

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2009 AND 2008

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS, ADDITIONAL INFORMATION

AND

INDEPENDENT AUDITORS' REPORTS

DECEMBER 31, 2009 AND 2008

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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, 2009 and 2008, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2009 and 2008, 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 17, 2010 on our consideration of the YMCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit for the year ended December 31, 2009.

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.

Nashville, Tennessee
June 17, 2010

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|---|-----------------------|-----------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents - Note 2 | \$ 11,735,289 | \$ 11,599,103 |
| Accounts and grants receivable | 301,313 | 342,953 |
| Contributions receivable, net - Note 4 | 8,281,800 | 11,556,122 |
| Land held for sale - Note 5 | 1,510,066 | - |
| Property, plant and equipment, net - Note 6 | 131,202,781 | 127,929,307 |
| Prepaid expenses | 888,821 | 963,416 |
| Bond issue costs, net - Note 3 | 376,766 | 412,879 |
| Cash restricted for investment in property and equipment - Note 2 | <u>9,877,474</u> | <u>12,504,942</u> |
| TOTAL ASSETS | <u>\$ 164,174,310</u> | <u>\$ 165,308,722</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts payable and accrued expenses | \$ 4,721,289 | \$ 6,625,652 |
| Derivative liability - interest rate swap - Notes 8 and 14 | 4,550,238 | 7,520,082 |
| Debt: | | |
| Notes payable - Note 8 | 3,432,829 | 3,250,253 |
| Bonds payable - Note 8 | 55,390,000 | 59,870,000 |
| Capital lease obligations - Note 13 | 4,055,136 | 3,163,450 |
| Deferred revenue: | | |
| Membership dues | 937,573 | 1,081,602 |
| Deferred lease revenue - Note 7 | <u>1,663,161</u> | <u>1,760,054</u> |
| TOTAL LIABILITIES | <u>74,750,226</u> | <u>83,271,093</u> |
| LEASES, COMMITMENTS AND CONTINGENCIES - Notes 9 and 13 | | |
| <u>NET ASSETS</u> | | |
| Unrestricted: | | |
| Board designated reserves | 6,117,958 | 6,047,908 |
| Undesignated | <u>70,468,749</u> | <u>59,911,695</u> |
| Total unrestricted | 76,586,707 | 65,959,603 |
| Temporarily restricted | <u>12,837,377</u> | <u>16,078,026</u> |
| TOTAL NET ASSETS | <u>89,424,084</u> | <u>82,037,629</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 164,174,310</u> | <u>\$ 165,308,722</u> |

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

| | 2009 | | |
|--|---------------|------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Totals |
| REVENUES AND SUPPORT | | | |
| Contributions | \$ 6,069,519 | \$ 3,298,623 | \$ 9,368,142 |
| United Way | 93,268 | - | 93,268 |
| Grants | 2,931,871 | - | 2,931,871 |
| Memberships | 46,816,793 | - | 46,816,793 |
| Program fees | 22,005,235 | - | 22,005,235 |
| Sales to members | 565,318 | - | 565,318 |
| Interest income | 183,632 | - | 183,632 |
| Consulting and management fees | 105,864 | - | 105,864 |
| Other income | 923,026 | - | 923,026 |
| Net loss on disposal of property and equipment | (218,754) | - | (218,754) |
| Net assets released from restrictions - satisfaction of purpose restrictions | 6,539,272 | (6,539,272) | - |
| TOTAL REVENUES AND SUPPORT | 86,015,044 | (3,240,649) | 82,774,395 |
| EXPENSES | | | |
| Program services | 65,066,714 | - | 65,066,714 |
| Administrative | 8,235,358 | - | 8,235,358 |
| Fundraising | 2,085,868 | - | 2,085,868 |
| TOTAL EXPENSES | 75,387,940 | - | 75,387,940 |
| CHANGE IN NET ASSETS | 10,627,104 | (3,240,649) | 7,386,455 |
| NET ASSETS - BEGINNING OF YEAR | 65,959,603 | 16,078,026 | 82,037,629 |
| NET ASSETS - END OF YEAR | \$ 76,586,707 | \$ 12,837,377 | \$ 89,424,084 |

See accompanying notes to financial statements.

| 2008 | | |
|----------------------|-----------------------------------|----------------------|
| <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Totals</u> |
| \$ 6,571,236 | \$ 30,526 | \$ 6,601,762 |
| 108,083 | - | 108,083 |
| 2,680,470 | - | 2,680,470 |
| 46,186,461 | - | 46,186,461 |
| 22,177,796 | - | 22,177,796 |
| 506,183 | - | 506,183 |
| 616,239 | - | 616,239 |
| 138,843 | - | 138,843 |
| 539,054 | - | 539,054 |
| (14,370) | - | (14,370) |
| <u>4,132,651</u> | <u>(4,132,651)</u> | <u>-</u> |
| <u>83,642,646</u> | <u>(4,102,125)</u> | <u>79,540,521</u> |
| 71,159,980 | - | 71,159,980 |
| 9,504,971 | - | 9,504,971 |
| <u>2,023,277</u> | <u>-</u> | <u>2,023,277</u> |
| <u>82,688,228</u> | <u>-</u> | <u>82,688,228</u> |
| 954,418 | (4,102,125) | (3,147,707) |
| <u>65,005,185</u> | <u>20,180,151</u> | <u>85,185,336</u> |
| <u>\$ 65,959,603</u> | <u>\$ 16,078,026</u> | <u>\$ 82,037,629</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

| | <u>2009</u> | <u>2008</u> |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 7,386,455 | \$ (3,147,707) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 8,134,521 | 6,940,340 |
| Donated property and equipment | (1,751,633) | - |
| Donated land held for sale | (1,510,066) | - |
| Loss on disposition of property and equipment | 218,754 | 14,370 |
| Change in derivative liability - interest rate swap | (2,969,844) | 4,613,324 |
| Pledges for property, plant and equipment | (883,622) | (601,640) |
| (Increase) decrease in: | | |
| Accounts and grants receivable | 41,640 | 102,349 |
| Prepaid expenses | 74,595 | (65,618) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 100,960 | (450,986) |
| Deferred compensation obligation | - | (375,388) |
| Deferred lease revenue | (96,893) | (94,672) |
| Deferred revenue - other | (144,029) | (57,800) |
| TOTAL ADJUSTMENTS | <u>1,214,383</u> | <u>10,024,279</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>8,600,838</u> | <u>6,876,572</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (6,027,972) | (23,654,887) |
| Decrease in cash restricted for investment in property, plant and equipment | 2,627,468 | 14,956,063 |
| Proceeds from sale of property and equipment | 74,022 | - |
| Proceeds from sale of investments | <u>-</u> | <u>375,388</u> |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(3,326,482)</u> | <u>(8,323,436)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds received from pledges for property, plant and equipment | 4,157,944 | 3,102,025 |
| Principal payments on notes and bonds payable | (5,121,224) | (3,627,610) |
| Proceeds from notes payable | 823,800 | 1,751,292 |
| Principal payments on capital lease obligations | (2,856,826) | (2,295,065) |
| Payments of prior year accounts payable for construction in progress | <u>(2,141,864)</u> | <u>(908,470)</u> |
| NET CASH USED IN FINANCING ACTIVITIES | <u>(5,138,170)</u> | <u>(1,977,828)</u> |
| INCREASE (DECREASE) IN CASH | 136,186 | (3,424,692) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>11,599,103</u> | <u>15,023,795</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 11,735,289</u> | <u>\$ 11,599,103</u> |
| SUPPLEMENTAL CASH FLOW DISCLOSURES: | | |
| Non-cash investing and financing activities: | | |
| Equipment acquired under capitalized leases | \$ 3,748,512 | \$ 1,787,453 |
| Accounts payable for construction-in-progress | \$ 136,541 | \$ 2,141,864 |
| Interest expense paid (including capitalized interest of \$149,397 in 2009 and \$289,812 in 2008) | \$ 2,648,135 | \$ 2,911,183 |

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

| | <u>2009</u> | | | |
|---|--------------------------|----------------------------|-------------------------|--------------------------|
| | <u>PROGRAM</u> | <u>SUPPORTING SERVICES</u> | | <u>TOTAL</u> |
| | <u>SERVICES</u> | <u>ADMINISTRATIVE</u> | <u>FUNDRAISING</u> | |
| Salaries and instructors' fees | \$ 31,588,644 | \$ 3,842,092 | \$ 1,018,287 | \$ 36,449,023 |
| Employee benefits | 3,109,489 | 370,343 | 183,309 | 3,663,141 |
| Payroll taxes and workman's compensation | <u>2,821,132</u> | <u>311,414</u> | <u>72,342</u> | <u>3,204,888</u> |
| TOTAL SALARIES AND RELATED EXPENSES | 37,519,265 | 4,523,849 | 1,273,938 | 43,317,052 |
| Purchased services | 1,740,898 | 1,223,722 | 115,800 | 3,080,420 |
| Supplies and general expenses | 4,666,029 | 275,267 | 10,921 | 4,952,217 |
| Telephone | 604,067 | 81,570 | 4,981 | 690,618 |
| Postage and shipping | 86,083 | 144,027 | 3,317 | 233,427 |
| Occupancy costs | 7,843,726 | 355,800 | - | 8,199,526 |
| Interest expense | 2,066,131 | 432,607 | - | 2,498,738 |
| Change in derivative liability | (2,455,671) | (514,173) | - | (2,969,844) |
| Equipment costs | 1,113,457 | 729,637 | 4,642 | 1,847,736 |
| Printing and publications | 665,879 | 494,596 | 44,879 | 1,205,354 |
| Travel | 860,514 | 153,306 | 26,110 | 1,039,930 |
| Membership dues | 397,559 | - | 2,100 | 399,659 |
| Assistance, awards and grants | 249,375 | - | 243,246 | 492,621 |
| Conferences, conventions and meetings | 820,922 | 201,656 | 5,993 | 1,028,571 |
| Insurance | 443,072 | 5,232 | - | 448,304 |
| Miscellaneous | <u>310,887</u> | <u>128,262</u> | <u>349,941</u> | <u>789,090</u> |
| TOTAL EXPENSES BEFORE DEPRECIATION AND AMORTIZATION | 56,932,193 | 8,235,358 | 2,085,868 | 67,253,419 |
| Depreciation and amortization | <u>8,134,521</u> | <u>-</u> | <u>-</u> | <u>8,134,521</u> |
| TOTAL EXPENSES | <u>\$ 65,066,714</u> | <u>\$ 8,235,358</u> | <u>\$ 2,085,868</u> | <u>\$ 75,387,940</u> |

See accompanying notes to financial statements.

2008

| PROGRAM SERVICES | SUPPORTING SERVICES | | TOTAL |
|----------------------|---------------------|---------------------|----------------------|
| | ADMINISTRATIVE | FUNDRAISING | |
| \$ 31,361,489 | \$ 3,949,005 | \$ 892,322 | \$ 36,202,816 |
| 3,245,830 | 292,941 | 153,464 | 3,692,235 |
| <u>2,914,446</u> | <u>310,083</u> | <u>62,143</u> | <u>3,286,672</u> |
| 37,521,765 | 4,552,029 | 1,107,929 | 43,181,723 |
| 1,709,144 | 1,304,855 | 189,911 | 3,203,910 |
| 4,661,770 | 384,978 | 137,032 | 5,183,780 |
| 804,332 | 148,417 | 15,114 | 967,863 |
| 128,560 | 187,441 | 8,225 | 324,226 |
| 7,683,657 | 352,127 | - | 8,035,784 |
| 2,413,499 | 207,872 | - | 2,621,371 |
| 4,247,492 | 365,832 | - | 4,613,324 |
| 1,126,848 | 901,290 | 12,972 | 2,041,110 |
| 670,283 | 503,901 | 22,557 | 1,196,741 |
| 916,184 | 209,084 | 48,285 | 1,173,553 |
| 344,530 | - | 2,139 | 346,669 |
| 249,374 | - | 223,790 | 473,164 |
| 960,177 | 261,812 | 24,639 | 1,246,628 |
| 374,148 | 9,048 | - | 383,196 |
| <u>407,877</u> | <u>116,285</u> | <u>230,684</u> | <u>754,846</u> |
| 64,219,640 | 9,504,971 | 2,023,277 | 75,747,888 |
| <u>6,940,340</u> | <u>-</u> | <u>-</u> | <u>6,940,340</u> |
| <u>\$ 71,159,980</u> | <u>\$ 9,504,971</u> | <u>\$ 2,023,277</u> | <u>\$ 82,688,228</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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 284,000 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. 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, 2009 and 2008, all temporarily restricted net assets were from contributions and pledges for capital improvements at the various YMCA facilities.
- *Permanently restricted net assets* are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The YMCA had no permanently restricted net assets as of December 31, 2009 or 2008.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Standards Codification

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a Replacement of FASB Statement No. 162*. This statement modifies the Generally Accepted Accounting Principles ("GAAP") hierarchy by establishing only two levels of GAAP, authoritative and nonauthoritative accounting literature. Effective July 2009, the FASB Accounting Standards Codification (the "Codification") is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases issued by the Securities and Exchange Commission. Nonauthoritative guidance and literature include, among other things, FASB Concepts Statements, American Institute of Certified Public Accountants Issues Papers and Technical Practice Aids, and accounting textbooks. The Codification was developed to organize GAAP pronouncements by topic so that users can more easily access authoritative accounting guidance.

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2009 and 2008, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Cash and Cash Equivalents

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

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received (2.69% in 2009; 1.55% in 2008). 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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment and Depreciation (Continued)

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 2009 was \$149,397 (\$289,812 in 2008).

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 interest expense.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

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

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

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

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

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

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 2009 and 2008.

On January 1, 2009, the YMCA adopted new guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions. Income tax positions must meet a more-likely-than-not recognition threshold to be recognized. The adoption of this guidance did not have a material effect on the YMCA's financial position and change in net assets.

As of December 31, 2009 and 2008, the YMCA did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

The YMCA files U.S. Federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. In addition, the YMCA files a Tennessee state income tax return. Tax returns for years prior to fiscal year 2006 are closed.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the YMCA has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

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

Financial accounting standards require disclosure of the estimated fair value of financial assets and liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or nonrecurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis are discussed above. The methodologies for other financial assets and financial liabilities are discussed below:

Reported values approximate fair value - The estimated fair values of cash and cash equivalents, accounts and grants receivable, contributions receivable, land held for sale, prepaid expenses, bond issue costs, cash restricted for investment in property and equipment, accounts payable and accrued expenses, debt, and deferred revenue approximate reported values.

Reclassifications

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

Events Occurring After Reporting Date

The YMCA has evaluated events and transactions that occurred between December 31, 2009 and June 17, 2010, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 2 - CASH AND CASH EQUIVALENTS

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

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|----------------------|----------------------|
| Cash and cash equivalents | 16,290,867 | 16,121,007 |
| Bond proceeds - not yet spent | <u>5,321,896</u> | <u>7,983,038</u> |
| | <u>\$ 21,612,763</u> | <u>\$ 24,104,045</u> |

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

| | <u>2009</u> | <u>2008</u> |
|--|----------------------|----------------------|
| Cash and cash equivalents | \$ 11,735,289 | \$ 11,599,103 |
| Cash restricted for investment in property and equipment | <u>9,877,474</u> | <u>12,504,942</u> |
| | <u>\$ 21,612,763</u> | <u>\$ 24,104,045</u> |

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. In 2008, the balance of the fund was distributed and a loss of \$420,512 was recognized and 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:

| | <u>2009</u> | <u>2008</u> |
|--------------------------------|-------------------|-------------------|
| Bond issue costs | \$ 722,264 | \$ 722,264 |
| Less: accumulated amortization | <u>(345,498)</u> | <u>(309,385)</u> |
| | <u>\$ 376,766</u> | <u>\$ 412,879</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31:

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|----------------------|
| Temporarily restricted: | | |
| Less than one year | \$ 4,734,626 | \$ 5,130,292 |
| One to five years | 3,657,380 | 6,278,839 |
| Five years and greater | <u>1,159,693</u> | <u>1,100,717</u> |
| | 9,551,699 | 12,509,848 |
| Less: allowance for uncollectible contributions | (915,000) | (650,000) |
| Less: discount to net present value | <u>(354,899)</u> | <u>(303,726)</u> |
| Total | <u>\$ 8,281,800</u> | <u>\$ 11,556,122</u> |

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

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Robertson County YMCA Capital Campaign | \$ 5,450 | \$ 6,450 |
| Northwest YMCA Capital Campaign | <u>300,000</u> | <u>600,000</u> |
| | <u>\$ 305,450</u> | <u>\$ 606,450</u> |

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. Four payments of \$300,000 have been approved by the Foundation and recognized as support by the YMCA in 2006, 2007, 2008 and 2009, 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 - LAND HELD FOR SALE

During 2009, the YMCA received a land donation with an estimated fair value of approximately \$1,500,000. Management has determined that the YMCA will sell the land and plans to list the property for sale in 2010.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT

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

| | <u>2009</u> | <u>2008</u> |
|--------------------------------|-----------------------|-----------------------|
| Land and land improvements | \$ 15,119,380 | \$ 14,368,873 |
| Buildings and improvements | 138,048,703 | 116,110,260 |
| Equipment and furniture | 29,864,472 | 26,847,301 |
| Software | 3,126,851 | 939,032 |
| Construction-in-progress | <u>666,912</u> | <u>19,969,320</u> |
| | 186,826,318 | 178,234,786 |
| Less: accumulated depreciation | <u>(55,623,537)</u> | <u>(50,305,479)</u> |
| | <u>\$ 131,202,781</u> | <u>\$ 127,929,307</u> |

Construction-in-progress includes expansions and additions that were underway at December 31, 2009, at certain YMCA centers, as to which the estimated cost to complete these projects was approximately \$7,100,000.

NOTE 7 - 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 \$1,663,161 at December 31, 2009 (\$1,760,054 at December 31, 2008).

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 8 - NOTES AND BONDS PAYABLE

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

| | <u>2009</u> | <u>2008</u> |
|--|-------------|-------------|
| <u>Notes payable</u> | | |
| Note payable to Bank of America to fund certain construction projects. Interest is charged at a fixed rate of 7.87%. The note matures in monthly installments through August 31, 2014. | \$ 299,369 | \$ 347,751 |
| Various notes payable on vehicles purchased for employee and program usage. Total monthly payments range from \$511 to \$1,039, including interest ranging from 0% to 9.23% per annum. Maturities range through 2013. | 80,640 | 119,407 |
| 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) 190,920 | 236,760 |
| 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 principal and interest were paid in 2009. | - | 108,835 |

(Continued on next page)

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 8 - NOTES AND BONDS PAYABLE (CONTINUED)

| | | <u>2009</u> | <u>2008</u> |
|--|-----|------------------|------------------|
| <u>Notes payable (Continued)</u> | | | |
| 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 on July 31, 2010. | (3) | 2,327,400 | 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 interest were paid in 2009. | (3) | - | 97,000 |
| Note payable to Bank of America for expansion of the Brentwood YMCA, payable in monthly principal installments of \$9,524, plus interest. Interest is charged at a rate of 60 basis points above the LIBOR rate. All unpaid principal and interest are due October 18, 2011. | (3) | <u>534,500</u> | <u>686,900</u> |
| Total notes payable | | <u>3,432,829</u> | <u>3,250,253</u> |

(Continued on next page)

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

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 0.23% - 0.80% in 2009 (0.65% - 7.25% in 2008); the rate is not to exceed a maximum rate of 12%. | (1), (2) | 27,100,000 | 29,170,000 |
| 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 0.23% - 0.80% in 2009 (0.65 - 7.25% in 2008); the rate is not to exceed a maximum rate of 12%. | (1), (2) | <u>28,290,000</u> | <u>30,700,000</u> |
| Total bonds payable | | <u>55,390,000</u> | <u>59,870,000</u> |
| TOTAL NOTES AND BONDS PAYABLE | | <u>\$58,822,829</u> | <u>\$63,120,253</u> |

Annual principal maturities and required reimbursement payments of debt obligations as of December 31, 2009, are as follows:

| | | <u>Required Reimbursement Payment (2)</u> | | |
|----------------------------------|------------------|---|--------------------|---------------|
| | Notes Payable | 1998 Bond Issue | 2007 Bond Issue | Total |
| <u>Years Ending December 31:</u> | | | | |
| 2010 | \$ 2,570,226 | \$ 2,490,000 | \$ 880,000 | \$ 5,940,226 |
| 2011 | 547,083 | 2,490,000 | 950,000 | 3,987,083 |
| 2012 | 130,481 | 2,690,000 | 1,020,000 | 3,840,481 |
| 2013 | 121,083 | 3,100,000 | 570,000 | 3,791,083 |
| 2014 | 63,956 | 3,100,000 | 570,000 | 3,733,956 |
| Thereafter | - | 13,230,000 | 24,300,000 | 37,530,000 |
| | \$ 3,432,829 | \$ 27,100,000 | \$ 28,290,000 | \$ 58,822,829 |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

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 (\$26,130,000 in 2009; \$28,200,000 in 2008), 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 (\$22,436,000 in 2009; \$23,401,000 in 2008), 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.

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.

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 million at December 31, 2009.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 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, 2009 and 2008 exceeded the FDIC limit by approximately \$15,186,000 and \$24,465,000, respectively, including approximately \$5,322,000 and \$7,983,000 of unspent bond proceeds, respectively.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from three donors amounted to 45% of total outstanding contributions receivable as of December 31, 2009 (two donors comprised 41% of contributions receivable as of December 31, 2008).

During 2009, the YMCA received two non-cash gifts in the form of computer software and vacant land. These two gifts represented 35% of contributions revenue recognized in 2009. No contributions represented a concentration during 2008.

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 \$2,124,342 in 2009, and \$1,961,966 in 2008.

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.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

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 \$3,543,000 in 2009, and \$3,458,000 in 2008.

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, 2009, the YMCA Foundation paid out total grants of \$155,461 (\$154,237 in 2008), of which \$149,392 (\$147,367 in 2008) 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:

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| Total Assets | \$ 4,853,032 | \$ 4,247,422 |
| Total Liabilities | <u>104,539</u> | <u>117,419</u> |
| Net Assets | <u>\$ 4,748,493</u> | <u>\$ 4,130,003</u> |
| Net Assets: | | |
| Unrestricted | \$ 4,588,967 | \$ 3,930,196 |
| Unrestricted - Philanthropic Funds | 66,716 | 70,986 |
| Temporarily Restricted | <u>92,810</u> | <u>128,821</u> |
| Total Net Assets | <u>\$ 4,748,493</u> | <u>\$ 4,130,003</u> |
| Total Support and Revenue, including realized and unrealized gains (losses) on investments of: \$781,523 in 2009; \$(2,032,962) in 2008. | \$ 1,017,554 | \$(1,576,640) |
| Total Expenses | \$ 399,064 | \$ 432,444 |
| Resources held for the benefit of the YMCA | \$ 4,681,777 | \$ 4,059,017 |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

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, 2009 and 2008, amounted to: office space - \$ 774,734 and \$924,964, respectively; equipment - \$596,100 and \$613,785, respectively; and vehicles - \$163,640 and \$129,412, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2013. Total capital lease payments made under these leases for the years ended December 31, 2009 and 2008 amounted to \$3,076,571 and \$2,504,817, including \$219,745 and \$209,752 of imputed interest, respectively.

Future minimum lease payments required under all noncancelable leases as of December 31, 2009, are:

| | Operating Leases | | | | Capital Leases - |
|---|---------------------|-------------------|------------------|---------------------|---------------------|
| | Office | Equipment | Vehicles | Total | Equipment |
| <u>Years Ending December 31:</u> | | | | | |
| 2010 | \$ 412,418 | \$ 233,111 | \$ 25,940 | \$ 671,469 | \$ 2,415,453 |
| 2011 | 185,580 | 233,111 | 3,891 | 422,582 | 1,392,151 |
| 2012 | 157,830 | 233,111 | - | 390,941 | 229,909 |
| 2013 | 148,230 | 77,704 | - | 225,934 | 221,146 |
| 2014 | 154,740 | - | - | 154,740 | - |
| Thereafter | 610,309 | - | - | 610,309 | - |
| | <u>\$ 1,669,107</u> | <u>\$ 777,037</u> | <u>\$ 29,831</u> | <u>\$ 2,475,975</u> | 4,258,659 |
| Less: interest imputed at rates ranging from 3.76% to 10.83% | | | | | <u>(203,523)</u> |
| Present value of future minimum lease payments | | | | | <u>\$ 4,055,136</u> |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2009 AND 2008

NOTE 13 - LEASES (CONTINUED)

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

| | <u>2009</u> | <u>2008</u> |
|--------------------------|---------------------|---------------------|
| Cost | \$ 11,066,279 | \$ 7,317,767 |
| Accumulated depreciation | <u>(7,233,213)</u> | <u>(4,496,559)</u> |
| Net book value | <u>\$ 3,833,066</u> | <u>\$ 2,821,208</u> |

NOTE 14 - FAIR VALUE MEASUREMENTS

The following table sets forth the YMCA's liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy, as of December 31:

| | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> | <u>Total</u> |
|--|---------------------------|---------------------------|---------------------------|---------------------|
| 2009: | | | | |
| Financial liabilities: | | | | |
| Derivative liability - interest rate swaps | <u>\$ -</u> | <u>\$ 4,550,238</u> | <u>\$ -</u> | <u>\$ 4,550,238</u> |
| 2008: | | | | |
| Financial liabilities: | | | | |
| Derivative liability - interest rate swaps | <u>\$ -</u> | <u>\$ 7,520,082</u> | <u>\$ -</u> | <u>\$ 7,520,082</u> |

ADDITIONAL INFORMATION

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2009

| Grant Description | Federal CFDA# | Grant Number | Grant Period | (\$) | (Accrued) Deferred Revenue 1/1/2009 | | 1/1/09 - 12/31/09 | | (Accrued) Deferred Revenue 12/31/2009 |
|--|---------------------|-----------------|---------------------|------|--|---------|-------------------|--------------|--|
| | | | | | | | Receipts | Expenditures | |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | |
| PASSED THROUGH STATE OF TENNESSEE DEPARTMENT OF HUMAN SERVICES: | | | | | | | | | |
| Child & Adult Care Food Program (CACFP): | | | | | | | | | |
| Northwest | 10.558* | DA-09-24269 | 10/01/08 - 09/30/09 | \$ | (2,287) | \$ | 32,765 | \$ 30,478 | \$ - |
| Northwest | 10.558* | DA-09-27834 | 10/01/09 - 09/30/10 | | - | 7,524 | 10,978 | 10,978 | (3,454) |
| Margaret Maddox Family YMCA | 10.558* | DA-09-24269 | 10/01/08 - 09/30/09 | | (935) | 8,597 | 7,662 | 7,662 | - |
| Margaret Maddox Family YMCA | 10.558* | DA-09-27834 | 10/01/09 - 09/30/10 | | - | 2,242 | 3,332 | 3,332 | (1,090) |
| School Age Services | 10.558* | DA-09-24269 | 10/01/08 - 09/30/09 | | (31,633) | 295,723 | 264,090 | 264,090 | - |
| School Age Services | 10.558* | DA-09-27834 | 10/01/09 - 09/30/10 | | - | 78,325 | 108,944 | 108,944 | (30,619) |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | | | (34,855) | 425,176 | 425,484 | 425,484 | (35,163) |
| U.S. DEPARTMENT OF LABOR | | | | | | | | | |
| EMPLOYMENT AND TRAINING ASSOCIATION | | | | | | | | | |
| Youth Build | | | | | | | | | |
| 17.274 | YB-18930-09-60-A-47 | | 07/01/09 - 06/30/12 | | - | 85,071 | 126,133 | 126,133 | (41,062) |
| TOTAL U.S. DEPARTMENT OF LABOR | | | | | - | 85,071 | 126,133 | 126,133 | (41,062) |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | | | | | |
| PASSED THROUGH METROPOLITAN DEVELOPMENT AND HOUSING AGENCY: | | | | | | | | | |
| COMMUNITY DEVELOPMENT BLOCK GRANT | | | | | | | | | |
| Youth Enrichment Initiatives - Boys & Girls Club YMCA | 14.218 | B-09-MC470007 | 06/01/09 - 08/15/09 | | - | 30,000 | 30,000 | 30,000 | - |
| TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | | - | 30,000 | 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 | | (26,619) | 75,457 | 48,838 | 48,838 | - |
| Tennessee Healthy Communities - Healthy Youth Initiative | 16.541 | 2008-JL-FX-1001 | 07/01/09 - 06/30/10 | | - | 18,412 | 43,083 | 43,083 | (24,671) |
| TOTAL OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PROGRAM | | | | | (26,619) | 93,869 | 91,921 | 91,921 | (24,671) |
| PASSED THROUGH THE YMCA OF SAN FRANCISCO: | | | | | | | | | |
| ARRA Youth Mentoring Program | 16.808 | N/A | 10/01/09 - 09/30/10 | | - | - | 5,565 | 5,565 | (5,565) |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | | | (26,619) | 93,869 | 97,486 | 97,486 | (30,236) |

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2009

| Grant Description | Federal CFDA# | Grant Number | Grant Period | (Accrued) Deferred Revenue 1/1/2009 | 1/1/09 - 12/31/09 | | (Accrued) Deferred Revenue 12/31/2009 |
|--|------------------|-----------------|---------------------|--|-------------------|--------------|--|
| | | | | | Receipts | Expenditures | |
| CORPORATION OF NATIONAL AND COMMUNITY SERVICE | | | | | | | |
| PASSED THROUGH THE STATE OF TENNESSEE | | | | | | | |
| VOLUNTEER TENNESSEE (EDISON ID 17989): | | | | | | | |
| Learn and Serve America | 94.004 | GR1030186 | 10/01/09 - 10/31/11 | - | - | 250 | (250) |
| Tennessee Service Learning | | | | - | - | 250 | (250) |
| TOTAL CORPORATION OF NATIONAL AND COMMUNITY SERVICE | | | | | | | |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMINISTRATION | | | | | | | |
| FOR CHILDREN AND FAMILIES | | | | | | | |
| PASSED THROUGH STATE OF TENNESSEE | | | | | | | |
| DEPARTMENT OF HUMAN SERVICES: | | | | | | | |
| ARRA Child Care and Development Block Grant | 93.713 | N/A | 04/01/09 - 09/30/10 | - | 15,233 | 20,309 | (5,076) |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | - | 15,233 | 20,309 | (5,076) |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | \$ (61,474) | \$ 649,349 | \$ 699,662 | \$ (111,787) |

* 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, 2009

| Grant Description | Grant Number | Grant Period | (Accrued) Deferred Revenue 1/1/2009 | (Accrued) Deferred Revenue 12/31/2009 | |
|---------------------------------------|-----------------|---------------------|--|--|--------------|
| | | | | 1/1/09 - 12/31/09 | 12/31/2009 |
| | | | | Receipts | Expenditures |
| STATE OF TENNESSEE | | | | | |
| DEPARTMENT OF HEALTH | | | | | |
| Buffalo Soldiers and Little Sisters | Z-08-020319-00 | 07/01/07 - 06/30/08 | \$ (15,002) | \$ 15,002 | \$ - |
| Buffalo Soldiers and Little Sisters | GR-09-27489-00 | 10/01/08 - 06/30/09 | (13,923) | 26,503 | 30,425 |
| | | | | | (17,845) |
| Project Diabetes | GR-09-25456-00 | 07/01/08 - 06/30/09 | (1,585) | 13,824 | 12,239 |
| | | | | | - |
| TOTAL STATE OF TENNESSEE | | | | | |
| DEPARTMENT OF HEALTH | | | (30,510) | 55,329 | 42,664 |
| | | | | | (17,845) |
| TOTAL EXPENDITURES OF STATE AWARDS | | | \$ (30,510) | \$ 55,329 | \$ 42,664 |
| | | | | | \$ (17,845) |

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, 2009, and have issued our report thereon dated June 17, 2010. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

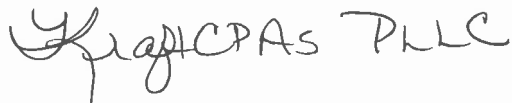
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We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

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 17, 2010.

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.

YMACPAS PLLC

Nashville, Tennessee
June 17, 2010

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, 2009. 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, 2009.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the YMCA's internal control over compliance.

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

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

This report is intended solely for the information and use of 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.

A handwritten signature in black ink, appearing to read "J. H. CPAs PLLC". The signature is stylized and cursive.

Nashville, Tennessee
June 17, 2010

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2009

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? _____ Yes x none reported

Noncompliance material to financial statements noted? _____ Yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes x no
- Significant deficiency(ies) identified? _____ Yes x none reported

Type of 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? x yes _____ no