YOUNG MEN'S CHRISTIAN ASSOCIATION
OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

December 31, 2011 and 2010

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of the Young Men's Christian Association of Middle Tennessee (the "YMCA") as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the YMCA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the YMCA as of December 31, 2010 were audited by other auditors whose report dated May 27, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Middle Tennessee as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2012, on our consideration of the YMCA'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

May 21, 2012

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	2011	**2010**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,465,828	$ 14,425,953
Accounts and grants receivable	1,112,774	994,873
Contributions receivable, current portion	2,032,754	2,779,815
Prepaid expenses	765,838	474,755
Total current assets	18,377,194	18,675,396
Contributions receivable, net of current portion	2,301,183	1,482,618
Land held for sale	600,000	600,000
Property, plant and equipment, net	134,865,762	133,561,210
Bond issue costs, net	304,539	340,652
Cash restricted for investment in property and equipment	1,884,264	4,129,071
Total assets	$ 158,332,942	$ 158,788,947
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,016,656	$ 6,713,636
Deferred membership dues	1,810,390	1,728,326
Notes payable, current portion	405,037	575,460
Bonds payable, current portion	3,710,000	3,440,000
Capital lease obligations, current portion	1,834,165	2,173,510
Total current liabilities	13,776,248	14,630,932
Derivative liability - interest rate swap	5,860,156	4,988,764
Notes payable, net of current portion	5,550,871	2,312,477
Bonds payable, net of current portion	36,690,000	44,880,000
Capital lease obligations, net of current portion	1,532,619	1,701,688
Deferred lease revenue	1,462,089	1,563,894
Total liabilities	64,871,983	70,077,755
Net assets:		
Unrestricted		
Board designated reserves	6,168,431	6,309,811
Undesignated	81,074,327	74,009,877
Total unrestricted	87,242,758	80,319,688
Temporarily restricted	6,218,201	8,391,504
Total net assets	93,460,959	88,711,192
Total liabilities and net assets	$ 158,332,942	$ 158,788,947

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Memberships	$ 48,360,875	$ -	$ 48,360,875
Program fees	22,833,774	-	22,833,774
Contributions	7,686,115	4,597,410	12,283,525
Grants	3,211,004	-	3,211,004
Other income	932,481	-	932,481
Sales to members	725,851	-	725,851
Interest income	182,473	-	182,473
Consulting and management fees	131,402	-	131,402
Net gain on disposal of property and equipment	89,600	-	89,600
United Way	12,252	-	12,252
Net assets released from restrictions satisfaction of purpose restrictions	6,770,713	(6,770,713)	-
Total revenues and support	90,936,540	(2,173,303)	88,763,237
Expenses:			
Program services	72,344,494	-	72,344,494
Administrative	9,734,055	-	9,734,055
Fundraising	1,934,921	-	1,934,921
Total expenses	84,013,470	-	84,013,470
Change in net assets	6,923,070	(2,173,303)	4,749,767
Net assets - beginning of year	80,319,688	8,391,504	88,711,192
Net assets - end of year	$ 87,242,758	$ 6,218,201	$ 93,460,959

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Memberships	$ 47,394,098	$ -	$ 47,394,098
Program fees	22,040,333	-	22,040,333
Contributions	6,134,748	709,029	6,843,777
Grants	3,619,567	-	3,619,567
Other income	1,100,523	-	1,100,523
Sales to members	649,385	-	649,385
Interest income	255,247	-	255,247
Consulting and management fees	133,552	-	133,552
United Way	81,213	-	81,213
Net gain on disposal of property and equipment	52,802	-	52,802
Net assets released from restrictions satisfaction of purpose restrictions	5,154,902	(5,154,902)	-
Total revenues and support	86,616,370	(4,445,873)	82,170,497
Expenses:			
Program services	68,667,821	-	68,667,821
Administrative	10,215,045	-	10,215,045
Fundraising	1,800,563	-	1,800,563
Total expenses	80,683,429	-	80,683,429
Change in net assets	5,932,941	(4,445,873)	1,487,068
Net assets - beginning of year	74,386,747	12,837,377	87,224,124
Net assets - end of year	$ 80,319,688	$ 8,391,504	$ 88,711,192

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

	Program Services	Supporting Services: Administration	Supporting Services: Fundraising	Total
Salaries and instructors' fees	$ 33,235,688	$ 4,089,440	$ 872,853	$ 38,197,981
Employee benefits	3,423,013	452,775	173,950	4,049,738
Payroll taxes and workman's compensation	2,973,259	333,115	67,997	3,374,371
Total salaries and related expenses	39,631,960	4,875,330	1,114,800	45,622,090
Occupancy costs	8,664,590	353,991	-	9,018,581
Supplies and general expenses	4,640,115	183,613	41,628	4,865,356
Purchased services	2,051,527	1,030,666	86,431	3,168,624
Interest expense	1,999,902	546,490	-	2,546,392
Printing and publications	1,526,810	354,496	-	1,881,306
Equipment costs	1,018,705	593,289	4,968	1,616,962
Assistance, awards and grants	1,130,004	-	219,727	1,349,731
Conferences, conventions and meetings	914,032	190,819	32,919	1,137,770
Travel	814,644	226,025	23,810	1,064,479
Change in derivative liability	684,380	187,012	-	871,392
Telephone	436,677	111,528	22	548,227
Insurance	470,079	6,324	-	476,403
Miscellaneous	332,738	76,681	14,783	424,202
Fundraising expenses	-	-	388,111	388,111
Membership dues	280,470	57,783	2,350	340,603
Postage and shipping	70,657	107,988	5,372	184,017
Total expenses before depreciation and amortization	64,667,290	8,902,035	1,934,921	75,504,246
Depreciation and amortization	7,677,204	832,020	-	8,509,224
Total expenses	$ 72,344,494	$ 9,734,055	$ 1,934,921	$ 84,013,470

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	Program Services	Supporting Services: Administration	Supporting Services: Fundraising	Total
Salaries and instructors' fees	$ 32,321,527	$ 4,613,241	$ 877,646	$ 37,812,414
Employee benefits	3,229,971	443,339	163,450	3,836,760
Payroll taxes and workman's compensation	2,922,629	332,087	72,678	3,327,394
Total salaries and related expenses	38,474,127	5,388,667	1,113,774	44,976,568
Occupancy costs	8,004,455	160,327	-	8,164,782
Supplies and general expenses	4,884,924	174,978	7,430	5,067,332
Purchased services	2,024,110	1,084,981	9,733	3,118,824
Interest expense	1,781,264	482,787	-	2,264,051
Equipment costs	1,033,334	595,668	350	1,629,352
Conferences, conventions and meetings	960,714	314,274	12,717	1,287,705
Printing and publications	678,338	556,048	24,173	1,258,559
Travel	872,736	232,877	29,366	1,134,979
Miscellaneous	280,438	25,298	343,308	649,044
Telephone	454,928	90,179	-	545,107
Assistance, awards and grants	290,938	-	247,431	538,369
Change in derivative liability	345,015	93,511	-	438,526
Membership dues	386,156	-	1,941	388,097
Insurance	253,146	5,388	-	258,534
Postage and shipping	82,032	122,074	10,340	214,446
Total expenses before depreciation and amortization	60,806,655	9,327,057	1,800,563	71,934,275
Depreciation and amortization	7,861,166	887,988	-	8,749,154
Total expenses	$ 68,667,821	$ 10,215,045	$ 1,800,563	$ 80,683,429

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 4,749,767	$ 1,487,068
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	8,509,224	8,749,154
Donated property, plant and equipment	(2,000,000)	-
Gain on disposition of property and equipment	(89,600)	(52,803)
Increase in derivative liability - interest rate swap	871,392	438,526
Pledges for property, plant and equipment	(4,034,595)	(610,789)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(117,901)	(435,971)
Prepaid expenses	(291,083)	(223,327)
Accounts payable and accrued expenses	(832,217)	1,886,040
Deferred membership dues	82,064	(119,337)
Deferred lease revenue	(101,805)	(99,267)
Net cash provided by operating activities	6,745,246	11,019,294
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,626,939)	(8,099,915)
Decrease in cash restricted for investment in property, plant and equipment	2,244,807	5,748,403
Proceeds from sale of property and equipment	89,600	61,502
Net cash used in investing activities	(1,292,532)	(2,290,010)
Cash flows from financing activities:		
Proceeds received from pledges for property, plant and equipment	3,963,091	4,630,156
Principal payments on notes and bonds payable	(8,551,029)	(7,662,787)
Proceeds from notes payable	2,199,000	-
Principal payments on capital lease obligations	(2,781,053)	(2,869,448)
Payments of prior year accounts payable for construction in progress	(242,848)	(136,541)
Net cash used in financing activities	(5,412,839)	(6,038,620)
Increase in cash and cash equivalents	39,875	2,690,664
Cash and cash equivalents - beginning of year	14,425,953	11,735,289
Cash and cash equivalents - end of year	$ 14,465,828	$ 14,425,953
Supplemental cash flow disclosures:		
Non-cash investing and financing activities:		
Donated property, plant and equipment	$ 2,000,000	$ -
Property, plant and equipment acquired through capitalized leases	$ 2,272,639	$ 2,689,510
Property, plant and equipment acquired through financing	$ 1,500,000	$ 47,895
Accounts payable for construction-in-progress	$ 378,085	$ 242,848
Interest expense paid (including capitalized interest of $0 in 2011 and $69,587 in 2010)	$ 2,546,392	$ 2,413,448

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Young Men's Christian Association of Middle Tennessee (the "YMCA") is a worldwide charitable fellowship united by a common loyalty to Jesus Christ for the purpose of helping people grow in spirit, mind and body. As the region's leading nonprofit dedicated to strengthening community, the YMCA works side-by-side with neighbors to make sure that everyone, regardless of age, income or background, has the opportunity to learn, grow and thrive. With 31 centers and 328 program locations, the YMCA reaches 329,697 lives – 1 of every 6 people in the 12-county area it serves – by nurturing the potential of children and teens, improving the nation's health and well-being and providing opportunities to give back and support neighbors.

Basis of Presentation

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

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

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

Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. As of December 31, 2011 and 2010, all temporarily restricted net assets were from contributions and pledges for capital improvements at the various YMCA facilities.

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations or certain restricted purposes. The YMCA had no permanently restricted net assets as of December 31, 2011 or 2010.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Support

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

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

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

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

Donated Services

Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2011 and 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking account balances, bank certificates of deposit and money market funds that can be liquidated without significant penalty or restriction.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized using the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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

Prepaid Expenses

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

Advertising, marketing and promotional costs incurred amounted to $1,881,306 and $1,258,559 for the years ended December 31, 2011 and 2010, respectively.

Property, Plant and Equipment

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Issue Costs and Amortization

Bond issue costs are capitalized and amortized by the straight-line method over the term of the related bond issue. Accumulated amortization at December 31, 2011 and 2010 was $417,725 and $381,612, respectively.

Derivatives

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

Deferred Revenues

Deferred revenue consists of membership dues, unearned revenue from a lease, and prepaid operational and maintenance costs from a lease.

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

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

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

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

Income Taxes

The YMCA qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The YMCA pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2011 and 2010.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The YMCA follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The YMCA has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2008 through 2011.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

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

Supporting Services:

Administration - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Fair Value Measurements

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

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

Following is a description of the valuation methodologies used for financial assets and liabilities measured at fair value on a recurring basis:

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

> Other financial instruments – The YMCA estimates that the fair value of all other financial instruments as December 31, 2011, does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the YMCA using available market information and appropriate valuation methodologies.

No changes in the valuation methodologies were made during 2011 or 2010.

Reclassifications

Certain reclassifications have been made in the 2010 financial statements to conform to the 2011 presentation. The reclassifications had no effect on the change in net assets previously reported.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The YMCA evaluated subsequent events through May 21, 2012, when these financial statements were available to be issued. Other than described in Note 13, YMCA management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

	2011	2010
Cash and cash equivalents	$ 14,465,828	$ 14,425,953
Cash restricted for investment in property and equipment	1,884,264	4,129,071
	$ 16,350,092	$ 18,555,024

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Pledges receivable and other receivables consisted of the following as of December 31:

	2011	2010
Temporarily restricted:		
Less than one year	$ 2,543,080	$ 2,779,815
One to five years	3,093,942	1,687,028
Five years and greater	7,050	1,266,129
	5,644,072	5,732,972
Less: allowance for uncollectible contributions	(1,210,676)	(1,213,880)
Less: discount to net present value	(99,459)	(256,659)
Total	$ 4,333,937	$ 4,262,433

Conditional promises to give that were not recognized as support initially consisted of the following at December 31:

	2011	2010
Robertson County YMCA Capital Campaign	$ -	$ 5,450
Nelson Andrews Leadership Center Campaign	600,000	800,000
	$ 600,000	$ 805,450

NOTE 3 – CONTRIBUTIONS RECEIVABLE (Continued)

During 2010, the YMCA was notified by three donors that they will recommend to the Community Foundation of Middle Tennessee, Inc. (the "Foundation") that gifts totaling $1,000,000 be made to the YMCA over a five-year period for the Nelson Andrews Leadership Campaign. Payments totaling $200,000 have been approved by the Foundation and recognized as support by the YMCA in 2011 and 2010, respectively. The Foundation has final authority over these donor recommendations, which are advisory only and, accordingly, the balance of these contributions will not be recognized until the period approved by the Foundation.

NOTE 4 – LAND HELD FOR SALE

During 2009, the YMCA received a land donation with an estimated fair value of $600,000. Management determined that the YMCA will sell the land and currently lists the property for sale.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

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

	2011	2010
Land and land improvements	$ 19,348,996	$ 15,506,419
Buildings and improvements	145,936,056	140,137,282
Equipment and furniture	30,465,132	29,677,029
Software	3,868,765	3,618,549
Construction in progress	1,437,383	5,015,285
	201,056,332	193,954,564
Less: accumulated depreciation	(66,190,570)	(60,393,354)
	$134,865,762	$133,561,210

Construction-in-progress includes expansions and additions that were underway at December 31, 2011, at certain YMCA centers, as to which the estimated cost to complete these projects was approximately $6,916,000.

NOTE 6 – DEFERRED LEASE REVENUE

In June 2006, the YMCA entered into an agreement with Fifty Forward (a nonprofit organization) for facility use and maintenance. Under the terms of the lease, Fifty Forward has the right to occupy approximately 20% of the space at the Bellevue Family YMCA and J.L. Turner Center for Lifelong Learning for an initial term of 20 years, with four consecutive five-year renewal options. The agreement required an initial advance payment of $2,000,000, of which $1,486,636 was prepaid rent for the entire initial lease term, and $513,364 was a prepayment for estimated operational costs and maintenance for approximately 15 years. The remaining unamortized balance of deferred lease revenue for the Bellevue facility totaled $1,462,089 and $1,563,894 at December 31, 2011 and 2010, respectively.

The agreement with Fifty Forward also includes revenue sharing provisions related to certain jointly sponsored programs primarily directed to senior citizens at the Bellevue facility.

NOTE 7 – NOTES AND BONDS PAYABLE

Notes and bonds payable consisted of the following at December 31:

		2011	2010
Notes Payable			
Note payable to Bank of America to fund certain construction projects. Interest is charged at a fixed rate of 7.87%. The note matures in monthly installments through August 31, 2014.		$ 171,948	$ 242,638
Various notes payable on vehicles purchased for employee and program usage. Total monthly payments range from $389 to $1,039, including interest ranging from 0% to 9.23% per annum. Maturities range through 2015.		69,620	99,219
Note payable to Bank of America for purchase of the 900 Church Street administrative building, payable in monthly principal installments of $3,820, plus interest. Interest is charged at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due April 15, 2014.	(3)	99,240	145,080

NOTE 7 – NOTES AND BONDS PAYABLE (Continued)

Notes Payable (Continued)		**2011**	**2010**
Note payable to Bank of America for expansion of the Green Hills branch, payable in monthly principal installments ranging from $4,700 to $6,000, plus interest at the rate of 150 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full on July 31, 2015.	(3)	1,661,000	2,018,900
Note payable to Bank of America for expansion of the Brentwood YMCA, payable in monthly principal installments of $12,700, plus interest. Interest is charged at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due July 15, 2013.	(3)	255,100	382,100
Note payable to Bank of America for expansion of the Rutherford County YMCA requiring interest only payments beginning January 2012 calculated at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due December 1, 2013.	(3)	530,000	-
Note payable to Bank of America for purchase of land associated with possible expansion into Mt. Juliet requiring interest only payments beginning January 2012 calculated at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due December 1, 2013.	(3)	489,000	-
Note payable to Bank of America for expansion of the Bellevue branch, payable in monthly principal installments ranging from $3,500 to $4,100, plus interest at the rate of 150 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full on December 1, 2015.	(3)	180,000	-
Note payable to Bank of America for funding of YMCA rebranding projects requiring interest only payments calculated at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due August 17, 2013.	(3)	1,000,000	-

NOTE 7 – NOTES AND BONDS PAYABLE (Continued)

Notes Payable (Continued)		**2011**	**2010**
Note payable to a private party for purchase of land associated with possible expansion into Mt. Juliet requiring annual interest payments totaling $74,500 calculated at a fixed rate of 5%. All unpaid principal and interest are due December 31, 2016.		1,500,000	-
Total notes payable		$ 5,955,908	$ 2,887,937
Bonds Payable			
1998 Industrial Revenue Bonds, face value $52,000,000, final maturity date of December 1, 2018. Mandatory sinking fund deposits toward principal repayment are due annually. Interest on the bonds is determined weekly by the Remarketing Agent and ranged from 0.10% - 0.58% in 2011 (0.14% - 0.58% in 2010); the rate is not to exceed a maximum rate of 12%.	(1), (2)	$ 22,120,000	$ 24 610 000
2007 Industrial Revenue Bonds, face value $31,440,000, final maturity date of December 1, 2027. Interest on the bonds is determined weekly by the Remarketing Agent and ranged from 0.08% - 0.45% in 2011 (0.14% - 0.58% in 2010); the rate is not to exceed a maximum rate of 12%.	(1), (2)	18,280,000	23,710,000
Total bonds payable		$ 40,400,000	$ 48,320,000

NOTE 7 – NOTES AND BONDS PAYABLE (Continued)

Annual principal maturities and required reimbursement payments of debt obligations as of December 31, 2011, are as follows:

		Required Reimbursement Payment (2)		
Years Ending December 31;	**Notes Payable**	**1998 Bond Issue**	**2007 Bond Issue**	**Total**
2012	$ 405,037	$ 2,690,000	$ 1,020,000	$ 4,115,037
2013	2,366,736	3,100,000	570,000	6,036,736
2014	163,772	3,100,000	570,000	3,833,772
2015	1,520,363	3,100,000	570,000	5,190,363
2016	1,500,000	3,520,000	710,000	5,730,000
Thereafter	-	6,610,000	14,840,000	21,450,000
	$ 5,955,908	$ 22,120,000	$ 18,280,000	$ 46,355,908

(1) The YMCA has two interest rate swap agreements with Bank of America in order to lessen exposure to fluctuating interest rates on the Bonds. The interest rate swaps are applicable to a scheduled notional amount, which reduces annually each January. Under one agreement, the YMCA makes a monthly interest payment to the Bank equal to a per annum rate of 4.33% times the scheduled annual notional amount ($21,150,000 in 2011; $23,640,000 in 2010), and the Bank makes a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 70% of the LIBOR. The second agreement requires the YMCA to make a monthly interest payment to the Bank equal to a per annum rate of 3.515% times the scheduled annual notional amount ($18,277,000 in 2011; $21,103,000 in 2010), and the Bank makes a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 70% of LIBOR. The swap agreements terminate on December 1, 2018 and December 1, 2027, respectively, the final maturity dates of the Bonds.

(2) The YMCA entered into Reimbursement Agreements with Bank of America, pursuant to which the Bank issued its Letter of Credit in favor of the Bond Trustee in the original stated amount of the Bonds (approximately $52 million and $31.4 million, respectively).

(3) On December 31, 2004, the YMCA entered into a Master Loan Agreement, as amended, with Bank of America for additional loan commitments up to $15,000,000 through July 31, 2015. The agreement provides for both revolving and term loans during the term of the agreement. Revolving loans provide for interest only payments, with a maturity date within twenty-four months of the date of the note. Term loans require monthly principal and interest payments based on a twenty-year amortization, with a maturity date within five years of the date of the note. Interest rates charged on both types of loans are calculated at 150 basis points above the LIBOR rate. The agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's assets.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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

The YMCA has a management agreement with the YMCA of Scottsville and Allen County, Inc. for the YMCA to oversee the day-to-day operations of the facility. Currently, the Scottsville Center land, building and equipment are included in the YMCA's total assets; however, it is anticipated that these assets will be transferred to the YMCA of Scottsville and Allen County, Inc. in the future. The carrying value of these assets that would be transferred out approximated $3.7 million at December 31, 2011.

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of December 31, 2011, the Organization's depositor accounts exceeded FDIC insurance limits by approximately $10,800,000.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from four donors amounted to 71% of total gross outstanding contributions receivable as of December 31, 2011 (two donors comprised 45% of gross contributions receivable as of December 31, 2010).

NOTE 10 – EMPLOYEE BENEFIT PLANS

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

Contributions to the plan by employees and employer YMCA's are based on a percentage of the participating employees' salaries and are remitted monthly. Total contributions to the plan by the YMCA of Middle Tennessee, which are included in employee benefits, amounted to $2,255,971 in 2011 and $2,250,346 in 2010.

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

NOTE 11 – RELATED PARTY TRANSACTIONS AND RELATED ENTITIES

The YMCA purchases insurance, utilities, contracts for marketing services, law services, construction services and architectural services through certain Board members. The total of such expenditures approximated $3,620,000 in 2011 and $6,460,000 in 2010.

The YMCA Foundation of Middle Tennessee (the "YMCA Foundation") was formed to establish a sustaining means of support, using its income primarily for the benefit of the YMCA. The YMCA has representation on the YMCA Foundation's Board of Directors but does not have a majority voting interest. The YMCA Foundation receives donor designated funds and also makes grants to other nonprofit organizations. For the year ended December 31, 2011, the YMCA Foundation paid out total grants of $187,530 ($185,188 in 2010), of which $181,837 ($159,848 in 2010) was paid to the YMCA and included in grant revenues.

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

	2011	2010
Total assets	$ 5,902,857	$ 5,156,062
Total liabilities	78,296	79,620
Net assets	$ 5,824,561	$ 5,076,442
Net assets:		
Unrestricted	$ 4,806,636	$ 4,949,998
Unrestricted – Philanthropic funds	63,228	61,663
Temporarily restricted	954,697	64,781
Total net assets	$ 5,824,561	$ 5,076,442
Total support and revenue, including realized and unrealized (losses) gains on investments of: $(151,539) in 2011 and $450,664 in 2010.	$ 1,069,181	$ 709,000
Total expenses	$ 321,062	$ 381,051
Resources held for the benefit of the YMCA	$ 5,761,333	$ 5,014,779

NOTE 12 – LEASES

The YMCA is obligated on several noncancelable operating leases for office space, equipment and vehicles that expire at various dates through 2018. Total rental expense incurred under these leases for the years ended December 31, 2011 and 2010, amounted to: office space - $1,013,029 and $721,614, respectively; equipment - $436,107 and $322,785, respectively; and vehicles - $108,619 and $152,431, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2015. Total capital lease payments made under these leases for the years ended December 31, 2011 and 2010 amounted to $2,955,433 and $3,059,782, including $174,382 and $190,334 of imputed interest, respectively.

Future minimum lease payments required under all noncancelable leases as of December 31, 2011, are:

	Operating Leases				Capital Leases
	Office	Equipment	Vehicles	Total	Equipment
Years Ending December 31;					
2012	$ 495,306	$ 233,111	$ 10,200	$ 738,617	$ 1,934,962
2013	307,921	77,704	10,200	395,825	1,250,083
2014	207,860	-	10,200	218,060	224,570
2015	194,910	-	10,200	205,110	110,700
2016	170,555	-	10,200	180,755	-
Thereafter	280,364	-	5,950	286,314	-
	$ 1,656,916	$ 310,815	$ 56,950	$ 2,024,681	$ 3,520,315
Less: interest imputed at rates ranging from 2.97% to 7.33%					153,531
Present value of future minimum lease payments					$ 3,366,784

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

	2011	2010
Cost	$ 9,879,699	$ 12,040,365
Accumulated depreciation	(6,754,119)	(8,531,207)
Net book value	$ 3,125,580	$ 3,509,158

NOTE 13 – SUBSEQUENT EVENT

On March 16, 2012, the YMCA entered into an agreement with SunTrust Bank to provide up to $57 million in financing through a non-bank qualified tax exempt loan and up to $18 million in financing through a taxable debt facility. These debt instruments will serve to refinance all existing debt and provide additional borrowing capacity. The industrial development bond associated with the tax exempt loan was approved by the Davidson County Industrial Development Board on May 8, 2012. The transactions are expected to close on July 2, 2012.

ADDITIONAL INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

Grant Description	Federal CFDA Number	Grantor's Number	Grant Period	Balance Receivable 12/31/10	1/1/11 - 12/31/11 Receipts	1/1/11 - 12/31/11 Expenditures	Balance Receivable 12/31/11
Federal Awards:							
U.S. Department of Agriculture							
Passed through State of Tennessee Department of Human Services							
Child and Adult Care Food Program (CACFP):							
Northwest	10.558*	DP-11-32862	10/1/10-9/30/11	$ 3,436	$ 39,651	$ 36,215	$ -
Northwest	10.558*	03-47-764110-00-1	10/1/11-9/30/12	-	6,771	9,067	2,296
Margaret Maddox Family YMCA	10.558*	DP-11-32862	10/1/10-9/30/11	877	10,447	9,570	-
Margaret Maddox Family YMCA	10.558*	03-47-64482-00-7	10/1/11-9/30/12	-	2,636	3,909	1,273
School Age Services	10.558*	DP-11-32862	10/1/10-9/30/11	65,090	335,179	270,089	-
School Age Services	10.558*	03-47-30024-00-4	10/1/11-9/30/12	-	75,888	101,390	25,502
Total U.S. Department of Agriculture				69,403	470,572	430,240	29,071
U.S. Department of Labor							
Employment and Training Association							
Youth Build	17.274*	YB-18930-09-60-A-47	7/1/09-6/30/12	109,774	465,541	355,767	-
Total U.S. Department of Labor				109,774	465,541	355,767	-
U.S. Department of Housing and Urban Development							
Passed Through Metropolitan Development and Housing Agency							
Community Development Block Grant:							
Youth Enrichment Initiatives - Boys & Girls Club YMCA	14.218	B-09-MC470007	6/1/11-8/15/11	-	15,000	15,000	-
Youth Enrichment Initiatives - Boys & Girls Club YMCA	14.218	B-09-MC470007	6/1/11-8/15/11	-	17,950	17,950	-
Total U.S. Department of Housing and Urban Development				-	32,950	32,950	-
U.S. Department of Justice							
Passed through the YMCA of San Francisco							
ARRA Youth Mentoring Program	16.808	N/A	10/1/10-9/30/11	71,240	207,666	136,426	-
ARRA Youth Mentoring Program	16.808	N/A	10/1/11-9/30/12	-	11,973	31,768	19,795
Total U.S. Department of Justice				71,240	219,639	168,194	19,795
Corporation of National and Community Service							
Passed Through the State of Tennessee Volunteer Tennessee (Edison ID 17989)							
Learn and Serve America							
Tennessee Service Learning	94.004	GR1030186	10/1/09-10/31/12	18,833	18,833	37,898	37,898
Total Corporation of National and Community Service				18,833	18,833	37,898	37,898

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Year Ended December 31, 2011

Grant Description	Federal CFDA Number	Grantor's Number	Grant Period	Balance Receivable 12/31/10	1/1/11 - 12/31/11 Receipts	1/1/11 - 12/31/11 Expenditures	Balance Receivable 12/31/11
Federal Awards:							
U.S. Department of Health and Human Services							
Passed through State of Tennessee Department of Health							
Step Up - Abstinence Education	93.235	GR1236756	9/1/11-6/30/14	-	10,367	31,813	21,446
Total U.S. Department of Health and Human Services				-	10,367	31,813	21,446
U.S. Department of Education							
Passed through the State of Tennessee Department of Health							
ARRA Project Diabetes:							
Robertson County	84.397	GR1133884	1/1/10-6/30/11	3,538	9,785	6,247	-
Putnam County	84.397		1/1/10-6/30/11	-	6,437	6,437	-
Maury County	84.397		1/1/10-6/30/11	4,590	26,655	22,065	-
Franklin	84.397		1/1/10-6/30/11	7,242	41,049	33,807	-
ARRA Diabetes Prevention	84.397	GR1236926	8/1/11-6/30/12	-	27,247	52,534	25,287
Total U.S. Department of Education				15,370	111,173	121,090	25,287
Total expenditures of Federal awards				$ 284,620	$ 1,329,075	$ 1,177,952	$ 133,497

(*) Denotes a major program

BASIS OF PRESENTATION

The schedule of expenditures of federal awards presents the grant activity of the Young Men's Christian Association of Middle Tennessee in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting as the basic financial statements. This schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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 of
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

We have audited the financial statements of the Young Men's Christian Association of Middle Tennessee (the "YMCA") as of and for the year ended December 31 , 2011, and have issued our report thereon dated May 21, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the YMCA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control over financial reporting.

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

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the YMCA in a separate letter dated May 21, 2012.

This report is intended solely for the information and use of management, the board of directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
May 21, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Young Men's Christian Association of Middle Tennessee's (the "YMCA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the YMCA's major federal programs for the year ended December 31, 2011. The YMCA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the YMCA's management. Our responsibility is to express an opinion on the YMCA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the YMCA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of YMCA's compliance with those requirements.

In our opinion, the YMCA complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying schedule of findings and questioned costs as item 2011-1.

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Internal Control Over Compliance

Management of the YMCA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered YMCA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the board of directors, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
May 21, 2012

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	__x__ No
Significant deficiency(ies) identified?	_____ Yes	__x__ None reported
Noncompliance material to financial statements noted?	_____ Yes	__x__ No

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	_____ Yes	__x__ No
Significant deficiency(ies) identified?	_____ Yes	__x__ None reported
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	__x__ Yes	_____ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program
17.274	Youth Build

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	_____ Yes	__x__ No

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Labor
Employment and Training Association – Youth Build, CFDA No. 17.274

	Questioned Costs
2011-1 Financial Reporting	
Statement of Condition: The YMCA did not submit the U.S. DOL ETA Financial Report Form timely.	n/a
Criteria: Each grantee is required to submit this report no later than 45 days after the end of each quarter covered by the grant term.	
Cause: Unknown	
Auditor's Recommendation: We recommend the Organization submit required reports within the applicable timeframe.	
Views of Responsible Officials: We concur with the recommendation and will make efforts to ensure all applicable reports are filed timely for 2012.	

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2011

Department of Labor
Employment and Training Association – Youth Build, CFDA No. 17.274

2010-1 – Internal control over tracking and reporting administrative matching costs

Statement of Condition:
The grant agreement and budget provides for matching support to be provided by the YMCA and other partner agencies. The matching support is being provided by the YMCA and other partner agencies in accordance with the grant budget, however, the YMCA does not have a sufficient process in place to accumulate, track and report this matching support to the Department of Labor on its quarterly reports.

Auditor's Recommendation:
The auditor recommended the YMCA establish an appropriate system of tracking the matching support functions outlined in the grant budget such that an accurate accounting of the required matching support may be presented.

Current Status:
During the audit for the year ended December 31, 2011, appropriate matching and the ability to track related amounts were determined to be in place. Additionally, the Department of Labor has reviewed this finding and considers it closed.