



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

Consolidated Financial Statements

for the year ended December 31, 2011

**The Young Men's Christian Association
of Central Ohio and Subsidiary**



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

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INDEPENDENT AUDITORS' REPORT

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The Board of Trustees
The Young Men's Christian Association
of Central Ohio
Columbus, 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, 2011, 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 2010 consolidated financial statements and, in our report dated June 15, 2011, 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, 2011, 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 19, 2012 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

SS&G, Inc.

June 19, 2012

SS&G
Certified Public Accountants and Advisers

www.SSandG.com

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

(with summarized financial information as of December 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
ASSETS					
CURRENT ASSETS					
Cash	\$ 1,562,954	\$ 334,625	\$ -	\$ 1,897,579	\$ 1,979,571
Accounts receivable	956,509	696,443	-	1,652,952	1,581,247
Accounts receivable, related party	169,231	-	-	169,231	166,530
Pledges receivable, current portion, net	-	179,199	-	179,199	173,718
Investment in leases receivable, current portion	162,232	-	-	162,232	154,620
Sinking funds	592,777	-	-	592,777	505,104
Prepaid expenses and other	356,400	-	-	356,400	350,559
Investments	11,047,947	-	-	11,047,947	10,466,392
TOTAL CURRENT ASSETS	14,848,050	1,210,267	-	16,058,317	15,377,741
ENDOWMENT INVESTMENTS	205,923	-	492,578	698,501	742,877
INVESTMENT IN PARTNERSHIP	500	-	-	500	500
PROPERTY AND EQUIPMENT, net	32,995,046	18,373,675	-	51,368,721	39,199,156
OTHER ASSETS					
Fair value of donated leasehold interest in facility under construction	-	-	-	-	12,623,180
Notes receivable, related party including interest, net of allowance for doubtful accounts of \$2,951,248 and \$2,962,160 as of December 31, 2011 and 2010, respectively	85,484	4,799,750	-	4,885,234	4,885,234
Pledges receivable, less current portion, net	-	-	-	-	22,106
Investment in leases receivable, net of current portion	2,385,625	-	-	2,385,625	2,547,647
Deferred financing costs, net	141,321	-	-	141,321	154,992
TOTAL ASSETS	\$ 50,661,949	\$ 24,383,692	\$ 492,578	\$ 75,538,219	\$ 75,553,433

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, 2011

(with summarized financial information as of December 31, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current portion of bonds payable	\$ 790,000	\$ -	\$ -	\$ 790,000	\$ 755,000
Accounts payable	1,017,600	-	-	1,017,600	697,805
Accrued expenses	1,540,811	-	-	1,540,811	1,324,700
Deposits	198,710	-	-	198,710	150,429
Deferred revenues:					
Membership revenues	721,456	-	-	721,456	549,815
Other	180,702	-	-	180,702	164,999
TOTAL CURRENT LIABILITIES	4,449,279	-	-	4,449,279	3,642,748
NOTES PAYABLE	-	-	-	-	1,000,000
BONDS PAYABLE, net of current portion	9,890,000	-	-	9,890,000	10,680,000
INTEREST RATE SWAP AGREEMENT	1,310,912	-	-	1,310,912	1,108,085
DEFERRED GAIN	465,172	-	-	465,172	479,032
TOTAL LIABILITIES	16,115,363	-	-	16,115,363	16,909,865
NET ASSETS					
Unrestricted:					
Undesignated	34,340,663	-	-	34,340,663	34,652,971
Board designated - quasi endowment	205,923	-	-	205,923	124,465
Restricted	-	24,383,692	492,578	24,876,270	23,866,132
TOTAL NET ASSETS	34,546,586	24,383,692	492,578	59,422,856	58,643,568
TOTAL LIABILITIES AND NET ASSETS	\$ 50,661,949	\$ 24,383,692	\$ 492,578	\$ 75,538,219	\$ 75,553,433

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, 2011

(with summarized financial information for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
PUBLIC SUPPORT:					
United Way allocation	\$ 804,225	\$ 696,443	\$ -	\$ 1,500,668	\$ 1,465,144
Gifts and bequests	1,038,846	418,000	-	1,456,846	14,192,212
	1,843,071	1,114,443	-	2,957,514	15,657,356
REVENUE:					
Fees and grants from governmental agencies	4,616,865	-	-	4,616,865	4,657,443
Membership fees	11,984,995	-	-	11,984,995	12,142,423
Program fees	8,609,313	-	-	8,609,313	8,451,880
Residence and related services	1,446,256	-	-	1,446,256	1,478,951
Investment, dividend and interest income	415,883	-	-	415,883	469,405
Debt forgiveness	-	1,000,000	-	1,000,000	-
Other income	269,566	-	-	269,566	320,003
Special events revenue, net of direct costs of \$46,118 and \$11,299 in 2011 and 2010, respectively	65,856	-	-	65,856	36,372
Gain on sale of property	17,760	-	-	17,760	13,860
	27,426,494	1,000,000	-	28,426,494	27,570,337
NET ASSETS RELEASED FROM RESTRICTIONS:					
In satisfaction of time and use restrictions and allocation of earnings	913,235	(913,235)	-	-	-
Amortization of donated property	191,070	(191,070)	-	-	-
	1,104,305	(1,104,305)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 30,373,870	\$ 1,010,138	\$ -	\$ 31,384,008	\$ 43,227,693

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, 2011

(with summarized financial information for 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
EXPENSES:					
Program services:					
Youth Development	\$ 15,134,615	\$ -	\$ -	\$ 15,134,615	\$ 15,554,464
Healthy Living	6,676,493	-	-	6,676,493	6,788,676
Social Responsibility	5,034,432	-	-	5,034,432	4,697,335
	<u>26,845,540</u>	<u>-</u>	<u>-</u>	<u>26,845,540</u>	<u>27,040,475</u>
Support services:					
Management	3,311,228	-	-	3,311,228	3,009,768
Fundraising	192,379	-	-	192,379	190,176
	<u>3,503,607</u>	<u>-</u>	<u>-</u>	<u>3,503,607</u>	<u>3,199,944</u>
Bad debt expense	52,746	-	-	52,746	49,688
Fair market value adjustment on interest rate swap agreement	202,827	-	-	202,827	152,316
	<u>30,604,720</u>	<u>-</u>	<u>-</u>	<u>30,604,720</u>	<u>30,442,423</u>
TOTAL EXPENSES	<u>30,604,720</u>	<u>-</u>	<u>-</u>	<u>30,604,720</u>	<u>30,442,423</u>
CHANGE IN NET ASSETS	(230,850)	1,010,138	-	779,288	12,785,270
NET ASSETS, beginning of year	34,777,436	23,373,554	492,578	58,643,568	45,858,298
NET ASSETS, end of year	<u>\$ 34,546,586</u>	<u>\$ 24,383,692</u>	<u>\$ 492,578</u>	<u>\$ 59,422,856</u>	<u>\$ 58,643,568</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, 2011

(with summarized financial information for the year ended December 31, 2010)

	Program Services			Support Services		2011	2010
	Youth Development	Healthy Living	Social Responsibility	Management	Fundraising	Total	Total
Salaries	\$ 8,554,844	\$ 3,762,601	\$ 2,493,086	\$ 1,484,159	\$ 115,208	\$ 16,409,898	\$ 15,845,715
Payroll taxes	758,518	333,727	228,510	118,257	10,148	1,449,160	1,383,743
Pension	382,265	155,251	130,529	110,377	10,451	788,873	809,790
Employee benefits	823,832	261,135	304,021	288,175	3,877	1,681,040	1,367,809
Contract fees-child care providers	-	-	-	-	-	-	426,154
Contract fees-other	141,976	243,674	102,107	296,568	51,156	835,481	933,423
Supplies	587,537	196,424	187,646	17,046	-	988,653	1,048,177
Postage	19,557	7,377	7,932	17,239	-	52,105	47,643
Printing	14,469	8,196	6,030	31,245	48	59,988	56,664
Telephone	110,951	35,667	53,186	15,274	300	215,378	237,599
Accounting fees	-	-	5,775	48,804	-	54,579	56,618
Legal fees	-	-	4,879	17,312	-	22,191	25,500
Occupancy	1,753,485	790,935	769,372	538	-	3,314,330	3,489,946
Equipment	271,258	147,600	91,152	98,667	-	608,677	525,559
Travel	55,229	25,267	82,901	37,051	797	201,245	222,854
Conferences	39,326	24,648	8,758	32,404	394	105,530	110,752
Interest	327,902	144,742	117,083	24,560	-	614,287	670,342
Bank service fees	453	199	162	332,821	-	333,635	318,183
Depreciation and amortization	963,074	424,411	344,911	63,932	-	1,796,328	1,808,701
Liability insurance	141,491	55,928	51,705	49,774	-	298,898	294,206
Dues	10,166	2,670	4,033	28,540	-	45,409	41,268
General	7,709	2,483	3,870	69,796	-	83,858	67,702
National support	136,287	43,255	28,290	7,424	-	215,256	280,502
Advertising	34,286	10,303	8,494	121,265	-	174,348	171,569
	<u>\$ 15,134,615</u>	<u>\$ 6,676,493</u>	<u>\$ 5,034,432</u>	<u>\$ 3,311,228</u>	<u>\$ 192,379</u>	<u>30,349,147</u>	<u>30,240,419</u>
Bad debt expense						52,746	49,688
Fair market value adjustment on interest rate swap agreement						202,827	152,316
						<u>\$ 30,604,720</u>	<u>\$ 30,442,423</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, 2011

(with summarized financial information for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 779,288	\$ 12,785,270
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts restricted to endowment or capital improvements	(418,000)	(100,000)
Non-cash contribution received	-	(12,623,180)
Depreciation	1,559,783	1,643,928
Amortization	236,545	164,773
Forgiveness of debt	(1,000,000)	-
Provision for uncollectible receivables	890	8,815
Unrealized loss on investments	59,763	31,503
Realized loss (gain) on investments	8,892	(104,039)
Amortization of deferred gain on sale of property	(13,860)	(13,860)
Fair market value adjustment on interest rate swap agreement	202,827	152,316
(Increase) decrease in:		
Accounts receivable	(74,406)	36,556
Prepaid expenses	(5,841)	(18,121)
Other assets	13,671	13,856
Increase (decrease) in:		
Accounts payable	319,795	(90,307)
Accrued expenses	216,111	138,223
Deposits	48,281	34,862
Deferred revenues	187,344	86,484
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,121,083</u>	<u>2,147,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(1,342,713)	(1,096,769)
Payments received on investment in leases receivable	154,410	193,807
Purchases of investments	(1,154,090)	(9,774,788)
Proceeds from sale of investments	548,256	8,623,387
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (1,794,137)</u>	<u>\$ (2,054,363)</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, 2011

(with summarized financial information for the year ended December 31, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital campaigns or endowment	\$ 433,735	\$ 228,895
Reduction of debt obligations	(755,000)	(725,000)
Net funding of sinking funds	<u>(87,673)</u>	<u>(70,341)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(408,938)</u>	<u>(566,446)</u>
NET DECREASE IN CASH	(81,992)	(473,730)
CASH, beginning of year	<u>1,979,571</u>	<u>2,453,301</u>
CASH, end of year	<u><u>\$ 1,897,579</u></u>	<u><u>\$ 1,979,571</u></u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u><u>\$ 592,356</u></u>	<u><u>\$ 655,612</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 (YMCA) 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 twelve full facility branches, one resident camp, one park/outdoor center and numerous outreach sites. Programs are under three areas of focus, Youth Development, programs that nurture the potential of children and teens; Healthy Living, programs that improve health and wellbeing; and Social Responsibility, programs and activities that relate to giving back and providing support to the greater Central Ohio Community. The programs are funded primarily by membership and 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 Notes N and O).

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, 2011.

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 2008 through 2010. 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, 2011.

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 \$74,601 at December 31, 2011.

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.

Finance receivables

The Association's finance receivables consist of related party notes receivable (see Note N). Financing receivables are carried at amortized cost, net of allowance for losses. Provisions for losses are charged to operations in amounts sufficient to maintain an allowance for losses at a level considered adequate to cover probable losses inherent in the Association's finance receivables. The related party receivables incur interest and will mature on December 31, 2012. The related party makes payments on interest only, to the extent that cash flow permits, after all operating expenses are paid.

The allowance for losses is based on management's evaluation of the collectability of the related party loans, including the nature of the loans, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent with the loan. Allowance for impaired finance receivables is generally determined based on collateral values or the present value of estimated cash flows. If needed, the allowance is increased by a provision for losses, which is charged to expense and reduced by charge-offs, net of recoveries. See further information related to these related party arrangements in Note N.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - Summary of significant accounting policies (continued)

Functional expenses

The Association allocates its expenses on a functional basis among its various programs and support services. Allocated 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 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 Association has evaluated events and transactions that occurred between January 1, 2012 and June 19, 2012, 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, 2010, from which the summarized information was derived. Certain 2010 comparative totals have been reclassified to conform to the 2011 presentation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - Investments and fair value measurements

Certain 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 investments in money market funds, certificate of deposits, fixed income securities, mutual funds and interest rate swaps in a liability position. Alternative assets are composed of real estate and infrastructure mutual funds, commodities mutual funds and investments in gold notes. 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. 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.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 are as follows:

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value	Level 1	Level 2	Level 3
<u>Assets</u>				
Cash and fixed income				
Cash	\$ 286,232	\$ 286,232	\$ -	\$ -
Money market funds	320	320	-	-
Certificates of deposit	392,957	-	392,957	-
Bonds and bond funds	7,758,063	1,009,456	6,748,607	-
Endowment bond funds	302,848	302,848	-	-
Equities				
US large cap equity	1,205,029	886,364	318,665	-
US mid cap equity	305,504	305,504	-	-
EAFE Equity	384,722	235,290	149,432	-
Asia ex-Japan equity	154,747	154,747	-	-
Emerging market equity	103,817	103,817	-	-
Endowment equity funds	395,654	395,654	-	-
Alternative assets				
Real estate and infrastructure	123,212	123,212	-	-
Hard assets	333,343	282,343	51,000	-
Total assets	<u>\$11,746,448</u>	<u>\$ 4,085,787</u>	<u>\$ 7,660,661</u>	<u>\$ -</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - Investments and fair value measurements (continued)

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value	Level 1	Level 2	Level 3
<u>Liabilities</u>				
Interest rate swap	\$ 1,310,912	\$ -	\$ 1,310,912	\$ -
Total liabilities	\$ 1,310,912	\$ -	\$ 1,310,912	\$ -

During 2011, the Association recorded realized investment losses of \$8,892, interest and dividend income of \$338,381 and unrealized investment losses of \$59,763. 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, 2011, investments of \$698,501 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, 2011. Those amounts are recorded as contributions based upon the net present value of the amounts expected to be collected. No further present value discount exists at December 31, 2011 since all remaining pledges are due within the next year.

The following is a schedule of net pledges receivable as of December 31, 2011:

Pledges receivable, all due within one year	\$ 205,613
Less: allowance for doubtful collection	<u>26,414</u>
Net pledges receivable	<u>\$ 179,199</u>

At December 31, 2011, three donors represented 55% of the total pledges receivable balance.

NOTE E - Unrestricted property and equipment

Unrestricted property and equipment as of December 31, 2011 consisted of the following:

Non-depreciable assets:	
Land	\$ 2,663,290
Depreciable assets:	
Building and land/leasehold improvements	46,091,887
Furniture, fixtures, equipment and vehicles	<u>8,045,127</u>
	<u>54,137,014</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - Unrestricted property and equipment (continued)

Total unrestricted property and equipment	\$ 56,800,304
Less: accumulated depreciation	<u>23,805,258</u>
Net unrestricted property and equipment	<u>\$ 32,995,046</u>

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 leases 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.

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, 2011 of \$2,547,857 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, 2011:

	<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.	\$ 665,548
Investment in lease receivable, OSU Grove City Branch Wellness Center, entered into in June 2003, with an initial lease term through May 2023.	560,089
Investment in lease receivable, OSU Gahanna Branch Wellness Center, entered into in April 2004, with an initial lease term through March 2024.	649,466
Investment in lease receivable, OSU Hilliard Branch Wellness Center, entered into in August 2004, with an initial lease term through July 2024.	<u>672,754</u>
	2,547,857
Less: current portion	<u>162,232</u>
Total long term investment in leases receivable	<u>\$ 2,385,625</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - Unrestricted property and equipment (continued)

Management reviews these lease receivables for collectibility and has determined that no allowance is considered necessary in relation to these balances.

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, 2011:

<u>Year</u>	<u>Amount</u>
2012	\$ 162,232
2013	170,573
2014	179,586
2015	188,776
2016	198,434
Thereafter	<u>1,648,256</u>
	<u>\$ 2,547,857</u>

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - Temporarily restricted property and equipment (continued)

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.

Land lease - Hilliard (continued)

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 2011.

Delaware

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 constructed 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 as temporarily restricted support 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 was categorized as a level 3 valuation measurement under ASC 820-10, *Fair Value Measurement and Disclosure*.

Construction of the facility was completed in the fall of 2011. 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).

Donated leasehold interests for operating facilities are summarized as follows:

Land

Gahanna	\$ 1,496,400
Hilliard	268,237
Liberty Township	331,800
Grove City	110,400
Delaware	<u>335,281</u>
	<u>2,542,118</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - Temporarily restricted property and equipment (continued)

<u>Building</u>	
Liberty Township	\$ 5,159,448
Delaware	<u>12,287,900</u>
	<u>17,447,348</u>
Total	19,989,466
Less: accumulated amortization	<u>1,615,791</u>
Net temporarily restricted property and equipment	<u>\$ 18,373,675</u>

The land leasehold interests are being amortized over periods ranging from 20-99 years. The building leasehold interests are being amortized over 40 years.

NOTE G - Debt

Debt as of December 31, 2011 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, 2011 was .12%. Secured by real and personal property.	\$ 10,680,000
Less: current portion	<u>790,000</u>
Total long-term notes payable	<u>\$ 9,890,000</u>

A non-interest-bearing Federal Home Funds note issued by a state agency for the Central Rehabilitation Project in the amount of \$1,000,000 was forgiven in August of 2011.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - Debt (continued)

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.

At December 31, 2011, amortization of the deferred financing costs for the next five years is expected to be as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 13,591
2013	13,591
2014	13,591
2015	13,591
2016	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, 2011 is \$1,310,912 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 related to the composition of its investments required by the letter of credit agreement through the next scheduled extension of that agreement. The Association was in compliance with all other banking covenants at December 31, 2011.

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 YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL OHIO AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - Debt (continued)

The fair values of derivative instruments at December 31, 2011 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	\$ <u>1,310,912</u>

The effect of derivative instruments on the consolidated statement of activities and changes in net assets for the years ended December 31, 2011:

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>202,827</u>

Debt maturity and sinking fund requirements

At December 31, 2011, \$592,777 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, 2011, 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>
2012	\$ 790,000	\$ 813,333
2013	825,000	848,333
2014	860,000	886,667
2015	900,000	926,667
2016	940,000	970,000

NOTE H - Temporarily restricted net assets

Temporarily restricted net assets at December 31, 2011, consist of pledges receivable of \$179,199 (see Note D), money loaned to YMCA Housing Limited Partnership of \$4,799,750, United Way revenue receivable of \$696,443, purpose restricted contributions of \$334,625 and net donated property and equipment of \$18,373,675 (See Note F).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I - Endowments

The Board is required to interpret Ohio's Uniform Prudent Management of Institutional Funds Act, 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 states that the total amount available for expenditures is 50% of the investment earnings and appreciation, not to exceed 5% of the average balance of the previous twelve quarters. The other 50% of the investment earnings and appreciation are 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, 2010	\$ 492,578	\$ 125,834	\$ 124,465	\$ -	\$ 742,877
Transfer to operations	-	(25,834)	(6,475)	-	(32,309)
2011 investments loss, net	-	-	(3,643)	(8,424)	(12,067)
2011 transfers to board designated endowment	-	(100,000)	100,000	-	-
	\$ 492,578	\$ -	\$ 214,347	\$ (8,424)	\$ 698,501

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%. The Association contributed approximately \$789,000 to the Plan for the year ended December 31, 2011.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K - Postretirement health insurance plan

The Association provides medical and dental insurance to certain retirees and their spouses and dependents. Full-time employees become eligible to receive these benefits after attainment of 55 years of age and completion of 15 years of service. Coverage ends upon attainment of 65 years of age or Medicare eligibility, whichever comes first. Premiums will be paid by the Association at the same amount as it provides for active employees, and retirees who elect to receive benefits must contribute towards this coverage. The Association accrued a liability in the amount of approximately \$189,000 at December 31, 2011 for estimated future premium contributions. Significant assumptions utilized in estimating this liability include an average age at retirement of 62 years, 6% annual increases in insurance costs for each succeeding benefit year, a present value discount rate of 5% and an approximate utilization rate of 21%.

NOTE L - 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 N). 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, 2011, accounts receivable includes a United Way allocation receivable which represents 42% of the total accounts receivable balance. Subsequent to December 31, 2011, the Association collected substantially all of this receivable.

NOTE M - Operating leases

The Association leases office space at one location under an operating lease that expires in February 2017. Minimum future rental payments under this non-cancelable operating lease as of December 31, 2011 are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 27,708
2013	33,250
2014	34,635
2015	34,913
2016	34,913
Thereafter	<u>5,819</u>
	<u>\$ 171,238</u>

Office rent expense totaled \$35,400 in 2011.

NOTE N - 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 limited partner investors receive the low income and historic rehabilitation tax credits for their equity investment in the rehabilitation.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE N - Central building rehabilitation project and related-party transactions (continued)

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, 2011 was \$4,885,234, net of allowance of \$2,951,248. 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 \$329,013 was received during the year ended December 31, 2011, which included \$10,912 of interest recovery from the allowance account.

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 guaranteed funding for cash deficits incurred by the YHLP. The YMCA also agreed to pledge \$500,000 of its developer fee as security for this obligation. As of December 31, 2011, 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, 2011 was \$1,184,234. As of December 31, 2011, accounts receivable related party balance includes \$137,444 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.

NOTE O - Subsequent event

Subsequent to December 31, 2011, and through the date of issuance of these financial statements, the YHLP limited partners were in the process of formally transferring all their interests, rights, duties and obligations in the YHLP to the YMCA for nominal amounts. These transfers are intended to be effective January 1, 2012.

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

**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS**

FOR THE YEAR ENDED DECEMBER 31, 2011

<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	\$ 302,751
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>163,951</u>
		1,163,951
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	105,793
Special Education - Grants for Infants and Families with Disabilities	84.181	190,238
Passed-through Twenty-First Century Community Learning Centers		
After school program	84.287	<u>239,451</u>
		535,482
U.S. Department of Agriculture:		
Passed-through the Ohio Department of Education:		
Child and Adult Care Food Program	10.558	277,704
U.S. Department of Justice:		
Passed-through Franklin County, Office of Homeland Security and Justice Programs:		
ARRA-Edward Bryne Memorial Justice Assistance Grant	16.804	21,755
Passed-through the Ohio Department of Public Safety, Office of Criminal Justice Services:		
Edward Bryne Memorial Justice Assistance Grant Program	16.738	<u>59,433</u>
		81,188
Total Expenditures of Federal Awards		<u>\$ 2,361,076</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 January 1, 2011.

<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, 2011

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
Columbus, 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, 2011, and have issued our report thereon dated June 19, 2012. 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

Management of the Association is responsible for establishing and maintaining effective 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 previously.

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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, Inc.

June 19, 2012

SS&G
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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
Columbus, 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, 2011. 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, 2011.

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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, Inc.

June 19, 2012

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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, 2011

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
84.181	Special Education - Grants for 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, 2011

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, 2011.