are expensed the first time the advertising takes place. Total advertising costs were $1,097 and $938 during the years ended December 31, 2018 and 2017, respectively.

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

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

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

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

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

The earnings of YMCA Childcare are subject to state and federal taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the period in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. At December 31, 2018, YMCA Childcare had federal net operating loss carryforwards (NOLs) which can be carried forward and applied against future taxable income and expires in the year 2038. At December 31, 2017, there were no NOL carryforwards.

The Organization has assessed whether there are any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. The Association, Foundation and YMCA Childcare file tax returns in the U.S. federal jurisdiction. Generally, these entities are no longer subject to U.S. federal income tax examinations by taxing authorities for years before December 31, 2015.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods of nonpublic entities beginning after December 15, 2018. The Organization is currently evaluating the effect that the standard will have on its consolidated financial statements, but has selected the full retrospective transition method.

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

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

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

Change in accounting: In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 changes presentation and disclosure requirements for not-for-profit entities to provide qualitative and quantitative requirements as follows:

- Net assets presentation in two categories – net assets without donor restrictions and net assets with donor restrictions;
- Presentation of investment income net of investment expenses;
- Analysis of expenses by both natural and functional classification;
- Liquidity and availability of resources disclosure requirement;
- Presentation of operating cash flows either direct or indirect method; permits the use of direct method without reconciliation of change in net assets to net cash flows from operating activities.

As the result of ASU No. 2016-14 adoption, the Organization has adjusted the presentation of these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent events: Management has evaluated subsequent events through May 23, 2019, which is the date the consolidated financial statements were available to be issued.

(In Thousands)

Note 2. Pledges and Grants Receivable

Pledges and grants receivable are unconditional promises to give and are recorded as assets and revenues in the period received at their estimated fair values. Pledges and grants receivable expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. Contribution revenue from in-kind leases (see Note 9) are recognized over the term of the contributed lease and are included in pledges receivable. The Organization provides an allowance for doubtful accounts at the time revenues are recorded, and re-evaluates and adjusts the allowance periodically based on historical collection experience. Pledges and grants receivable as of December 31, 2018 and 2017, are due as follows:

	2018	2017
Less than one year	$ 5,080	$ 5,963
One to five years	596	892
More than five years	14	129
	5,690	6,984
Less: allowance for doubtful accounts	(2,183)	(1,476)
Less: present value discount at 0.72% – 4.70%	(25)	(47)
	$ 3,482	$ 5,461
Pledges receivable	$ 3,237	$ 4,933
Grants receivable	245	528
	$ 3,482	$ 5,461

Note 3. Investments

The fair value of investments as of December 31, 2018 and 2017 consists of the following:

	2018	2017
Mutual funds	$ 1,922	$ 1,973
Exchange traded funds	2,906	2,944
Equities	6	8
	$ 4,834	$ 4,925

(In Thousands)

Note 4. Property and Equipment

Property and equipment consists of the following as of December 31, 2018 and 2017:

	Useful Life	2018	2017
Undeveloped land		$ 430	$ 430
Land and land improvements	10-20 years	5,391	5,391
Buildings and building improvements	10-40 years	106,853	102,865
Leasehold improvements	10-40 years	5,785	5,688
Outdoor sports facilities	5-20 years	10,788	10,307
Furniture and equipment	2-10 years	22,153	20,863
Construction in progress		1,250	3,659
		152,650	149,203
Less: accumulated depreciation and amortization		(71,118)	(66,426)
		$ 81,532	$ 82,777

Construction in progress includes the costs of renovation of existing facilities. There is no capitalized interest during the years ended December 31, 2018 or 2017, as construction in progress is financed by pledges and contributions.

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, was $4,763 and $4,900, respectively.

Note 5. Bonds Payable

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

Outstanding bonds payable, net of debt issuance costs, from the 2014 Bonds as of December 31, 2018 and 2017, are as follow:

	2018	2017
2014 Bonds	$ 29,602	$ 30,741
Less: debt issuance costs	(416)	(486)
	$ 29,186	$ 30,255

(In Thousands)

Note 5. Bonds Payable (Continued)

Interest on the 2014 Bonds is calculated at a variable rate using the one (1) month London InterBank Offer Rate (LIBOR) plus a margin of 1.20% (2.77% as of December 31, 2018). The 2014 Bonds mature November 1, 2039, with a mandatory tender date ten years from the date of closing or November 2024. A portion of the 2014 Bonds are subject to interest rate swaps, converting the variable rate of interest to a fixed rate of interest (see Note 6). The 2014 Bonds are collateralized by certain real property.

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

Years ending December 31:		
2019	$	924
2020		961
2021		1,002
2022		1,043
2023		1,085
Thereafter		24,587
	$	29,602

Note 6. Interest Rate Swaps

The 2014 Bonds are subject to two interest rate swap agreements (the Swap Agreements) with a bank to convert the interest payments on the Organization's bonds payable from a floating interest rate to a fixed interest rate. This is to effectively reduce the impact of fluctuating interest rates on the Organizations cash flow. One of the Swap Agreements expired on July 1, 2018 and the other expires on November 1, 2024. As of December 31, 2018, the Swap Agreements carry a notional amount of $17,690 and a fixed interest rate of 2.65% in exchange for the bank paying the Organization a tax-exempt rate based on the variable rate associated with the bonds payable.

As of December 31, 2018 and 2017, the fair values of the Swap Agreements were in an unfavorable position of $877 and $1,259, respectively, which are included as a liability in the consolidated statements of financial position. During the years ended December 31, 2018 and 2017, the change in fair value of the Swap Agreements was a gain of $382 and $391, respectively, which is included in the consolidated statements of activities as change in fair value of interest rate swaps.

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

(In Thousands)

Note 7. Notes and Capital Leases Payable

Notes and capital leases payable, less debt issuance costs, consists of the following as of December 31, 2018 and 2017:

	2018	2017
Term loan for the construction of two day-care facilities on Walt Disney World Hospitality & Recreation Corporation land. Principal and interest payments on January 1, 2011, calculated at a ten-year amortization. Interest is based on a variable rate equal to the 30-day LIBOR rate plus 170 basis points (4.05% as as of December 31, 2018). The loan is collateralized by certain buildings of the Association and matures on October 1, 2020.	$ 215	$ 322
Capital lease agreements for equipment, with initial terms ranging from three to five years and interest rates ranging from 2.30% to 6.48%. The leases mature dates ranging from April 2019 to April 2021.	274	811
Financing arrangement for the purchase of property/casualty and general liability insurance plans, with a term of ten months and an interest rate of 6.42%. The financing arrangement matured in April 2018.	-	37
	489	1,170
Less: debt issuance costs	(10)	(16)
	$ 479	$ 1,154

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

Years ending December 31:	
2019	$ 282
2020	191
2021	23
	496
Less: interest associated with capital lease arrangements	(7)
	$ 489

(In Thousands)

Note 8. Fair Value Measurements

The following tables summarize the fair value measurements by level measured on a recurring basis as of December 31, 2018 and 2017:

	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Large cap equities	$ 6	$ -	$ -	$ 6
Mutual funds:				
Large cap fund	24	-	-	24
Mid cap fund	7	-	-	7
World allocation fund	843	-	-	843
Intermediate bonds fund	512	-	-	512
International equities fund	44	-	-	44
Bank loans fund	492	-	-	492
Exchange traded funds:				
Large cap fund	1,251	-	-	1,251
Large blend fund	223	-	-	223
Small cap fund	324	-	-	324
Corporate bonds fund	148	-	-	148
Intermediate bonds fund	47	-	-	47
International equities fund	444	-	-	444
Utilities fund	145	-	-	145
Real estate fund	99	-	-	99
Commodities fund	121	-	-	121
Multialternative fund	104	-	-	104
Total investments (Note 3)	$ 4,834	$ -	$ -	$ 4,834
Interest rate swaps (Note 6)	$ -	$ (877)	$ -	$ (877)

(In Thousands)

Note 8. Fair Value Measurements (Continued)

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

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

(In Thousands)

Note 9. Commitments and Contingencies

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

Years ending December 31:		
2019	$	335
2020		309
2021		286
2022		21
2023		21
	$	972

Rent expense for the years ended December 31, 2018 and 2017, was $1,429 and $1,814, respectively.

In-kind leases: The Organization leases certain land, buildings, equipment and outdoor sports facilities from third parties under favorable lease terms. Certain leases are recorded as contributions within the consolidated statements of activities at the inception of the lease. Other leases, with governmental agencies, are accounted for as concession arrangements. The leases that qualify for contributions at their inception have a remaining pledge receivable amounting to $1,317 and $1,443 as of December 31, 2018 and 2017, respectively. Rent expense associated with these in-kind leases totaled $662 for the years ended December 31, 2018 and 2017, which is included in membership and program services in the accompanying consolidated statements of activities.

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

Years ending December 31:		
2019	$	244
2020		244
2021		244
2022		142
2023		69
Thereafter		1,690
	$	2,633

One of these leases includes an agreement with the City of Orlando to provide scholarships totaling $1,440 to the City of Orlando residents over a fifty-year period. As of December 31, 2018 and 2017, scholarships payable associated with this agreement amounted to $1,094 and $1,123, respectively.

(In Thousands)

Note 9. Commitments and Contingencies (Continued)

Self-insured health care: The Organization is self-insured for group health insurance up to a maximum of $2,000 in the aggregate and a $150 annual maximum per employee. Management has accrued $307 and $168 as of December 31, 2018 and 2017, for estimated claims, including claims which are known and claims which are estimated to have occurred but which have not yet been reported, which are included in accounts payable and accrued expenses in the accompanying consolidated statements of activities. This estimate is based on information provided by the Organization's insurance provider. Adjustments to the estimated claims accrual are made when the need for such adjustments becomes apparent.

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

Note 10. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2018 and 2017:

	2018	2017
Restricted for specified purposes:		
Capital projects and leasing of assets	$ 9,811	$ 10,393
Community programs	160	116
Scholarships	419	533
	10,390	11,042
Restricted in perpetuity - endowment	696	695
	$ 11,086	$ 11,737

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

	2018	2017
Expenditures for capital projects and leasing of assets	$ 1,574	$ 2,083
Community programs	272	315
Scholarships	627	500
Favorable term leases	126	244
	$ 2,599	$ 3,142

(In Thousands)

Note 10. Net Assets with Donor Restrictions (Continued)

The Organization treats its donor restricted endowment fund as a net asset with donor restrictions – restricted in perpetuity held by the Foundation. This endowment fund is invested separately from other investments of the Organization. The Organizations return objective for the endowment fund is low yield based on risk parameters that are also low to protect the endowment corpus. The returns on the endowment fund have been included in net assets without donor restrictions investment (loss) income, net in the consolidated statements of activities since they are either unrestricted by the donor or are restricted for scholarships that are granted during the course of the same year.

Changes in the Foundation's endowment net assets for the years ended December 31, 2018 and 2017, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at December 31, 2016	$ -	$ 695	$ 695
Investment income, net	72	-	72
Contribution to the Association	(72)	-	(72)
Endowment net assets at December 31, 2017	-	695	695
Pledges and contributions	-	1	1
Investment loss, net	(42)	-	(42)
Contribution from the Association	42	-	42
Endowment net assets at December 31, 2018	$ -	$ 696	$ 696

The endowment incurred a net investment loss of $42 during the year ended December 31, 2018, that resulted in the Foundation receiving a contribution from the Association.

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

Note 11. Concentrations of Credit Risk

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

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

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

(In Thousands)

Note 12. Liquidity and Availability of Resources

As of December 31, 2018, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2018.

		2018
Financial assets, at year-end		
Cash and cash equivalents	$	9,987
Cash and cash equivalents restricted for investment in property and equipment		7,134
Investments		4,834
Pledges and grants receivable, net		3,482
Accounts receivable, net (included in prepaid expenses and other assets)		788
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors for investment in property and equipment		(7,134)
Restricted by donors with purpose restrictions		(3,256)
Restricted by donors in perpetuity		(446)
Financial assets available to meet cash needs for general expenditures within one year	$	15,389

The Organization's goal is generally to maintain financial assets to meet approximately 90 days of operating expenses (approximately $14.0 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

Note 13. Retirement Benefit Plan

The Organization participates in a defined contribution pension plan organized under section 403(b) of the Internal Revenue Code. This plan is administered by a separate corporation, the YMCA Retirement Fund, and covers all full-time employees upon completion of two years of service and all part-time employees after they have worked 1,000 hours in each of their two years of service. The Organization funds its contributions at an amount equal to 12% of eligible compensation. Contributions are made on a monthly basis and amounted to $1,928 and $2,120 during the years ended December 31, 2018 and 2017, respectively.

(In Thousands)

Note 14. Related Party Transactions and Conflict-of-Interest Policy

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

	2018	2017
Program fees	$ 4,344	$ 2,160
Contract services	450	82
Rent and utilities	1,015	1,157
Advertising agency	327	495
Legal	39	-
Insurance	40	40

Other business transactions conducted during the years ended December 31, 2018 and 2017, with members of the Organization's Board of Directors, or companies for which they are affiliated, include deposits with a certain financial institution as of December 31, 2018 and 2017, totaling $16,986 and $16,616, respectively.

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