Central Florida Young Men's Christian Association, Inc.

Consolidated Financial Report
December 31, 2019

Contents

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RSM US LLP

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, 2019 and 2018, 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, 2019 and 2018, 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 Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Central Florida Young Men's Christian Association, Inc. will continue as a going concern. As discussed in Note 15 to the financial statements, the Central Florida Young Men's Christian Association, Inc. has experienced declines in results of operations and cash flows due to the impact of COVID-19 subsequent to year end. Because these declines have and will impact the Central Florida Young Men's Christian Association, Inc.'s ability to maintain compliance with debt covenants and the ability to meet its obligations as they may become due, the Central Florida Young Men's Christian Association, Inc. has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and management's plans regarding these matters are also described in Note 15. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

RSM US LLP

Orlando, Florida
May 29, 2020

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Financial Position
December 31, 2019 and 2018
(In Thousands)

		2019		2018
Assets				
Cash and cash equivalents	**$**	**8,435**	$	9,987
Investments (Notes 3 and 8)		**7,045**		4,834
Pledges and grants receivable, net (Note 2)		**7,151**		3,482
Prepaid expenses and other assets		**1,666**		1,725
Cash and cash equivalents restricted for investment in property and equipment (Note 10)		**8,237**		7,134
Property and equipment, net (Notes 4, 5 and 7)		**79,561**		81,532
Total assets	**$**	**112,095**	$	108,694
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**4,443**	$	4,574
Deferred membership and program revenues		**1,966**		1,364
Scholarships payable (Note 9)		**1,066**		1,094
Interest rate swap (Notes 6 and 8)		**1,179**		877
Notes and capital leases payable, net (Note 7)		**209**		479
Bonds payable, net (Notes 5 and 6)		**28,331**		29,186
Total liabilities		**37,194**		37,574
Commitments and contingencies (Notes 6, 7, 9 and 13)				
Net assets (Note 10):				
Without donor restrictions		**58,026**		60,034
With donor restrictions		**16,875**		11,086
Total net assets		**74,901**		71,120
Total liabilities and net assets	**$**	**112,095**	$	108,694

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018
(In Thousands)

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:						
Public support:						
Pledges and contributions	**$ 3,530**	**$ 7,137**	**$ 10,667**	$ 3,715	$ 1,632	$ 5,347
Grant and contract revenue	**3,672**	**406**	**4,078**	3,920	316	4,236
Total public support	**7,202**	**7,543**	**14,745**	7,635	1,948	9,583
Revenues:						
Membership dues, net	**27,407**	**-**	**27,407**	28,618	-	28,618
Program fees, net	**24,949**	**23**	**24,972**	24,448	-	24,448
Rental revenue	**695**	**-**	**695**	513	-	513
Investment income (loss), net	**1,107**	**-**	**1,107**	(248)	-	(248)
Other income	**410**	**-**	**410**	886	-	886
Total revenues	**54,568**	**23**	**54,591**	54,217	-	54,217
Special events revenues	**204**	**-**	**204**	211	-	211
Less: costs of direct benefits to donors	**(143)**	**-**	**(143)**	(141)	-	(141)
Net revenues from special events	**61**	**-**	**61**	70	-	70
Net assets released from restrictions (Note 10)	**1,777**	**(1,777)**	**-**	2,599	(2,599)	-
Total public support and revenues	**63,608**	**5,789**	**69,397**	64,521	(651)	63,870
Expenses:						
Membership and program services	**56,714**	**-**	**56,714**	57,584	-	57,584
Supporting services:						
Management and general	**6,614**	**-**	**6,614**	6,159	-	6,159
Fundraising	**1,277**	**-**	**1,277**	1,441	-	1,441
Total expenses	**64,605**	**-**	**64,605**	65,184	-	65,184
Change in net assets from operations	**(997)**	**5,789**	**4,792**	(663)	(651)	(1,314)
Other changes:						
Change in fair value of interest rate swap (Note 6)	**(302)**	**-**	**(302)**	382	-	382
Change in other changes	**(302)**	**-**	**(302)**	382	-	382
Change in net assets	**(1,299)**	**5,789**	**4,490**	(281)	(651)	(932)
Net assets, beginning of year, as previously reported	**60,034**	**11,086**	**71,120**	60,315	11,737	72,052
Effect of adopting new accounting standard update: ASU 2014-09, *Revenue from Contracts with Customers* (Note 1)	**(709)**	**-**	**(709)**	-	-	-
Net assets, beginning of year, as adjusted	**59,325**	**11,086**	**70,411**	60,315	11,737	72,052
Net assets, end of year	**$ 58,026**	**$ 16,875**	**$ 74,901**	$ 60,034	$ 11,086	$ 71,120

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018
(In Thousands)

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ 4,490**	$ (932)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**5,067**	4,763
Loan cost amortization	**77**	76
Pledge bad debt expense	**598**	906
Net realized and unrealized (gain) loss on investments	**(782)**	460
Donated investments	**(239)**	(82)
Donated property and equipment	**(1,095)**	(959)
(Gain) loss on sale/disposal of property and equipment	**(10)**	208
Increase (decrease) in fair value of interest rate swap	**302**	(382)
Changes in operating assets and liabilities:		
(Increase) decrease in pledges and grants receivable	**(4,267)**	1,073
Decrease in prepaid expenses and other assets	**59**	294
(Decrease) increase in accounts payable and accrued expenses	**(131)**	331
Decrease in deferred membership and program revenues	**(107)**	(603)
Decrease in scholarships payable	**(28)**	(29)
Net cash provided by operating activities	**3,934**	5,124
Cash flows from investing activities:		
Purchases of property and equipment	**(2,001)**	(2,771)
Proceeds from sale of property and equipment	**10**	4
Proceeds from sales of investments	**986**	32
Purchases of investments	**(2,176)**	(319)
Net cash used in investing activities	**(3,181)**	(3,054)
Cash flows from financing activities:		
Principal payments on bonds payable	**(925)**	(1,139)
Principal payments on notes and capital leases payable	**(277)**	(681)
Net cash used in financing activities	**(1,202)**	(1,820)
Net (decrease) increase in cash and cash equivalents and cash and cash equivalents restricted for investment in property and equipment	**(449)**	250
Cash and cash equivalents and cash and cash equivalents restricted for investment in property and equipment:		
Beginning	**17,121**	16,871
Ending	**$ 16,672**	$ 17,121
Cash and cash equivalents and cash and cash equivalents restricted for investment in property and equipment is included in the following captions on the consolidated statements of financial position:		
Cash and cash equivalents	**$ 8,435**	$ 9,987
Cash and cash equivalents restricted for investment in property and equipment	**8,237**	7,134
	$ 16,672	$ 17,121
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 1,026**	$ 1,039

See notes to consolidated financial statements.

Central Florida Young Men's Christian Association, Inc.

Consolidated Statements of Functional Expenses
Year Ended December 31, 2019
(In Thousands)

	2019			
	Membership and Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries and benefits:				
Salaries	$ 25,836	$ 3,274	$ 295	$ 29,405
Health insurance and other employee benefits	1,964	492	26	2,482
Payroll taxes	1,877	269	24	2,170
Retirement plan contributions (Note 13)	1,601	392	20	2,013
Total salaries and benefits	31,278	4,427	365	36,070
Other expenses:				
Occupancy (Note 9)	9,277	151	2	9,430
Supplies	3,488	33	6	3,527
Contract services	2,552	566	253	3,371
Insurance	1,298	24	-	1,322
Other	526	689	6	1,221
Interest (Notes 5, 6 and 7)	937	155	-	1,092
Printing, promotional and advertising	1,033	31	27	1,091
Equipment rental and maintenance	652	35	1	688
Travel and training	462	196	19	677
Pledge bad debt expense (Note 2)	-	-	598	598
National dues	451	-	-	451
Total other expenses	20,676	1,880	912	23,468
Total expenses before depreciation and amortization	51,954	6,307	1,277	59,538
Depreciation and amortization (Note 4)	4,760	307	-	5,067
Total expenses	$ 56,714	$ 6,614	$ 1,277	$ 64,605

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 (Note 9)	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 (Notes 5, 6 and 7)	964	155	-	1,119
Printing, promotional and advertising	1,021	56	20	1,097
Pledge bad debt expense (Note 2)	-	-	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 (Note 4)	4,524	239	-	4,763
Total expenses	$ 57,584	$ 6,159	$ 1,441	$ 65,184

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 the 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:

Basis of presentation: 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 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 are presented according to their nearness of their maturity and resulting use of cash.

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

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

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

Investments and investment income: Investments are stated at fair value. Realized gains and losses are recorded at the date of disposition based on the difference between the net proceeds and the cost of the investments sold, using the specific identification method. Unrealized gains and losses are reported for the changes in fair value between reporting periods. Interest and dividend income are recognized when earned. Investment income (loss), 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: The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about 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. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. 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.

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 impairments of the Organization's long-lived assets or asset groups have been recognized during the years ended December 31, 2019 and 2018.

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

Derivative financial instruments: The Organization's derivative financial instruments consist of an interest rate swap used to reduce its exposure to interest rate changes related to its variable rate debt. The differential paid or received on the interest rate swap is recognized as an adjustment to the interest expense related to the debt. The Organization accounts for its interest rate swap as either an asset (receivable) or a liability (payable) from counterparties in the consolidated statements of financial position and is measured at fair value. Changes in the fair values of the interest rate swap 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 (i.e., 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 accompanying consolidated statements of activities as net assets released from restrictions.

Grant and contract revenue: The Organization records grant and contract revenue as non-exchange transactions in which each party does not receive commensurate value, as the general public receives the primary benefit. Funds from non-exchange transactions are considered contributions and are conditional due to barriers that must be overcome and a right of return of assets. The Organization recognizes the revenue when the condition is met.

Revenue recognition from exchange transactions: On January 1, 2019, the Organization adopted Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers* (ASC 606) using the cumulative effect transition method. The adoption of ASC 606 did not have a material effect on the Organization's consolidated statements of activities. There was a cumulative effect of $709 to reduce opening net assets without donor restrictions as of January 1, 2019.

The Organization applies the five-step model under ASC 606 to its contracts with its customers to determine revenue recognition through the following steps:

- Identification of the contract, or contracts with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contact
- Recognition of revenue as performance obligations are satisfied.

The following is a summary of the Organization's revenue recognition policies specific to each discrete service line for revenue streams containing contracts with customers:

Membership dues: The Organization provides a suite of services that families and individuals pay to have access to facilities and discounts to programs available during the membership period. Members join for varying lengths of time, but membership dues have an effective contract term of 30 days due to customer's termination for convenience rights. The Organization recognizes membership dues ratably over the contract period.

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

Program fees: The Organization provides various programs including childcare services, aquatic programs, sport programs, personal training programs, camp programs, and family life programs. Childcare services and family life programs are based on a set monthly fee and have an effective contract term of 30 days due to customer's termination for convenience rights. The Organization recognizes childcare services and family life programs ratably over the contract period. Aquatic programs, sport programs, camp programs and personal training programs are based on a set number of events or sessions and revenues are recognized over time as each event or session is completed. Generally, aquatic programs, sport programs, camp programs and personal training programs contract terms are within the same fiscal year.

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. Customers generally pay membership dues and program fees in advance of revenue recognition from contracts. Deferred revenue is recognized as revenue over time as services are provided. The Organization has elected the practical expedient that permits an entity not to recognize a significant financing component if the time between the transfer of a service and the payment is one year or less. Deferred revenue is included within deferred membership and program revenues within the consolidated statements of financial position. Amounts billed but unpaid are included within prepaid expenses and other assets within the consolidated statements of financial position.

Performance obligations: A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. In general, the Organization's contracts contain a distinct performance obligation for each individual service provided.

Transaction price: The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring services to its customer. Revenue from contracts with customers is recorded based on the transaction price, which includes estimates of variable consideration. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Organization includes estimates for variable consideration within its determination for the transaction price, subject to the constraint. Generally, the Organization does not believe the estimates of variable consideration to be material. The Organization offers scholarships for customers who cannot afford membership dues or program fees, and a discount for customers of certain age demographics or family size. The Organization classifies the discounts related to the advance payments as a reduction in revenues. The Organization's contracts generally do not contain rights of return, and the Organization may provide refunds for services not provided.

Contributed facilities and services: The Organization has certain land and buildings under long-term lease agreements with third parties with favorable payment terms (Note 9). 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 nonprofessional 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. Advertising costs totaled $1,091 and $1,097 for the years ended December 31, 2019 and 2018, 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 Statutes. 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.

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, the 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, 2016.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued its new lease accounting guidance in Accounting Standards Update (ASU) 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, 2020. The Organization is currently evaluating the impact this ASU will have on its consolidated financial statements.

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

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU 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 activities in the near term.

Newly adopted accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires 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. ASU 2014-09 replaced most existing revenue recognition guidance in U.S. GAAP when it became effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. ASU 2014-09 is effective for annual reporting periods of nonpublic entities beginning after December 15, 2018. The Organization adopted ASU 2014-09 on January 1, 2019, using a modified retrospective approach. The comparative information was not restated and will continue to be reported under the accounting standards in effect for those periods. The adoption of the new revenue standard did not have a material impact on net income. As part of the adoption, $709 was reclassified from net assets without donor restrictions to deferred membership and program revenues.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. The Organization adopted ASU 2016-18 as of January 1, 2019, using a retrospective transition method of adoption. As a result of adoption, the consolidated statements of cash flows includes both cash and cash equivalents and cash and cash equivalents restricted for investment in property and equipment.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The amendments in the ASU should be applied on a modified prospective basis although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. The Organization has adopted ASU 2018-08 as of January 1, 2019, with no material impact on its consolidated financial statements.

Subsequent events: Management has evaluated subsequent events through May 29, 2020, 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 are due as follows as of December 31, 2019 and 2018:

	2019	2018
Less than one year	$ 6,513	$ 5,080
One to five years	2,809	596
More than five years	417	14
	9,739	5,690
Less: allowance for doubtful accounts	(2,454)	(2,183)
Less: present value discount at 0.72% – 4.70%	(134)	(25)
	$ 7,151	$ 3,482
Pledges receivable	$ 6,414	$ 3,237
Grants receivable	737	245
	$ 7,151	$ 3,482

Note 3. Investments

The fair value of investments consists of the following as of December 31, 2019 and 2018:

	2019	2018
Mutual funds	$ 2,550	$ 1,922
Exchange-traded funds	4,485	2,906
Equities	10	6
	$ 7,045	$ 4,834

(In Thousands)

Note 4. Property and Equipment

Property and equipment consists of the following as of December 31, 2019 and 2018:

	Useful Life	2019	2018
Undeveloped land		$ 430	$ 430
Land and land improvements	10-20 years	6,187	5,391
Buildings and building improvements	10-40 years	107,996	106,853
Leasehold improvements	10-40 years	5,785	5,785
Outdoor sports facilities	5-20 years	11,822	10,788
Furniture and equipment	2-10 years	22,777	22,153
Construction in progress		486	1,250
		155,483	152,650
Less: accumulated depreciation and amortization		(75,922)	(71,118)
		$ 79,561	$ 81,532

Construction in progress includes the costs of renovation of existing facilities. There is no capitalized interest during the years ended December 31, 2019 or 2018, as construction in progress is financed by pledges and contributions.

Depreciation and amortization expense was $5,067 and $4,763 for the years ended December 31, 2019 and 2018, 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 Bonds 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 are as follows as of December 31, 2019 and 2018:

	2019	2018
2014 Bonds	$ 28,677	$ 29,602
Less: debt issuance costs, net	(346)	(416)
	$ 28,331	$ 29,186

(In Thousands)

Note 5. Bonds Payable (Continued)

Interest on the 2014 Bonds is calculated at a variable rate equal to 67% of the sum of the one-month London Interbank Offered Rate (LIBOR) interest rate plus a margin of 1.20% (2.34% as of December 31, 2019). The 2014 Bonds mature on 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 an interest rate swap, 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:		
2020	$	961
2021		1,002
2022		1,043
2023		1,085
2024		1,129
Thereafter		23,457
	$	28,677

Under the terms of the loan agreement, the Organization is required to maintain certain financial covenants relating to the fixed charge coverage ratio, unrestricted liquid assets to funded debt ratio and a funded debt to net assets without donor restrictions ratio.

Note 6. Interest Rate Swap

The 2014 Bonds are subject to an interest rate swap agreement (the Swap Agreement) 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 effectively reduces the impact of fluctuating interest rates on the Organization's cash flow. The Swap Agreement expires on November 1, 2024. As of December 31, 2019, the Swap Agreement carries a notional amount of $17,144 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.

The fair value of the Swap Agreement was in an unfavorable position of $1,179 and $877 as of December 31, 2019 and 2018, respectively, which are included as a liability in the consolidated statements of financial position. The change in fair value of the Swap Agreement was a loss of ($302) and gain of $382 for the years ended December 31, 2019 and 2018, respectively, which is included in the consolidated statements of activities as change in fair value of interest rate swap.

In the event the Swap Agreement is 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 interest rate and the fixed interest 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, 2019 and 2018:

	2019	2018
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 one-month LIBOR interest rate plus 170 basis (3.39% as of December 31, 2019). The loan is collateralized by certain buildings of the Organization and matures on October 1, 2020.	$ 107	$ 215
Capital lease agreements for equipment, with interest rates ranging from 2.30% to 3.08%. The leases mature at dates ranging from August 2020 to April 2021.	105	274
	212	489
Less: debt issuance costs, net	(3)	(10)
	$ 209	$ 479

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

Years ending December 31:	
2020	$ 189
2021	23
	212
Less: interest associated with capital lease arrangements	(3)
	$ 209

(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, 2019 and 2018:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Equities:				
Large cap equities	$ 10	$ -	$ -	$ 10
Mutual funds:				
Large cap fund	133	-	-	133
Mid cap fund	8	-	-	8
World allocation fund	985	-	-	985
Intermediate bonds fund	1,403	-	-	1,403
International equities fund	21	-	-	21
Exchange-traded funds:				
Large cap fund	1,909	-	-	1,909
Large blend fund	252	-	-	252
Small cap fund	397	-	-	397
Corporate bonds fund	458	-	-	458
Intermediate bonds fund	99	-	-	99
International equities fund	623	-	-	623
Utilities fund	227	-	-	227
Real estate fund	197	-	-	197
Commodities fund	159	-	-	159
Multialternative fund	164	-	-	164
Total investments (Note 3)	$ 7,045	$ -	$ -	$ 7,045
Interest rate swap (Note 6)	$ -	$ (1,179)	$ -	$ (1,179)

(In Thousands)

Note 8. Fair Value Measurements (Continued)

	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 swap (Note 6)	$ -	$ (877)	$ -	$ (877)

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 swap is 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, 2019, are as follows:

Years ending December 31:		
2020	$	339
2021		322
2022		83
2023		68
	$	812

Rent expense was $1,411 and $1,429 for the years ended December 31, 2019 and 2018, 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 of $1,178 and $1,317 as of December 31, 2019 and 2018, respectively. Rent expense associated with these in-kind leases totaled $662 for each of the years ended December 31, 2019 and 2018, 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:		
2020	$	244
2021		244
2022		142
2023		69
2024		69
Thereafter		1,621
	$	2,389

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. Scholarships payable associated with this agreement were $1,066 and $1,094 as of December 31, 2019 and 2018, 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 $200 and $307 as of December 31, 2019 and 2018, respectively, 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 financial position. 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, 2019 and 2018:

	2019	2018
Restricted for specified purposes:		
Capital projects and leasing of assets	$ 15,222	$ 9,811
Community programs	439	160
Scholarships	517	418
	16,178	10,389
Restricted in perpetuity – endowment	697	697
	$ 16,875	$ 11,086

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:

	2019	2018
Expenditures for capital projects and leasing of assets	$ 1,112	$ 1,574
Community programs	127	272
Scholarships	399	627
Favorable term leases	139	126
	$ 1,777	$ 2,599

(In Thousands)

Note 10. Net Assets with Donor Restrictions (Continued)

The Organization treats its donor restricted endowment fund as net assets with donor restrictions – restricted in perpetuity held by the Foundation. This endowment fund is invested separately from other investments of the Organization. The Organization's return objective for the endowment fund is low yield based on risk parameters that are also low to protect the endowment corpus. The returns on the endowment fund have been included in net assets without donor restrictions investment income (loss), 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 are as follows for the years ended December 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at December 31, 2017	$ -	$ 696	$ 696
Pledges and contributions	-	1	1
Investment loss, net	(42)	-	(42)
Contribution from the Association	42	-	42
Endowment net assets at December 31, 2018	-	697	697
Investment income, net	131	-	131
Contribution to the Association	(131)	-	(131)
Endowment net assets at December 31, 2019	$ -	$ 697	$ 697

The endowment incurred a net investment gain of $131 during the year ended December 31, 2019, that was contributed to the Association through a contribution by the Foundation.

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.

Note 11. Concentrations of Credit Risk

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

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

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

(In Thousands)

Note 12. Liquidity and Availability of Resources

As of December 31, 2019 and 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:

	2019	2018
Financial assets, at year-end		
Cash and cash equivalents	$ 8,435	$ 9,987
Cash and cash equivalents restricted for investment in property and equipment	8,237	7,134
Investments	7,045	4,834
Pledges and grants receivable, net	7,151	3,482
Accounts receivable, net (included in prepaid expenses and other assets)	655	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	(8,237)	(7,134)
Restricted by donors with purpose restrictions	(7,809)	(3,256)
Restricted by donors in perpetuity	(447)	(447)
Financial assets available to meet cash needs for general expenditures within one year	$ 15,030	$ 15,388

The Organization's goal is generally to maintain financial assets to meet approximately 90 days of operating expenses (approximately $14 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 $2,013 and $1,928 during the years ended December 31, 2019 and 2018, 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:

		2019		2018
Program fees	$	3,227	$	4,344
Contract services		200		450
Rent and utilities		1,054		1,015
Advertising agency		394		327
Legal		9		39
Insurance		40		40

Other business transactions conducted during the years ended December 31, 2019 and 2018, with members of the Organization's Board of Directors, or companies for which they are affiliated, include deposits and investments held with certain financial institution totaling $17,561 and $16,986 as of December 31, 2019 and 2018, 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 Directors 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.

Note 15. Subsequent Events and Management's Plans

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The extent to which COVID-19 impacts the operations of the Organization in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States. In particular, the continued spread of COVID-19 could adversely impact the Organization's operations, including among others, membership dues, program fees, pledges and contributions, valuation of the investment portfolio, investment earnings and daily operations, and may have a material adverse effect on the financial condition, results of operations and cash flows of the Organization.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is experiencing declining revenues and was not in compliance with debt covenants as of March 31, 2020, which are measured on a quarterly basis.

Note 15. Subsequent Events and Management's Plans (Continued)

As a result, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including the continued collection of membership dues, program fees, pledges and grant receivables and the ability to cure its event of default with debt covenants. The Organization closed its family centers on March 17, 2020, child care centers on March 18, 2020 and its school programs on March 13, 2020. The Organization began reopening certain family centers on May 21, 2020.

Management's plans to mitigate the uncertainties caused by this pandemic include the following:

- Working with lender to negotiate a new arrangement that will reset the Organization's covenant measurements and possibly provide deferral of certain future payments
- Evaluating options to refinance or revise the terms of long-term debt
- Continuing to fundraise for programs as well as capital needs
- Substantially lowering the cost structure of the Organization through reduced payroll and other costs
- Streamlining operations to meet demand
- Elimination of underperforming programs

While no assurances may be given, management believes that the actions discussed above are probable of occurring and mitigating the substantial doubt raised by this crisis and satisfying the estimated liquidity needs of the Organization twelve months from the issuance of the consolidated financial statements. However, there is uncertainty regarding the Organization's ability to meet its debt covenants, which resulted in an event of default under the debt agreement. In the event the debt was called by the bank, the Organization does not have the liquidity or resources and/or commitments to satisfy the obligation. This uncertainty raises substantial doubt about the Organization's ability to continue as a going concern.