



FOR YOUTH DEVELOPMENT™
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

The Young Men's Christian Association Of Central Ohio
And Subsidiary, A Not-For-Profit Organization

CONSOLIDATED AUDITED FINANCIAL STATEMENTS
for the year ended December 31, 2010

We have a mission: To serve the whole community through programs expressing Judeo-Christian principles that build a healthy spirit, mind and body.

ymcacolumbus.org

**THE YOUNG
MEN'S
CHRISTIAN
ASSOCIATION
OF CENTRAL
OHIO
AND
SUBSIDIARY**

CONSOLIDATED
FINANCIAL
STATEMENTS

FOR THE
YEAR ENDED
DECEMBER 31, 2010

THE YOUNG MEN’S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

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The Board of Trustees
The Young Men's Christian Association
of Central Ohio

We have audited the accompanying consolidated statement of financial position of The Young Men's Christian Association of Central Ohio (a not-for-profit organization) and Subsidiary (together the Association) as of December 31, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's 2009 financial statements and, in our report dated June 15, 2010, we expressed an unqualified opinion on those financial statements.

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. 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 Association'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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of December 31, 2010, and the changes in its net assets and its cash flows for the year 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 15, 2011 on our consideration of the Association's internal control over financial reporting and 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.

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Center for Audit Quality, and
The Leading Edge Alliance

INDEPENDENT AUDITOR'S REPORT

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidated schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

SS&G Financial Services, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Columbus, Ohio
June 15, 2011

SS&G
Certified Public Accountants and Advisors

www.SSandG.com

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(with summarized financial information as of December 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 1,979,571	\$ -	\$ -	\$ 1,979,571	\$ 2,453,301
Accounts receivable	893,846	687,401	-	1,581,247	1,660,833
Accounts receivable, related party	166,530	-	-	166,530	123,500
Pledges receivable, current portion, net	-	173,718	-	173,718	142,182
Investment in leases receivable, current portion	154,620	-	-	154,620	147,095
Sinking funds	505,104	-	-	505,104	434,763
Prepaid expenses and other	350,559	-	-	350,559	332,438
Investments	10,466,392	-	-	10,466,392	9,606,746
TOTAL CURRENT ASSETS	14,516,622	861,119	-	15,377,741	14,900,858
ENDOWMENT INVESTMENTS	124,465	125,834	492,578	742,877	519,617
INVESTMENT IN PARTNERSHIP	500	-	-	500	500
PROPERTY AND EQUIPMENT, net	33,257,591	5,941,565	-	39,199,156	39,911,088
OTHER ASSETS					
Fair value of donated leasehold interest in facility under construction	-	12,623,180	-	12,623,180	-
Notes receivable, related party including interest, net of allowance for doubtful accounts of \$2,962,160 and \$2,792,027 as of December 31, 2010 and 2009, respectively	85,484	4,799,750	-	4,885,234	4,885,234
Pledges receivable, less current portion, net	-	22,106	-	22,106	50,321
Investment in leases receivable, net of current portion	2,547,647	-	-	2,547,647	2,748,979
Deferred financing costs, net	154,992	-	-	154,992	168,848
TOTAL ASSETS	\$ 50,687,301	\$ 24,373,554	\$ 492,578	\$ 75,553,433	\$ 63,185,445

See accompanying notes to consolidated financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

(with summarized financial information as of December 31, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of bonds payable	\$ 755,000	\$ -	\$ -	\$ 755,000	\$ 725,000
Accounts payable	697,805	-	-	697,805	788,112
Accrued expenses	1,324,700	-	-	1,324,700	1,186,477
Deposits	150,429	-	-	150,429	115,567
Deferred revenues:					
Membership revenues	549,815	-	-	549,815	601,106
Other	164,999	-	-	164,999	27,224
TOTAL CURRENT LIABILITIES	3,642,748	-	-	3,642,748	3,443,486
NOTES PAYABLE	-	1,000,000	-	1,000,000	1,000,000
BONDS PAYABLE, net of current portion	10,680,000	-	-	10,680,000	11,435,000
INTEREST RATE SWAP AGREEMENT	1,108,085	-	-	1,108,085	955,769
DEFERRED GAIN	479,032	-	-	479,032	492,892
TOTAL LIABILITIES	15,909,865	1,000,000	-	16,909,865	17,327,147
NET ASSETS					
Unrestricted:					
Undesignated	34,652,971	-	-	34,652,971	34,418,790
Board designated - quasi endowment	124,465	-	-	124,465	67,232
Restricted	-	23,373,554	492,578	23,866,132	11,372,276
TOTAL NET ASSETS	34,777,436	23,373,554	492,578	58,643,568	45,858,298
TOTAL LIABILITIES AND NET ASSETS	\$ 50,687,301	\$ 24,373,554	\$ 492,578	\$ 75,553,433	\$ 63,185,445

See accompanying notes to consolidated financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

(with summarized financial information for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
PUBLIC SUPPORT:					
United Way allocation	\$ 777,743	\$ 687,401	\$ -	\$ 1,465,144	\$ 1,674,946
Gifts and bequests	<u>1,467,282</u>	<u>12,723,180</u>	<u>1,750</u>	<u>14,192,212</u>	<u>1,064,535</u>
	2,245,025	13,410,581	1,750	15,657,356	2,739,481
REVENUE:					
Fees and grants from governmental agencies	4,657,443	-	-	4,657,443	9,169,103
Membership fees	12,142,423	-	-	12,142,423	12,491,371
Program fees	8,451,880	-	-	8,451,880	8,563,612
Residence and related services	1,478,951	-	-	1,478,951	1,461,404
Investment, dividend and interest income	268,335	25,834	25,834	320,003	431,865
Other income	469,405	-	-	469,405	413,938
Special events revenue, net of direct costs of \$11,299 and \$13,723 in 2010 and 2009, respectively	36,372	-	-	36,372	57,310
Gain on sale of property	<u>13,860</u>	<u>-</u>	<u>-</u>	<u>13,860</u>	<u>13,860</u>
	27,518,669	25,834	25,834	27,570,337	32,602,463
NET ASSETS RELEASED FROM RESTRICTIONS:					
In satisfaction of time and use restrictions and allocation of earnings	805,370	(805,370)	-	-	-
Amortization of donated property	<u>164,773</u>	<u>(164,773)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>970,143</u>	<u>(970,143)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 30,733,837	\$ 12,466,272	\$ 27,584	\$ 43,227,693	\$ 35,341,944

See accompanying notes to consolidated financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

(with summarized financial information for 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
EXPENSES:					
Program services:					
Preventive health care and wellness	\$ 10,928,091	\$ -	\$ -	\$ 10,928,091	\$ 10,862,854
Special needs	1,376,362	-	-	1,376,362	1,345,908
Outdoor and environmental education	2,745,559	-	-	2,745,559	2,475,174
Low income housing with supportive services	2,659,442	-	-	2,659,442	2,632,088
Child care and preschool	7,407,558	-	-	7,407,558	11,725,739
Youth and family	1,023,936	-	-	1,023,936	953,999
Truancy and day suspension	899,527	-	-	899,527	841,877
	<u>27,040,475</u>	<u>-</u>	<u>-</u>	<u>27,040,475</u>	<u>30,837,639</u>
Support services:					
Management	3,009,768	-	-	3,009,768	2,840,684
Fundraising	190,176	-	-	190,176	206,178
	<u>3,199,944</u>	<u>-</u>	<u>-</u>	<u>3,199,944</u>	<u>3,046,862</u>
Bad debt expense	49,688	-	-	49,688	50,578
Fair market value adjustment on interest rate swap agreement	152,316	-	-	152,316	(342,889)
	<u>30,442,423</u>	<u>-</u>	<u>-</u>	<u>30,442,423</u>	<u>33,592,190</u>
TOTAL EXPENSES	<u>30,442,423</u>	<u>-</u>	<u>-</u>	<u>30,442,423</u>	<u>33,592,190</u>
CHANGE IN NET ASSETS	291,414	12,466,272	27,584	12,785,270	1,749,754
NET ASSETS, beginning of year	34,486,022	10,907,282	464,994	45,858,298	44,108,544
NET ASSETS, end of year	<u>\$ 34,777,436</u>	<u>\$ 23,373,554</u>	<u>\$ 492,578</u>	<u>\$ 58,643,568</u>	<u>\$ 45,858,298</u>

See accompanying notes to consolidated financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

(with summarized financial information for the year ended December 31, 2009)

	Preventive Health Care and Wellness	Special Needs	Outdoor and Environmental Education	Low Income Housing with Supportive Services	Child Care and Preschool	Youth and Family	Truancy and Day Suspension	Management	Fundraising	2010 Total	2009 Total
Salaries	\$ 5,671,115	\$ 760,836	\$ 1,474,370	\$ 1,314,115	\$ 4,029,670	\$ 548,337	\$ 487,898	\$ 1,401,939	\$ 157,435	\$ 15,845,715	\$ 15,832,966
Payroll taxes	505,487	70,398	122,277	119,195	351,670	48,608	43,878	108,389	13,841	1,383,743	1,371,912
Pension	246,683	49,308	36,554	70,359	228,048	28,911	31,859	108,216	9,852	809,790	726,876
Employee benefits	352,788	65,225	97,896	162,346	455,312	46,507	64,227	117,900	5,608	1,367,809	1,264,433
Contract fees-child care providers	-	-	-	-	426,154	-	-	-	-	426,154	4,812,970
Contract fees-other	505,395	45,981	23,392	62,838	13,252	43,874	1,335	237,356	-	933,423	727,804
Supplies	238,680	15,203	247,002	130,382	342,267	32,721	16,040	25,882	-	1,048,177	945,654
Postage	14,168	4,412	4,674	2,445	6,297	1,107	950	13,590	-	47,643	58,936
Printing	15,269	2,713	3,010	2,686	7,120	946	1,573	23,347	-	56,664	46,433
Telephone	82,766	20,494	14,993	28,895	53,081	6,708	10,220	19,662	780	237,599	236,993
Accounting fees	-	-	-	5,600	-	-	-	51,018	-	56,618	52,901
Legal fees	3,949	335	699	3,007	1,770	323	277	15,140	-	25,500	41,148
Occupancy	1,650,454	165,444	303,796	417,771	715,836	123,364	113,069	212	-	3,489,946	3,151,360
Equipment	173,527	14,375	118,126	34,961	56,410	22,422	13,171	92,567	-	525,559	516,415
Travel	42,996	33,675	5,468	41,594	17,306	1,706	8,554	70,500	1,055	222,854	152,274
Conferences	26,797	1,053	3,897	13,133	27,118	1,806	1,527	34,016	1,405	110,752	72,878
Interest	314,840	26,724	55,696	56,146	141,135	25,760	22,099	27,942	-	670,342	898,685
Bank service fees	-	-	-	-	-	-	-	318,183	-	318,183	312,336
Depreciation and amortization	854,704	75,753	151,200	152,420	383,143	69,932	59,992	61,557	-	1,808,701	1,845,064
Liability insurance	106,932	13,723	18,916	21,451	58,490	8,749	10,452	55,493	-	294,206	307,834
Dues	3,253	252	3,218	2,590	2,924	243	208	28,405	175	41,268	25,804
General	3,023	254	529	956	3,745	304	309	58,557	25	67,702	72,392
Capital campaign	-	-	-	-	-	-	-	-	-	-	9,886
National support	99,321	8,474	35,196	13,545	78,742	9,051	10,872	25,301	-	280,502	260,991
Advertising	15,944	1,730	24,650	3,007	8,068	2,557	1,017	114,596	-	171,569	139,556
	<u>\$ 10,928,091</u>	<u>\$ 1,376,362</u>	<u>\$ 2,745,559</u>	<u>\$ 2,659,442</u>	<u>\$ 7,407,558</u>	<u>\$ 1,023,936</u>	<u>\$ 899,527</u>	<u>\$ 3,009,768</u>	<u>\$ 190,176</u>	<u>30,240,419</u>	<u>33,884,501</u>
Bad debt expense										49,688	50,578
Fair market value adjustment on interest rate swap agreement										152,316	(342,889)
										<u>\$ 30,442,423</u>	<u>\$ 33,592,190</u>

See accompanying notes to consolidated financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

(with summarized financial information for the year ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,785,270	\$ 1,749,754
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts restricted to endowment or capital improvements	(100,000)	(7,794)
Non-cash contribution received	(12,623,180)	-
Depreciation	1,643,928	1,680,291
Amortization	164,773	164,773
Provision for uncollectible receivables	8,815	1,578
Unrealized loss (gain) on investments	31,503	(89,171)
Realized (gain) loss on investments	(104,039)	387
Amortization of deferred gain on sale of property	(13,860)	(13,860)
Fair market value adjustment on interest rate swap agreement	152,316	(342,889)
(Increase) decrease in:		
Accounts receivable	36,556	429,908
Prepaid expenses	(18,121)	4,558
Other assets	13,856	(8,081)
Increase (decrease) in:		
Accounts payable	(90,307)	(425,193)
Early learning initiative payable	-	(639,259)
Accrued expenses	138,223	(92,211)
Deposits	34,862	27,920
Deferred revenues	86,484	(256,004)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,147,079</u>	<u>2,184,707</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(1,096,769)	(716,405)
Payments received on investment in leases receivable	193,807	145,995
Purchases of investments - unrestricted	(9,750,545)	(16,415,720)
Proceeds from sale of investments - unrestricted	8,623,387	14,518,131
Purchases of investments - restricted	(24,243)	(103,300)
Proceeds from sale of investments - restricted	-	76,252
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (2,054,363)</u>	<u>\$ (2,495,047)</u>

See accompanying notes to consolidated financial statements.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010

(with summarized financial information for the year ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital campaigns or endowment	\$ 228,895	\$ 137,607
Reduction of debt obligations	(725,000)	(690,000)
Net (funding of) proceeds from sinking funds	<u>(70,341)</u>	<u>43,636</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(566,446)</u>	<u>(508,757)</u>
NET DECREASE IN CASH	(473,730)	(819,097)
CASH, beginning of year	<u>2,453,301</u>	<u>3,272,398</u>
CASH, end of year	<u><u>\$ 1,979,571</u></u>	<u><u>\$ 2,453,301</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u><u>\$ 655,612</u></u>	<u><u>\$ 714,439</u></u>
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See accompanying notes to consolidated financial statements.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - Nature of business and reporting entity

The Young Men's Christian Association of Central Ohio and Subsidiary (together the Association) reflecting its Judeo-Christian principles, is an association of volunteers, members and staff, open to and serving all, providing programs and services which develop spirit, mind and body. Financial assistance is available based on need. The Association seeks to identify and involve those in need.

The Association consists of eleven full facility branches, one resident camp, one park/outdoor center and numerous outreach sites. The Association's program areas include Child Care, Preschool, Special Needs, Outdoor and Environmental Education, Preventative Health Care and Wellness, Low Income Housing with Supportive Services, Youth and Family, Truancy and Day Suspension. The programs are funded primarily by program fees, United Way, charitable contributions and government grants.

The Association is an affiliate of YMCA of the USA (National). With the dues paid to the National organization, YMCA of Central Ohio receives such benefits as use of the "YMCA" name and participation in a retirement plan (See Note J).

The consolidated financial statements of the Association include the financial activities of both The Young Men's Christian Association of Central Ohio and its 79% owned subsidiary, YMCA Housing, Inc. (Y, Inc.). The Y, Inc.'s investment in The YMCA Housing Limited Partnership (YHLP), a related entity of which the Y, Inc. is a 1% general partner, is stated at cost. The YHLP has separately issued financial statements. All material intercompany balances and transactions have been eliminated (see Note L).

NOTE B - Summary of significant accounting policies

The following is a summary of the significant accounting policies followed in preparing the Association's consolidated financial statements:

Income taxes

The Young Men's Christian Association of Central Ohio is exempt from federal and state income taxes under Sections 501(c)(3) of the Internal Revenue Code. Income taxes on unrelated businesses income, if any, are provided at the applicable rates on income for financial reporting purposes. There was no unrelated business income tax expense for the year ended December 31, 2010.

The Young Men's Christian Association of Central Ohio's income tax filings are subject to audit by various taxing authorities. The Association's open audit periods are 2007 through 2009. In evaluating its activities, management believes its position of tax-exempt status is current based on current facts and circumstances. They further have assessed that there are no activities unrelated to the purpose of the Association and therefore no tax is to be recognized. It is the policy of the Association to include in operating expenses any penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in operating expenses for the year ended December 31, 2010.

The subsidiary, YMCA Housing, Inc. is a for profit corporation and is subject to federal, state, and city income taxes at the corporate level.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - Summary of significant accounting policies (continued)

Consolidated financial statement presentation

The consolidated financial statements are presented in accordance with Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under ASC 958-205, the Association is required to report information regarding its financial position, activities and cash flows according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions.

The Association classifies its unrestricted net assets into two classes; board designated - quasi endowment and undesignated. Board designated - quasi endowment net assets consist of donations made by bequest from donors' estates and the policy of the Board is to separate these donations from general-type donations.

The Association is the beneficiary of certain endowments established at the Columbus Foundation, the Pickaway County Community Foundation, and the Community Foundation of Delaware County. Income from the endowment funds' investments is currently expendable by the Association when received. These funds are subject to the variance power of each foundation's governing body and are therefore excluded from the Association's consolidated financial statements. The fair market value of these funds was \$71,434 at December 31, 2010.

Property and equipment

Expenditures greater than \$2,500 for equipment, and \$7,500 for building improvements, replacements and renovations are capitalized at cost. Ordinary repairs and maintenance are charged to expense when incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When property and equipment are sold or retired, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations.

Donated assets are capitalized, and recorded as support, at their fair market value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

For donated assets, of which use is given over a specified period of time and the donor retains legal title, the contributions are recorded as temporarily restricted support and as long-lived assets at their fair market values at date of receipt of the donations. The net assets are released from restriction over the estimated useful life of the donated property or the allowed period of use, whichever is shorter.

Revenue recognition

Contributions and related investment income

The Association records contributions and related investment income in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. Contributions, including unconditional promises to give, are recognized when they become unconditional, that is, when the conditions are substantially met.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - Summary of significant accounting policies (continued)

Revenue recognition (continued)

Contributions and related investment income (continued)

Contributions received are recorded as unrestricted, temporarily or permanently restricted support depending on the existence and/or nature of any donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution and related investment income is received, the Association reports the support as unrestricted.

Revenues

Fees and grants from governmental agencies are recognized as revenue when the related services are performed, while membership fees are recognized over the related membership period. Program fees, residence and related services and other revenue are generally recognized as revenue at time of receipt.

Public support

The Association receives funds from the United Way of Central Ohio as a member agency.

Allowance for doubtful accounts

The Association reports receivables at estimated net realizable value. Management determines the allowance for doubtful accounts when necessary based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings.

Use of estimates

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

Functional expenses

The Association allocates its expenses on a functional basis among its various programs and support services. Expenses are charged to each program based on direct expenditures incurred.

Advertising

Advertising costs are expensed as incurred.

Donated services

Contributed services are recorded when they meet the criteria of (1) creating or enhancing nonfinancial assets or (2) requiring specialized skills, and are provided by individuals possessing those skills, and would typically be purchased if not provided by donation. The Association receives services from volunteers throughout the year, however these services do not meet the criteria defined above and therefore, are not recorded in the consolidated financial statements.

Derivative instruments and hedging activities

The Association accounts for derivatives and hedging activities in accordance with ASC 815-10, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated statement of financial position at their respective fair values.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - Summary of significant accounting policies (continued)

Derivative instruments and hedging activities (continued)

The Association entered into a derivative contract to manage its interest rate exposure on a portion of its debt. On the date the derivative contract was entered into, the Association considered the derivative to be a hedge of the variability of cash flows to be paid related to variable interest rates on portions of its debt. All changes in the fair value of derivatives are recorded in the change in net assets since the Association is a nonprofit organization that does not report a separate earnings measure.

The estimated fair value of the Association's interest rate swap is based on broker price quotations and represents the estimated amount that the Association would pay to terminate the contract. Cash flows from derivative financial instruments are recognized in the consolidated statement of cash flows in a manner consistent with the underlying transaction.

Events occurring after reporting date

The Company has evaluated events and transactions that occurred between January 1, 2011 and June 15, 2011, which is the date that the consolidated financial statements were available to be issued for possible recognition or disclosure in the consolidated financial statements.

Prior period information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended December 31, 2009, from which the summarized information was derived.

NOTE C - Investments and fair value measurements

Assets and liabilities are carried at fair value and classified and disclosed in one of the following three categories in accordance with ASC 820-10, *Fair Value Measurements and Disclosures*:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The Association's financial assets and liabilities recorded at fair value on a recurring basis include money market funds, certificate of deposits, fixed income securities, mutual funds and interest rate swaps in a liability position. The Association determines the fair values of the available for sale securities using quoted market prices, broker/dealer prices or statements of account received from investment managers, which were principally based on quoted market or broker/dealer prices. The Association determines the fair value of the interest rate swaps using quotes provided by the respective bank counterparties that are based on models whose inputs are observable LIBOR forward interest rate curves.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - Investments and fair value measurements (continued)

Further, fair market value is derived from models using the income approach, which considers the use of cash flow data, discounted back to present day in determining the fair market value of the interest rate swap. The Association believes that these fair value determinations still follow appropriate methodology even given recent changes in the overall financial markets.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2010 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value	Level 1	Level 2	Level 3
<u>Assets</u>				
Money market funds	\$ 312,827	\$ 312,827	\$ -	\$ -
Certificates of deposit	1,000,087	1,000,087	-	-
Mutual funds:				
Short term government	1,011,638	1,011,638	-	-
Inflation protected bond	894,361	894,361	-	-
Short term bonds	4,814,310	4,814,310	-	-
Other bond funds	224,366	224,366	-	-
Other equity funds	357,032	357,032	-	-
Fixed income:				
Asset backed securities	2,095,723	2,095,723	-	-
Government and agency bonds	498,925	498,925	-	-
Total Assets	<u>\$ 11,209,269</u>	<u>\$ 11,209,269</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities</u>				
Interest rate swap	\$ 1,108,085	\$ -	\$ 1,108,085	\$ -
Total Liabilities	<u>\$ 1,108,085</u>	<u>\$ -</u>	<u>\$ 1,108,085</u>	<u>\$ -</u>

During 2010, the Association recorded realized investment gains of \$104,039, interest and dividend income of \$240,418 and unrealized investment losses of \$31,503. These amounts are included in the caption "investment, dividend and interest income" on the consolidated statement of activities. This financial statement caption also includes interest earned on cash balances, which is not included here.

At December 31, 2010, investments of \$742,877 are classified as non-current assets reflecting an amount equivalent to the aggregate of permanently restricted endowments and board designated endowment funds at that date.

NOTE D - Pledges receivable

Pledges receivable represent unconditional promises to give at December 31, 2010 (see Note I). Those amounts are recorded as contributions based upon the net present value of the amounts expected to be collected. The Association used rates from 2.17% to 4.25% to determine the present value of pledges receivable at December 31, 2010. The present value is determined based on gross pledges receivable.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - Pledges receivable (continued)

The following is a schedule of net pledges receivable as of December 31, 2010:

Pledges receivable are due as follows:

Within one year	\$ 196,628
One to three years	<u>26,500</u>
	223,133
Less: allowance for doubtful collection	26,414
Less: unamortized discount for imputed interest	<u>890</u>
Net pledges receivable	<u>\$ 195,824</u>

At December 31, 2010, two donors represented 71% of the total pledges receivable balance.

NOTE E - Unrestricted property and equipment

Unrestricted property and equipment as of December 31, 2010 consisted of the following:

Non-depreciable assets:

Land	\$ 2,663,290
Construction-in-progress	<u>92,853</u>
	2,756,143

Depreciable assets:

Building and land/leasehold improvements	45,531,282
Furniture, fixtures, equipment and vehicles	<u>7,227,549</u>
	52,758,831

Total unrestricted property and equipment 55,514,974

Less: accumulated depreciation 22,257,383

Net unrestricted property and equipment \$ 33,257,591

During the construction of the Liberty, Grove City, Gahanna and Hilliard facilities, the Association entered into direct financing lease agreements with The Ohio State University (OSU) for the construction and operation of a Wellness Center at each of those branches. OSU will lease the Wellness Centers for an initial lease period of 20 years. The rent commencement date for the various leases was the first day of operation by OSU at the various branches. Under these direct financing lease agreements, base rent is charged at an amount equal to the monthly mortgage principal amortization plus a prorata share of closing and financing costs incurred during construction, which would be payable if the OSU space costs were amortized on a level payment basis at 5% per annum over a term of twenty years.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - Unrestricted property and equipment (continued)

In addition to the base rent, OSU pays the Association its prorata share of the operating expenses and the interest incurred on the financing of the OSU space costs, at the rate of interest charged to the Association. At the end of the initial 20 year lease terms, OSU has options to extend their leases for at least an additional 20 year period. These lease options only require OSU to continue to pay their prorata share of operating costs for the space, without any further base rent.

Investment in leases receivable at December 31, 2010 of \$2,702,267 reflects the balance due to the Association for the costs of the Liberty, Grove City, Gahanna and Hilliard Branch Wellness Centers.

The investment in leases receivable consists of the following at December 31, 2010:

	<u>Amount</u>
Investment in lease receivable, OSU Liberty Branch Wellness Center, entered into in January 2003, with an initial lease term through April 2023.	\$ 708,549
Investment in lease receivable, OSU Grove City Branch Wellness Center, entered into in June 2003, with an initial lease term through May 2023.	595,715
Investment in lease receivable, OSU Gahanna Branch Wellness Center, entered into in April 2004, with an initial lease term through March 2024.	687,388
Investment in lease receivable, OSU Hilliard Branch Wellness Center, entered into in August 2004, with an initial lease term through July 2024.	<u>710,615</u>
	2,702,267
Less: current portion	<u>154,620</u>
Total long term investment in leases receivable	<u>\$ 2,547,647</u>

The following is a summary of the future minimum principal payments to be received under the lease agreements for the next five years and in the aggregate as of December 31, 2010:

<u>Year</u>	<u>Amount</u>
2011	\$ 154,620
2012	162,232
2013	170,573
2014	179,586
2015	188,776
Thereafter	<u>1,846,480</u>
	<u>\$ 2,702,267</u>

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - Temporarily restricted property and equipment

Liberty Township

In May, 2000, the Association entered into a 27-year, below-market lease agreement with the Board of Trustees of Liberty Township for certain real property being utilized for the Association's Liberty branch at a cost of \$1 per year. The lease is renewable for one additional 27-year period. As part of the lease agreement, the Liberty Township Board of Trustees, at its sole cost and expense, constructed the facilities in accordance with the Association's approval of architectural schematic plans of the building and other improvements. Under the lease agreement, the lessor retains title to the real property. The leasehold value for the use of the building and land was recorded at its fair market value.

The Association is responsible for providing all fitness and office equipment necessary for the operation of the facilities, as well as all costs related to the day-to-day operations of the facilities (e.g. insurance, utilities, repair and maintenance).

Land lease - Grove City

In April, 2002, the Association entered into a 99-year, below-market lease agreement with the city of Grove City, Ohio for land being utilized for the Association's Grove City branch at a cost of \$1 per year. This lease is renewable for one additional 99-year period. Under the lease agreement, the lessor retains title to the land. The leasehold value was recorded as temporarily restricted support at its fair market value at the date of receipt.

Land lease - Gahanna

In February, 2002, the Association entered into a 99-year, below-market lease agreement with the city of Gahanna, Ohio for land being utilized for the Association's Gahanna branch at a cost of \$1 per year. This lease is renewable for one additional 99-year period. Under the lease agreement, the lessor retains title to the land. The leasehold value was recorded as temporarily restricted support at its fair market value at the date of receipt.

Land lease - Hilliard

In October 2002, the Association entered into a 20-year, below-market lease agreement with an individual for 9.5 acres of land being utilized for the Association's Hilliard branch at an annual cost of \$1 per acre. This lease has four renewal options of 20 years each. The Association exercised all four of these renewal options in September 2003 extending the lease through October 2102. The leasehold value was recorded as temporarily restricted support at its fair market value at the date of receipt. Under the lease agreement, the lessor retains title to the land. It is the intent of the lessor to gift portions of the property to the Association during the initial 20-year lease period. If the lessor has not donated all the property within the initial lease period, the Association has the option to purchase the property for \$100 per acre. If the lessor dies prior to the property being donated, the property is to be bequeathed to the Association. In 2004, 2005 and 2007 the lessor donated, and transferred the title for an aggregate 62.5% interest in the 9.5 acres. The value of the 62.5% interest was recorded as non-depreciable land based on then current appraised values and the corresponding original value of the leased land was reduced by the 62.5% interest. There were no additional donations of land or title transfers made in 2010.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - Temporarily restricted property and equipment (continued)

Donated leasehold interests for operating facilities are summarized as follows:

Land	
Gahanna	\$ 1,496,400
Hilliard	268,237
Liberty Township	331,800
Grove City	<u>110,400</u>
	2,206,837
 Building - Liberty Township	 <u>5,159,448</u>
 Total	 7,366,285
 Less: accumulated amortization	 <u>1,424,720</u>
 Net temporarily restricted property and equipment	 <u>\$ 5,941,565</u>

The land leasehold interests are being amortized over periods ranging from 20-99 years. The building leasehold interest is being amortized over a period of 40 years.

Lease agreement - Delaware facility under construction

In 2010 the Association entered into a 20-year, below market lease agreement with the City of Delaware, Ohio and the state of Ohio, Adjutant General's Department for certain real property at a cost of \$1 per year. This lease is renewable for up to four, five-year terms at a cost of \$1 per year. As part of the lease agreements the City of Delaware is constructing a facility at its sole cost and expense, in accordance with the Association's approval of architectural plans for a building and other improvements, on land leased from the Adjutant General's Department. Under the lease agreement the lessor will retain title to the real property. The leasehold value for the use of the building and land were recorded at its estimated fair market value upon execution in 2010. The leasehold has been valued at the value of the completed building and land, \$12,287,900 and \$335,280, respectively, due to the length of the lease, including extensions. The valuation was determined based on a cost approach, and is categorized as a level 3 valuation measurement under ASC 820-10, *Fair Value Measurement and Disclosure*.

Construction of the facility is expected to be completed in the fall of 2011. The Association will be responsible for providing all fitness and office equipment necessary for the operation of the facilities, as well as all costs related to the day-to-day operations of the facilities (e.g. insurance, utilities, repair and maintenance).

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - Debt

Debt as of December 31, 2010 consisted of the following:

Promissory note to the Rickenbacker Port Authority in relation to Rickenbacker Port Authority Variable Rate Economic Development Revenue Bonds, Series 2002, due May 2022, with a variable interest rate at the municipal swap index rate, fluctuating weekly. Rate at December 31, 2010 was .35%. Secured by real and personal property.

\$ 11,435,000

Noninterest-bearing Federal Home Funds note issued by a state agency for the Central rehabilitation project, in ten annual installments of \$100,000 commencing August 2, 2016 with final payment due August 2, 2025. Secured by real and personal property.

1,000,000

12,435,000

Less: current portion

755,000

Total long-term notes payable

\$ 11,680,000

Promissory note / bond financing

In May of 2002, the Association entered into a \$21,000,000 letter of credit with a bank as a credit enhancement for certain tax-exempt economic development bonds used to help finance the construction costs, equipment, site improvements and interim financing of new facilities as well as the purchase of equipment and fixtures. In June 2009, this letter of credit was terminated and the Association entered into a new letter of credit agreement with a bank in the amount of \$12,309,918; \$12,160,000 of principal, and \$149,918 relating to interest, at 10% for 45 days.

The Association incurred placement fees in connection with the bond financing and original letter of credit in the amount of \$239,581, which were classified on the statement of financial position as deferred financing costs. These costs were being amortized over a period of 17 years beginning with the first principal payment in 2004. Amortization of these costs was included in interest expense. During June 2009, the Association incurred additional placement fees in connection with the issuance of a new letter of credit in the amount of \$91,559. The new placement fees were capitalized and the unamortized fees associated with the issuance of the prior letter of credit in the amount of \$70,795 were written off. The new placement fees are being amortized over the life of the remaining bond principal payments with the last payment due in May 2022. As part of the new letter of credit, the Association will pay an annual fee of 1.5% of the total outstanding principal on the bonds.

The letter of credit is secured by the first mortgage lien on the Grove City, Gahanna and Hilliard facilities and all improvements and fixtures now existing and to be constructed thereon, and a security interest in the business assets relating to these facilities.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - Debt (continued)

At December 31, 2010, amortization of the deferred financing costs for the next five years is expected to be as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 13,591
2012	13,591
2013	13,591
2014	13,591
2015	13,591

In 2002, the Association issued \$21 million of economic development revenue bonds with an associated promissory note to the Rickenbacker Port Authority. The Association was required to repay no less than \$6,000,000 of the principal amount of the promissory note no later than May 2005. During 2004, the Association paid \$5,000,000 and the remaining \$1,000,000 was paid in May 2005. Thereafter, principal payments for 204 months are incorporated into a repayment schedule agreed to by both the Association and Rickenbacker Port Authority.

The promissory note bears interest at the municipal swap index rate and fluctuates weekly. On December 19, 2005, the Association entered into an interest rate swap arrangement effective January 2, 2007 that effectively fixes the interest rate on the entire outstanding balance of the promissory note at 3.98%. The original notional amount of the contract was \$14,145,000 and it is scheduled to decline to \$6,365,000 through maturity on January 1, 2017. The swap was designed to hedge the risk of changes in interest payments on the promissory note caused by changes in the municipal swap index rate. Net cash settlement gains and losses attributed to the swap are included in interest expense. The fair market value of the interest rate swap as of December 31, 2010 is \$1,108,085 which is classified as a long-term liability on the consolidated statement of financial position since the Association's intent is to maintain the arrangement over the term of the underlying debt through 2017. The interest rate swap agreement does not hedge against interest incurred under the letter of credit agreement if the bonds are not issued in the market. Interest is at the base rate plus 1-2% as defined in the letter of credit agreement depending on the extent utilized.

The Association received a waiver through January 1, 2012 related to the composition of its investments required by the letter of credit agreement. The Association was in compliance with all other banking covenants at December 31, 2010.

The Association adopted the provisions of ASC 815, *Accounting for Derivative Instruments and Certain Hedging Activities* which requires a tabular format presentation for the fair value amounts of derivative instruments, as well as gains and losses on derivative instruments. The fair values of derivative instruments at December 31, 2010 are as follows:

Derivatives not designated as hedging instruments under Subtopic 815-20	Liability Derivatives	
	Consolidated Statement of Financial Position Location	Fair Value
Interest rate swap agreement	Long-term liabilities	\$ 1,108,085

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - Debt (continued)

The effect of derivative instruments on the consolidated statement of activities and changes in net assets for the years ended December 31, 2010:

Derivatives not designated as hedging instruments under Subtopic 815-20	Location of loss recognized in unrestricted net assets on derivative	Amount of loss recognized in unrestricted net assets on derivative instruments
Interest rate swap agreement	Nonoperating loss	<u>\$ 152,316</u>

Debt maturity and sinking fund requirements

At December 31, 2010, \$505,104 in unrestricted net assets have been set aside for satisfaction of the mandatory sinking fund requirements relating to the promissory note to the Rickenbacker Port Authority. This amount is included in the sinking funds on the consolidated statement of financial position.

At December 31, 2010, required minimum future principal payments and sinking fund requirements for the next five years are as follows:

<u>Year</u>	<u>Principal Payments</u>	<u>Sinking Fund Requirements</u>
2011	\$ 755,000	\$ 778,333
2012	790,000	813,333
2013	825,000	848,333
2014	860,000	886,667
2015	900,000	926,667

NOTE H - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2010, consist of pledges receivable of \$195,824 (see Note D), money loaned to YMCA Housing Limited Partnership of \$4,799,750 net of related debt of \$1,000,000 (see Note L), United Way revenue receivable of \$687,401, endowment fund investment income of \$25,834 to be appropriated for 2011 operations, a purpose restricted contribution of \$100,000, net donated property and equipment of \$5,941,565 and value of donated leasehold interest in a facility under construction of \$12,623,180 (See Note F).

NOTE I - Endowments

The state of Ohio passed the Uniform Prudent Management of Institutional Funds Act (UPMIFA) legislation in January 2009, and the legislation (Ohio HB-522) became effective on June 1, 2009.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I - Endowments (continued)

The Board is required to interpret the law underlying net asset classification, and set prudent spending and investment policies based on the following considerations:

- The duration and preservation of the funds
- The purpose of the YMCA and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the YMCA
- The need to make distributions and preserve capital

The Association's endowment consists of contributions restricted by the donors and board designated quasi endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Association's current policy is the total amount available for expenditures is 50% of the investment earnings and appreciation, while the other 50% is to remain invested in the endowment funds. The investment policy of the Association suggests that assets in the endowments be invested 60%/40% between equity and fixed income accounts with proper diversification.

	Endowment Details				
	Permanently Restricted	Temporarily Restricted	Unrestricted		Total Funds
			Board Designated	Undesignated	
Balances, December 31, 2009	\$ 464,994	\$ -	\$ 67,232	\$ (12,609)	\$ 519,617
2010 investment income, net	25,834	25,834	12,950	12,609	77,227
2010 contributions and transfers to endowment	1,750	100,000	50,043	-	151,793
Transfer to operations	-	-	(5,760)	-	(5,760)
	<u>\$ 492,578</u>	<u>\$ 125,834</u>	<u>\$ 124,465</u>	<u>\$ -</u>	<u>\$ 742,877</u>

NOTE J - Retirement plan

The Association participates in the national YMCA's defined contribution contributory retirement plan (the Plan), which covers substantially all professional and support staff once they have been employed for a period of two years and have worked a minimum of 1,000 hours during the year. The Plan provides for contributions based on the participant's gross earnings at 8%. It is the Association's policy to fund retirement contributions accrued. The Association contributed approximately \$810,000 to the Plan for the year ended December 31, 2010.

THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K - Concentrations of credit risk

ASC 825-10-50-20, *Concentrations of Credit Risk of all Financial Investments*, requires disclosures of information about concentrations of credit risk for all financial instruments. The Association's financial instruments that are exposed to concentrations of credit risk consist principally of cash, receivables, leases receivables, and investments (see Notes C, D, E and L). The Association places its cash in a number of quality financial institutions and products to limit its risk. The Association does from time to time have cash balances at financial institutions in excess of the FDIC insured maximum. At December 31, 2010, accounts receivable includes a United Way allocation receivable which represents 40% of the total accounts receivable balance. Subsequent to December 31, 2010, the Association collected substantially all of this receivable.

NOTE L - Central building rehabilitation project and related-party transactions

The Young Men's Christian Association of Central Ohio (YMCA)'s 79% owned subsidiary, YMCA Housing, Inc. (Y, Inc.), is the 1% general partner of the YMCA Housing Limited Partnership (YHLP). Y, Inc. and YHLP were established to facilitate the central branch rehabilitation. Third-party investors receive the low income and historic rehabilitation tax credits for their equity investment in the rehabilitation.

As a result of this transaction, the YMCA has notes receivable from the YHLP for funds provided for the rehabilitation project. The amount receivable under the notes at December 31, 2010 was \$4,885,234, net of allowance of \$2,962,160. These notes, which bear interest from 0% to 4.9%, are collateralized by substantially all of the YHLP's assets, and mature on December 31, 2012. Interest in the amount of \$139,445 was received during the year ended December 31, 2010. The remaining 2010 interest of \$170,133 was accrued for, but also added to the allowance for doubtful accounts on the note.

The YHLP leases the residential portion of the central branch of the YMCA according to the terms of a 99-year lease agreement. Rents for the life of the lease totaling \$1,295,270 were paid at inception in 1995. The YMCA recorded this transaction as a sale of an asset with a corresponding deferred gain on sale of \$692,707. The deferred gain is being recognized over 50 years which represents the life of the YHLP Partnership Agreement.

The YMCA has guaranteed funding for cash deficits incurred by the YHLP. The YMCA has also agreed to pledge \$500,000 of its developer fee as security for this obligation. As of December 31, 2010, the YMCA has covered operating deficits in cumulative amounts greater than \$500,000. The YHLP pays its allocated portion of operating expenses based on monthly invoices submitted by the YMCA. The total allocation billed to the YHLP for the year ended December 31, 2010 was \$1,246,336. As of December 31, 2010, accounts receivable related party balance includes \$165,305 in unreimbursed allocation of operating costs.

As the parent organization of Y, Inc., general partner of the YMCA Housing Ltd. Partnership, the YMCA is subject to a reduction of capital contribution from the limited partners to the extent that the internal rate of return as defined in the partnership agreement is less than 90% of the projected return. The liability for the payment reduction is limited to \$750,000. There have been no reductions since the inception of the partnership in 1995.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M - Operating leases

The Association leases office space at one location under an operating lease that expires in December 2011. Minimum future rental payments under this non-cancelable operating lease as of December 31, 2010 are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 35,400

Office rent expense totaled \$33,600 in 2010.

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS**

FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:		
Passed-through the Franklin County Department of Job and Family Services: Temporary Assistance for Needy Families [TANF] After School and Summer Camp Programs	93.558	\$ 293,509
Passed-through IMPACT Community Action: ARRA-Community Services Block Grant	93.710	<u>36,355</u>
		329,864
U.S. Department of Housing and Urban Development:		
Passed-through Ohio Department of Development: Federal Home Funds	14.239	1,000,000*
PSH Program	14.239	<u>163,992</u>
		1,163,992
U.S. Department of Education:		
Passed-through the Educational Service Center of Central Ohio: ARRA-Special Education-Grants for Infants and Families with Disabilities	84.393	366,700
Passed-through Twenty-First Century Community Learning Centers After school program	84.287	<u>165,090</u>
		531,790
U.S. Department of Agriculture:		
Passed-through the Ohio Department of Education: Child and Adult Care Food Program	10.558	123,695
U.S. Department of Justice:		
Passed-through Franklin County, Office of Homeland Security and Justice Programs: ARRA-Edward Byrne Memorial Justice Assistance Grant	16.804	9,745
Passed-through the Ohio Department of Public Safety, Office of Criminal Justice Services: Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>57,291</u>
		67,036
Total Expenditures of Federal Awards		<u>\$ 2,216,377</u>

*See Note B from Notes to Consolidated Schedule of Expenditures of Federal Awards.

See notes to consolidated schedule of expenditures of federal awards.

**THE YOUNG MEN’S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

**NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

NOTE A - Basis of presentation

The accompanying consolidated schedule of expenditures of Federal awards includes the Federal grant activity of The Young Men’s Christian Association of Central Ohio and Subsidiary. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic consolidated financial statements.

NOTE B - Loans outstanding

The Young Men’s Christian Association of Central Ohio and Subsidiary had the following loan balance outstanding at December 31, 2010.

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Federal Home Funds	14.239	<u>\$ 1,000,000</u>

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2010

The prior year audit disclosed no findings and questioned costs relative to the federal awards, and no uncorrected or unresolved findings exist from the prior audit's Summary Schedule of Prior Audit Findings.

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**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**

To the Board of Trustees
The Young Men's Christian Association
of Central Ohio

We have audited the consolidated financial statements of The Young Men's Christian Association of Central Ohio and Subsidiary (together the Association) as of and for the year ended December 31, 2010, and have issued our report thereon dated June 15, 2011. 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 Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association'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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

This report is intended solely for the information and use of the audit committee, Board of Trustees, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SS&G Financial Services, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Columbus, Ohio
June 15, 2011

SS&G

Certified Public Accountants and Advisers

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

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To the Board of Trustees
The Young Men's Christian Association of Central Ohio

Compliance

We have audited the compliance of The Young Men's Christian Association of Central Ohio and Subsidiary (together the Association) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Association's major Federal programs for the year ended December 31, 2010. The Association'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 Association's management. Our responsibility is to express an opinion on the Association'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. 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 Association'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 of the Association's compliance with those requirements.

In our opinion, the Association complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2010.

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

Internal Control Over Compliance

Management of the Association 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 Association's internal control over compliance with requirements that could have a direct and material effect on a major Federal program to determine the 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 of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association'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 audit committee, Board of Trustees, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SS&G Financial Services, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Columbus, Ohio
June 15, 2011

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**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2010

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ 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 OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investments Partnerships Program
84.393	Special Education Grants - ARRA/Infants and Families with Disabilities

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

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

**THE YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2010

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS:

There were no findings required to be reported in accordance with generally accepted Government Auditing Standards.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

There were no findings or questioned costs for Federal awards for the year ended December 31, 2010.