

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF MIDDLE TENNESSEE**

**FINANCIAL STATEMENTS**

**December 31, 2013 and 2012**

# **YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Young Men's Christian Association of Middle Tennessee (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Frazer, Dan & Hand, PLLC*

May 8, 2014

(June 17, 2014 as to Note 8)

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 12,661,417	\$ 11,674,123
Investments	-	2,017,540
Accounts and grants receivable, net	1,555,384	918,904
Contributions receivable, current portion	919,894	2,238,347
Prepaid expenses	996,772	743,279
Total current assets	16,133,467	17,592,193
Contributions receivable, net of current portion	1,028,800	1,508,435
Land held for sale	2,700,000	600,000
Property and equipment, net	129,482,104	143,583,795
Bond issue costs, net	80,709	84,957
Cash restricted for investment in property and equipment	856,908	1,272,752
Total assets	<u>\$ 150,281,988</u>	<u>\$ 164,642,132</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 8,249,562	\$ 6,155,077
Deferred membership dues	1,412,825	1,777,827
Notes payable, current portion	19,053	9,771
Bonds payable, current portion	2,694,548	2,457,296
Capital lease obligations, current portion	2,300,734	2,485,471
Total current liabilities	14,676,722	12,885,442
Line of credit	4,419,724	5,135,163
Derivative liability - interest rate swap	1,861,082	3,584,047
Notes payable, net of current portion	23,929	19,712
Bonds payable, net of current portion	50,859,738	48,594,731
Capital lease obligations, net of current portion	1,253,149	1,826,833
Deferred lease revenue	1,250,164	1,357,573
Total liabilities	<u>74,344,508</u>	<u>73,403,501</u>
Net assets:		
Unrestricted		
Board designated reserves	5,740,283	5,726,008
Undesignated	67,391,595	80,493,089
Total unrestricted	73,131,878	86,219,097
Temporarily restricted	2,805,602	5,019,534
Total net assets	<u>75,937,480</u>	<u>91,238,631</u>
Total liabilities and net assets	<u>\$ 150,281,988</u>	<u>\$ 164,642,132</u>

See accompanying notes to financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2013**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenues, gains, and support:			
Memberships	\$ 49,004,314	\$ -	\$ 49,004,314
Program fees	23,791,112	-	23,791,112
Contributions	5,699,073	676,246	6,375,319
Grants	2,121,729	-	2,121,729
Change in derivative liability	1,722,966	-	1,722,966
Other income	866,647	-	866,647
Sales to members	825,306	-	825,306
Consulting and management fees	165,809	-	165,809
Interest income	117,058	-	117,058
Net assets released from restrictions	2,890,178	(2,890,178)	-
	<u>87,204,192</u>	<u>(2,213,932)</u>	<u>84,990,260</u>
Total revenues, gains, and support			
Expenses and losses:			
Expenses:			
Program services	77,299,280	-	77,299,280
Administrative	10,545,295	-	10,545,295
Fundraising	1,986,271	-	1,986,271
	<u>89,830,846</u>	<u>-</u>	<u>89,830,846</u>
Total expenses			
Restructuring costs	10,351,370	-	10,351,370
Net loss on disposal of property and equipment	109,195	-	109,195
	<u>100,291,411</u>	<u>-</u>	<u>100,291,411</u>
Total expenses and losses			
Change in net assets	(13,087,219)	(2,213,932)	(15,301,151)
Net assets - beginning of year	86,219,097	5,019,534	91,238,631
Net assets - end of year	<u>\$ 73,131,878</u>	<u>\$ 2,805,602</u>	<u>\$ 75,937,480</u>

See accompanying notes to the financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenues, gains, and support:			
Memberships	\$ 48,643,135	\$ -	\$ 48,643,135
Program fees	23,495,510	-	23,495,510
Contributions	6,144,324	1,389,812	7,534,136
Grants	2,522,367	-	2,522,367
Other income	983,476	-	983,476
Sales to members	811,278	-	811,278
Consulting and management fees	141,751	-	141,751
Interest income	107,916	-	107,916
Net gain on disposal of property and equipment	97,692	-	97,692
Change in derivative liability	(590,851)	-	(590,851)
Net assets released from restrictions	2,588,479	(2,588,479)	-
	<u>84,945,077</u>	<u>(1,198,667)</u>	<u>83,746,410</u>
Total revenues, gains, and support			
Expenses:			
Program services	72,679,836	-	72,679,836
Administrative	11,323,517	-	11,323,517
Fundraising	1,965,385	-	1,965,385
	<u>85,968,738</u>	<u>-</u>	<u>85,968,738</u>
Total expenses			
Change in net assets	(1,023,661)	(1,198,667)	(2,222,328)
Net assets - beginning of year	87,242,758	6,218,201	93,460,959
Net assets - end of year	<u>\$ 86,219,097</u>	<u>\$ 5,019,534</u>	<u>\$ 91,238,631</u>

See accompanying notes to the financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2013**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Administrative</b>	<b>Fundraising</b>	
Salaries and instructors' fees	\$ 34,278,933	\$ 4,770,877	\$ 954,857	\$ 40,004,667
Employee benefits	3,459,974	928,230	163,050	4,551,254
Payroll taxes and worker's compensation	<u>3,192,019</u>	<u>494,903</u>	<u>67,749</u>	<u>3,754,671</u>
 Total salaries and related expenses	 40,930,926	 6,194,010	 1,185,656	 48,310,592
Occupancy costs	11,958,335	469,340	-	12,427,675
Supplies and general expenses	4,918,004	205,825	117,492	5,241,321
Purchased services	1,917,182	966,497	112,997	2,996,676
Interest expense	1,677,301	29,028	-	1,706,329
Equipment costs	1,009,554	631,593	6,534	1,647,681
Conferences, conventions and meetings	1,048,906	307,366	26,694	1,382,966
Printing, publications, and fundraising	833,228	7,035	460,019	1,300,282
Travel	780,300	202,573	29,524	1,012,397
Miscellaneous	793,632	184,609	35,312	1,013,553
Assistance, awards and grants	946,094	-	-	946,094
Telephone	426,957	147,120	-	574,077
Membership dues	326,129	54,155	3,468	383,752
Postage and shipping	182,860	129,966	8,575	321,401
Insurance	<u>270,785</u>	<u>8,604</u>	<u>-</u>	<u>279,389</u>
 Total expenses before write-offs, depreciation and amortization	 68,020,193	 9,537,721	 1,986,271	 79,544,185
Depreciation and amortization	<u>9,279,087</u>	<u>1,007,574</u>	<u>-</u>	<u>10,286,661</u>
 Total expenses	<u><u>\$ 77,299,280</u></u>	<u><u>\$ 10,545,295</u></u>	<u><u>\$ 1,986,271</u></u>	<u><u>\$ 89,830,846</u></u>

See accompanying notes to the financial statements.



**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2012**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>Administrative</b>	<b>Fundraising</b>	
Salaries and instructors' fees	\$ 32,946,310	\$ 4,471,431	\$ 866,944	\$ 38,284,685
Employee benefits	3,265,641	745,567	177,071	4,188,279
Payroll taxes and worker's compensation	<u>2,995,781</u>	<u>348,132</u>	<u>68,273</u>	<u>3,412,186</u>
 Total salaries and related expenses	 39,207,732	 5,565,130	 1,112,288	 45,885,150
Occupancy costs	10,963,850	500,494	-	11,464,344
Supplies and general expenses	4,600,972	204,255	234,204	5,039,431
Purchased services	2,308,899	1,302,747	83,915	3,695,561
Interest expense	1,767,011	245,460	-	2,012,471
Equipment costs	1,248,018	575,247	3,009	1,826,274
Printing and publications	792,143	473,603	19,961	1,285,707
Conferences, conventions and meetings	981,993	266,454	24,374	1,272,821
Travel	781,615	184,622	38,506	1,004,743
Assistance, awards and grants	766,575	20,000	-	786,575
Miscellaneous	335,005	177,014	39,215	551,234
Telephone	412,429	105,254	74	517,757
Fundraising expenses	-	-	402,036	402,036
Membership dues	326,665	65,979	1,850	394,494
Insurance	329,462	21,660	-	351,122
Postage and shipping	<u>69,216</u>	<u>177,662</u>	<u>5,953</u>	<u>252,831</u>
 Total expenses before write-offs, depreciation and amortization	 64,891,585	 9,885,581	 1,965,385	 76,742,551
Write-off of bond issue costs	-	281,880	-	281,880
Depreciation and amortization	<u>7,788,251</u>	<u>1,156,056</u>	<u>-</u>	<u>8,944,307</u>
 Total expenses	 <u><u>\$ 72,679,836</u></u>	 <u><u>\$ 11,323,517</u></u>	 <u><u>\$ 1,965,385</u></u>	 <u><u>\$ 85,968,738</u></u>

See accompanying notes to the financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (15,301,151)	\$ (2,222,328)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	10,286,661	8,944,307
Loss (gain) on disposition and impairment of property and equipment	8,504,900	(97,692)
Write-off of bond issue costs	-	281,880
(Decrease) increase in derivative liability - interest rate swap	(1,722,966)	590,851
Contributions for property and equipment	(282,646)	(1,109,351)
Gain on sale of investments	(17,363)	-
Changes in operating assets and liabilities:		
Accounts and grants receivable	(636,480)	193,870
Prepaid expenses	(253,493)	22,559
Accounts payable and accrued expenses	2,394,518	23,840
Deferred membership dues	(365,002)	82,466
Deferred lease revenue	(107,409)	(104,516)
Net cash provided by operating activities	<u>2,499,569</u>	<u>6,605,886</u>
Cash flows from investing activities:		
Purchase of investments	-	(2,017,540)
Proceeds from sale of investments	2,034,903	-
Purchases of property and equipment	(5,143,510)	(13,916,796)
Decrease in cash restricted for investment in property and equipment	415,844	611,512
Proceeds from sale of property and equipment	476,653	142,165
Net cash used in investing activities	<u>(2,216,110)</u>	<u>(15,180,659)</u>
Cash flows from financing activities:		
Proceeds received from contributions for property and equipment	2,080,734	1,696,506
Principal payments on debt obligations	(5,404,884)	(51,336,164)
Proceeds from debt obligations	7,205,203	61,196,929
Redemption of derivative liability - interest rate swap	-	(2,866,960)
Bond issue costs	-	(84,957)
Principal payments on capital lease obligations	(3,177,218)	(2,822,286)
Net cash provided by financing activities	<u>703,835</u>	<u>5,783,068</u>
Increase (decrease) in cash and cash equivalents	987,294	(2,791,705)
Cash and cash equivalents - beginning of year	<u>11,674,123</u>	<u>14,465,828</u>
Cash and cash equivalents - end of year	<u><u>\$ 12,661,417</u></u>	<u><u>\$ 11,674,123</u></u>

See accompanying notes to the financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**For the Years Ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Supplemental cash flow disclosures:		
Non-cash investing and financing activities:		
Property and equipment acquired through capitalized leases	<u>\$ 2,418,797</u>	<u>\$ 3,767,806</u>
Accounts payable for construction-in-progress	<u>\$ 77,604</u>	<u>\$ 377,637</u>
Interest expense paid	<u>\$ 1,706,329</u>	<u>\$ 2,012,471</u>

See accompanying notes to the financial statements.

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General**

The Young Men’s Christian Association of Middle Tennessee (the “YMCA”) is a worldwide charitable fellowship united by a common loyalty to Jesus Christ for the purpose of helping people grow in spirit, mind and body. As the region’s leading nonprofit dedicated to strengthening community, the YMCA works side-by-side with neighbors to make sure that everyone, regardless of age, income or background, has the opportunity to learn, grow and thrive. With 19 membership centers, 7 program centers, and over 300 program sites, the YMCA exists to nurture the potential of children and teens, improve the nation’s health and well-being and provide opportunities to give back and support neighbors.

**Basis of Presentation**

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

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

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

*Temporarily restricted net assets* are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. As of December 31, 2013 and 2012, all temporarily restricted net assets were from contributions and pledges for capital improvements at the various YMCA facilities.

*Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations or certain restricted purposes. The YMCA had no permanently restricted net assets as of December 31, 2013 or 2012.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions and Support**

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

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

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

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

**Donated Services**

Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2013 and 2012, contributed services meeting the requirements for recognition in the financial statements was not significant.

**Cash and Cash Equivalents**

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

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. The allowance for doubtful accounts for accounts receivable at December 31, 2013 and 2012, is \$160,451 and \$0, respectively.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an appropriate discount rate commensurate with the rate on U.S. Government bonds whose maturities correspond to the maturities of the contributions and management's estimate of credit risk for each contribution. Amortization of the discount is recognized using the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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

**Prepaid Expenses**

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

Advertising, marketing and promotional costs incurred amounted to \$1,300,282 and \$1,285,707 for the years ended December 31, 2013 and 2012, respectively.

**Property and Equipment**

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

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

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

**Bond Issue Costs and Amortization**

Bond issue costs are capitalized and amortized by the straight-line method over the term of the related bond issue. Accumulated amortization at December 31, 2013 and 2012 was \$4,248 and \$0, respectively.

**Derivatives**

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

**Deferred Revenues**

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

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

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

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

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

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes**

The YMCA qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The YMCA pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2013 and 2012.

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

The YMCA follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The YMCA has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2010 through 2013. There is no accrual for uncertain tax positions at December 31, 2013 and 2012.

**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.



**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Program and Supporting Services (Continued)**

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.

**Use of Estimates**

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

**Fair Value Measurements**

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

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

Following is a description of the valuation methodologies used for financial assets and liabilities:

Municipal bonds and interest rate swaps are measured at fair value on a recurring basis utilizing Level 2 inputs. The YMCA obtains bank quotations to value its municipal bonds and 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. At December 31, 2012, Municipal bonds were valued at \$2,017,540. The Municipal bonds matured on November 12, 2013.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Value Measurements (Continued)**

The carrying value of cash and cash equivalents, accounts and grants receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying value of contributions receivable approximates fair value because of the present value discount included in the carrying amount. Notes payable, bonds payable, and capital lease obligations have a carrying value which approximates the fair value of the outstanding balance of the notes, bonds, and capital lease obligations, respectively. The estimated fair value amounts have been determined by the YMCA using available market information and appropriate valuation methodologies.

No changes in the valuation methodologies were made during 2013 or 2012.

**Reclassifications**

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation.

**Subsequent Events**

The YMCA evaluated subsequent events through May 8, 2014, when these financial statements were available to be issued. Except as discussed in Note 15, YMCA management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

	<b><u>2013</u></b>	<b><u>2012</u></b>
Cash and cash equivalents	\$ 12,661,417	\$ 11,674,123
Cash restricted for investment in property and equipment	<u>856,908</u>	<u>1,272,752</u>
	<b><u>\$ 13,518,325</u></b>	<b><u>\$ 12,946,875</u></b>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

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

	<u>2013</u>	<u>2012</u>
Temporarily restricted:		
Less than one year	\$ 1,253,145	\$ 3,010,153
One to five years	1,233,437	1,791,258
Five years and greater	<u>-</u>	<u>10,270</u>
	2,486,582	4,811,681
Less: allowance for uncollectible contributions	(333,251)	(771,806)
Less: discount to net present value	<u>(204,637)</u>	<u>(293,093)</u>
 Total	 <u>\$ 1,948,694</u>	 <u>\$ 3,746,782</u>

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

	<u>2013</u>	<u>2012</u>
Nelson Andrews Leadership Center Campaign	<u>\$ 200,000</u>	<u>\$ 400,000</u>

**NOTE 4 – LAND HELD FOR SALE**

During 2009, the YMCA received a land donation with an estimated fair value of \$600,000. Management determined that the YMCA will sell the land and currently lists the property for sale. During 2011, the YMCA received a land donation with an estimated fair value of \$2,000,000. During the same year, the YMCA purchased adjacent land for \$1,825,738. During 2013, management determined that the YMCA will sell the land and currently lists the property for sale. In conjunction with the listing, the YMCA recognized an impairment loss of \$1,725,738 which is included within restructuring costs in the accompanying statement of activities.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 15,428,094	\$ 19,599,794
Buildings and improvements	142,289,966	151,376,288
Equipment and furniture	41,578,435	37,846,503
Software	3,653,726	4,180,668
Construction in progress	<u>170,410</u>	<u>2,405,964</u>
	203,120,631	215,409,217
Less: accumulated depreciation	<u>(73,638,527)</u>	<u>(71,825,422)</u>
	<u>\$129,482,104</u>	<u>\$143,583,795</u>

Construction-in-progress includes expansions and additions that were underway at December 31, 2013, at certain YMCA centers, as to which the estimated cost to complete these projects was approximately \$3,230,000.

**NOTE 6 – DEFERRED LEASE REVENUE**

In June 2006, the YMCA entered into an agreement with Fifty Forward (a nonprofit organization) for facility use and maintenance. Under the terms of the lease, Fifty Forward has the right to occupy approximately 20% of the space at the Bellevue Family YMCA and J.L. Turner Center for Lifelong Learning for an initial term of 20 years, with four consecutive five-year renewal options. The agreement required an initial advance payment of \$2,000,000, of which \$1,486,636 was prepaid rent for the entire initial lease term, and \$513,364 was a prepayment for estimated operational costs and maintenance for approximately 15 years. The remaining unamortized balance of deferred lease revenue for the Bellevue facility totaled \$1,250,164 and \$1,357,573 at December 31, 2013 and 2012, respectively. The agreement with Fifty Forward also includes revenue sharing provisions related to certain jointly sponsored programs primarily directed to senior citizens at the Bellevue facility.

**NOTE 7 – LINE OF CREDIT**

During 2012, the YMCA entered into a line of credit with a financial institution in conjunction with the refinancing of its existing notes and bonds payable (see Note 8). The line of credit matures June 30, 2017 and provides for maximum borrowings of \$7,000,000 through June 30, 2013, \$10,500,000 through June 30, 2014, and \$15,000,000 through June 30, 2017. The agreement requires monthly interest payments calculated at a rate of LIBOR plus 1.30% (1.47% and 1.51% at December 31, 2013, and 2012, respectively) in addition to a fee of 0.25% of the unused principal balance. Outstanding borrowings on the line of credit totaled \$4,419,724 and \$5,135,163 at December 31, 2013 and 2012, respectively. The line of credit contains restrictive covenants and is secured by a

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
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**December 31, 2013 and 2012**

**NOTE 7 – LINE OF CREDIT (Continued)**

negative pledge of the YMCA's assets. The YMCA was not in compliance with the debt service coverage ratio at December 31, 2013. The YMCA has obtained a waiver of the debt service coverage ratio covenant requirement at December 31, 2013.

**NOTE 8 – NOTES AND BONDS PAYABLE**

On July 1, 2012, the YMCA entered into an agreement with a financial institution to provide up to \$57 million in financing through a guaranty and credit qualified tax exempt loan and up to \$15 million in financing (see line of credit discussed in Note 7) through a taxable debt facility. These debt instruments served to refinance substantially all existing debt and provide additional borrowing capacity. The industrial development bond associated with the tax exempt loan was approved by the Davidson County Industrial Development Board on May 8, 2012. The guaranty and credit agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's assets. The YMCA was not in compliance with the debt service coverage ratio at December 31, 2013. The YMCA has obtained a waiver of the debt service coverage ratio covenant requirement at December 31, 2013.

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

	<u>2013</u>	<u>2012</u>
<u>Bonds Payable</u>		
2012 Industrial Revenue Bonds, face value \$57,000,000, final maturity date of June 1, 2037. Payments toward principal repayment are due monthly. Interest on the bonds is determined weekly by the Remarketing Agent and ranged from 1.55% - 1.59% in 2013 (1.10% - 1.58% in 2012).	(1) \$ 53,554,286	\$ 51,052,027
<u>Notes Payable</u>		
Notes payable on vehicles purchased for employee and program usage. Total monthly payments range from \$389 to \$553, including interest ranging from 0% to 4.89% per annum. Maturities range through 2017.	<u>42,982</u>	<u>29,483</u>
Total notes and bonds payable	<u>\$ 53,597,268</u>	<u>\$ 51,081,510</u>

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 8 – NOTES AND BONDS PAYABLE (Continued)**

Annual principal maturities and required reimbursement payments of debt obligations as of December 31, 2013, are as follows:

<u>Years Ending December 31;</u>	<u>Notes Payable</u>	<u>2012 Bond Issue</u>	<u>Total</u>
2014	\$ 19,053	\$ 2,694,548	\$ 2,713,601
2015	16,193	2,949,177	2,965,370
2016	6,630	3,115,130	3,121,760
2017	1,106	3,250,392	3,251,498
2018	-	3,380,408	3,380,408
Thereafter	<u>-</u>	<u>38,164,631</u>	<u>38,164,631</u>
	<u>\$ 42,982</u>	<u>\$ 53,554,286</u>	<u>\$ 53,597,268</u>

- (1) At December 31, 2013 and 2012, the YMCA had an interest rate swap agreement with SunTrust Bank (the "Bank") 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 2.95% times the scheduled annual notional amount (\$25,277,143 and \$25,005,791 in 2013 and 2012, respectively), and the Bank makes a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 77% of LIBOR (0.13% and 0.16% at December 31, 2013 and 2012, respectively).

**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.

During 2001, the YMCA entered into a management agreement with the YMCA of Scottsville and Allen County, Inc. ("Scottsville Center") for the YMCA to oversee the day-to-day operations of the facility. This agreement was renewed during 2010 and expired December 31, 2013. The YMCA has determined the Scottsville Center to be a variable interest entity because of beneficial use. As a result, the YMCA included the Scottsville Center land, building and equipment in the YMCA's total assets. However, when the agreement expired December 31, 2013, these assets were transferred to the YMCA of Scottsville and Allen County, Inc. The carrying value of these assets approximated \$3.5 million at December 31, 2013. The resulting loss is included within restructuring costs in the accompanying statement of activities.

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 10 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. As of December 31, 2013, the Organization’s depositor accounts exceeded FDIC insurance limits by approximately \$7,400,000.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from three donors amounted to 80% of total gross outstanding contributions receivable as of December 31, 2013 (four donors comprised 69% of gross outstanding contributions receivable as of December 31, 2012).

**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) (the “Retirement Fund”). This plan is for the benefit of all eligible professional and nonprofessional staff of duly organized and reorganized YMCA’s throughout the United States.

Contributions to the plan by employees and employer YMCA’s are based on a percentage of the participating employees’ salaries and are remitted monthly. Total contributions to the plan by the YMCA of Middle Tennessee, which are included in employee benefits, amounted to \$2,562,280 in 2013 and \$2,358,937 in 2012.

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 from entities in which certain Board members are affiliated. The total of such expenditures approximated \$2,410,000 in 2013 and \$4,077,000 in 2012.

The YMCA Foundation of Middle Tennessee (the “YMCA Foundation”) was formed to establish a sustaining means of support, using its income primarily for the benefit of the YMCA. The YMCA has representation on the YMCA Foundation’s Board of Directors but does not have a majority voting interest. The YMCA Foundation receives donor designated funds and also makes grants to other nonprofit organizations. For the year ended December 31, 2013, the YMCA Foundation paid out total grants of \$181,169 (\$170,922 in 2012), of which \$173,704 (\$161,430 in 2012) was paid to the YMCA and included in grant revenues. During the year ended December 31, 2013, the YMCA contributed \$292,384 into the YMCA Foundation’s endowment fund.

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**December 31, 2013 and 2012**

**NOTE 12 – RELATED PARTY TRANSACTIONS AND RELATED ENTITIES (Continued)**

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

	<u>2013</u>	<u>2012</u>
Total assets	\$ 7,738,497	\$ 6,421,832
Total liabilities	<u>57,267</u>	<u>75,306</u>
Net assets	<u>\$ 7,681,230</u>	<u>\$ 6,346,526</u>
Net assets:		
Unrestricted	\$ 6,343,057	\$ 5,332,060
Unrestricted – Philanthropic funds	92,072	59,769
Temporarily restricted	<u>1,246,101</u>	<u>954,697</u>
Total net assets	<u>\$ 7,681,230</u>	<u>\$ 6,346,526</u>
Total support and revenue, including realized and unrealized gains on investments of \$1,000,514 in 2013 and \$559,623 in 2012.	<u>\$ 1,602,129</u>	<u>\$ 836,596</u>
Total expenses	<u>\$ 267,425</u>	<u>\$ 314,631</u>
Resources held for the benefit of the YMCA	<u>\$ 7,589,158</u>	<u>\$ 6,286,757</u>

**NOTE 13 – LEASES**

The YMCA is obligated under several noncancelable operating leases for office space, equipment and vehicles that expire at various dates through 2017. Total rental expense incurred under these leases for the years ended December 31, 2013 and 2012, amounted to: office space - \$1,082,571 and \$971,344, respectively; equipment - \$226,058 and \$551,751, respectively; and vehicles - \$110,409 and \$113,905, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2023. Total capital lease payments made under these leases for the years ended December 31, 2013 and 2012 amounted to \$3,286,514 and \$2,967,071, including \$109,294 and \$144,786 of imputed interest, respectively.



**YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**NOTE 13 – LEASES (Continued)**

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

	<u>2013</u>	<u>2012</u>
Cost	\$ 6,991,438	\$ 10,488,298
Accumulated depreciation	<u>(2,101,898)</u>	<u>(6,449,614)</u>
Net book value	<u>\$ 4,889,540</u>	<u>\$ 4,038,684</u>

Future minimum lease payments required under all noncancelable leases as of December 31, 2013, are:

	<u>Operating Leases</u>				<u>Capital Leases</u>
	<u>Office</u>	<u>Equipment</u>	<u>Vehicles</u>	<u>Total</u>	<u>Equipment</u>
Years Ending December 31:					
2014	\$ 774,223	\$ 186,608	\$ 10,200	\$ 971,031	\$ 2,350,380
2015	698,842	186,608	10,200	895,650	1,089,902
2016	661,798	186,608	10,200	858,606	140,502
2017	655,263	108,855	5,950	770,068	42,474
2018	377,307	-	-	377,307	-
Thereafter	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>1,400,000</u>	<u>-</u>
	<u>\$ 4,567,433</u>	<u>\$ 668,679</u>	<u>\$ 36,550</u>	<u>\$ 5,272,662</u>	<u>\$ 3,623,258</u>

Less: interest imputed at rates ranging from 1.20% to 4.23% 69,375

Present value of future minimum lease payments \$ 3,553,883

**NOTE 14 – RESTRUCTURING COSTS**

During 2013, YMCA staff and a volunteer task force completed a center sustainability review with the objective of maintaining service and ensuring the long-term fiscal stability of the YMCA. The decision was made to cease current operations at three subsidized YMCA centers (Cool Springs effective September 30, 2013, and Maury County and Oakwood Commons effective December 31, 2013). The Scottsville Center management agreement expired December 31, 2013 and was not renewed. Additionally, land held in Mt. Juliet was listed for sale. Land, building, and equipment at the Maury County location with a net depreciated value of \$3,184,267 was deeded to a successor not-for-profit entity effective January 1, 2014 that will continue to operate the facility. The assets of the Scottsville Center with a net depreciated value of \$3,447,319 were transferred out at December 31, 2013 (See note 9). Property and equipment at Oakwood Commons and Cool Springs with a

**YOUNG MEN’S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE**  
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**NOTE 14 – RESTRUCTURING COSTS (Continued)**

depreciated value of \$38,381 were disposed in connection with the restructuring. An impairment loss totaling \$1,725,738 was recognized to record the Mt. Juliet land at the current listing price. The net depreciated values of the subsidized YMCA centers and the Scottsville center are included in restructuring costs in the statement of activities for the year ended December 31, 2013. Additionally, the Cool Springs and Oakwood Commons facilities were leased under multiple year operating lease agreements. As a result, the YMCA recognized \$1,524,787 in restructuring costs to accrue future lease payments. Additional costs of \$430,878 were incurred related to severance, refunds, and other related costs.

The following table summarizes the financial impact of ceasing operations at the centers.

Property and equipment carrying value	\$ 6,669,967
Impairment on Mt. Juliet property	1,725,738
Future operating lease payments (Oakwood Commons and Cool Springs)	1,524,787
Employee severance and other expenses	<u>430,878</u>
Total	<u>\$ 10,351,370</u>

The accompanying financial statements include an accrual for the expected costs of ceasing operations at the centers of \$1,803,442 to be paid in future years.

**NOTE 15 – SUBSEQUENT EVENT**

Subsequent to December 31, 2013, the YMCA entered into a letter of intent to sell certain assets comprising the currently existing Putnam County Family YMCA to the Upper Cumberland Family YMCA (“Upper Cumberland”) for \$496,500. The transaction is expected to be completed as soon as possible following the receipt by Upper Cumberland of its 501(c)(3) status. At December 31, 2013, the net recorded value of Putnam County Family YMCA assets totaled approximately \$2.2 million.