

Consolidated Financial Report

*The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary*

December 31, 2017



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary,
Metairie, Louisiana.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Young Men's Christian Association of Greater New Orleans, Louisiana and Subsidiary (the "Association") (a non-profit organization) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Young Men's Christian Association of Greater New Orleans, Louisiana and Subsidiary as of December 31, 2017, and the results of its change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information (Schedule 1) is presented for purposes of additional analysis, is required by Louisiana Revised Statute 24:513(A)(3), and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2018, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Association's internal control over financial reporting and compliance.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
May 7, 2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary
Metairie, Louisiana**

December 31, 2017
(with comparative totals for 2016)

ASSETS

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,623,286	\$ 2,187,837
Unconditional promises to give	85,570	195,755
Grants receivable	224,401	201,662
Other receivables	43,816	64,320
Prepaid expenses	98,658	98,133
Investments	431,749	355,940
Property and equipment, net	11,671,117	11,524,698
Financing and loan acquisition costs, net	<u>14,257</u>	<u>19,010</u>
Total assets	<u>\$ 14,192,854</u>	<u>\$ 14,647,355</u>

LIABILITIES

Accounts payable and accrued expenses	\$ 413,081	\$ 575,325
Deferred revenue	42,770	43,335
Funds held for YMCA Alliance	10,137	13,135
Capital lease obligations	57,110	172,924
Financing and lease obligation	<u>1,775,114</u>	<u>1,867,238</u>
Total liabilities	<u>2,298,212</u>	<u>2,671,957</u>

NET ASSETS

Unrestricted	11,249,768	11,162,068
Temporarily restricted	<u>644,874</u>	<u>813,330</u>
Total net assets	<u>11,894,642</u>	<u>11,975,398</u>
Total liabilities and net assets	<u>\$ 14,192,854</u>	<u>\$ 14,647,355</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

**The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary**
Metairie, Louisiana

For the year ended December 31, 2017
(with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Totals</u>	<u>2016 Totals</u>
Revenues and Public Support				
Membership dues	\$ 2,783,549	\$ -	\$ 2,783,549	\$ 2,832,776
Program fees	1,887,161	-	1,887,161	1,911,685
Grants	1,452,013	-	1,452,013	1,344,224
Federated campaigns	103,556	-	103,556	98,593
Contributions	162,238	162,332	324,570	384,826
Special events, net of direct costs (\$79,961 for 2017 and \$86,994 for 2016)	152,110	-	152,110	163,233
Interest income	1,848	-	1,848	206,042
Investment income	39,509	-	39,509	21,270
Loss on disposition of assets	-	-	-	(14,196)
Sales of supplies and services	58,182	-	58,182	57,556
Miscellaneous	32,552	-	32,552	51,547
	<u>6,672,718</u>	<u>162,332</u>	<u>6,835,050</u>	<u>7,057,556</u>
Total revenues and public support before net assets released from restrictions				
Net assets released from restrictions	<u>330,788</u>	<u>(330,788)</u>	<u>-</u>	<u>-</u>
Total revenues and public support	<u>7,003,506</u>	<u>(168,456)</u>	<u>6,835,050</u>	<u>7,057,556</u>
Expenses				
Program services	6,170,638	-	6,170,638	6,296,045
General and administrative	772,265	-	772,265	756,055
Fundraising	22,461	-	22,461	15,022
Total expenses	<u>6,965,364</u>	<u>-</u>	<u>6,965,364</u>	<u>7,067,122</u>
Change in Net Assets Before Gain on Interest Rate Swap Agreement				
	38,142	(168,456)	(130,314)	(9,566)
Gain on interest rate swap agreement (Note 10)	<u>49,558</u>	<u>-</u>	<u>49,558</u>	<u>45,048</u>
Change in Net Assets	<u>87,700</u>	<u>(168,456)</u>	<u>(80,756)</u>	<u>35,482</u>
Net Assets				
Beginning of year	<u>11,162,068</u>	<u>813,330</u>	<u>11,975,398</u>	<u>11,939,916</u>
End of year	<u>\$ 11,249,768</u>	<u>\$ 644,874</u>	<u>\$ 11,894,642</u>	<u>\$ 11,975,398</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

**The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary
Metairie, Louisiana**

For the year ended December 31, 2017
(with comparative totals for 2016)

	Program Services	General and Administration	Fundraising	2017 Totals	2016 Totals
Amortization	\$ 4,753	\$ -	\$ -	\$ 4,753	\$ 53,651
Conference and meetings	32,762	15,711	135	48,608	55,216
Contract services	220,746	102,942	9,326	333,014	321,491
Depreciation	583,261	4,061	-	587,322	609,810
Employee benefits	422,764	71,696	-	494,460	436,480
Equipment - maintenance	80,156	2,489	-	82,645	95,476
Equipment	-	-	-	-	3,067
Interest and finance service fees	149,277	25,211	-	174,488	403,203
Insurance	129,721	13,371	-	143,092	147,870
Marketing	55,158	6,753	6,042	67,953	57,195
Membership dues	99,218	10,323	-	109,541	105,350
Miscellaneous	-	4,747	-	4,747	1,308
Occupancy	549,593	38,100	600	588,293	553,977
Payroll taxes	252,640	29,791	-	282,431	268,208
Postage	2,639	1,570	327	4,536	7,495
Salaries and wages	3,213,509	404,518	-	3,618,027	3,537,630
Supplies	322,001	21,487	6,031	349,519	326,335
Telephone	28,218	6,110	-	34,328	34,647
Travel	24,222	13,385	-	37,607	48,713
Total expenses	<u>\$ 6,170,638</u>	<u>\$ 772,265</u>	<u>\$ 22,461</u>	<u>\$ 6,965,364</u>	<u>\$ 7,067,122</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

**The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary
Metairie, Louisiana**

For the year ended December 31, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (80,756)	\$ 35,482
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of financing and loan acquisition costs	4,753	53,651
Amortization of original issue discount	-	162,926
Depreciation	587,322	609,810
Interest on notes receivable (accrued)	-	(144,000)
Loss on disposition of assets	-	14,196
Gain on interest rate swap agreement	(49,558)	(45,048)
Realized gain on investments	(11,793)	(2,437)
Unrealized (gain) loss on investments	(24,058)	(16,568)
(Increase) decrease in operating assets:		
Unconditional promises to give	110,185	(141,255)
Grants receivable	(22,739)	83,977
Other receivables	20,504	(18,394)
Prepaid expenses	(525)	6,577
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(112,686)	70,082
Deferred revenue	(565)	6,870
Funds held for YMCA Alliance	(2,998)	13,135
Net cash provided by operating activities	<u>417,086</u>	<u>689,004</u>

**Exhibit D
(Continued)**

	<u>2017</u>	<u>2016</u>
Cash Flows From Investing Activities		
Purchases of investments	(448,644)	(435,673)
Proceeds from sales of investments	408,686	412,882
Purchases of property and equipment	<u>(733,741)</u>	<u>(463,189)</u>
Net cash used in investing activities	<u>(773,699)</u>	<u>(485,980)</u>
Cash Flows From Financing Activities		
Repayment of capital lease obligations	(115,814)	(154,327)
Repayment of financing and lease obligation	(92,124)	(87,335)
Payments of short term trade accounts payable used to finance property and equipment acquisitions	<u>-</u>	<u>(46,349)</u>
Net cash used in financing activities	<u>(207,938)</u>	<u>(288,011)</u>
Net Decrease in Cash and Cash Equivalents	(564,551)	(84,987)
Cash and Cash Equivalents		
Beginning of year	<u>2,187,837</u>	<u>2,272,824</u>
End of year	<u>\$ 1,623,286</u>	<u>\$ 2,187,837</u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary
Metairie, Louisiana**

December 31, 2017 and 2016

Note 1 - NATURE OF ACTIVITIES

The Young Men's Christian Association of Greater New Orleans, Louisiana (the "Association") is a not-for-profit organization established in 1852 to provide education and leadership development and to promote healthy lifestyles which strengthen family relationships in the southern Louisiana area. The Association is a family of volunteers, members, and staff who help the people of the community, achieve their God-given potential through development of spirit, mind, and body. The Association operates a central office and five facilities which are located in Jefferson, St. Tammany, and Plaquemines Parishes. In addition to the various services offered through the Association's fitness centers, the Association's programs and services include, among others:

- Adult literacy programs
- Day camp and teen leadership programs
- Family relationship programs
- Neighborhood service programs

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization and Income Taxes**

The Young Men's Christian Association of Greater New Orleans, Louisiana is a non-profit organization organized under the laws of the State of Louisiana and is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code (IRC), and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Organization and Income Taxes (Continued)

On December 18, 2009, Y-GNO Finance Foundation, Inc. (the "Subsidiary") was established as a non-profit corporation to operate exclusively for the benefit of the Association and to support the educational, charitable, and social purposes of the Association and specifically to facilitate the New Markets Tax Credit transactions described in Note 13. Upon dissolution of the Foundation, all of its assets, in excess of those necessary to liquidate its outstanding liabilities, shall be and becomes the property of the Association.

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. As of December 31, 2017, management believes the Association and Subsidiary have no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements. The Association recognizes interest and penalties, if any, related to unrecognized tax benefits in interest and finance costs. Tax years ended December 31, 2014 and later remain subject to examination by the taxing authorities.

b. Basis of Accounting

The consolidated financial statements of the Association and Subsidiary are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

c. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Basis of Presentation

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that are maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on related cash and related investments for general or specific purposes. Investment funds are restricted to ensure that the Association will have a perpetual fund that will generate income to be used for future operations. The Association and Subsidiary did not have permanently restricted net assets as of December 31, 2017 and 2016.

d. Principles of Consolidation

The accompanying consolidated financial statements show the combined assets, liabilities, and transactions of the Young Men's Christian Association of Greater New Orleans, Louisiana and Subsidiary. All intercompany transactions and resulting balances have been eliminated in the consolidated financial statements.

e. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association and Subsidiary consider all short-term highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are recognized as assets, net of an allowance for uncollectible amounts. The Association provides for estimated uncollectible promises to give based on prior years' experience and management's analysis of specific promises made. As of December 31, 2017 and 2016, management determined an allowance was not necessary.

g. Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and writes off all balances deemed uncollectible. Management believes all outstanding balances as of December 31, 2017 and 2016 are fully collectible.

h. Property and Equipment

Property and equipment consist of land, buildings, office furniture and equipment, and leasehold improvements, and is stated at cost or, if contributed, at fair market value at date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the related assets. Buildings are depreciated over 40 to 50 years, other depreciable property, and equipment from 3 to 10 years. The Association has established a policy capitalizing all expenditures for property and equipment in excess of \$1,000.

i. Derivative Instruments

The Association has a derivative instrument that is used as a hedge to a variable interest loan. The Association accounts for this derivative instrument under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*. More specifically, FASB ASC 815-20 requires that the fair value of derivatives be recorded as a liability and a related loss or as an asset and a related gain depending on the future net payments forecasted under the derivative.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. Contributions and Revenue Recognition

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

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributions of donated non-cash assets (such as materials and equipment) are recorded at their fair or estimated values in the period received.

k. Financing and Loan Acquisition Costs

Financing costs related to the financing and lease obligation have been capitalized and are being amortized over the estimated life of the obligation. Financing and loan acquisition costs totaled \$47,525 as of December 31, 2017 and 2016. Accumulated amortization totaled \$33,268 and \$28,515 as of December 31, 2017 and 2016, respectively.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. Allocated Expenses

Expenses are summarized on a functional basis. Salaries and related payroll expenses are distributed based upon the time spent for each function. Distribution of all other shared expenses is based upon management's estimates of the usage applicable to conducting various program or support activities.

m. Subsequent events

Management evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that effect the consolidated financial statements. Subsequent events have been evaluated through May 7, 2018, which is the date the consolidated financial statements were available to be issued.

n. Reclassification

Certain amounts in the 2016 consolidated financial statements have been reclassified to conform to the 2017 financial statement presentation.

o. Accounting Change

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU decreases the number of net asset classes from three to two, requires both reporting of and an analysis of expenses by function and nature, enhances disclosure of underwater endowments, and requires the presentation of qualitative information on the management of liquid available resources and the risks to liquidity. The ASU is effective for fiscal years beginning after December 15, 2017, with early application permitted. The Association is currently considering the impact of this pronouncement on its consolidated financial statements.

Note 3 - RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by donors for specific purposes or are available for subsequent periods. These restrictions are considered to expire when payments for restricted purposes are made. Permanently restricted net assets are restricted by donors to provide continuing income for the general operations of the Association.

Note 3 - RESTRICTED NET ASSETS (Continued)

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following purposes or periods:

	2017	2016
For subsequent periods:		
Capital campaign	\$ 559,304	\$ 617,575
Unconditional promises to give	85,570	195,755
Totals	\$ 644,874	\$ 813,330

Note 4 - CONCENTRATION OF CREDIT RISK

The Association and Subsidiary maintain cash balances at several local financial institutions where they are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of December 31, 2017, the Association and Subsidiary had approximately \$1,089,000 of cash deposits in excess of the insured limits.

Note 5 - UNCONDITIONAL PROMISES TO GIVE

Promises of donors to make contributions to the Association are included in the consolidated financial statements as unconditional promises to give. Unconditional promises to give as of December 31, 2017 and 2016 totaled \$85,570 and \$195,755, respectively, all of which are due within one year.

Note 6 - INVESTMENTS

Investments as of December 31, 2017 and 2016 are comprised of the following:

		2017	
	Cost	Fair Market Value	Excess of Market Over Cost
Equity securities	\$ 101,556	\$ 108,157	\$ 6,601
Mutual funds	289,242	323,592	34,350
Totals	\$ 390,798	\$ 431,749	\$ 40,951

Note 6 - INVESTMENTS (Continued)

		2016	
	<u>Cost</u>	<u>Fair Market Value</u>	<u>Excess of Market Over Cost</u>
Equity securities	\$ 81,232	\$ 84,542	\$ 3,310
Mutual funds	<u>257,815</u>	<u>271,398</u>	<u>13,583</u>
Totals	<u>\$ 339,047</u>	<u>\$ 355,940</u>	<u>\$ 16,893</u>
	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Over Cost</u>
Balances as of December 31, 2017	<u>\$ 390,798</u>	<u>\$ 431,749</u>	\$ 40,951
Balances as of December 31, 2016	<u>\$ 339,047</u>	<u>\$ 355,940</u>	<u>16,893</u>
Increase in unrealized appreciation			24,058
Net realized gains			11,793
Interest and dividend income			9,789
Less: management fees			<u>(6,131)</u>
Net investment income - 2017			<u>\$ 39,509</u>
	<u>Cost</u>	<u>Market</u>	<u>Excess of Market Over Cost</u>
Balances as of December 31, 2016	<u>\$ 339,047</u>	<u>\$ 355,940</u>	\$ 16,893
Balances as of December 31, 2015	<u>\$ 313,819</u>	<u>\$ 314,144</u>	<u>325</u>
Increase in unrealized appreciation			16,568
Net realized gains			2,437
Interest and dividend income			8,143
Less: management fees			<u>(5,878)</u>
Net investment income - 2016			<u>\$ 21,270</u>

Note 7 - FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the Financial Accounting Standards Board Accounting Standards Codification Topic 820, Fair Value Measurements are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

Note 7 - FAIR VALUE MEASUREMENTS (Continued)

The methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis as of December 31, 2017 and 2016 are comprised of and determined as follows:

Description	Total Assets Measured At Fair Value	2017		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 108,157	\$ 108,157	\$ -	\$ -
Mutual funds	323,592	323,592	-	-
	<u>\$ 431,749</u>	<u>\$ 431,749</u>	<u>\$ -</u>	<u>\$ -</u>
			2016	
Description	Total Assets Measured At Fair Value	Based on		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Equity securities	\$ 84,542	\$ 84,542	\$ -	\$ -
Mutual funds	271,398	271,398	-	-
	<u>\$ 355,940</u>	<u>\$ 355,940</u>	<u>\$ -</u>	<u>\$ -</u>

As of December 31, 2017, there were no assets measured at fair value on a non-recurring basis.

Note 8 - PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 and 2016 consists of the following:

	2017	2016
Land	\$ 1,978,929	\$ 1,978,929
Buildings	11,408,882	11,028,108
Furniture and equipment	2,916,854	2,816,086
Leasehold improvements	1,320,121	1,091,456
Construction in progress	74,614	51,079
	17,699,400	16,965,658
Less accumulated depreciation	(6,028,283)	(5,440,960)
Totals	\$ 11,671,117	\$ 11,524,698

Depreciation expense totaled \$587,322 and \$609,810 for the years ended December 31, 2017 and 2016, respectively.

Note 9 - CAPITAL LEASE OBLIGATIONS

As of December 31, 2017 and 2016, the Association had capital leasing arrangements for equipment with varying interest rates ranging from approximately 1.90% to 6.54%. As of December 31, 2017 and 2016, the following is a schedule of capitalized cost and accumulated depreciation acquired through capital leases:

	2017	2016
Capitalized costs	\$ 367,133	\$ 867,697
Accumulated depreciation	(312,733)	(701,538)
Net book value	\$ 54,400	\$ 166,159

Depreciation expense on equipment acquired through the capital lease totaled \$111,769 and \$165,087 for the years ended December 31, 2017 and 2016, respectively.

Capitalized costs, accumulated depreciation, and depreciation expense are included in the totals of property and equipment in Note 8.

Note 9 - CAPITAL LEASE OBLIGATIONS (Continued)

Future minimum payments under the capital lease obligations as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 41,490
2019	<u>17,269</u>
Total future payments	58,759
Less amount representing interest	<u>(1,649)</u>
Present value of net future payments	<u>\$ 57,110</u>

Interest expense for the capital lease obligations totaled \$4,178 and \$8,836 for the years ended December 31, 2017 and 2016, respectively.

Note 10 - FINANCING AND LEASE OBLIGATIONS

The Association financed the renovations of existing facilities and the acquisition of property and fixtures by entering into a finance and lease agreement in the aggregate principal amount of \$5,000,000. The financing and lease agreement (the "Agreement"), was dated December 1, 2010. In conjunction with the Agreement, the Association accepted the assignment and assumption of the Agreement and guarantees the Agreement. As additional collateral, the Association issued a mortgage on certain existing property and future facilities to be constructed.

The funding of the obligation is in three phases. The first phase totaled \$2,327,691 and was issued on December 1, 2010 ("Project Part I"). The second phase totals \$1,912,309 ("Project Part II"), and the final phase totals \$760,000 ("Project Part III"), these phases have not been drawn on as of December 31, 2017.

The outstanding balance under this obligation was \$1,775,114 and \$1,867,238 as of December 31, 2017 and 2016, respectively.

The Association entered into an interest rate swap agreement in December 2010 with a local financial institution. The notional amount on this agreement as of December 31, 2017 and 2016 was approximately \$1,775,000 and \$1,867,000, respectively, and bears interest at a fixed rate of 5.35%. The floating interest rate on the swap agreement is calculated based on 59.80% of USD-LIBOR-BBA (1.5643% and .4611% as of December 31, 2017 and 2016, respectively) plus 228 basis points. This agreement was effective December 22, 2010 and terminates on December 28, 2020. The hedge agreement is designed to hedge the risk of changes in interest rates.

Note 10 - FINANCING AND LEASE OBLIGATIONS (Continued)

The Association follows Topic 815, *Derivatives and Hedges*, which requires the Association to recognize all of its derivative instruments as either assets or liabilities on the Statement of Financial Position at fair value. The accounting for the change in fair value of the derivative instrument is recognized as a component of change in unrestricted net assets in the Statement of Activities. The Association has recognized an unfavorable position with the counterparty in the amounts of \$89,735 and \$139,293 as accounts payable and accrued expenses on the Statements of Financial Position as of December 31, 2017 and 2016, respectively, and recorded unrealized gains of \$49,558 and \$45,048 on the Statements of Activities for the years ended December 31, 2017 and 2016, respectively.

Interest expense on the bonds and swap agreement for the years ended December 31, 2017 and 2016 was approximately \$99,000 and \$104,000, respectively.

The obligations of projects Part II and III will bear interest at the same rate of interest as the Project Part I obligation and will mature on various dates through December 28, 2020. Principal and interest payments are due monthly. The required principal payments for the Project Part II and III obligations will be determined subsequent to the issuance of the proceeds. The required principal payments for Project Part I are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 97,175
2019	102,504
2020	<u>1,575,435</u>
Total	<u>\$ 1,775,114</u>

Note 11 - GRANTS

The Association participates in a number of state and federally-assisted grant programs. Federal and state grants are included in grants revenue for the years ended December 31, 2017 and 2016. The programs are subject to compliance audits. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under the terms and compliance requirements of the grants. The Association's management believes that the amount of disallowances, if any, which may arise from future audits, will not be material to the consolidated financial statements.

Note 12 - NATIONAL YMCA ORGANIZATION

The Association is a member of the National YMCA Organization and is responsible for paying monthly dues to the National YMCA. Differences between estimated revenues and actual revenues resulted in an overpayment of dues in both 2017 and 2016. The balance due from the National YMCA as of December 31, 2017 and 2016 was \$11,038 and \$2,389, respectively.

Note 13 - RETIREMENT PLANS

The Association participates in a defined contribution, individual account, money purchase retirement plan which is administered by the National YMCA Retirement Fund. Employer contributions to the plan for the years ended December 31, 2017 and 2016 totaled \$239,022 and \$204,621, respectively.

Note 14 - PENDING LITIGATION

During the year ended December 31, 2017, a third-party consultant alleged that she sustained injuries at the West St. Tammany branch and filed a workers' comp claim against her employer's policy. The consultant has threatened to sue the YMCA and the Louisiana Workers' Compensation Corporation may pursue subrogation of the claim. No claims have been filed as of the date of this report and the Association has not engaged an attorney related to this matter. Management anticipates any claim will be fully covered by the Association's general liability insurance policy.

Also, during the year ended December 31, 2017, a former employee filed an EEOC claim against the Association. Management believes that this claim is without merit, and has engaged an attorney related to this matter. Management anticipates that any claim will be fully covered by the Association's Employment Practices Liability insurance.

Note 15 - OPERATING LEASES

The Association has certain operating leases for office and warehouse space and various office equipment used in operations. Rent expense related to these leases totaled \$32,046 and \$35,026 for the years ended December 31, 2017 and 2016, respectively, and is included in contract services, occupancy and equipment expenses in the accompanying Statements of Functional Expenses for the years ended December 31, 2017 and 2016.

Note 15 - OPERATING LEASES (Continued)

Future minimum lease payments under these non-cancellable operating leases as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	
2018	\$ 33,222
2019	32,550
2020	31,206
2021	31,206
2022	<u>23,405</u>
Total	<u>\$ 151,589</u>

Note 16 - SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and non-cash financing and investing activities for the years ended December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Cash paid for interest	<u>\$ 106,259</u>	<u>\$ 178,606</u>
Note receivable matured	<u>\$ -</u>	<u>\$ 6,000,000</u>
Note payable matured	<u>\$ -</u>	<u>\$ (6,000,000)</u>

Note 17 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017 and 2016, the Association paid \$35,890 and \$41,398, respectively, of insurance premiums to an insurance agency in which one of the Association's Board of Directors is the President.

Note 18 - SUBSEQUENT EVENT

In February 2018, the Association opened a \$500,000 line of credit with a local financial institution.

Note 19 - PRIOR PERIOD INFORMATION

The consolidated financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's and Subsidiary's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

SUPPLEMENTAL INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

**The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary
Metairie, Louisiana**

For the year ended December 31, 2017

Agency Head Name: Gordon Wadge, President, Chief Executive Officer

Purpose:

Salary	\$ 160,000
Benefits - insurance	6,134
Benefits - retirement	19,200
Benefits - other	1,018
Car allowance	0
Vehicle provided by the Association	0
Per diem	0
Reimbursements	240
Travel	2,022
Registration fees	0
Conference travel	422
Continuing professional education fees	0
Housing	0
Unvouched expenses	0
Special meals	0
	<hr/>
	\$ 189,036

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,
The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary,
Metairie, Louisiana.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of The Young Men's Christian Association of Greater New Orleans, Louisiana and Subsidiary (the "Association"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 7, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidated financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,
May 7, 2017.

SCHEDULE OF FINDINGS AND RESPONSES

**The Young Men's Christian Association
of Greater New Orleans, Louisiana and Subsidiary
Metairie, Louisiana**

For the year ended December 31, 2017

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Significant deficiency(ies) identified that are
not considered to be a material weakness? ___ Yes X None reported

Noncompliance material to consolidated
financial statements noted? ___ Yes X No

b) Federal Awards

The Association did not expend more than \$750,000 in Federal awards during the year ended December 31, 2017, and therefore, is exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Consolidated Financial Statements**

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended December 31, 2017.

No significant deficiencies were noted during the audit of the consolidated financial statements for the year ended December 31, 2017.

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Consolidated Financial Statements (Continued)**

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit for the year ended December 31, 2017.

Section III - Federal Award Findings and Questioned Costs

Internal Control/Compliance

The Association did not expend more than \$750,000 in Federal awards during the year ended December 31, 2017 and, therefore, was exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

The Young Men's Christian Association of Greater New Orleans, Louisiana and Subsidiary Metairie, Louisiana

For the year ended December 31, 2017

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Consolidated Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended December 31, 2016.

No significant deficiencies were noted during the audit of the consolidated financial statements for the year ended December 31, 2016.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit for the year ended December 31, 2016.

Section II - Internal Control and Compliance Material to Federal Awards

The Association did not expend more than \$750,000 in Federal awards during the year ended December 31, 2017 and, therefore, was exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year December 31, 2016.

MANAGEMENT'S CORRECTIVE ACTION PLAN

The Young Men's Christian Association of Greater New Orleans, Louisiana and Subsidiary Metairie, Louisiana

For the year ended December 31, 2017

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Consolidated Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the consolidated financial statements for the year ended December 31, 2017.

No significant deficiencies were noted during the audit of the consolidated financial statements for the year ended December 31, 2017.

Compliance and Other Matters

No compliance findings material to the consolidated financial statements were reported during the audit for the year ended December 31, 2017.

Section II - Internal Control and Compliance Material to Federal Awards

The Association did not expend more than \$750,000 in Federal awards during the year ended December 31, 2017 and, therefore, was exempt from the audit requirements of Title 2 U.S. Code for Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2017.