YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2010 AND 2009

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CONTENTS

KraftCPAs
PLLC

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Young Men's Christian Association of Middle Tennessee (the "YMCA") as of December 31, 2010 and 2009, and the related statements of activities, cash flows and functional expenses for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

KraftCPAs PLLC

Nashville, Tennessee
May 27, 2011

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YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	2010	2009 (Restated - Note 13)
ASSETS		
Cash and cash equivalents	$ 14,425,953	$ 11,735,289
Accounts and grants receivable	994,873	558,902
Contributions receivable, net	4,262,433	8,281,800
Prepaid expenses	474,755	251,428
Land held for sale	600,000	600,000
Property, plant and equipment, net	133,561,210	131,202,781
Bond issue costs, net	340,652	376,766
Cash restricted for investment in property and equipment	4,129,071	9,877,474
TOTAL ASSETS	$ 158,788,947	$ 162,884,440
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 6,713,636	$ 4,721,289
Derivative liability - interest rate swap	4,988,764	4,550,238
Debt:		
Notes payable	2,887,937	3,432,829
Bonds payable	48,320,000	55,390,000
Capital lease obligations	3,875,198	4,055,136
Deferred revenue:		
Membership dues	1,728,326	1,847,663
Deferred lease revenue	1,563,894	1,663,161
TOTAL LIABILITIES	70,077,755	75,660,316
LEASES, COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Board designated reserves	6,309,811	6,117,958
Undesignated	74,009,877	68,268,789
Total unrestricted	80,319,688	74,386,747
Temporarily restricted	8,391,504	12,837,377
TOTAL NET ASSETS	88,711,192	87,224,124
TOTAL LIABILITIES AND NET ASSETS	$ 158,788,947	$ 162,884,440

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010		
	Unrestricted	Temporarily Restricted	Totals
REVENUES AND SUPPORT			
Contributions	$ 6,134,748	$ 709,029	$ 6,843,777
United Way	81,213	-	81,213
Grants	3,619,567	-	3,619,567
Memberships	47,394,098	-	47,394,098
Program fees	22,040,333	-	22,040,333
Sales to members	649,385	-	649,385
Interest income	255,247	-	255,247
Consulting and management fees	133,552	-	133,552
Other income	1,100,523	-	1,100,523
Net gain (loss) 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, as restated - Note 13	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 financial statements.

2009 (Restated - Note 13) Unrestricted	Temporarily Restricted	Totals
$ 5,159,453	$ 3,298,623	$ 8,458,076
93,268	-	93,268
2,931,871	-	2,931,871
46,861,094	-	46,861,094
22,005,235	-	22,005,235
565,318	-	565,318
183,632	-	183,632
105,864	-	105,864
923,026	-	923,026
(218,754)	-	(218,754)
6,539,272	(6,539,272)	-
85,149,279	(3,240,649)	81,908,630
64,509,234	-	64,509,234
8,753,339	-	8,753,339
2,085,868	-	2,085,868
75,348,441	-	75,348,441
9,800,838	(3,240,649)	6,560,189
64,585,909	16,078,026	80,663,935
$ 74,386,747	$ 12,837,377	$ 87,224,124

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009 (Restated - Note 13)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,487,068	$ 6,560,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,749,154	8,134,521
Donated property and equipment	-	(1,751,633)
Donated land held for sale	-	(600,000)
(Gain) loss on disposition of property and equipment	(52,803)	218,754
Change in derivative liability - interest rate swap	438,526	(2,969,844)
Pledges for property, plant and equipment	(610,789)	(883,622)
(Increase) decrease in:		
Accounts and grants receivable	(435,971)	(9,395)
Prepaid expenses	(223,327)	35,096
Increase (decrease) in:		
Accounts payable and accrued expenses	1,886,040	100,960
Deferred membership dues revenue	(119,337)	(137,295)
Deferred lease revenue	(99,267)	(96,893)
TOTAL ADJUSTMENTS	9,532,226	2,040,649
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,019,294	8,600,838
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(8,099,915)	(6,027,972)
Decrease in cash restricted for investment in property, plant and equipment	5,748,403	2,627,468
Proceeds from sale of property and equipment	61,502	74,022
NET CASH USED IN INVESTING ACTIVITIES	(2,290,010)	(3,326,482)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from pledges for property, plant and equipment	4,630,156	4,157,944
Principal payments on notes and bonds payable	(7,662,787)	(5,121,224)
Proceeds from notes payable	-	823,800
Principal payments on capital lease obligations	(2,869,448)	(2,856,826)
Payments of prior year accounts payable for construction in progress	(136,541)	(2,141,864)
NET CASH USED IN FINANCING ACTIVITIES	(6,038,620)	(5,138,170)
INCREASE IN CASH	2,690,664	136,186
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	11,735,289	11,599,103
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 14,425,953	$ 11,735,289
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Non-cash investing and financing activities:		
Equipment acquired under capitalized leases	$ 2,689,510	$ 3,748,512
Accounts payable for construction-in-progress	$ 242,848	$ 136,541
Automobiles acquired through financing	$ 47,895	$ -
Interest expense paid (including capitalized interest of $69,587 in 2010 and $149,397 in 2009)	$ 2,413,448	$ 2,648,135

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			
	PROGRAM	SUPPORTING SERVICES		
	SERVICES	ADMINISTRATIVE	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
Purchased services	2,024,110	1,084,981	9,733	3,118,824
Supplies and general expenses	4,884,924	174,978	7,430	5,067,332
Telephone	454,928	90,179	-	545,107
Postage and shipping	82,032	122,074	10,340	214,446
Occupancy costs	8,004,455	160,327	-	8,164,782
Interest expense	1,781,264	482,787	-	2,264,051
Change in derivative liability	345,015	93,511	-	438,526
Equipment costs	1,033,334	595,668	350	1,629,352
Printing and publications	678,338	556,048	24,173	1,258,559
Travel	872,736	232,877	29,366	1,134,979
Membership dues	386,156	-	1,941	388,097
Assistance, awards and grants	290,938	-	247,431	538,369
Conferences, conventions and meetings	960,714	314,274	12,717	1,287,705
Insurance	253,146	5,388	-	258,534
Miscellaneous	280,438	25,298	343,308	649,044
TOTAL EXPENSES BEFORE DEPRECIATION AND 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 financial statements.

2009 (Restated - Note 13)			
PROGRAM	SUPPORTING SERVICES		
SERVICES	ADMINISTRATIVE	FUNDRAISING	TOTAL
$ 31,588,644	$ 3,842,092	$ 1,018,287	$ 36,449,023
3,109,489	370,343	183,309	3,663,141
2,821,132	311,414	72,342	3,204,888
37,519,265	4,523,849	1,273,938	43,317,052
1,740,898	1,223,722	115,800	3,080,420
4,666,029	275,267	10,921	4,952,217
604,067	81,570	4,981	690,618
86,083	144,027	3,317	233,427
7,843,726	355,800	-	8,199,526
2,066,131	432,607	-	2,498,738
(2,455,671)	(514,173)	-	(2,969,844)
1,113,457	729,637	4,642	1,847,736
665,879	455,097	44,879	1,165,855
860,514	153,306	26,110	1,039,930
397,559	-	2,100	399,659
249,375	-	243,246	492,621
820,922	201,656	5,993	1,028,571
443,072	5,232	-	448,304
310,887	128,262	349,941	789,090
56,932,193	8,195,859	2,085,868	67,213,920
7,577,041	557,480	-	8,134,521
$ 64,509,234	$ 8,753,339	$ 2,085,868	$ 75,348,441

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 persons grow in spirit, mind and body. By joining hands with thousands of volunteers, donors, members, and staff to Inspire Youth, Improve Health, Serve Others, and Create Community, the YMCA is bringing Hope for Life to 258,000 facility members and 22,000 program members at 30 centers throughout Middle Tennessee and Scottsville, Kentucky. YMCA programs encompass a variety of areas including youth and teen programs, adult and family programs, outreach and wellness.

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 ("GAAP"). 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 net assets, based on the existence or absence of donor-imposed restrictions, 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, 2010 and 2009, 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. The YMCA had no permanently restricted net assets as of December 31, 2010 or 2009.

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 2010 and 2009, 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 (including accrued interest).

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 (2.01% in 2010; 2.69% in 2009). Amortization of the discount is recognized on the interest method over the term of the gift and 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 $1,258,559 and $1,165,855 for the years ended December 31, 2010 and 2009.

Property, Plant and Equipment and Depreciation

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment and Depreciation (Continued)

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.

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, 2010 and 2009 was $381,612 and $345,498, 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 Revenue

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The YMCA qualifies as a not-for-profit 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 2010 and 2009.

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. Tax returns for years prior to fiscal year 2007 are closed.

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

Administrative - 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 in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP 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 asses), 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.

No changes in the valuation methodologies have been made since the prior year.

Other financial instruments - The YMCA estimates that the fair value of all other financial instruments at December 31, 2010, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made in the 2009 financial statements to conform to the 2010 presentation. These reclassifications had no effect on the change in net assets previously reported.

Events Occurring After Reporting Date

The YMCA has evaluated events and transactions that occurred between December 31, 2010 and May 27, 2011, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31:

	2010	2009
Cash and cash equivalents	$ 18,555,024	$ 16,290,867
Bond proceeds - not yet spent	-	5,321,896
	$ 18,555,024	$ 21,612,763

Cash and cash equivalents are presented in the Statement of Financial Position as follows:

	2010	2009
Cash and cash equivalents	$ 14,425,953	$ 11,735,289
Cash restricted for investment in property and equipment	4,129,071	9,877,474
	$ 18,555,024	$ 21,612,763

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	2010	2009
Temporarily restricted:		
Less than one year	$ 2,779,815	$ 4,734,626
One to five years	1,687,028	3,657,380
Five years and greater	1,266,129	1,159,693
	5,732,972	9,551,699
Less: allowance for uncollectible contributions	(1,213,880)	(915,000)
Less: discount to net present value	(256,659)	(354,899)
Total	$ 4,262,433	$ 8,281,800

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

	2010	2009
Robertson County YMCA Capital Campaign	$ 5,450	$ 5,450
Northwest YMCA Capital Campaign	-	300,000
Nelson Andrews Leadership Center Campaign	800,000	-
	$ 805,450	$ 305,450

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 2010. 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 at December 31:

	2010	2009
Land and land improvements	$ 15,506,419	$ 15,119,380
Buildings and improvements	140,137,282	138,048,703
Equipment and furniture	29,677,029	29,864,472
Software	3,618,549	3,126,851
Construction-in-progress	5,015,285	666,912
	193,954,564	186,826,318
Less: accumulated depreciation	(60,393,354)	(55,623,537)
	$ 133,561,210	$ 131,202,781

Construction-in-progress includes expansions and additions that were underway at December 31, 2010, at certain YMCA centers, as to which the estimated cost to complete these projects was approximately $728,000.

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 $1,563,894 at December 31, 2010 ($1,663,161 at December 31, 2009).

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:

		2010	2009
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.		$ 242,638	$ 299,369
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.		99,219	80,640
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)	145,080	190,920
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)	2,018,900	2,327,400

(Continued on next page)

NOTE 7 - NOTES AND BONDS PAYABLE (CONTINUED)

		2010	2009
Notes payable (Continued)			
Note payable to Bank of America for expansion of the Brentwood YMCA, payable in monthly principal installments of $9,524, plus interest. Interest is charged at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due October 18, 2011.	(3)	382,100	534,500
Total notes payable		2,887,937	3,432,829
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 0.14% - 0.58% in 2010 (0.23% - 0.80% in 2009); the rate is not to exceed a maximum rate of 12%.	(1), (2)	24,610,000	27,100,000
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 0.14% - 0.58% in 2010 (0.23 - 0.80% in 2009); the rate is not to exceed a maximum rate of 12%.	(1), (2)	23,710,000	28,290,000
Total bonds payable		48,320,000	55,390,000
TOTAL NOTES AND BONDS PAYABLE		$51,207,937	$58,822,829

NOTE 7 - NOTES AND BONDS PAYABLE (CONTINUED)

Annual principal maturities and required reimbursement payments of debt obligations as of December 31, 2010, are as follows:

		Required Reimbursement Payment (2)		
	Notes Payable	1998 Bond Issue	2007 Bond Issue	Total
Years Ending December 31:				
2011	$ 575,460	$ 2,490,000	$ 950,000	$ 4,015,460
2012	201,310	2,690,000	1,020,000	3,911,310
2013	196,453	3,100,000	570,000	3,866,453
2014	141,151	3,100,000	570,000	3,811,151
2015	1,773,563	3,100,000	570,000	5,443,563
Thereafter	-	10,130,000	20,030,000	30,160,000
	$ 2,887,937	$ 24,610,000	$ 23,710,000	$ 51,207,937

(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 ($23,640,000 in 2010; $26,130,000 in 2009), 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 London Interbank Offering Rate (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 ($21,103,000 in 2010; $22,436,000 in 2009), 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.

NOTE 7 - NOTES AND BONDS PAYABLE (CONTINUED)

(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.

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 of Middle Tennessee 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 approximates \$3.8 million at December 31, 2010.

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, 2010, the Organization's depositor accounts exceeded FDIC insurance limits by approximately $17,161,000.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from two donors amounted to 45% of total gross outstanding contributions receivable as of December 31, 2010 (three donors comprised 45% of gross contributions receivable as of December 31, 2009).

During 2009, the YMCA received two non-cash gifts in the form of computer software and vacant land. These two gifts represented 28% of contributions revenue recognized in 2009. No contributions represented a concentration during 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 $2,250,346 in 2010 and $2,124,342 in 2009.

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 $6,460,000 in 2010 and $3,543,000 in 2009.

The YMCA Foundation of Middle Tennessee (the "YMCA Foundation") was formed to establish a sustaining means of support, using the 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 not-for-profit organizations. For the year ended December 31, 2010, the YMCA Foundation paid out total grants of $185,188 ($155,461 in 2009), of which $159,848 ($149,392 in 2009) 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:

	2010	2009
Total Assets	$ 5,156,062	$ 4,853,032
Total Liabilities	79,620	104,539
Net Assets	$ 5,076,442	$ 4,748,493
Net Assets:		
Unrestricted	$ 4,949,998	$ 4,588,967
Unrestricted - Philanthropic Funds	61,663	66,716
Temporarily Restricted	64,781	92,810
Total Net Assets	$ 5,076,442	$ 4,748,493
Total Support and Revenue, including realized and unrealized gains on investments of: $450,664 in 2010; $781,523 in 2009.	$ 709,000	$ 1,017,553
Total Expenses	$ 381,051	$ 399,063
Resources held for the benefit of the YMCA	$ 5,014,779	$ 4,681,777

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, 2010 and 2009, amounted to: office space - $721,614 and $774,734, respectively; equipment - $322,785 and $596,100, respectively; and vehicles - $152,431 and $163,640, 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, 2010 and 2009 amounted to $3,059,782 and $3,076,571, including $190,334 and $219,745 of imputed interest, respectively.

Future minimum lease payments required under all noncancelable leases as of December 31, 2010, are:

	Operating Leases				Capital Leases -
	Office	Equipment	Vehicles	Total	Equipment
Years Ending December 31:					
2011	494,578	$ 233,111	14,091	$ 741,780	2,292,645
2012	487,497	233,111	10,200	730,808	1,139,615
2013	305,953	77,704	10,200	393,857	481,939
2014	207,860	-	10,200	218,060	133,644
2015	194,910	-	10,200	205,110	19,775
Thereafter	450,919	-	16,150	467,069	-
	$2,141,717	$ 543,926	$ 71,041	$ 2,756,684	4,067,618
Less: interest imputed at rates ranging from 3.60% to 7.33%					(192,420)
Present value of future minimum lease payments					$ 3,875,198

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

	2010	2009
Cost	$12,040,365	$ 11,066,279
Accumulated depreciation	(8,531,207)	(7,233,213)
Net book value	$ 3,509,158	$ 3,833,066

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

Prior period adjustments have been made, and the December 31, 2009 financial statements have been restated, to (i) adjust membership revenue and the corresponding accounts receivable and deferred revenues, (ii) correct prepaid expenses, and (iii) correct the value of land held for sale that was contributed during 2009.

The effects of the restatement were (i) to increase accounts receivable by $257,589 and $206,554 as of December 31, 2009 and January 1, 2009, respectively, (ii) to increase deferred revenues by $910,090 and $903,356 as of December 31, 2009 and January 1, 2009, respectively, (iii) to decrease prepaid expenses by $637,393 and $676,892 as of December 31, 2009 and January 1, 2009, respectively, (iv) to decrease the value of land held for sale by $910,066 at December 31, 2009, (v) to decrease unrestricted net assets by $2,199,960 and $1,373,694 as of December 31, 2009 and January 1, 2009, respectively, (vi) to decrease contributions revenue by $910,066, increase membership revenue by $44,301, decrease printing and publications expense by $39,499 and decrease the change in net assets by $826,266 for the year ending December 31, 2009.

A schedule summarizing the restatement follows:

	2010	2009
BEGINNING UNRESTRICTED NET ASSETS, AS PREVIOUSLY REPORTED	$ 76,586,707	$ 65,959,603
Prior period adjustment - to adjust membership revenue	(652,501)	(696,802)
Prior period adjustment - to correct prepaid expenses	(637,393)	(676,892)
Prior period adjustment - to correct fair value of contributed land	(910,066)	-
Total adjustments	(2,199,960)	(1,373,694)
BEGINNING UNRESTRICTED NET ASSETS, AS RESTATED	$ 74,386,747	$ 64,585,909