

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

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

27. Commitments

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

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

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

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

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

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

28. Contingencies

The YMCA is a recipient of federal, state and other third party reimbursement funds that are subject to special compliance audits by the granting agencies and other third party agencies that provide these reimbursements. The outcome of these audits may result in expenditures that would be disallowed. Disallowed amounts, if any, would constitute a contingent liability.

The Organization is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of its activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Organization.