

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION

AND
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2005 AND 2004

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

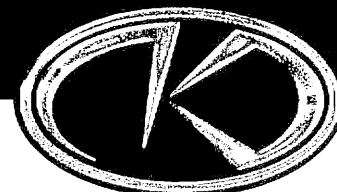
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DECEMBER 31, 2005 AND 2004

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KraftCPAs
PLLC

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the 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, 2005 and 2004, 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, 2005 and 2004, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information, on pages 23-24, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KraftCPAs PLLC

Nashville, Tennessee
May 11, 2006

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 10,001,909	\$ 9,563,093
Accounts and grants receivable	310,812	300,805
Contributions receivable, net - Note 3	9,748,778	6,533,459
Property, plant and equipment, net - Note 5	89,169,713	82,367,196
Prepaid expenses	1,521,990	957,873
Bond issue costs, net - Note 2	356,174	383,572
Cash restricted for investment in property and equipment	2,030,013	4,800,800
Investments - Note 4	304,422	289,915
Other	-	91,895
TOTAL ASSETS	<u>\$ 113,443,811</u>	<u>\$ 105,288,608</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 4,036,063	\$ 3,024,775
Derivative liability - interest rate swap - Note 6	2,317,146	3,472,589
Debt obligations - Note 6:		
Capital lease obligation	555,388	-
Long-term notes payable	5,265,600	3,065,923
Bonds payable	35,400,000	38,110,000
Deferred compensation obligation - Note 4	304,422	289,915
Deferred revenue:		
Membership dues	1,046,803	1,045,147
Grants	110,491	40,753
TOTAL LIABILITIES	<u>49,035,913</u>	<u>49,049,102</u>
LEASES, COMMITMENTS AND CONTINGENCIES - Notes 11 and 12		
<u>NET ASSETS</u>		
Unrestricted:		
Board designated for:		
Contingency reserve	1,485,029	1,439,043
Major maintenance reserve	570,955	553,290
Capital asset reserve	3,498,212	3,389,887
Undesignated	47,074,912	39,523,027
Total unrestricted	52,629,108	44,905,247
Temporarily restricted	11,778,790	11,334,259
TOTAL NET ASSETS	<u>64,407,898</u>	<u>56,239,506</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 113,443,811</u>	<u>\$ 105,288,608</u>

See accompanying notes to financial statements.

2004		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
\$ 2,626,745	\$ 8,638,410	\$ 11,265,155
65,705	-	65,705
149,252	-	149,252
2,729,904	-	2,729,904
30,465,175	-	30,465,175
17,065,543	-	17,065,543
522,451	-	522,451
259,776	-	259,776
169,603	-	169,603
450,419	-	450,419
26,087	-	26,087
<u>3,534,873</u>	<u>(3,534,873)</u>	<u>-</u>
<u>58,065,533</u>	<u>5,103,537</u>	<u>63,169,070</u>
46,996,047	-	46,996,047
6,206,882	-	6,206,882
<u>1,033,298</u>	<u>-</u>	<u>1,033,298</u>
<u>54,236,227</u>	<u>-</u>	<u>54,236,227</u>
3,829,306	5,103,537	8,932,843
-	-	-
<u>41,075,941</u>	<u>6,230,722</u>	<u>47,306,663</u>
<u>\$ 44,905,247</u>	<u>\$ 11,334,259</u>	<u>\$ 56,239,506</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 7,668,472	\$ 8,932,843
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,138,951	3,520,329
Loss on disposition of property and equipment	13,630	35,325
Unrealized (gain) loss on investments, net	(14,507)	(26,089)
Change in derivative liability - interest rate swap	(1,155,443)	(890,033)
Pledges for property, plant and equipment	(6,383,219)	(7,095,052)
(Increase) decrease in:		
Accounts and grants receivable	(10,007)	105,852
Prepaid expenses and other	(472,222)	(340,403)
Increase (decrease) in:		
Accounts payable and accrued expenses	964,793	(587,283)
Deferred compensation	14,507	26,088
Deferred revenue	<u>71,394</u>	<u>122,737</u>
TOTAL ADJUSTMENTS	<u>(2,832,123)</u>	<u>(5,128,529)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,836,349</u>	<u>3,804,314</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(9,007,635)	(3,977,328)
Proceeds from sale of equipment	36,000	77,501
(Increase) decrease in cash restricted for investment in property, plant and equipment	2,770,787	(2,758,609)
Cash transferred from merger of Putnam County Family YMCA - Note 7	<u>89,361</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(6,111,487)</u>	<u>(6,658,436)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from pledges for property, plant and equipment	3,167,900	4,750,124
Principal payments on debt obligations	(3,713,102)	(3,428,152)
Proceeds from notes payable	2,267,900	1,530,504
Payments on capital lease obligations	<u>(8,744)</u>	<u>-</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,713,954</u>	<u>2,852,476</u>
INCREASE (DECREASE) IN CASH	438,816	(1,646)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,563,093</u>	<u>9,564,739</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 10,001,909</u>	<u>\$ 9,563,093</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Non-cash investing and financing activities:		
Equipment acquired under capitalized leases	\$ 564,132	\$ -
Interest expense paid	\$ 1,960,749	\$ 2,046,334

See accompanying notes to financial statements.

2004

PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
	ADMINISTRATIVE	FUNDRAISING	
\$ 23,357,999	\$ 2,758,844	\$ 472,048	\$ 26,588,891
2,703,401	370,483	117,960	3,191,844
<u>2,110,446</u>	<u>156,827</u>	<u>33,709</u>	<u>2,300,982</u>
28,171,846	3,286,154	623,717	32,081,717
1,173,704	725,011	55,356	1,954,071
3,164,396	181,960	132,002	3,478,358
576,755	124,259	3,575	704,589
102,847	49,100	1,845	153,792
4,897,522	290,976	-	5,188,498
1,826,345	219,989	-	2,046,334
(794,351)	(95,682)	-	(890,033)
1,341,639	475,161	402	1,817,202
379,930	544,680	94,391	1,019,001
630,021	154,500	19,749	804,270
279,394	-	3,505	282,899
-	13,765	60,000	73,765
827,909	173,758	17,925	1,019,592
408,701	9,588	-	418,289
<u>489,060</u>	<u>53,663</u>	<u>20,831</u>	<u>563,554</u>
43,475,718	6,206,882	1,033,298	50,715,898
<u>3,520,329</u>	<u>-</u>	<u>-</u>	<u>3,520,329</u>
<u>\$ 46,996,047</u>	<u>\$ 6,206,882</u>	<u>\$ 1,033,298</u>	<u>\$ 54,236,227</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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. The YMCA is working to build strong kids, strong families and strong communities and currently serves approximately 200,700 members at twenty-five YMCA centers throughout seven Middle Tennessee counties 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 financial statements of the YMCA present the combined accounts and operations of the Corporate Office and all YMCA centers and have been prepared on the accrual basis of accounting. All significant transactions and balances between and among the Corporate Office and the centers have been eliminated in combination.

Financial statement presentation follows the accounting and reporting standards established by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the assets, liabilities and net assets of the YMCA are reported as follows:

- Unrestricted - includes unrestricted resources and represents expendable funds available for support of the YMCA's operations.
- Temporarily restricted - includes gifts from contributions restricted for specific programs or time periods. As of December 31, 2005 and 2004, all temporarily restricted net assets were from contributions and pledges for capital improvements at the various YMCA facilities and for construction of the new North Rutherford and Bellevue YMCA centers.
- Permanently restricted - includes gifts which contain provisions requiring in perpetuity 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, 2005 or 2004.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Unrestricted Funds include three board-designated reserves as follows:

- Contingency reserve - for supplementing YMCA programs in the event of an operating cash shortfall.
- Major maintenance reserve - for major replacement costs or bond payments in the event of a catastrophe.
- Capital asset reserve - for major equipment additions or building improvements in the event of an operating cash shortfall.

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 Agency 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.

The Agency reports any gifts of equipment or materials 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 2005 and 2004, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist principally of checking account balances, money market funds, and certificates of deposit with original maturities of 90 days or less.

Investments

Investments are carried at fair value (generally at quoted market prices). Net realized and unrealized gains and losses are reflected in the Statement of Activities.

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 (4.33% in 2005; 3.65% in 2004). 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.

Property, Plant and Equipment and Depreciation

Land, building, equipment and furniture are recorded at cost, when purchased, or at fair value at the date of the gift when donated to the YMCA (for all items that exceed \$5,000). Depreciation is calculated by the straight-line method to allocate the cost of depreciable assets, as so determined, to operations over estimated useful lives ranging from three to ten years for equipment and furniture, five years for software, fifteen years for land improvements and forty years for buildings. The YMCA follows the practice of capitalizing expenditures for property, plant and equipment in excess of \$5,000.

Management reviews long-lived assets for impairment when 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 the 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 obligation.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

The cost of compensated absences or paid time off ("PTO") is accrued for full-time staff members. Staff members accumulate PTO hours to be used when they wish or need to be away from work for various reasons, including vacation, personal illness, holiday, personal time, bereavement, etc. Current policy is to allow employees to earn monthly credits in hours based on years of service as follows: 15 years and over - 30.00 hours; 10 to 14 years - 26.66 hours; 5 to 9 years - 23.30 hours; and 0 to 4 years - 20.00 hours. The maximum allowable carryover of PTO credits is based on years of service as follows: 15 years and over - 360 hours; 10 to 14 years - 320 hours; 5 to 9 years - 280 hours; and 0 to 4 years - 240 hours.

Derivatives

The YMCA utilizes a derivative financial instrument 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 financing costs.

Deferred Revenue

Deferred revenue consists of membership dues and unearned grant revenue.

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

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 is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made.

Program and Supporting Services

The following functional expense classifications 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

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. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of Estimates in the Preparation of Financial Statements

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.

Reclassifications

Certain reclassifications have been made in the prior year's financial statements in order to be comparative with the current year's presentation.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 2 - BOND ISSUE COSTS

Capitalized bond issue costs consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Bond issue costs	\$ 547,960	\$ 547,960
Less: accumulated amortization	<u>(191,786)</u>	<u>(164,388)</u>
	<u>\$ 356,174</u>	<u>\$ 383,572</u>

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Temporarily restricted:		
Less than one year	\$ 2,550,518	\$ 2,632,684
One to five years	7,946,869	3,076,301
Five years and greater	<u>950,966</u>	<u>2,183,334</u>
	11,448,353	7,892,319
Less allowance for uncollectible contributions	(625,000)	(675,000)
Less discount to net present value	<u>(1,074,575)</u>	<u>(683,860)</u>
Total	<u>\$ 9,748,778</u>	<u>\$ 6,533,459</u>

Conditional promises to give at December 31, consist of the following:

	<u>2005</u>	<u>2004</u>
Robertson County YMCA Capital Campaign	\$ 7,200	\$ 189,000
Joe C. Davis YMCA Outdoor Center	<u>4,500,000</u>	<u>4,500,000</u>
	<u>\$ 4,507,200</u>	<u>\$ 4,689,000</u>

In December 2004, the YMCA received a challenge grant in the amount of \$4,500,000 from the Joe C. Davis Foundation to support the YMCA's efforts to expand the current Center and to build a resident outdoor camping program and facility for use by the YMCA at the Joe C. Davis YMCA Outdoor Center. The gift is subject to the YMCA's ability to raise an additional \$4,500,000 for the Overnight Camp program prior to December 31, 2006. Approximately \$500,000 had been raised toward this program as of December 31, 2005.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 4 - INVESTMENTS AND DEFERRED COMPENSATION OBLIGATION

Investments consist of an equity mutual fund, which had a value of \$304,422 at December 31, 2005 (\$289,915 in 2004). These investments are held in a "rabbi trust" for the purpose of accumulating assets designated to meet the YMCA's obligation to its former executive director under a deferred compensation arrangement. The Trust is irrevocable; however, trust assets are subject to general claims of the YMCA's creditors in the event of the YMCA's insolvency.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
Land and land improvements	\$ 9,912,843	\$ 9,449,051
Buildings and improvements	93,475,356	84,669,232
Equipment and furniture	14,662,910	12,952,598
Software	774,941	282,440
Construction-in-progress	<u>3,106,327</u>	<u>2,808,374</u>
	121,932,377	110,161,695
Less: accumulated depreciation	<u>(32,762,664)</u>	<u>(27,794,499)</u>
	<u>\$ 89,169,713</u>	<u>\$ 82,367,196</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT

Debt obligations consist of the following at December 31:

	<u>2005</u>	<u>2004</u>
<u>Notes payable</u>		
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.	\$ 471,746	\$ 506,950
Note payable to Bank of America for construction of the Brentwood Teen Center. Interest is charged at the rate of 70 basis points above the LIBOR rate and is due monthly through December 15, 2006, at which time the outstanding principal balance is due.	53,666	107,333
Note payable to YMCA Foundation is pursuant to an interest-bearing, open-ended debt agreement approved by the Board of Directors. Interest is charged quarterly on the outstanding balance at a rate of 1/2 of 1% above the bank's average prime rate for the quarter then ended.	-	150,000
Note payable to the Wadlington Children's Trust, payable in monthly principal installments of \$500 plus interest at the published prime rate plus 1%.	10,829	16,829
Various notes payable on vehicles purchased for employee and program usage. Total monthly payments range from \$337 to \$842, including interest ranging from 2.9% to 9.7% per annum. Maturities range through 2010.	117,387	113,403

(Continued on next page)

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT (CONTINUED)

	<u>2005</u>	<u>2004</u>
<u>Notes payable (Continued)</u>		
Note payable to Bank of America for construction of the Clarksville expansion, paid off in 2005. Interest was charged at a rate of 70 basis points above the LIBOR rate.	-	37,500
Note payable to Bank of America for construction of the Sumner Pool, paid off in 2005. Interest was charged at the rate of 70 basis points above the LIBOR rate.	-	97,219
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 the rate of 70 basis points above the LIBOR rate. All unpaid principal and interest are due April 15, 2014.	374,280	420,120
Note payable to Bank of America for expansion of the parking lot at the Green Hills branch, payable in monthly principal installments of \$20,994, plus interest. Interest is charged at the rate of 70 basis points above the LIBOR rate. All unpaid principal and interest are due March 15, 2011.	1,114,636	1,616,569
Note payable to Bank of America for expansion of the Putnam County Family YMCA. Interest is payable monthly at the rate of 70 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full in a single payment due July 1, 2007.	(3) 290,000	-

(Continued on next page)

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT (CONTINUED)

	<u>2005</u>	<u>2004</u>
Notes payable (Continued)		
Note payable to Bank of America for construction of the North Rutherford YMCA. Interest is payable monthly at the rate of 70 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full in a single payment due July 1, 2007. (3)	1,930,000	-
Note payable to First National Bank of the Cumberland that was assumed through the merger of the Putnam County Family YMCA. Interest is charged at a fixed rate of 4.5%. The note is payable in monthly installments through August 11, 2006, at which time the entire remaining unpaid principal balance matures.	<u>903,056</u>	<u>-</u>
Total notes payable	<u>5,265,600</u>	<u>3,065,923</u>
<u>Bonds payable</u>		
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 1.48% - 3.55% during 2005 (0.95% - 1.75% in 2004); the rate is not to exceed a maximum rate of 12%. (1), (2)	<u>35,400,000</u>	<u>38,110,000</u>
Total bonds payable	<u>35,400,000</u>	<u>38,110,000</u>
TOTAL DEBT	<u>\$ 40,665,600</u>	<u>\$41,175,923</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT (CONTINUED)

- (1) The YMCA has an interest rate swap agreement with the Bank of America in order to lessen exposure to fluctuating interest rates on the Bonds. The interest rate swap is applicable to a scheduled notional amount, which reduces annually each January. Under the 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 (\$35,660,000 in 2005; \$37,320,000 in 2004), 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). Through March 2006, there is a 6% cap provision on the total interest to be paid. The swap agreement terminates on December 1, 2018, the final maturity date of the Bonds.

Annual principal maturities and sinking fund requirements of debt obligations as of December 31, 2005, are as follows:

	<u>Notes Payable</u>	<u>Sinking Fund Requirements</u> ⁽²⁾	<u>Total</u>
<u>Years Ending December 31:</u>			
2006	\$ 1,325,368	\$ -	\$ 1,325,368
2007	2,578,648	-	2,578,648
2008	353,602	-	353,602
2009	357,683	700,000	1,057,683
2010	199,265	2,400,000	2,599,265
Thereafter	<u>451,034</u>	<u>32,300,000</u>	<u>32,751,034</u>
	<u>\$ 5,265,600</u>	<u>\$ 35,400,000</u>	<u>\$ 40,665,600</u>

As of December 31, 2005, the YMCA had prepaid the annual sinking fund requirements on the Bonds through 2008.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 6 - DEBT (CONTINUED)

- (2) The YMCA entered into a Reimbursement Agreement with the 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 \$53 million). Minimum principal reimbursement payments required under the Agreement as of December 31, 2005, are as follows:

<u>Year ending December 31,</u>	<u>Required Reimbursement Payment</u>
2006	\$ 1,660,000
2007	2,070,000
2008	2,070,000
2009	2,070,000
2010	2,490,000
Thereafter	<u>25,040,000</u>
	<u>\$ 35,400,000</u>

- (3) On December 31, 2004, the YMCA entered into a Master Loan Agreement with the Bank of America for additional loan commitments up to \$25,000,000 through December 31, 2007. 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 original 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 original note. Interest rates charged on both types of loans are calculated and adjusted annually based on specified ratios tied to LIBOR and calculated as of December 31.

The YMCA also has a \$500,000 maximum revolving line of credit with the Bank that is available through December 31, 2006. There have been no borrowings under this agreement as of December 31, 2005.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 7 - MERGER OF PUTNAM COUNTY FAMILY YMCA

Effective July 1, 2005, the Putnam County Family YMCA was merged into and became an operating center of the YMCA of Middle Tennessee, resulting in the transfer of the following assets and liabilities to the books of the YMCA:

Property, plant and equipment, net	\$ 1,407,761
Accounts payable and accrued expenses	(46,495)
Note payable	(934,879)
Obligation under capital lease	<u>(15,828)</u>
	410,559
Cash	<u>89,361</u>
Net assets	<u>\$ 499,920</u>

All operations previously associated with the Putnam County Family YMCA are reported in the financial statements of the YMCA of Middle Tennessee beginning July 1, 2005.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the YMCA to concentrations of credit risk consist principally of cash and cash equivalents and contributions receivable. Cash balances are maintained at two financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each bank. The balances per bank at December 31, 2005 and 2004 exceeded the FDIC limit by approximately \$11,800,000 and \$14,500,000, respectively. In management's opinion, the risk is mitigated by the use of high quality financial institutions.

Contributions receivable represent concentrations of credit risk to the extent that they are receivable from concentrated sources. Contributions receivable from two donors amounted to 73% of total outstanding contributions receivable as of December 31, 2005 (75% of contributions receivable as of December 31, 2004).

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 9 - 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 \$1,623,386 in 2005, and \$1,864,461 in 2004.

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 10 - RELATED PARTY TRANSACTIONS AND RELATED ENTITIES

The YMCA purchases insurance, and contracts for marketing services, law services and construction through certain Board members. The total of such expenditures approximated \$1,857,000 in 2005, and \$1,407,000 in 2004.

The YMCA Foundation of Middle Tennessee (the "Foundation") was formed to establish a permanent endowment fund, using the income for the benefit of the YMCA. The YMCA has representation on the Foundation's Board of Directors but does not have a majority voting interest. The Foundation receives donor designated funds and also makes grants to other not-for-profit organizations. For the year ended December 31, 2005, the Foundation paid out total grants of \$156,084 (\$144,701 in 2004), of which \$152,829 (\$137,254 in 2004) was paid to the YMCA and included in grant revenues.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 10 - RELATED PARTY TRANSACTIONS AND RELATED ENTITIES (CONTINUED)

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

	<u>2005</u>	<u>2004</u>
Total assets	\$5,153,178	\$ 5,078,234
Total liabilities	<u>87,978</u>	<u>86,605</u>
Net Assets	<u>\$5,065,200</u>	<u>\$ 4,991,629</u>
Net Assets:		
Unrestricted	\$4,556,897	\$ 4,482,901
Unrestricted - Philanthropic Funds	82,822	87,614
Temporarily Restricted	<u>425,481</u>	<u>421,114</u>
Total Net Assets	<u>\$5,065,200</u>	<u>\$ 4,991,629</u>
Total Support and Revenue, including unrealized gains (losses) on investments of: (\$63,724) in 2005; \$211,810 in 2004	\$ 403,962	\$ 546,230
Total Expenses	\$ 330,391	\$ 230,064
Resources held for the benefit of the YMCA	\$4,982,378	\$ 4,904,015

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 11 - LEASES

The YMCA is obligated on several noncancelable operating leases for office space, equipment and vehicles that expire at various dates through 2011. Total rental expense incurred under these leases for the years ended December 31, 2005 and 2004, amounted to: office space - \$626,245 and \$599,313, respectively; equipment - \$1,008,144 and \$822,743, respectively; and vehicles - \$132,864 and \$146,797, respectively.

During 2005, the YMCA also entered into several noncancelable capital leases for equipment that expire at various dates through 2010. Total capital lease payments made under these leases for the year ended December 31, 2005 amounted to \$19,361, including \$10,617 of imputed interest.

Future minimum lease payments required under all noncancelable leases as of December 31, 2005, are:

	Operating Leases				Capital Leases -
	Office	Equipment	Vehicles	Total	Equipment
<u>Years Ending December 31:</u>					
2006	\$ 549,898	\$ 640,463	\$ 73,669	\$1,264,030	\$ 177,810
2007	271,963	445,990	73,669	791,622	177,810
2008	257,535	165,934	54,474	477,943	165,331
2009	188,754	77,587	54,474	320,815	56,220
2010	29,240	-	25,940	55,180	38,033
Thereafter	-	-	3,891	3,891	-
	<u>\$ 1,297,390</u>	<u>\$1,329,974</u>	<u>\$ 286,117</u>	<u>\$2,913,481</u>	615,204
Less: interest imputed at rates ranging from 4.95% to 5.45%					<u>(59,816)</u>
Net minimum lease payments					<u>\$ 555,388</u>

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2005 AND 2004

NOTE 12 - 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 \$5.4 million at December 31, 2005.

At December 31, 2005, the YMCA had outstanding construction commitments of approximately \$5.0 million on two construction projects.

ADDITIONAL INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2005

Grant Description	Federal CFDA#	Grant Number	Grant Period	(Accrued) Deferred Revenue 1/1/2005	1/1/05 - 12/31/05		Other Adjustments	Repayment to Grantor	(Accrued) Deferred Revenue 12/31/2005
					Receipts	Expenditures			
U.S. DEPARTMENT OF AGRICULTURE									
PASSED THROUGH STATE OF TENNESSEE									
DEPARTMENT OF HUMAN SERVICES:									
Child & Adult Care Food Program (CACFP)									
Northwest	10.558	DA-03-00050	10/01/04 - 09/30/05	\$ (3,001)	\$ 32,721	\$ 29,720	\$ -	\$ -	\$ -
Northwest	10.558	DA-03-00050	10/01/05 - 09/30/06	-	7,593	10,885	-	-	(3,292)
Margaret Maddox Family YMCA	10.558	DA-03-00050	10/01/04 - 09/30/05	(2,367)	12,278	9,911	-	-	-
Margaret Maddox Family YMCA	10.558	DA-03-00050	10/01/05 - 09/30/06	-	1,190	2,364	-	-	(1,174)
School Age Services	10.558	DA-03-00050	10/01/04 - 09/30/05	(17,498)	161,101	143,603	-	-	-
School Age Services	10.558	DA-03-00050	10/01/05 - 09/30/06	-	57,240	75,846	-	-	(18,606)
TOTAL U.S. DEPARTMENT OF AGRICULTURE				(22,866)	272,123	272,329	-	-	(23,072)
U.S. DEPARTMENT OF EDUCATION									
PASSED THROUGH METROPOLITAN									
NASHVILLE PUBLIC SCHOOLS:									
21st Century Community Learning Centers (Club MCM)	84.287A	2-5008038-00 A1	08/01/00 - 07/31/05	40,752	123,019	102,587	(17,495)	43,689	-
		2-221305-0	08-01-05 - 06/30/10	-	62,557	70,481	-	-	(7,924)
TOTAL U.S. DEPARTMENT OF EDUCATION				40,752	185,576	173,068	(17,495)	43,689	(7,924)
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-02-MC470007	06/01/05 - 08/15/05	-	15,000	15,000	-	-	-
TOTAL U.S. DEPARTMENT OF HOUSING AND									
URBAN DEVELOPMENT				-	15,000	15,000	-	-	-
U.S. DEPARTMENT OF LABOR									
PASSED THROUGH THE STATE OF TENNESSEE									
DEPARTMENT OF LABOR									
Workforce Essentials	17.259	04-08-999-187	08/14/03 - 06/30/05	(6,803)	28,705	21,902	-	-	-
TOTAL U.S. DEPARTMENT OF LABOR				(6,803)	28,705	21,902	-	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 11,083	\$ 501,404	\$ 482,299	\$ (17,495)	\$ 43,689	\$ (30,996)

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2005

Grant Description	Grant Number	Grant Period	(Accrued) Deferred Revenue 1/1/2005	1/1/05 - 12/31/05		(Accrued) Deferred Revenue 12/31/2005
				Receipts	Expenditures	
STATE OF TENNESSEE						
DEPARTMENT OF HEALTH						
Buffalo Soldiers and Little Sisters	Z-05-021352-00	7-1-04 / 6-30-05	\$ (5,158)	\$ 36,108	\$ 30,950	\$ -
Buffalo Soldiers and Little Sisters	Z-06-002317-00	7-1-05 / 6-30-06	<u>-</u>	<u>30,950</u>	<u>30,950</u>	<u>-</u>
TOTAL STATE OF TENNESSEE						
DEPARTMENT OF HEALTH						
			<u>(5,158)</u>	<u>67,058</u>	<u>61,900</u>	<u>-</u>
TOTAL EXPENDITURES OF						
STATE AWARDS						
			\$ (5,158)	\$ 67,058	\$ 61,900	\$ -