YOUNG MEN'S CHRISTIAN ASSOCIATION
OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

December 31, 2012 and 2011

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

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FRASIERDEAN HOWARDCPAs

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, 2012 and 2011, 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 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, 2012 and 2011, 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.

Frasier, Dean & Howard, PLLC

May 15, 2013

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,674,123	$ 14,465,828
Investments	2,017,540	-
Accounts and grants receivable	918,904	1,112,774
Contributions receivable, current portion	2,238,347	2,032,754
Prepaid expenses	743,279	765,838
Total current assets	17,592,193	18,377,194
Contributions receivable, net of current portion	1,508,435	2,301,183
Land held for sale	600,000	600,000
Property, plant and equipment, net	143,583,795	134,865,762
Bond issue costs, net	84,957	304,539
Cash restricted for investment in property and equipment	1,272,752	1,884,264
Total assets	$ 164,642,132	$ 158,332,942
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 6,155,077	$ 6,016,656
Deferred membership dues	1,777,827	1,810,390
Notes payable, current portion	9,771	405,037
Bonds payable, current portion	2,457,296	3,710,000
Capital lease obligations, current portion	2,485,471	1,834,165
Total current liabilities	12,885,442	13,776,248
Line of credit	5,135,163	-
Derivative liability - interest rate swap	3,584,047	5,860,156
Notes payable, net of current portion	19,712	5,550,871
Bonds payable, net of current portion	48,594,731	36,690,000
Capital lease obligations, net of current portion	1,826,833	1,532,619
Deferred lease revenue	1,357,573	1,462,089
Total liabilities	73,403,501	64,871,983
Net assets:		
Unrestricted		
Board designated reserves	5,726,008	6,168,431
Undesignated	80,493,089	81,074,327
Total unrestricted	86,219,097	87,242,758
Temporarily restricted	5,019,534	6,218,201
Total net assets	91,238,631	93,460,959
Total liabilities and net assets	$ 164,642,132	$ 158,332,942

See accompanying notes to financial statements.

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

	Unrestricted	Temporarily Restricted	Total
Revenues 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	972,571	-	972,571
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
United Way	10,905	-	10,905
Net assets released from restrictions	2,588,479	(2,588,479)	-
Total revenues and support	85,535,928	(1,198,667)	84,337,261
Expenses:			
Program services	73,198,621	-	73,198,621
Administrative	11,395,583	-	11,395,583
Fundraising	1,965,385	-	1,965,385
Total expenses	86,559,589	-	86,559,589
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	$ 86,219,097	$ 5,019,534	$ 91,238,631

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Memberships	$ 48,360,875	$ -	$ 48,360,875
Program fees	22,833,774	-	22,833,774
Contributions	7,686,115	4,597,410	12,283,525
Grants	3,211,004	-	3,211,004
Other income	932,481	-	932,481
Sales to members	725,851	-	725,851
Interest income	182,473	-	182,473
Consulting and management fees	131,402	-	131,402
Net gain on disposal of property and equipment	89,600	-	89,600
United Way	12,252	-	12,252
Net assets released from restrictions	6,770,713	(6,770,713)	-
Total revenues and support	90,936,540	(2,173,303)	88,763,237
Expenses:			
Program services	72,344,494	-	72,344,494
Administrative	9,734,055	-	9,734,055
Fundraising	1,934,921	-	1,934,921
Total expenses	84,013,470	-	84,013,470
Change in net assets	6,923,070	(2,173,303)	4,749,767
Net assets - beginning of year	80,319,688	8,391,504	88,711,192
Net assets - end of year	$ 87,242,758	$ 6,218,201	$ 93,460,959

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

	Program Services	Supporting Services: Administrative	Supporting Services: Fundraising	Total
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	2,995,781	348,132	68,273	3,412,186
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
Change in derivative liability	518,785	72,066	-	590,851
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	69,216	177,662	5,953	252,831
Total expenses before write-offs, depreciation and amortization	65,410,370	9,957,647	1,965,385	77,333,402
Write-off of bond issue costs	-	281,880	-	281,880
Depreciation and amortization	7,788,251	1,156,056	-	8,944,307
Total expenses	$ 73,198,621	$ 11,395,583	$ 1,965,385	$ 86,559,589

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, 2011

	Program Services	Supporting Services: Administrative	Supporting Services: Fundraising	Total
Salaries and instructors' fees	$ 33,235,688	$ 4,089,440	$ 872,853	$ 38,197,981
Employee benefits	3,423,013	452,775	173,950	4,049,738
Payroll taxes and worker's compensation	2,973,259	333,115	67,997	3,374,371
Total salaries and related expenses	39,631,960	4,875,330	1,114,800	45,622,090
Occupancy costs	8,664,590	353,991	-	9,018,581
Supplies and general expenses	4,640,115	183,613	41,628	4,865,356
Purchased services	2,051,527	1,030,666	86,431	3,168,624
Interest expense	1,999,902	546,490	-	2,546,392
Printing and publications	1,526,810	354,496	-	1,881,306
Equipment costs	1,018,705	593,289	4,968	1,616,962
Assistance, awards and grants	1,130,004	-	219,727	1,349,731
Conferences, conventions and meetings	914,032	190,819	32,919	1,137,770
Travel	814,644	226,025	23,810	1,064,479
Change in derivative liability	684,380	187,012	-	871,392
Telephone	436,677	111,528	22	548,227
Insurance	470,079	6,324	-	476,403
Miscellaneous	332,738	76,681	14,783	424,202
Fundraising expenses	-	-	388,111	388,111
Membership dues	280,470	57,783	2,350	340,603
Postage and shipping	70,657	107,988	5,372	184,017
Total expenses before depreciation and amortization	64,667,290	8,902,035	1,934,921	75,504,246
Depreciation and amortization	7,677,204	832,020	-	8,509,224
Total expenses	$ 72,344,494	$ 9,734,055	$ 1,934,921	$ 84,013,470

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, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (2,222,328)	$ 4,749,767
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	8,944,307	8,509,224
Donated property, plant and equipment	-	(2,000,000)
Gain on disposition of property and equipment	(97,692)	(89,600)
Write-off of bond issue costs	281,880	-
Increase in derivative liability - interest rate swap	590,851	871,392
Contributions for property, plant and equipment	(1,109,351)	(4,034,595)
Changes in operating assets and liabilities:		
Accounts and grants receivable	193,870	(117,901)
Prepaid expenses	22,559	(291,083)
Accounts payable and accrued expenses	23,840	(832,217)
Deferred membership dues	82,466	82,064
Deferred lease revenue	(104,516)	(101,805)
Net cash provided by operating activities	6,605,886	6,745,246
Cash flows from investing activities:		
Purchase of investments	(2,017,540)	-
Purchases of property, plant and equipment	(13,916,796)	(3,626,939)
Decrease in cash restricted for investment in property, plant and equipment	611,512	2,244,807
Proceeds from sale of property and equipment	142,165	89,600
Net cash used in investing activities	(15,180,659)	(1,292,532)
Cash flows from financing activities:		
Proceeds received from contributions for property, plant and equipment	1,696,506	3,963,091
Principal payments on debt obligations	(51,336,164)	(8,551,029)
Proceeds from debt obligations	61,196,929	2,199,000
Redemption of derivative liability - interest rate swap	(2,866,960)	-
Bond issue costs	(84,957)	-
Principal payments on capital lease obligations	(2,822,286)	(2,781,053)
Payments of prior year accounts payable for construction in progress	-	(242,848)
Net cash provided by (used in) financing activities	5,783,068	(5,412,839)
(Decrease) increase in cash and cash equivalents	(2,791,705)	39,875
Cash and cash equivalents - beginning of year	14,465,828	14,425,953
Cash and cash equivalents - end of year	$ 11,674,123	$ 14,465,828

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, 2012 and 2011

	2012	2011
Supplemental cash flow disclosures:		
Non-cash investing and financing activities:		
Donated property, plant and equipment	$ -	$ 2,000,000
Property, plant and equipment acquired through capitalized leases	$ 3,767,806	$ 2,272,639
Property, plant and equipment acquired through financing	$ -	$ 1,500,000
Accounts payable for construction-in-progress	$ 377,637	$ 378,085
Interest expense paid	$ 2,012,471	$ 2,546,392

See accompanying notes to the financial statements.

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 23 membership centers, 8 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 restriction 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, 2012 and 2011, 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, 2012 or 2011.

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 2012 and 2011, 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, bank certificates of deposit and money market funds that can be liquidated without significant penalty or restriction.

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 $1,285,707 and $1,881,306 for the years ended December 31, 2012 and 2011, respectively.

Property, Plant 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2012 and 2011 was $0 and $417,725, respectively. During 2012, bond issue costs of $722,263 net of accumulated depreciation of $440,383 were written off in connection with the retirement of its debt obligations (see Note 8). Amortization of the 2012 bond issue costs will begin in 2013.

Derivatives

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

Deferred 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.

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 2012 and 2011.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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, 2009 through 2012. There is no accrual for uncertain tax positions at December 31, 2012 and 2011.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - includes activities carried out to fulfill the YMCA's mission to provide nurturing and healthy development of children, teens, adults, seniors, families and communities.

Supporting Services:

Administrative - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

Fundraising - includes costs of activities directed toward appeals for financial support including special events. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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. Municipal bonds are valued at $2,017,540 and mature on November 12, 2013.
>
> 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 2012 or 2011.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The YMCA evaluated subsequent events through May 15, 2013, when these financial statements were available to be issued. 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

	2012	2011
Cash and cash equivalents	$ 11,674,123	$ 14,465,828
Cash restricted for investment in property and equipment	1,272,752	1,884,264
	$ 12,946,875	$ 16,350,092

NOTE 3 – CONTRIBUTIONS RECEIVABLE

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

	2012	2011
Temporarily restricted:		
Less than one year	$ 3,010,153	$ 2,543,080
One to five years	1,791,258	3,093,942
Five years and greater	10,270	7,050
	4,811,681	5,644,072
Less: allowance for uncollectible contributions	(771,806)	(1,210,676)
Less: discount to net present value	(293,093)	(99,459)
Total	$ 3,746,782	$ 4,333,937

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

	2012	2011
Nelson Andrews Leadership Center Campaign	$ 400,000	$ 600,000

NOTE 3 – CONTRIBUTIONS RECEIVABLE (Continued)

During 2010, the YMCA was notified by three donors that they will recommend to the Community Foundation of Middle Tennessee, Inc. (the "Foundation") that gifts totaling $1,000,000 be made to the YMCA over a five-year period for the Nelson Andrews Leadership Campaign. Payments totaling $200,000 have been approved by the Foundation and recognized as support by the YMCA in 2012 and 2011, 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 4 – LAND HELD FOR SALE

During 2009, the YMCA received a land donation with an estimated fair value of $600,000. Management determined that the YMCA will sell the land and currently lists the property for sale.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

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

	2012	2011
Land and land improvements	$ 19,599,794	$ 19,348,996
Buildings and improvements	151,376,288	145,936,056
Equipment and furniture	37,846,503	30,465,132
Software	4,180,668	3,868,765
Construction in progress	2,405,964	1,437,383
	215,409,217	201,056,332
Less: accumulated depreciation	(71,825,422)	(66,190,570)
	$143,583,795	$134,865,762

Construction-in-progress includes expansions and additions that were underway at December 31, 2012, at certain YMCA centers, as to which the estimated cost to complete these projects was approximately $2,680,000.

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 $1,357,573 and $1,462,089 at December 31, 2012 and 2011, 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% (1.51% at December 31, 2012) in addition to a fee of 0.25% of the unused principal balance. Outstanding borrowings on the line of credit totaled $5,135,163 at December 31, 2012. The line of credit contains restrictive covenants and is secured by a negative pledge of the YMCA's assets.

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.

NOTE 8 – NOTES AND BONDS PAYABLE (Continued)

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

		2012	2011
Bonds Payable			
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 0.10% - 0.58% in 2012. The bond agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's assets.	(1)	$ 51,052,027	$ -
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 0.10% - 0.58% in 2011; the rate is not to exceed a maximum rate of 12%.	(1)	-	22,120,000
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 0.08% - 0.45% in 2011; the rate is not to exceed a maximum rate of 12%.	(1)	-	18,280,000
Total bonds payable		$ 51,052,027	$ 40,400,000
Notes Payable			
Note payable to Bank of America to fund certain construction projects. Interest is charged at a fixed rate of 7.87%. The note was redeemed in 2012.		$ -	$ 171,948
Various notes payable on vehicles purchased for employee and program usage. Total monthly payments range from $389 to $1,039, including interest ranging from 0% to 9.23% per annum. Maturities range through 2015.		29,483	69,620

NOTE 8 – NOTES AND BONDS PAYABLE (Continued)

Notes Payable (Continued)		2012	2011
Note payable to Bank of America for purchase of the 900 Church Street administrative building, payable in monthly principal installments of $3,820, plus interest. Interest is charged at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due April 15, 2014.	(2)	-	99,240
Note payable to Bank of America for expansion of the Green Hills branch, payable in monthly principal installments ranging from $4,700 to $6,000, plus interest at the rate of 150 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full on July 31, 2015.	(2)	-	1,661,000
Note payable to Bank of America for expansion of the Brentwood YMCA, payable in monthly principal installments of $12,700, plus interest. Interest is charged at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due July 15, 2013.	(2)	-	255,100
Note payable to Bank of America for expansion of the Rutherford County YMCA requiring interest only payments beginning January 2012 calculated at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due December 1, 2013.	(2)	-	530,000
Note payable to Bank of America for purchase of land associated with possible expansion into Mt. Juliet requiring interest only payments beginning January 2012 calculated at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due December 1, 2013.	(2)	-	489,000
Note payable to Bank of America for expansion of the Bellevue branch, payable in monthly principal installments ranging from $3,500 to $4,100, plus interest at the rate of 150 basis points above the LIBOR rate. All principal and any unpaid interest are payable in full on December 1, 2015.	(2)	-	180,000

NOTE 8 – NOTES AND BONDS PAYABLE (Continued)

Notes Payable (Continued)		**2012**	**2011**
Note payable to Bank of America for funding of YMCA rebranding projects requiring interest only payments calculated at a rate of 150 basis points above the LIBOR rate. All unpaid principal and interest are due August 17, 2013.	(2)	-	1,000,000
Note payable to a private party for purchase of land associated with possible expansion into Mt. Juliet requiring annual interest payments totaling $74,500 calculated at a fixed rate of 5%. The note was redeemed in 2012.		-	1,500,000
Total notes payable		$ 29,483	$ 5,955,908

Annual principal maturities and required reimbursement payments of debt obligations as of December 31, 2012, are as follows:

Years Ending December 31;	Notes Payable	2012 Bond Issue	Total
2013	$ 9,771	$ 2,457,296	$ 2,467,067
2014	10,232	2,694,548	2,704,780
2015	9,480	2,949,177	2,958,657
2016	-	3,115,130	3,115,130
2017	-	3,250,392	3,250,392
Thereafter	-	36,585,484	36,585,484
	$ 29,483	$ 51,052,027	$ 51,081,510

(1) At December 31, 2012, the YMCA had an interest rate swap agreement with SunTrust 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 ($25,005,791 in 2012), and the Bank made a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 77% of the LIBOR (0.16% at December 31, 2012). During 2011, the YMCA had two interest rate swap agreements with Bank of America in order to lessen exposure to fluctuating interest rates on the Bonds. The interest rate swaps were applicable to a scheduled notional amount, which reduced annually each January. Under one agreement, the YMCA made a monthly interest payment to the Bank

NOTE 8 – NOTES AND BONDS PAYABLE (Continued)

equal to a per annum rate of 4.33% times the scheduled annual notional amount ($21,150,000 in 2011), and the Bank made a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 70% of the LIBOR. The second agreement required 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 ($18,277,000 in 2011), and the Bank made 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 were terminated in conjunction with the YMCA's new note and bond agreement with SunTrust Bank. New borrowings totaling $2,866,960 were used to satisfy the interest rate swap obligation with Bank of America.

(2) On December 31, 2004, the YMCA entered into a Master Loan Agreement, as amended, with Bank of America for additional loan commitments up to $15,000,000 through July 31, 2015. The agreement provided for both revolving and term loans during the term of the agreement. Revolving loans provided for interest only payments, with a maturity date within twenty-four months of the date of the note. Term loans required 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 were calculated at 150 basis points above the LIBOR rate. The agreement contained restrictive covenants and was secured by a negative pledge of the YMCA's assets. During 2012, all outstanding balances under this Master Loan Agreement were paid in conjunction with the YMCA entering into a new note and bond agreement with SunTrust Bank.

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 currently expires 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 has included the Scottsville Center land, building and equipment 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 approximated $3.6 million at December 31, 2012.

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, 2012, the Organization's depositor accounts exceeded FDIC insurance limits by approximately $6,700,000.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from four donors amounted to 69% of total gross outstanding contributions receivable as of December 31, 2012 (four donors comprised 71% of gross outstanding contributions receivable as of December 31, 2011).

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 $2,358,937 in 2012 and $2,255,971 in 2011.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

NOTE 12 – RELATED PARTY TRANSACTIONS AND RELATED ENTITIES

The YMCA purchases insurance, utilities, contracts for marketing services, law services, construction services and architectural services through certain Board members. The total of such expenditures approximated $4,077,000 in 2012 and $3,620,000 in 2011.

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, 2012, the YMCA Foundation paid out total grants of $170,922 ($187,530 in 2011), of which $161,430 ($181,837 in 2011) was paid to the YMCA and included in grant revenues.

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:

	2012	2011
Total assets	$ 6,357,866	$ 5,902,857
Total liabilities	75,306	78,296
Net assets	$ 6,282,560	$ 5,824,561
Net assets:		
Unrestricted	$ 5,268,094	$ 4,806,636
Unrestricted – Philanthropic funds	59,769	63,228
Temporarily restricted	954,697	954,697
Total net assets	$ 6,282,560	$ 5,824,561
Total support and revenue, including realized and unrealized gains (losses) on investments of: $559,623 in 2012 and $(151,539) in 2011.	$ 772,630	$ 1,069,181
Total expenses	$ 314,631	$ 321,062
Resources held for the benefit of the YMCA	$ 6,222,791	$ 5,761,333

NOTE 13 – LEASES

The YMCA is obligated on several noncancelable operating leases for office space, equipment and vehicles that expire at various dates through 2018. Total rental expense incurred under these leases for the years ended December 31, 2012 and 2011, amounted to: office space - $971,344 and $1,013,029, respectively; equipment - $551,751 and $436,107, respectively; and vehicles - $113,905 and $108,619, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2017. Total capital lease payments made under these leases for the years ended December 31, 2012 and 2011 amounted to $2,967,071 and $2,955,433, including $144,786 and $174,382 of imputed interest, respectively.

NOTE 13 – LEASES (Continued)

Future minimum lease payments required under all noncancelable leases as of December 31, 2012, are:

	Operating Leases				Capital Leases
	Office	Equipment	Vehicles	Total	Equipment
Years Ending December 31:					
2013	$ 307,921	$ 77,704	$ 10,200	$ 395,825	$ 2,575,241
2014	207,860	-	10,200	218,060	1,496,852
2015	194,910	-	10,200	205,110	250,086
2016	170,555	-	10,200	180,755	111,176
2017	177,072	-	5,950	183,022	13,148
Thereafter	103,292	-	-	103,292	-
	$ 1,161,610	$ 77,704	$ 46,750	$ 1,286,064	$ 4,446,503
Less: interest imputed at rates ranging from 1.75% to 5.06%					134,199
Present value of future minimum lease payments					$ 4,312,304

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

	2012	**2011**
Cost	$ 10,488,298	$ 9,879,699
Accumulated depreciation	(6,449,614)	(6,754,119)
Net book value	$ 4,038,684	$ 3,125,580