

**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF CENTRAL KENTUCKY, INC**

FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

YMCA OF CENTRAL KENTUCKY, INC.

FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

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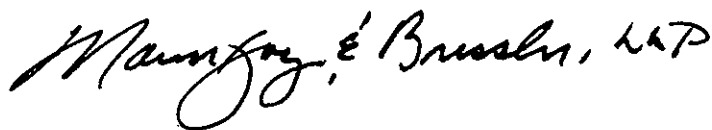
INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Trustees
Young Men's Christian Association of
Central Kentucky, Inc.

We have audited the accompanying statements of financial position of the Young Men's Christian Association of Central Kentucky, Inc. (a not-for-profit organization) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Central Kentucky, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Lexington, Kentucky
April 28, 2009

YMCA OF CENTRAL KENTUCKY, INC.**STATEMENTS OF FINANCIAL POSITION**

December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 345,121	\$ 357,691
Restricted cash and cash equivalents	181,836	180,193
Accounts receivable	117,387	119,792
Unconditional promises to give, net	1,876,116	1,969,125
Prepaid expenses	97,430	128,082
Investments	3,780,303	3,790,614
Perpetual trusts held by third parties	2,154,080	2,839,468
Land, buildings, and equipment, net	19,556,120	19,922,089
Other assets	3,000	3,000
Debt issuance costs, net	<u>97,756</u>	<u>107,068</u>
	<u>\$ 28,209,149</u>	<u>\$ 29,417,122</u>

LIABILITIES

Accounts payable	\$ 247,839	\$ 179,684
Accrued liabilities	293,440	239,897
Deferred income	317,781	357,885
Notes payable	1,319,874	1,450,690
Bond obligation	6,600,000	7,200,000
Capital lease obligation	<u>5,774</u>	<u>-</u>
Total liabilities	<u>8,784,708</u>	<u>9,428,156</u>

COMMITMENTS AND CONTINGENCIES

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NET ASSETS

Unrestricted:		
Operating	13,372,093	13,153,760
Board designated	2,139,713	2,222,167
Temporarily restricted	1,758,555	1,773,571
Permanently restricted	<u>2,154,080</u>	<u>2,839,468</u>
Total net assets	<u>19,424,441</u>	<u>19,988,966</u>
Total liabilities and net assets	<u>\$ 28,209,149</u>	<u>\$ 29,417,122</u>

See accompanying independent auditor's report
and notes to financial statements

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2008

	2008			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, losses, and other support:				
Membership dues	\$ 5,443,331	\$ -	\$ -	\$ 5,443,331
Activity and daily fees	3,326,038	-	-	3,326,038
Contributions	947,196	20,000	-	967,196
Interest and dividends	220,370	1,492	-	221,862
United Way	218,900	-	-	218,900
Governmental and foundation grants	278,452	-	-	278,452
Rental of facilities	17,686	-	-	17,686
Resident room rentals	72,225	-	-	72,225
Other	144,001	-	-	144,001
Net unrealized and realized gains (losses) on investments	(316,937)	(6,791)	(654,891)	(978,619)
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>60,214</u>	<u>(29,717)</u>	<u>(30,497)</u>	<u>-</u>
 Total revenues, gains, losses, and other support	 10,411,476	 (15,016)	 (685,388)	 9,711,072
 Expenses:				
Program and membership services:				
Membership services	4,095,910	-	-	4,095,910
Prime time	1,363,359	-	-	1,363,359
Youth camps	365,506	-	-	365,506
Health & fitness programs	494,315	-	-	494,315
Preschool day care	359,652	-	-	359,652
Youth/teen programs	580,260	-	-	580,260
Aquatics	647,106	-	-	647,106
Black achievers	195,089	-	-	195,089
Arts and humanities	<u>132,203</u>	<u>-</u>	<u>-</u>	<u>132,203</u>
 Total program services	 8,233,400	 -	 -	 8,233,400
 Supporting Services:				
Maintenance and housekeeping	450,073	-	-	450,073
Management and general	1,396,775	-	-	1,396,775
Fundraising	<u>195,349</u>	<u>-</u>	<u>-</u>	<u>195,349</u>
 Total supporting services	 <u>2,042,197</u>	 <u>-</u>	 <u>-</u>	 <u>2,042,197</u>

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2008

	<u>2008</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total expenses	\$ <u>10,275,597</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>10,275,597</u>
Change in net assets	135,879	(15,016)	(685,388)	(564,525)
Net assets at beginning of year	<u>15,375,927</u>	<u>1,773,571</u>	<u>2,839,468</u>	<u>19,988,966</u>
Net assets at end of year	\$ <u>15,511,806</u>	\$ <u>1,758,555</u>	\$ <u>2,154,080</u>	\$ <u>19,424,441</u>

See accompanying independent auditor's report
and notes to financial statements.

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2007

	2007			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, gains, losses, and other support:				
Membership dues	\$ 4,965,782	\$ -	\$ -	\$ 4,965,782
Activity and daily fees	3,317,169	-	-	3,317,169
Contributions	774,603	118,153	-	892,756
Interest and dividends	294,986	2,008	-	296,994
United Way	231,735	-	-	231,735
Governmental and foundation grants	322,190	-	-	322,190
Rental of facilities	26,404	-	-	26,404
Resident room rentals	72,917	-	-	72,917
Other	89,257	-	-	89,257
Net unrealized and realized gains (losses) on investments	52,624	(322)	75,168	127,470
Losses on unconditional promises to give	(272,722)	(1,815,169)	-	(2,087,891)
Net assets released from restrictions: Satisfaction of program restrictions	<u>158,704</u>	<u>(135,699)</u>	<u>(23,005)</u>	<u>-</u>
Total revenues, gains, losses, and other support	10,033,649	(1,831,029)	52,163	8,254,783
Expenses:				
Program and membership services:				
Membership services	3,790,391	-	-	3,790,391
Prime time	1,380,466	-	-	1,380,466
Youth camps	419,502	-	-	419,502
Health & fitness programs	437,203	-	-	437,203
Preschool day care	321,831	-	-	321,831
Youth/teen programs	579,965	-	-	579,965
Aquatics	565,761	-	-	565,761
Black achievers	274,479	-	-	274,479
Arts and humanities	<u>120,049</u>	<u>-</u>	<u>-</u>	<u>120,049</u>
Total program services	7,889,647	-	-	7,889,647
Supporting Services:				
Maintenance and housekeeping	463,120	-	-	463,120
Management and general	1,291,577	-	-	1,291,577
Fundraising	<u>291,044</u>	<u>-</u>	<u>-</u>	<u>291,044</u>
Total supporting services	<u>2,045,741</u>	<u>-</u>	<u>-</u>	<u>2,045,741</u>

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF ACTIVITIES - CONTINUED

For the year ended December 31, 2007

	<u>2007</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Total expenses	<u>9,935,388</u>	<u>-</u>	<u>-</u>	<u>9,935,388</u>
Change in net assets	98,261	(1,831,029)	52,163	(1,680,605)
Net assets at beginning of year	<u>15,277,666</u>	<u>3,604,600</u>	<u>2,787,305</u>	<u>21,669,571</u>
Net assets at end of year	\$ <u>15,375,927</u>	\$ <u>1,773,571</u>	\$ <u>2,839,468</u>	\$ <u>19,988,966</u>

See accompanying independent auditor's report
and notes to financial statements.

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2008

	2008								
	Membership Services	Prime Time	Youth Camps	Health & Fitness Programs	Pre-School Day Care	Youth/Teen Programs	Aquatics	Black Achievers	Arts and Humanities
Salaries and wages	\$ 1,574,732	\$ 916,833	\$ 181,931	\$ 213,704	\$ 236,945	\$ 270,835	\$ 373,841	\$ 74,274	\$ 57,827
Employee benefits	106,698	72,400	11,179	16,080	25,435	35,967	19,477	3,833	11,886
Payroll taxes, etc.	140,759	80,771	16,200	19,061	20,639	23,926	33,328	6,616	4,683
Total salaries & related expenses	<u>1,822,189</u>	<u>1,070,004</u>	<u>209,310</u>	<u>248,845</u>	<u>283,019</u>	<u>330,728</u>	<u>426,646</u>	<u>84,723</u>	<u>74,396</u>
Building and occupancy	906,900	20,108	46,465	64,320	36	68,860	81,341	20,372	10,935
Contracted/temporary labor	343	116	7,997	81,021	-	21,802	15,959	1,150	29,689
Marketing & promotion	71,706	25,493	5,171	1,007	40	8,409	4,633	4,813	754
Program bus/van rental	-	31,976	28,582	-	-	10,240	-	5,937	-
Travel and transportation	6,451	3,242	631	8,623	307	3,289	4,127	2,430	576
Program supplies	84,993	80,423	25,553	8,973	57,790	62,585	32,234	31,613	2,502
Insurance	30,781	15,247	2,153	2,403	-	2,824	3,025	3,364	482
National support	62,608	19,783	4,255	4,693	3,233	8,313	3,578	-	912
Professional fees	14,798	300	-	-	-	-	-	-	-
Technology expense	50,714	15,668	3,094	4,219	2,688	4,353	3,161	1,540	755
Miscellaneous expenses	71,273	25,016	2,161	4,762	37	4,276	3,680	1,792	856
Equipment expenses	178,625	3,798	497	2,751	468	3,145	7,181	216	275
Telephone & communications	15,524	12,326	1,646	1,077	399	1,953	1,353	3,377	241
Maintenance & housekeeping supplies	-	440	682	-	1,685	47	10,410	61	3
Office supplies and expense	12,472	9,673	1,092	422	2,072	1,533	1,093	1,576	131
Conference, convention and meetings	9,570	10,117	557	1,767	983	1,589	3,192	2,874	103
Employee expenses	21,095	14,201	2,064	2,466	3,300	3,046	7,339	380	345
Postage & mailing	32,152	3,847	583	457	77	1,534	702	1,986	126
Scholarships & awards	-	-	-	-	-	-	-	19,635	-
Depreciation	503,661	110	21,643	37,087	3,511	33,866	23,873	7,060	6,184
Amortization	-	-	-	-	-	-	-	-	-
Loss on disposition of assets	-	-	-	-	-	-	-	-	-
Trust and investment expenses	-	-	-	-	-	-	-	-	-
Interest	197,490	-	1,027	18,426	7	7,392	12,384	29	2,885
Organizational dues & subscriptions	2,565	1,471	343	996	-	476	1,195	161	53
Totals	<u>\$ 4,095,910</u>	<u>\$ 1,363,359</u>	<u>\$ 365,506</u>	<u>\$ 494,315</u>	<u>\$ 359,652</u>	<u>\$ 580,260</u>	<u>\$ 647,106</u>	<u>\$ 195,089</u>	<u>\$ 132,203</u>

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

For the year ended December 31, 2008

	2008			
	Maint./ House- keeping	Manage- ment & General	Fund Raising	Total
Salaries and wages	\$ 214,021	\$ 782,022	\$ 122,580	\$ 5,019,545
Employee benefits	39,958	127,968	14,672	485,553
Payroll taxes, etc.	<u>27,612</u>	<u>66,789</u>	<u>10,748</u>	<u>451,132</u>
Total salaries & related expenses	<u>281,591</u>	<u>976,779</u>	<u>148,000</u>	<u>5,956,230</u>
Building and occupancy	-	5,232	-	1,224,569
Contracted/temporary labor	-	5,974	-	164,051
Marketing & promotion	-	142,453	10,635	275,114
Program bus/van rental	-	72	-	76,807
Travel and transportation	1,978	17,261	4,743	53,658
Program supplies	-	6,085	6,470	399,221
Insurance	32,485	5,022	-	97,786
National support	-	186	125	107,686
Professional fees	2,460	23,717	-	41,275
Technology expense	-	2,091	9,078	97,361
Miscellaneous expenses	-	11,893	-	125,746
Equipment expenses	11,081	17,199	540	225,776
Telephone & communications	380	31,822	38	70,136
Maintenance & housekeeping supplies	118,453	102	-	131,883
Office supplies	1	8,395	934	39,394
Conference, convention and meetings	260	21,181	9,670	61,863
Employee expenses	1,326	35,121	211	90,894
Postage & mailing	58	7,193	3,704	52,419
Scholarships & awards	-	-	-	19,635
Depreciation	-	10,130	-	647,125
Amortization	-	9,312	-	9,312
Loss on disposition of assets	-	1,126	-	1,126
Trust and investment expenses	-	51,853	-	51,853
Interest	-	463	-	240,103
Organizational dues & subscriptions	-	6,113	1,201	14,574
Totals	<u>\$ 450,073</u>	<u>\$ 1,396,775</u>	<u>\$ 195,349</u>	<u>\$ 10,275,597</u>

See accompanying independent auditor's report and notes to financial statements.

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2007

	2007								
	Membership Services	Prime Time	Youth Camps	Health & Fitness Programs	Pre-School Day Care	Youth/Teen Programs	Aquatics	Black Achievers	Arts and Humanities
Salaries and wages	\$ 1,430,433	\$ 929,684	\$ 216,850	\$ 177,516	\$ 219,892	\$ 269,641	\$ 338,283	\$ 86,441	\$ 50,987
Employee benefits	99,116	69,627	9,727	13,408	24,286	30,506	18,155	9,171	11,407
Payroll taxes, etc.	127,316	85,050	16,346	15,825	19,221	23,070	30,575	8,193	4,303
Total salaries & related expenses	<u>1,656,865</u>	<u>1,084,361</u>	<u>242,923</u>	<u>206,749</u>	<u>263,399</u>	<u>323,217</u>	<u>387,013</u>	<u>103,805</u>	<u>66,697</u>
Building and occupancy	725,747	20,368	45,833	52,668	2,542	77,099	51,561	25,763	8,277
Contracted/temporary labor	1,145	79	10,591	78,878	-	13,771	7,112	3,198	24,102
Marketing & promotion	72,077	22,534	4,382	1,182	65	10,190	973	9,292	3,537
Program bus/van rental	-	27,154	29,408	-	-	12,114	-	15,842	133
Travel and transportation	6,360	6,848	904	2,625	554	2,308	4,129	12,253	746
Program supplies	89,249	85,154	26,347	10,921	35,537	61,306	31,253	44,312	2,238
Insurance	31,923	14,959	2,237	2,512	-	2,975	3,036	2,985	475
National support	56,186	18,948	3,298	4,406	2,875	5,591	3,288	2,550	1,054
Professional fees	613	612	-	-	-	-	-	-	-
Technology expense	39,558	15,581	3,015	3,671	2,683	4,175	4,114	2,435	657
Miscellaneous expenses	57,773	16,932	1,284	3,727	-	2,363	2,249	258	594
Equipment expenses	203,361	3,428	783	542	395	1,497	9,133	666	156
Telephone & communications	16,108	15,770	2,242	1,118	994	2,138	996	2,814	240
Maintenance & housekeeping supplies	251	587	727	14	1,611	93	12,215	109	8
Office supplies and expense	13,238	9,759	1,196	483	1,539	1,523	493	3,281	1,856
Conference, convention and meetings	8,918	9,047	550	3,562	1,227	1,411	1,697	8,463	117
Employee expenses	22,620	18,615	1,937	1,907	5,318	3,837	7,372	1,748	291
Postage & mailing	26,617	5,950	801	461	39	3,003	790	2,458	174
Scholarships & awards	-	-	-	-	-	-	-	24,403	-
Depreciation	480,326	2,250	26,272	40,054	2,800	32,537	22,536	7,060	5,416
Amortization	-	-	-	-	-	-	-	-	-
Trust and investment expenses	-	-	-	-	-	-	-	-	-
Interest	280,209	-	14,515	21,520	-	18,466	15,323	-	3,246
Organizational dues & subscriptions	<u>1,247</u>	<u>1,530</u>	<u>257</u>	<u>203</u>	<u>253</u>	<u>351</u>	<u>478</u>	<u>784</u>	<u>35</u>
Totals	<u>\$ 3,790,391</u>	<u>\$ 1,380,466</u>	<u>\$ 419,502</u>	<u>\$ 437,203</u>	<u>\$ 321,831</u>	<u>\$ 579,965</u>	<u>\$ 565,761</u>	<u>\$ 274,479</u>	<u>\$ 120,049</u>

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

For the year ended December 31, 2007

	2007		
	Maint./ House- keeping	Manage- ment & General	Fund Raising
	Total	Total	Total
Salaries and wages	\$ 213,185	\$ 747,697	\$ 125,984
Employee benefits	34,996	127,214	18,770
Payroll taxes, etc.	<u>22,933</u>	<u>63,419</u>	<u>9,977</u>
Total salaries & related expenses	<u>271,114</u>	<u>938,330</u>	<u>154,731</u>
Building and occupancy	-	4,419	-
Contracted/temporary labor	-	2,846	-
Marketing & promotion	-	99,696	13,702
Program bus/van rental	-	18	-
Travel and transportation	3,857	20,206	2,285
Program supplies	234	6,138	7,864
Insurance	38,137	6,945	-
National support	-	170	-
Professional fees	-	29,743	91,683
Technology expense	-	5,591	9,688
Miscellaneous expenses	-	5,740	-
Equipment expenses	12,218	19,202	1,227
Telephone & communications	458	21,461	13
Maintenance & housekeeping supplies	134,131	-	-
Office supplies	-	9,854	596
Conference, convention and meetings	1,345	17,332	5,556
Employee expenses	778	10,716	263
Postage & mailing	175	7,971	2,097
Scholarships & awards	-	-	-
Depreciation	-	17,281	-
Amortization	-	9,312	-
Trust and investment expenses	-	52,369	-
Interest	-	-	-
Organizational dues & subscriptions	<u>673</u>	<u>6,237</u>	<u>1,339</u>
Totals	<u>\$ 463,120</u>	<u>\$ 1,291,577</u>	<u>\$ 291,044</u>
			<u>\$ 9,935,388</u>

See accompanying independent auditor's report and notes to financial statements.

YMCA OF CENTRAL KENTUCKY, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (564,525)	\$ (1,680,605)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	647,125	636,532
Amortization	9,312	9,312
Trust expenses	51,853	52,369
Unrealized and realized (gain) loss on investments	978,619	(127,470)
Forgiveness of debt	(100,000)	(100,000)
Donation of property	(4,000)	-
Loss on unconditional promises to give	-	2,087,891
Loss on disposal	1,126	-
Allowance for doubtful accounts	(359,940)	75,114
Change in accounts receivable	2,405	(16,567)
Change in grants receivable	-	33,049
Change in unconditional promises to give	452,949	(3,174)
Change in restricted cash	(1,643)	(11,908)
Change in prepaid expenses	30,652	(6,547)
Change in accounts payable	68,155	3,975
Change in accrued liabilities	53,543	5,472
Change in deferred income	(40,104)	53,076
Net cash provided by operating activities	<u>1,225,527</u>	<u>1,010,519</u>
Cash flows from investing activities:		
Proceeds from sales or maturities of investments	5,660,606	6,093,572
Acquisition of investments	(5,995,379)	(6,237,561)
Acquisition of fixed assets	(270,821)	(199,736)
Net cash used in investing activities	<u>(605,594)</u>	<u>(343,725)</u>
Cash flows from financing activities:		
Reduction of notes payable	(30,816)	(30,873)
Payments on bond obligation	(600,000)	(600,000)
Payments on capital lease obligation	(1,687)	-
Net cash used in financing activities	<u>(632,503)</u>	<u>(630,873)</u>
Change in cash and cash equivalents	(12,570)	35,921
Cash and cash equivalents, beginning of year	<u>357,691</u>	<u>321,770</u>
Cash and cash equivalents, end of year	\$ <u><u>345,121</u></u>	\$ <u><u>357,691</u></u>
Supplemental Data:		
Cash paid for interest during the year	\$ <u><u>197,198</u></u>	\$ <u><u>296,638</u></u>

Supplemental Schedule of Noncash Transactions:

In 2008, the Association acquired \$7,461 in equipment under a capital lease agreement.

In 2007, a capital donor withdrew an unconditional promise to give with a net value of \$1,815,169. In addition, the Association wrote-off a separate unconditional promise to give with a net value of \$272,722.

See accompanying independent auditor's report
and notes to financial statements.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2008 and 2007

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities: The Young Men's Christian Association of Central Kentucky, Inc. (Association) is a not-for-profit organization whose goals are to put Christian principles into action through programs and membership services that build a healthy spirit, mind, and body for all people in the community. Financial assistance is available for those in need for both membership and programs. Programs which assist in meeting the Association's goals include:

Membership Services. The Association is primarily a membership organization offering memberships to youths, teens, adults, households and seniors within its community. Memberships offer the opportunity to pursue health and well being either individually, or as a part of an organized group in areas of cardiovascular, muscle strengthening, aquatics, and socialization with others. Many activities are included with membership and many other fee-based programs are offered at a discount to members.

Prime Time. This program offers before/after school child care at a number of public and private school sites within the community. This program fosters growth and development of children with their parents and family. Instruction and activities within this program help kids develop moral and ethical behavior, self-esteem, and leadership, while providing a safe and supportive environment for working parents.

Youth-Camps. Various programs are offered to participants including all-day camps for youth during the school year, all-day summer camps, sports camps, art camps, horseback camps, gymnastics camps, and adventure/discovery camps. The Association also offers summer day camp activities in natural surroundings at its Bar-Y camp.

Health & Fitness Programs. These fee-based programs allow members and program participants to expand physical fitness through a variety of interests and include personal fitness programs, weight management programs, group participation in Pilates, martial arts, Yoga, cycling, aerobics, along with various other programs.

Preschool Day Care. The Association, at its North Lexington facility, offers a pre-school child care center offering parents a safe and secure location for children from ages 6 weeks through kindergarten. This highly diverse center focuses on family activities and early childhood education.

Youth/Teen Programs. Programs include youth instructional sports designed to enhance the skills of the respective sport and to promote the development of health and fitness, cooperation, safety, and respect for others. Such programs include basketball, T-ball, football, soccer, volleyball, cheerleading, YMCA youth sports leagues that emphasize equal participation for all versus winning or losing. Teen programs include teen camps, teen arcades, computer labs, teen leadership, youth in government and teen nights.

Aquatics. Swim lessons are offered to all ages of participants and include progressive learn-to-swim programs, water fitness activities, swim teams, and specialized aquatic activities such as scuba diving, CPR and Life Guarding certification.

Black Achievers. The Black Achievers program provides students in the 7th through 12th grades exposure to present future educational and career opportunities. These students are connected with adult mentors who encourage students throughout their high school years and guide them on career development. Assistance is provided for students in applying for college and the Association works with colleges and universities to secure scholarships for graduating seniors.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Arts and Humanities Programs: Instructional sessions are offered in various art forms including music (guitar and percussion classes), dance (ballroom dancing and ballet), visual art forms (drawing, water-color and oil painting, clay sculpting), drama (theatre) and language programs (beginning, intermediate Spanish).

Facility Rental. The Association provides its facilities to various civic, church and other organizations at minimal cost as part of its community-based service. In addition, the Association offers a number of resident rooms for rent at an affordable fee to adult males who may be in transition. Rooms are available on a temporary or permanent basis.

Basis of Accounting: The accompanying financial statements of the Association are prepared on the accrual basis of accounting.

Contributions: Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are not included as contributions until the conditions are substantially met.

Contributed Services: During the years ended December 31, 2008 and 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents consists of cash and certificates of deposit with maturities of three months or less.

Property and Equipment: The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Assets with useful lives of more than one year and a cost greater than \$1,000 are capitalized and depreciated over their useful life. It is the Association's policy to capitalize donated useful property exceeding \$1,000 at fair value.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and equipment are stated at cost and are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	38-50
Building improvements	8-20
Furniture and equipment	3-10

Prepaid Expenses: Prepaid expenses are expenses for goods or services that have been paid for but have not yet been fully used or consumed at year end.

Restricted Cash: Restricted cash consists of cash in banks with specific purpose restrictions.

Unconditional Promises to Give: Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using an applicable interest rate to discount the amounts.

Allowance for Doubtful Accounts: The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses based on prior year experience and knowledge of donors' financial conditions. Amounts are charged against the allowance when management determines the collectibility is doubtful. At December 31, 2008 the balance of allowance for doubtful accounts of \$12,330 related entirely to unconditional promises to give.

Deferred Income: The Association defines deferred income as membership dues and activity fees received in advance of the performance of services. The Association's grant awards are accounted for as exchange transactions. Grant funds received in exchange transactions are deemed to be earned of the applicable grant when the Association has incurred expenses in compliance with the specific restrictions of the grant agreement. Expenses incurred for which grant funds have not been received are reported as grants receivable, while grant funds received but not yet earned are reported as deferred income.

Advertising: The Association expenses advertising costs as incurred. Advertising expense amounts to \$275,114 and \$237,630 for the years ended December 31, 2008 and 2007, respectively.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investments: The Association records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the statements of activities.

Fair Values: In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset and was effective as of December 31, 2008.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

**NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. SFAS No. 157 describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.
- Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Association used quoted market prices (Level 1) to determine the fair value of \$2,936,117 of investments and used quoted prices for similar assets (Level 2) to determine the fair value of \$2,998,266 of investments at December 31, 2008. See Note 1.

In early 2008, the FASB issued Staff Position (FSP) FAS 157-2, "Effective Date of FASB Statement No. 157", which delays by one year, the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay pertains to items including, but not limited to, non-financial assets (such as real estate of donations in kind) recorded at fair value at the time of donation, and long-lived assets measured at fair value for impairment assessment under SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets".

The Association has adopted the portion of SFAS No. 157 that has not been delayed by FSP FAS-157-2 as of the beginning of its 2008 fiscal year, and plans to adopt the balance of its provisions as of the beginning of its 2009 fiscal year. The Association is continuing to evaluate the impact the standard will have on the determination of fair value related to non-financial assets and non-financial liabilities in post-2008 years.

Income Taxes: The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In December 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises". FSP FIN 48-3 permits an entity to defer the effective date of FIN 48, Accounting for Uncertainty in Income Taxes, to fiscal years beginning after December 15, 2008. The Association has elected to defer the application of FIN 48 for the year ended December 31, 2008. The Association evaluates its uncertain tax positions using the provisions of FASB Statement 5, Accounting for Contingencies. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

Financial Statement Presentation: The Association reports three classes of net asset categories according to externally (donor) imposed restrictions:

- a) Unrestricted net assets encompass the portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations,
- b) Temporarily restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations,
- c) Permanently restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

NOTE B - BOARD DESIGNATED, TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Net assets have been designated by the Board of Directors for the following purposes:

	<u>2008</u>	<u>2007</u>
Endowment and contingencies (See Note P)	\$ <u>2,139,713</u>	\$ <u>2,222,167</u>

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is expendable to support the Association's program services:

Endowment (See Note P)	\$ <u>2,154,080</u>	\$ <u>2,839,468</u>
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YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE B - BOARD DESIGNATED, TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS - CONTINUED

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Scholarship programs	\$ 62,371	\$ 69,637
Scott County facility	33,742	13,311
Capital Campaign	<u>1,662,442</u>	<u>1,690,623</u>
	<u>\$ 1,758,555</u>	<u>\$ 1,773,571</u>

NOTE C - LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment consist of the following:

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 7,301,105	\$ 7,293,270
Buildings and improvements	17,322,439	17,207,653
Furniture and equipment	1,112,010	1,061,993
Vehicle	22,419	18,420
Construction-in-progress	<u>830,771</u>	<u>830,771</u>
	26,588,744	26,412,107
Accumulated depreciation	<u>(7,032,624)</u>	<u>(6,490,018)</u>
	<u>\$ 19,556,120</u>	<u>\$ 19,922,089</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$647,125 and \$636,532, respectively.

NOTE D - PENSION PLAN

The Association participates in the YMCA Retirement Fund which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and The YMCA Retirement Fund Tax-Deferred Savings Plan which is a retirement income account plan as defined in section 403(b)(9) of the code. Both Plans are sponsored by The Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs through-out the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE D - PENSION PLAN -CONTINUED

The Plan calls for contributions to the Fund at an amount equal to 12% of the participating employees' salary, with the Association contributing 7% and the employee contributing 5%. Under a special annual agreement, the Association can increase the amount of its contribution rate, thereby reducing the required contribution rate from its eligible employees. Employee contributions as well as any excess contribution rate paid by the Association on behalf of the employee contribution percentage are vested immediately to the employee. Prior to July 1, 2006 each employee who was 21 years of age and over was eligible to participate in the Plan on the first day of the month after one year of service, defined as completion of 1,000 hours of compensated employment within a 12-month period. Employer contributions to the Plan were vested to the employee after three years of service. Effective July 1, 2006 the Plan was amended to call for participation to begin on the first day of the month after two years of service, as previously defined. Both employee and employer contributions to the Plan become immediately vested to the employee upon entrance into the Plan.

For the years ended December 31, 2008 and 2007:

The Association elected to contribute 12% for the years ending December 31, 2008 and 2007, thereby making the required employee contribution rates to be 0% for the respective periods. The Association contributed \$280,982 and \$285,292 for the years ending December 31, 2008 and 2007, respectively, of which none was unpaid as of each respective period end.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the YMCA Retirement Fund. There is no matching employer contribution in this plan.

NOTE E - NOTES PAYABLE

	<u>2008</u>	<u>2007</u>
Notes payable at December 31, 2008 and 2007 consist of the following:		
6% note payable, \$100,000 of principal and related interest to be forgiven annually as a contribution, uncollateralized. The note was made pursuant to the terms of a commitment agreement dated May 5, 1999 between the Association and Nazareth Health, Inc. According to the terms of the agreement, the Association will not be obligated for repayment of the note.	\$ 1,150,000	\$ 1,250,000
Mortgage note payable at 7.25% interest rate, due July 1, 2013, principal and interest due in monthly payments of \$3,696, collateralized by real estate owned by the Association.	<u>169,874</u>	<u>200,690</u>
	<u>\$ 1,319,874</u>	<u>\$ 1,450,690</u>

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE E - NOTES PAYABLE - CONTINUED

The following is a summary of debt maturities as of December 31, 2008:

<u>Year</u>	<u>Cash Payment Amount</u>	<u>Anticipated Forgiveness Amount</u>
2009	\$ 37,292	\$ 100,000
2010	39,592	100,000
2011	92,990	100,000
2012	-	100,000
2013	-	100,000
Thereafter	-	650,000
	<u>\$ 169,874</u>	<u>\$ 1,150,000</u>

NOTE F - BONDS OBLIGATION

The Lexington-Fayette Urban County Government (the "Issuer") has issued its Variable Rate Demand Industrial Development Revenue Bonds Series 1999 (the "Bonds") in the aggregate principal amount of \$12,000,000. The bonds were issued pursuant to a Trust Indenture dated as of July 1, 1999 (the "Indenture"), between the Issuer and Fifth Third Bank (the "Trustee"). The bonds are dated as of and bear interest from the date of their initial delivery pursuant to the instructions of Banc One Capital Markets, Inc., as underwriter (the "Underwriter"). The bonds will mature on July 1, 2019, and are subject to optional redemption prior to maturity. The timing and amount of any optional redemption of the bonds is subject to change at the discretion and upon agreement of the Association and the bank.

The proceeds received from the sale of the bonds were loaned to the Association. The loan was made pursuant to the terms of a loan agreement dated as of July 1, 1999 between the Association and the Issuer to finance the Association's construction and renovation costs for the North Lexington Family Facility, the Beaumont Centre Family Facility and the High Street Facility.

The Bonds bear interest in one of several different adjustable interest rate methods (0.80% and 3.46% at December 31, 2008 and 2007, respectively) and pay interest monthly commencing August 1, 1999. The Association is required to pay 5% of the original principal balance beginning July 1, 2000 and continuing annually until all of the bonds have been redeemed.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE F - BONDS OBLIGATION - CONTINUED

Debt service requirements at December 31, 2008 are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 600,000	\$ 50,400	\$ 650,400
2010	600,000	45,600	645,600
2011	600,000	40,800	640,800
2012	600,000	36,000	636,000
2013	600,000	31,200	631,200
Thereafter	<u>3,600,000</u>	<u>86,400</u>	<u>3,686,400</u>
	\$ <u>6,600,000</u>	\$ <u>290,400</u>	\$ <u>6,890,400</u>

The bonds are subject to mandatory sinking fund installment redemption requirements prior to maturity, pursuant to the terms of the Indenture. The Association is required to transfer \$150,000 in an escrow account on the last business day of each calendar quarter and the amount is included as restricted cash in the balance sheet.

The loan agreement and the Indenture contain various restrictive covenants including approval of all contracts, investment of construction advances and financial covenants (including a debt service coverage ratio and a liquidity covenant on unrestricted and temporarily restricted cash and investments). As of December 31, 2008, the Association was in compliance with all specified covenants.

NOTE G - LEASE OBLIGATIONS

Operating:

The Association leases three copiers and cardiovascular fitness equipment from non-related parties under signed operating lease agreements. The Association signed a five year service agreement for membership computer software in 2004, which expires in June 2009. Equipment lease expense for the years ended December 31, 2008 and 2007 was \$216,035 and \$181,312, respectively.

The following is a schedule of the future minimum operating lease payments as of December 31, 2008:

<u>Year</u>	<u>Amount</u>
2009	\$ 121,334
2010	54,594
2011	6,688
2012	<u>5,012</u>
	\$ <u>187,628</u>

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE H - CONCENTRATION OF CREDIT

The Association maintains numerous bank accounts at several financial institutions. During 2007 the balances of each institution were insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007 the Association had uninsured balances of \$319,823. In October 2008 the FDIC increased the insured limit to \$250,000 effective through December 31, 2009. At December 31, 2008 the Association had no uninsured balances.

Revenues and support are from individuals located within the same geographic region. Participation could be affected by the economic condition of the region.

NOTE I - INVESTMENTS

Investments at December 31, 2008 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Loss)</u>
Equities	\$ 2,191,565	\$ 1,577,207	\$ (614,358)
Fixed income	3,082,072	2,998,266	(83,806)
Cash equivalents	<u>1,358,151</u>	<u>1,358,910</u>	<u>759</u>
	<u>\$ 6,631,788</u>	<u>\$ 5,934,383</u>	<u>\$ (697,405)</u>
Investments		\$ 3,780,303	
Perpetual trusts held by third parties		<u>2,154,080</u>	
		<u>\$ 5,934,383</u>	

Investments at December 31, 2007 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation/ (loss)</u>
Equities	\$ 2,077,258	\$ 2,230,165	\$ 152,907
Fixed income	3,285,347	3,284,237	(1,110)
Cash equivalents	<u>1,114,942</u>	<u>1,115,680</u>	<u>738</u>
	<u>\$ 6,477,547</u>	<u>\$ 6,630,082</u>	<u>\$ 152,535</u>
Investments		\$ 3,790,614	
Perpetual trusts held by third parties		<u>2,839,468</u>	
		<u>\$ 6,630,082</u>	

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE I - INVESTMENTS - CONTINUED

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2008:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income:				
Capital Contribution Escrow	\$ 60,504	\$ -	\$ -	\$ 60,504
Capital Reserve	2,104	-	-	2,104
YMCA Maintenance Reserve	31,518	-	-	31,518
YMCA Endowment	35,514	-	-	35,514
Stoll Trust	39,688	-	-	39,688
Mitchell Trust	10,853	-	-	10,853
Coolidge Trust	34,526	-	-	34,526
Cooper Trust	5,663	-	-	5,663
Miscellaneous	<u>-</u>	<u>1,492</u>	<u>-</u>	<u>1,492</u>
	<u>\$ 220,370</u>	<u>\$ 1,492</u>	<u>\$ -</u>	<u>\$ 221,862</u>
Net realized and unrealized gains (losses):				
Capital Contribution Escrow	\$ 3,506	\$ -	\$ -	\$ 3,506
YMCA Maintenance Reserve	(26,236)	-	-	(26,236)
YMCA Endowment	(292,553)	-	-	(292,553)
Stoll Trust	-	-	(259,290)	(259,290)
Mitchell Trust	-	-	(100,973)	(100,973)
Coolidge Trust	-	-	(240,627)	(240,627)
Cooper Trust	-	-	(54,001)	(54,001)
Miscellaneous	<u>(1,654)</u>	<u>(6,791)</u>	<u>-</u>	<u>(8,445)</u>
	<u>\$ (316,937)</u>	<u>\$ (6,791)</u>	<u>\$ (654,891)</u>	<u>\$ (978,619)</u>

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE I - INVESTMENTS - CONTINUED

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2007:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income:				
Capital Contribution Escrow	\$ 86,111	\$ -	\$ -	\$ 86,111
Capital Reserve	5,760	-	-	5,760
YMCA Maintenance Reserve	31,490	-	-	31,490
YMCA Endowment	32,058	-	-	32,058
Stoll Trust	59,482	-	-	59,482
Mitchell Trust	11,805	-	-	11,805
Coolidge Trust	62,888	-	-	62,888
Cooper Trust	5,392	-	-	5,392
Miscellaneous	<u>-</u>	<u>2,008</u>	<u>-</u>	<u>2,008</u>
	<u>\$ 294,986</u>	<u>\$ 2,008</u>	<u>\$ -</u>	<u>\$ 296,994</u>
Net realized and unrealized gains (losses):				
Capital Contribution Escrow	\$ 5,897	\$ -	\$ -	\$ 5,897
YMCA Maintenance Reserve	1,077	-	-	1,077
YMCA Endowment	44,580	-	-	44,580
Stoll Trust	-	-	14,078	14,078
Mitchell Trust	-	-	9,863	9,863
Coolidge Trust	-	-	44,732	44,732
Cooper Trust	-	-	6,495	6,495
Miscellaneous	<u>1,070</u>	<u>(322)</u>	<u>-</u>	<u>748</u>
	<u>\$ 52,624</u>	<u>\$ (322)</u>	<u>\$ 75,168</u>	<u>\$ 127,470</u>

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE J - PROMISES TO GIVE

Unconditional promises to give related to the Organization's Capital Campaign and Campaign for Kids at December 31, 2008, are as follows:

Receivable in less than one year	\$ 260,809
Receivable in one to five years	908,987
Receivable in six to fifteen years	1,443,330
Receivable in over fifteen years	<u>4,000</u>
Total unconditional promises to give	2,617,126
Less allowance for doubtful accounts	(12,330)
Less discounts to net present value	<u>(728,680)</u>
Net unconditional promises to give at December 31, 2008	\$ <u>1,876,116</u>

Discount rate used on promises to give was 5%.

NOTE K - RELATED PARTY TRANSACTIONS

As of December 31, 2008 and 2007, \$111,000 and \$106,600, respectively, was paid to the YMCA of the U.S.A. for support services.

NOTE L - SPLIT-INTEREST AGREEMENTS

Four donors have established trusts under which the Association receives benefits that are shared with other beneficiaries. Under the terms of these trusts, the Association has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but they never receive the assets held in trust. The value of these trusts has been determined by taking the Association's share of the income received annually and multiplying that percentage by the market value of the trust assets. A brief description of the perpetual trusts held by third parties is as follows:

- a. *Stoll Trust* The Association receives 1/3 of the income earned. The income can be used for general operations.
- b. *Mitchell Trust* The Association receives 1/13 of the income earned. The income can be used for general operations.
- c. *Coolidge Trust* The Association receives 100% of the income earned. The income is to be spent for the benefit of the Jessamine County branch.
- d. *Cooper Trust* The Association receives 50% of the income earned. The income can be used for general operations.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE M - COMMITMENTS AND CONTINGENCIES

During 1998 the YMCA of Central Kentucky, Inc., along with Saint Joseph Hospital, created a separate holding company known as Beaumont Wellness Associates. The company was created to own the Beaumont Centre YMCA facility, as well as providing general fiduciary responsibility for its development and operation. As of December 31, 2008, the Company had not applied for tax exempt status.

Beginning in June 2006, the YMCA of Central Kentucky embarked on a \$20 million capital campaign to build two new full service facilities. As of December 31, 2008, the campaign has received unconditional and conditional promises to give of approximately \$4.0 million. In addition, a commitment has been secured for one of the facilities from a health-care facility to lease a portion of the square footage upon completion for a five-year term with an option to renew for additional five-year terms. Fundraising efforts for both projects are expected to continue throughout the 2009 calendar year. The Association has ceased building design processes until additional funds can be raised. During 2007, a capital donor withdrew an unconditional promise to give with a net value of approximately \$1.8 million. In addition, the Association wrote-off a separate unconditional promise to give with a net value of approximately \$270,000.

The Association has entered into agreements with architectural, consulting and construction management firms related to the construction of two new YMCA facilities. The Association has committed approximately \$2,100,000 related to the construction of these facilities, of which approximately \$0 and \$100,000 have been expended and capitalized in years ended December 31, 2008 and 2007, respectively.

NOTE N - CONDITIONAL PROMISE TO GIVE

YMCA has been promised \$700,000, to be contributed at a rate of \$100,000 per year over a seven year period, ending with calendar year ending December 31, 2015, subject to sufficient funds being appropriated in each fiscal year's budget and YMCA's adherence to the terms set forth in the agreement.

In addition, the contributor has agreed to donate a suitable building site with a minimum of 10 acres of land for construction of a facility, provided the construction of this facility is contingent on YMCA's ability to raise sufficient funds through capital contributions. The contributor will also provide site development services corresponding with the construction of this facility.

In 2007, the Association received approximately \$500,000 in additional conditional promises to give.

Since these promises do not meet the criteria for revenue recognition under SFAS No. 116, they are not reflected as contributions in the statement of activities until they are collected.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE O - CAPITAL LEASE OBLIGATIONS

The Association has acquired equipment under the provisions of a long-term lease. The property under capital lease has a cost of \$7,461, accumulated amortization of \$933, and a net book value of \$6,528. Amortization of the leased equipment is included in depreciation expense.

Future minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2009	\$ 2,184
2010	2,184
2011	2,184
2012	<u>182</u>
	6,734
Less amount representing interest	<u>961</u>
Present value of minimum lease payments	\$ <u>5,773</u>

NOTE P - ENDOWMENT

In August 2008, the FASB issued Staff Position 117-1 "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds". The staff position provides guidance on the net asset classification of donor-restricted funds for a not-for-profit organization that is subject to an enacted version of the UPMIFA and also improves disclosures about an organization's endowment funds.

The Association's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the Commonwealth of Kentucky's relevant trust laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE P - ENDOWMENT - CONTINUED

Endowment Net Asset Composition by Type of Fund as of December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 2,154,080	\$ 2,154,080
Board-designated endowment funds	<u>1,007,628</u>	<u>-</u>	<u>-</u>	<u>1,007,628</u>
Total funds	\$ <u>1,007,628</u>	\$ <u>-</u>	\$ <u>2,154,080</u>	\$ <u>3,161,708</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,213,519	\$ -	\$ 2,839,468	\$ 4,052,987
Investment return (loss):				
Investment income, net of investment expenses	25,519	-	-	25,519
Net depreciation (realized and unrealized)	<u>(292,553)</u>	<u>-</u>	<u>(654,891)</u>	<u>(947,444)</u>
Total investment return (loss)	(267,034)	-	(654,891)	(921,925)
Contributions	80,930	-	-	80,930
Appropriation of endowment assets for expenditure	-	-	-	-
Transfers	<u>(19,787)</u>	<u>-</u>	<u>(30,497)</u>	<u>(50,284)</u>
Endowment net assets, end of year	\$ <u>1,007,628</u>	\$ <u>-</u>	\$ <u>2,154,080</u>	\$ <u>3,161,708</u>

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE P - ENDOWMENT - CONTINUED

Endowment Net Asset Composition by Type of Fund as of December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 2,839,468	\$ 2,839,468
Board-designated endowment funds	<u>1,213,519</u>	<u>-</u>	<u>-</u>	<u>1,213,519</u>
Total funds	\$ <u>1,213,519</u>	\$ <u>-</u>	\$ <u>2,839,468</u>	\$ <u>4,052,987</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,049,809	\$ -	\$ 2,787,305	\$ 3,837,114
Investment return:				
Investment income, net of investment expenses	22,244	-	-	22,244
Net depreciation (realized and unrealized)	<u>72,119</u>	<u>-</u>	<u>75,168</u>	<u>147,287</u>
Total investment return	94,363	-	75,168	169,531
Contributions	67,972	-	-	67,972
Appropriation of endowment assets for expenditure	-	-	-	-
Transfers	<u>1,375</u>	<u>-</u>	<u>(23,005)</u>	<u>(21,630)</u>
Endowment net assets, end of year	\$ <u>1,213,519</u>	\$ <u>-</u>	\$ <u>2,839,468</u>	\$ <u>4,052,987</u>

YMCA OF CENTRAL KENTUCKY, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the years ended December 31, 2008 and 2007

NOTE P - ENDOWMENT - CONTINUED

Endowment investment policy

Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity as well as board-designated funds. As described in Note L, the Association's donor-restricted endowment consists entirely of four perpetual trusts held by third parties. Each trust has designated a separate trustee and investment manager. The Association has no control over the trusts' assets or investment policies. The Association has adopted an investment policy for board-designated endowment assets that attempts to grow the value of the endowment assets. The Association's Finance Committee has the responsibility of making recommendations concerning the Association's investment policies and appoints an investment manager.

The Association's investment policy includes guidelines which recognize that in maximizing long-range return while maintaining a high standard of portfolio quality and consistency of return, it is necessary that proper diversification of assets be maintained both among and within the classes of securities held. Within the context of active management and the necessity for adherence to proper diversification, the Association relies upon the investment manager's appropriate professional advice. The Association's investment objectives realize that prudent investment management is a duty and recognizes that while long-term objectives are important, it is also necessary that short-term benchmarks be used to assess the periodic performance of the investment program. Accordingly the Association has established the following investment objectives:

- Long-term: The investment assets of the Association should achieve a return measured over a market cycle which equals or exceeds the rate of return earned by similar investment assets managed by other similar investment managers.
- Short-term: The returns on the managed funds of the Association measured on a year-to-date basis, should exceed the returns achieved by comparable unmanaged market indices.

The Association's asset allocation guidelines recognize that the investment funds of the Association have a limited capacity to tolerate investment volatility, or risk. Based on cost, the following are the allowable asset ranges for the funds of the endowment assets:

Asset Class

Equity	50-70%
Fixed Income	30-50%
Real Estate	0-5%

The Finance Committee of the Association will review annually the performance of the portfolio for determination of compliance with the investment policy.

NOTE Q - RECLASSIFICATION

Certain 2007 functional expense items, statement of activities items and statement of cash flows items have been reclassified to conform with the 2008 presentation. Such reclassifications had no effect on results of operations or net assets.