YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION AND INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2008 AND 2007

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION
AND
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DECEMBER 31, 2008 AND 2007

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, 2008 and 2007, 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 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 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, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2009 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 important for assessing the results of our audit for the year ended December 31, 2008.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the YMCA taken as a whole. 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. The schedule of expenditures of state awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the 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
June 30, 2009

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YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Cash and cash equivalents - Note 2	$ 11,599,103	$ 15,023,795
Accounts and grants receivable	342,953	445,302
Contributions receivable, net - Note 4	11,556,122	14,056,507
Property, plant and equipment, net - Note 6	127,929,307	107,263,700
Prepaid expenses	963,416	897,798
Bond issue costs, net - Note 3	412,879	448,992
Cash restricted for investment in property and equipment - Note 2	12,504,942	27,461,005
Investments - Note 5	-	375,388
TOTAL ASSETS	$ 165,308,722	$ 165,972,487
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 6,625,652	$ 5,843,244
Derivative liability - interest rate swap - Notes 8 and 14	7,520,082	2,906,758
Debt:		
Notes payable - Note 8	3,250,253	2,316,571
Bonds payable - Note 8	59,870,000	62,680,000
Capital lease obligations - Note 13	3,163,450	3,671,062
Deferred compensation obligation - Note 5	-	375,388
Deferred revenue:		
Membership dues	1,081,602	1,139,402
Deferred lease revenue - Note 7	1,760,054	1,854,726
TOTAL LIABILITIES	83,271,093	80,787,151
LEASES, COMMITMENTS AND CONTINGENCIES - Notes 9 and 13		
NET ASSETS		
Unrestricted:		
Board designated for:		
Contingency reserve	589,572	1,623,041
Major maintenance reserve	1,608,447	623,388
Capital asset reserve	3,849,889	3,822,955
Undesignated	59,911,695	58,935,801
Total unrestricted	65,959,603	65,005,185
Temporarily restricted	16,078,026	20,180,151
TOTAL NET ASSETS	82,037,629	85,185,336
TOTAL LIABILITIES AND NET ASSETS	$ 165,308,722	$ 165,972,487

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008		
	Unrestricted	Temporarily Restricted	Totals
REVENUES AND SUPPORT			
Contributions	$ 6,518,141	$ 30,526	$ 6,548,667
Special events	53,095	-	53,095
United Way	108,083	-	108,083
Grants	2,680,470	-	2,680,470
Memberships	46,186,461	-	46,186,461
Program fees	22,177,796	-	22,177,796
Sales to members	506,183	-	506,183
Investment income	601,869	-	601,869
Consulting and management fees	138,843	-	138,843
Other income	539,054	-	539,054
Unrealized gain (loss) on investments, net	-	-	-
Net assets released from restrictions - satisfaction of purpose restrictions	4,132,651	(4,132,651)	-
TOTAL REVENUES AND SUPPORT	83,642,646	(4,102,125)	79,540,521
EXPENSES			
Program services	71,159,980	-	71,159,980
Administrative	9,504,971	-	9,504,971
Fundraising	2,023,277	-	2,023,277
TOTAL EXPENSES	82,688,228	-	82,688,228
CHANGE IN NET ASSETS	954,418	(4,102,125)	(3,147,707)
NET ASSETS - BEGINNING OF YEAR	65,005,185	20,180,151	85,185,336
NET ASSETS - END OF YEAR	$ 65,959,603	$ 16,078,026	$ 82,037,629

See accompanying notes to financial statements.

2007		
Unrestricted	Temporarily Restricted	Totals
$ 5,787,593	$ 2,781,587	$ 8,569,180
55,867	-	55,867
121,585	-	121,585
3,015,658	-	3,015,658
43,884,805	-	43,884,805
21,796,737	-	21,796,737
515,297	-	515,297
1,058,031	-	1,058,031
127,273	-	127,273
674,040	-	674,040
31,021	-	31,021
8,217,156	(8,217,156)	-
85,285,063	(5,435,569)	79,849,494
63,920,987	-	63,920,987
9,378,114	-	9,378,114
1,840,082	-	1,840,082
75,139,183	-	75,139,183
10,145,880	(5,435,569)	4,710,311
54,859,305	25,615,720	80,475,025
$ 65,005,185	$ 20,180,151	$ 85,185,336

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,147,707)	$ 4,710,311
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,940,340	5,859,726
Loss on disposition of property and equipment	14,370	-
Unrealized gain on investments, net	-	(31,021)
Change in derivative liability - interest rate swap	4,613,324	1,276,662
Pledges for property, plant and equipment	(601,640)	(2,302,158)
(Increase) decrease in:		
Accounts and grants receivable	102,349	(123,516)
Prepaid expenses	(65,618)	261,507
Increase (decrease) in:		
Accounts payable and accrued expenses	(450,986)	818,313
Deferred compensation obligation	(375,388)	31,021
Deferred lease revenue	(94,672)	(92,594)
Deferred revenue - other	(57,800)	(154,791)
TOTAL ADJUSTMENTS	10,024,279	5,543,149
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,876,572	10,253,460
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(23,654,887)	(11,663,173)
(Increase) decrease in cash restricted for investment in property, plant and equipment	14,956,063	(22,376,502)
Proceeds from sale of investments	375,388	-
NET CASH USED IN INVESTING ACTIVITIES	(8,323,436)	(34,039,675)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from pledges for property, plant and equipment	3,102,025	8,776,865
Principal payments on notes and bonds payable	(3,627,610)	(12,192,181)
Proceeds from notes payable	1,751,292	1,167,000
Proceeds from bonds payable	-	31,440,000
Additions to capitalized bond costs	-	(174,304)
Principal payments on capital lease obligations	(2,295,065)	(1,582,907)
Payments of prior year accounts payable for construction in progress	(908,470)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(1,977,828)	27,434,473
INCREASE (DECREASE) IN CASH	(3,424,692)	3,648,258
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	15,023,795	11,375,537
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 11,599,103	$ 15,023,795
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Non-cash investing and financing activities:		
Equipment acquired under capitalized leases	$ 1,787,453	$ 2,726,592
Accounts payable for construction-in-progress	$ 2,141,864	$ 908,470
Interest expense paid (including $289,812 of capitalized interest in 2008)	$ 2,911,183	$ 2,419,506

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			
	PROGRAM SERVICES	SUPPORTING SERVICES ADMINISTRATIVE	SUPPORTING SERVICES FUNDRAISING	TOTAL
Salaries and instructors' fees	$ 31,361,489	$ 3,949,005	$ 892,322	$ 36,202,816
Employee benefits	3,245,830	292,941	153,464	3,692,235
Payroll taxes and workman's compensation	2,914,446	310,083	62,143	3,286,672
TOTAL SALARIES AND RELATED EXPENSES	37,521,765	4,552,029	1,107,929	43,181,723
Purchased services	1,709,144	1,304,855	189,911	3,203,910
Supplies and general expenses	4,661,770	384,978	137,032	5,183,780
Telephone	804,332	148,417	15,114	967,863
Postage and shipping	128,560	187,441	8,225	324,226
Occupancy costs	7,683,657	352,127	-	8,035,784
Financing costs	2,413,499	207,872	-	2,621,371
Change in derivative liability	4,247,492	365,832	-	4,613,324
Equipment costs	1,126,848	901,290	12,972	2,041,110
Printing and publications	670,283	503,901	22,557	1,196,741
Travel	916,184	209,084	48,285	1,173,553
Membership dues	344,530	-	2,139	346,669
Assistance, awards and grants	249,374	-	223,790	473,164
Conferences, conventions and meetings	960,177	261,812	24,639	1,246,628
Insurance	374,148	9,048	-	383,196
Miscellaneous	407,877	116,285	230,684	754,846
TOTAL EXPENSES BEFORE DEPRECIATION AND AND AMORTIZATION	64,219,640	9,504,971	2,023,277	75,747,888
Depreciation and amortization	6,940,340	-	-	6,940,340
TOTAL EXPENSES	$ 71,159,980	$ 9,504,971	$ 2,023,277	$ 82,688,228

See accompanying notes to financial statements.

2007			
PROGRAM	SUPPORTING SERVICES		
SERVICES	ADMINISTRATIVE	FUNDRAISING	TOTAL
$ 29,265,467	$ 3,904,586	$ 843,085	$ 34,013,138
2,985,650	446,930	165,062	3,597,642
2,689,102	291,110	58,882	3,039,094
34,940,219	4,642,626	1,067,029	40,649,874
1,498,931	1,516,551	210,431	3,225,913
4,565,704	392,668	136,698	5,095,070
781,316	156,527	11,945	949,788
77,490	183,286	6,766	267,542
6,690,743	288,373	-	6,979,116
2,202,435	217,071	-	2,419,506
1,162,124	114,538	-	1,276,662
1,836,203	807,568	5,580	2,649,351
553,714	515,328	53,229	1,122,271
813,453	208,513	52,896	1,074,862
322,018	-	2,970	324,988
250,375	-	236,087	486,462
977,717	219,788	19,016	1,216,521
474,257	9,024	-	483,281
914,562	106,253	37,435	1,058,250
58,061,261	9,378,114	1,840,082	69,279,457
5,859,726	-	-	5,859,726
$ 63,920,987	$ 9,378,114	$ 1,840,082	$ 75,139,183

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 275,000 members at twenty-nine YMCA centers throughout nine 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 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 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.

- *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, 2008 and 2007, all temporarily restricted net assets were from contributions and pledges for capital improvements at the various YMCA facilities and expansion of the Maddox YMCA, the Northwest YMCA, the Downtown YMCA Center and the Joe C. Davis YMCA Outdoor Center.

- *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, 2008 or 2007.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Unrestricted net assets 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 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 2008 and 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

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 the quoted market value of the securities on the last business day of the reporting period. 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 (1.55% in 2008; 3.45% in 2007). 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, 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. Interest capitalized in 2008 was $289,812 ($-0- in 2007).

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.

Compensated Absences

The cost of compensated absences or paid time off ("PTO") is accrued for full-time staff members in the period earned. 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 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 financing costs.

Deferred Revenue

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue (Continued)

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 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 2008 and 2007.

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 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.

Recent Accounting Pronouncement

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109.* FIN 48 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return, including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. The cumulative effect of changes arising from the initial application of FIN 48 is required to be reported as an adjustment to the opening balance of net assets in the period of adoption. In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2008. The YMCA has elected this deferral and, accordingly, will be required to adopt FIN 48 in its December 31, 2009 annual financial statements. Prior to adopting FIN 48, the YMCA will continue to evaluate uncertain tax positions and related income tax contingencies under Statement of Financial Accounting Standards ("SFAS") No. 5, *Accounting for Contingencies.* SFAS No. 5 requires annual accrual for losses that are considered probable and can be reasonably estimated, or disclosure for losses that are considered reasonably possible and/or cannot be reasonably estimated. The YMCA is currently evaluating the impact, if any, of the adoption of this standard on the financial statements.

Reclassifications

Certain reclassifications have been made to prior year amounts to be comparative with the current year presentation.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

	2008	2007
Cash and cash equivalents	16,121,007	$ 11,459,413
Bond proceeds - not yet spent	7,983,038	21,337,361
Columbia Strategic Cash Portfolio - restricted cash in 2007	-	9,688,026
	$ 24,104,045	$ 42,484,800

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

	2008	2007
Cash and cash equivalents	$ 11,599,103	$ 15,023,795
Cash restricted for investment in property and equipment	12,504,942	27,461,005
	$ 24,104,045	$ 42,484,800

As part of its cash management strategy, the YMCA invested in the Columbia Strategic Cash Portfolio. In December 2007, Columbia Management, a unit of Bank of America, closed the portfolio to new investments and redemptions and began an orderly liquidation of the portfolio's assets for distribution to the unit holders, thereby restricting the YMCA's ability to withdraw these funds. Based on the quoted market value of the portfolio as of December 31, 2007, the YMCA recognized a loss on the Columbia Strategic Cash Portfolio of $164,905 in 2007. In 2008, the remaining balance of the fund was distributed and an additional loss of $420,512 was recognized. These amounts have been netted against other income in the Statement of Activities.

NOTE 3 - BOND ISSUE COSTS

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

	2008	2007
Bond issue costs	$ 722,264	$ 722,264
Less: accumulated amortization	(309,385)	(273,272)
	$ 412,879	$ 448,992

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

	2008	2007
Temporarily restricted:		
Less than one year	$ 5,130,292	$ 5,881,433
One to five years	6,278,839	8,841,741
Five years and greater	1,100,717	1,208,645
	12,509,848	15,931,819
Less: allowance for uncollectible contributions	(650,000)	(1,000,000)
Less: discount to net present value	(303,726)	(875,312)
Total	$ 11,556,122	$ 14,056,507

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

	2008	2007
Robertson County YMCA Capital Campaign	$ 6,450	$ 6,450
Northwest YMCA Capital Campaign	600,000	900,000
	$ 606,450	$ 906,450

During 2006, the YMCA was notified by two donors that they will recommend to the Community Foundation of Middle Tennessee, Inc. (the "Foundation") that gifts totaling $1,500,000 be made to the YMCA over a five-year period for the Northwest YMCA Capital Campaign. Three payments of $300,000 have been approved by the Foundation and recognized as support by the YMCA in 2006, 2007 and 2008, 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 5 - INVESTMENTS AND DEFERRED COMPENSATION OBLIGATION

Investments consisted of an equity mutual fund, which had a value of $375,388 at December 31, 2007. These investments were 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 investment was liquidated and the obligation was met in 2008.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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

	2008	2007
Land and land improvements	$ 14,368,873	$ 11,075,984
Buildings and improvements	116,110,260	104,841,004
Equipment and furniture	26,847,301	23,132,583
Software	939,032	774,941
Construction-in-progress	19,969,320	11,191,488
	178,234,786	151,016,000
Less: accumulated depreciation	(50,305,479)	(43,752,300)
	$ 127,929,307	$ 107,263,700

Construction-in-progress includes expansions and additions that were underway at December 31, 2008, at certain YMCA centers, as to which the estimated cost to complete these projects was approximately $5,371,000.

NOTE 7 - DEFERRED LEASE REVENUE

In June 2006, the YMCA entered into an agreement with Fifty Forward (formerly Senior Citizen's Inc., 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 $1,760,054 at December 31, 2008 ($1,854,726 at December 31, 2007).

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 8 - NOTES AND BONDS PAYABLE

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

		2008	2007
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.		$ 347,751	$ 392,353
Various notes payable on vehicles purchased for employee and program usage. Total monthly payments range from \$523 to \$1,039, including interest ranging from 0% to 9.23% per annum. Maturities range through 2013.		119,407	69,251
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 60 basis points above the LIBOR rate. All unpaid principal and interest are due April 15, 2014.	(3)	236,760	282,600
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 a rate of 70 basis points above the LIBOR rate. All unpaid principal and interest are due March 15, 2011.		108,835	360,767

(Continued on next page)

NOTE 8 - NOTES AND BONDS PAYABLE (CONTINUED)

		2008	2007
Notes payable (Continued)			
Note payable to Bank of America for expansion of the Green Hills branch. Interest is payable monthly at the rate of 60 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full at May 1, 2010.	(3)	1,653,600	-
Note payable to Bank of America for expansion of the Putnam County Family YMCA. Interest is payable monthly at the rate of 60 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full at December 31, 2009.	(3)	97,000	110,000
Note payable to Bank of America for expansion of the Brentwood YMCA. Interest is payable monthly at the rate of 60 basis points above the LIBOR rate. Principal payment of $275,000 was due and paid July 15, 2008, with monthly payments thereafter of $9,524 each. All unpaid principal and interest are due October 18, 2011.	(3)	686,900	1,101,600
Total notes payable		3,250,253	2,316,571

(Continued on next page)

NOTE 8 - NOTES AND BONDS PAYABLE (CONTINUED)

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 0.65% - 7.25% in 2008 (3.10% - 4.00% in 2007); the rate is not to exceed a maximum rate of 12%.	(1), (2)	29,170,000	31,240,000
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 0.65% - 7.25% in 2008 (3.48% in 2007); the rate is not to exceed a maximum rate of 12%.	(1), (2)	30,700,000	31,440,000
Total bonds payable		59,870,000	62,680,000
TOTAL NOTES AND BONDS PAYABLE		$63,120,253	$64,996,571

Annual principal maturities and required reimbursement payments of debt obligations as of December 31, 2008, are as follows:

		Required Reimbursement Payment (2)		
	Notes Payable	1998 Bond Issue	2007 Bond Issue	Total
Years Ending December 31:				
2009	$ 454,466	$ 2,023,173	$ 810,000	$ 3,287,639
2010	1,896,425	2,490,000	880,000	5,266,425
2011	585,197	2,490,000	950,000	4,025,197
2012	130,481	2,690,000	1,020,000	3,840,481
2013	121,083	3,100,000	570,000	3,791,083
Thereafter	62,601	16,376,827	26,470,000	42,909,428
	$ 3,250,253	$ 29,170,000	$ 30,700,000	$ 63,120,253

NOTE 8 - NOTES AND BONDS PAYABLE (CONTINUED)

(1) The YMCA has two interest rate swap agreements with the 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 ($28,200,000 in 2008; $30,720,000 in 2007), 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 ($23,401,000 in 2008 and 2007), 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 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 $52 million and $31.4 million, respectively).

(3) On December 31, 2004, the YMCA entered into a Master Loan Agreement, as amended, with the Bank of America for additional loan commitments up to $15,000,000 through July 31, 2010. 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 60 basis points above the LIBOR rate.

The YMCA also had a $500,000 maximum revolving line of credit with the Bank of America that expired on December 31, 2008. There were no borrowings under this line.

NOTE 9 - 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.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 $4.2 million at December 31, 2008.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash at various financial institutions which, at times, may exceed Federal Deposit Insurance Corporation (FDIC) insurance limits. The Emergency Economic Stabilization Act of 2008 temporarily increased FDIC coverage from $100,000 per depositor to $250,000 per depositor, effective October 3, 2008 through December 31, 2009. On May 20, 2009, the Helping Families Save Their Homes Act extended the temporary increase in FDIC coverage through December 31, 2013. The balances per bank at December 31, 2008 and 2007 exceeded the FDIC limit by approximately $24,465,000 and $42,400,000, respectively, including approximately $7,983,000 and $21,300,000 of unspent bond proceeds, respectively.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from two donors amounted to 41% of total outstanding contributions receivable as of December 31, 2008 (two donors comprised 44% of contributions receivable as of December 31, 2007).

NOTE 11 - 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 $1,961,966 in 2008, and $1,995,486 in 2007.

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 12 - 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 $3,458,000 in 2008, and $2,531,000 in 2007.

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, 2008, the YMCA Foundation paid out total grants of $154,237 ($148,851 in 2007), of which $147,367 ($119,351 in 2007) 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:

	2008	2007
Total Assets	$ 4,247,422	$ 6,253,739
Total Liabilities	117,419	114,652
Net Assets	$ 4,130,003	$ 6,139,087
Net Assets:		
Unrestricted	$ 3,930,196	$ 5,872,134
Unrestricted - Philanthropic Funds	70,986	110,825
Temporarily Restricted	128,821	156,128
Total Net Assets	$ 4,130,003	$ 6,139,087
Total Support and Revenue, including realized and unrealized gains (losses) on investments of: $(2,032,962) in 2008; $251,274 in 2007	$ (1,576,640)	$ 975,189
Total Expenses	$ 432,444	$ 365,532
Resources held for the benefit of the YMCA	$ 4,059,017	$ 6,028,262

NOTE 13 - LEASES

The YMCA is obligated on several noncancelable operating leases for office space, equipment and vehicles that expire at various dates through 2014. Total rental expense incurred under these leases for the years ended December 31, 2008 and 2007, amounted to: office space - $924,964 and $755,606, respectively; equipment - $613,785 and $971,303, respectively; and vehicles - $129,412 and $136,986, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2011. Total capital lease payments made under these leases for the year ended December 31, 2008 and 2007 amounted to $2,504,817 and $1,777,392, including $209,752 and $194,485 of imputed interest, respectively.

Future minimum lease payments required under all noncancelable leases as of December 31, 2008, are:

	Operating Leases				Capital Leases -
	Office	Equipment	Vehicles	Total	Equipment
Years Ending December 31:					
2009	581,682	$ 71,064	54,474	707,220	2,029,034
2010	211,226	-	25,940	237,166	1,156,470
2011	143,063	-	3,891	146,954	133,169
2012	149,580	-	-	149,580	-
2013	150,230	-	-	150,230	-
Thereafter	154,740	-	-	154,740	-
	$ 1,390,521	$ 71,064	$ 84,305	$1,545,890	3,318,673
Less: interest imputed at rates ranging from 3.76% to 10.83%					(155,223)
Present value of future minimum lease payments					$ 3,163,450

NOTE 13 - LEASES (CONTINUED)

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

	2008	2007
Cost	$ 7,317,767	$5,530,313
Accumulated depreciation	(4,496,559)	(3,254,456)
Net book value	$ 2,821,208	$2,275,857

NOTE 14 - FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the YMCA adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157), for financial assets and financial liabilities. In accordance with Financial Accounting Standards Board Staff Position (FSP) No. SFAS 157-2, *Effective Date of FASB Statement No. 157,* the YMCA will delay application of SFAS 157 for non-financial assets and non-financial liabilities, until January 1, 2009. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The application of SFAS 157 in situations where the market for a financial asset is not active was clarified by the issuance of FSP No. SFAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active,* in October 2008. FSP No. SFAS 157-3 became effective immediately and did not significantly affect the methods by which the YMCA determines the fair values of its financial assets.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact and (iv) willing to transact.

The fair value hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

NOTE 14 - FAIR VALUE MEASUREMENTS (CONTINUED)

- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The derivative liabilities 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. Accordingly, the YMCA has considered factors such as the likelihood of default by the YMCA and its counterparties, its net exposures, and remaining contractual life, among other things, in determining if any fair value adjustments related to credit risk are required. Counterparty exposure is evaluated by netting positions that are subject to master netting arrangements as well as considering the amount of collateral securing the position. The YMCA reviews its counterparty exposure on a regular basis, and, when necessary, appropriate business actions are taken to adjust the exposure. The YMCA also utilizes this approach to estimate its own credit risk on derivative liability positions. To date, the YMCA has not realized any significant losses due to a counterparty's inability to pay any net uncollateralized position. The change in value of derivative assets and derivative liabilities attributable to credit risk was not significant during the reported periods.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of December 31, 2008, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
Derivative liability - interest rate swap	$ -	$ 7,520,082	$ -	$ 7,520,082

ADDITIONAL INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2008

Grant Description	Federal CFDA#	Grant Number	Grant Period	(Accrued) Deferred Revenue 1/1/2008	1/1/08 - 12/31/08 Receipts	Expenditures	(Accrued) Deferred Revenue 12/31/2008
U.S. DEPARTMENT OF AGRICULTURE							
PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF HUMAN SERVICES:							
Child & Adult Care Food Program (CACFP):							
Northwest	10.558*	DA-08-21473	10/01/07 - 09/30/08	$ (3,232)	$ 38,641	$ 35,409	$ -
Northwest	10.558*	DA-09-24269	10/01/08 - 09/30/09	-	6,322	8,609	(2,287)
Margaret Maddox Family YMCA	10.558*	DA-07-00143	10/01/06 - 09/30/07	(8)	8	-	-
Margaret Maddox Family YMCA	10.558*	DA-08-21473	10/01/07 - 09/30/08	(859)	9,622	8,763	-
Margaret Maddox Family YMCA	10.558*	DA-09-24269	10/01/08 - 09/30/09	-	2,148	3,083	(935)
School Age Services	10.558*	DA-08-21473	10/01/07 - 09/30/08	(62,692)	310,061	247,369	-
School Age Services	10.558*	DA-09-24269	10/01/08 - 09/30/09	-	75,413	107,047	(31,634)
TOTAL U.S. DEPARTMENT OF AGRICULTURE				(66,791)	442,215	410,280	(34,856)
U.S. DEPARTMENT OF EDUCATION							
PASSED THROUGH METROPOLITAN NASHVILLE PUBLIC SCHOOLS:							
21st Century Community Learning Centers (Club MCM)	84.287A	2-221305-0	08/01/05 - 06/30/10	(9,947)	63,080	53,133	-
TOTAL U.S. DEPARTMENT OF EDUCATION				(9,947)	63,080	53,133	-
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	06/01/08 - 08/15/08	-	30,000	30,000	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				-	30,000	30,000	-
U.S. DEPARTMENT OF JUSTICE							
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PROGRAM							
Tennessee Healthy Communities - Healthy Youth Initiative	16.541	2008-JL-FX-1001	07/01/08 - 06/30/09	-	21,056	47,675	(26,619)
TOTAL U.S. DEPARTMENT OF JUSTICE				-	21,056	47,675	(26,619)
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ (76,738)	$ 556,351	$ 541,088	$ (61,475)

* Considered a major program under OMB Circular A-133

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.*

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2008

Grant Description	Grant Number	Grant Period	(Accrued) Deferred Revenue 1/1/2008	1/1/08 - 12/31/08 Receipts	1/1/08 - 12/31/08 Expenditures	(Accrued) Deferred Revenue 12/31/2008
STATE OF TENNESSEE DEPARTMENT OF HEALTH						
Buffalo Soldiers and Little Sisters	Z-08-020319-00	07/01/07 - 06/30/08	$ (31,120)	$ 46,898	$ 30,780	$ (15,002)
Buffalo Soldiers and Little Sisters	GR-09-27489-00	10/01/08 - 06/30/09	-	-	13,923	(13,923)
Project Diabetes	GR-09-25456-00	07/01/08 - 06/30/09	-	42,122	43,707	(1,585)
TOTAL STATE OF TENNESSEE DEPARTMENT OF HEALTH			(31,120)	89,020	88,410	(30,510)
TOTAL EXPENDITURES OF STATE AWARDS			$ (31,120)	$ 89,020	$ 88,410	$ (30,510)

Basis of Presentation

The schedule of expenditures of state 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.

OTHER REPORTS

INDEPENDENT AUDITORS' 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*

Board of Directors
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, 2008, and have issued our report thereon dated June 30, 2009. 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 Young Men's Christian Association of Middle Tennessee'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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Young Men's Christian Association of Middle Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 other matters that we reported to management of the Young Men's Christian Association of Middle Tennessee in a separate letter dated June 30, 2009.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

KraftCPAs PLLC

Nashville, Tennessee
June 30, 2009

KraftCPAs PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Young Men's Christian Association of Middle Tennessee (the "YMCA") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The YMCA's major federal programs are identified in the summary of auditors' 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 on the 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, 2008.

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Internal Control Over Compliance

The management of the Young Men's Christian Association of Middle Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the YMCA's internal control over compliance with 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, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Board of Directors, management, federal awarding agencies and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

KraftCPAs PLLC

Nashville, Tennessee
June 30, 2009

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __x__ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ 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 that are not considered to be material weaknesses? ______ Yes __x__ none reported

Type of auditors' 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? ______ yes __x__ no

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
10.558	Child & Adult Care Food Program (CACFP)

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ______ yes __x__ no