Strothman & Company P S C

Certified Public Accountants & Advisors

Financial Statements

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2012

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the Young Men's Christian Association of Central Kentucky, Inc. (the "Association"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Central Kentucky, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Strothman & Company PSC

Louisville, Kentucky
April 26, 2013

Statement of Financial Position

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Operating cash funds	$ 2,070			$ 2,070
Restricted cash accounts		$ 203,035		203,035
Accounts receivable, net	91,802	3,281		95,083
Pledges receivable, net	31,148	220,144		251,292
Prepaid expenses	73,552			73,552
Investments	3,123,757	245,462	$ 2,533,648	5,902,867
Property and equipment, net	17,868,527			17,868,527
Total Assets	$ 21,190,856	$ 671,922	$ 2,533,648	$ 24,396,426
Liabilities				
Accounts payable	$ 264,468			$ 264,468
Accrued expenses	230,932			230,932
Other liabilities	21,288			21,288
Deferred income	264,005			264,005
Long-term liabilities	5,146,598			5,146,598
Total Liabilities	5,927,291			5,927,291
Total Net Assets	15,263,565	$ 671,922	$ 2,533,648	18,469,135
Total Liabilities and Net Assets	$ 21,190,856	$ 671,922	$ 2,533,648	$ 24,396,426

See Notes to Financial Statements

Statement of Financial Position

Young Men's Christian Association of Central Kentucky, Inc.

December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Operating cash funds	$ 820			$ 820
Restricted cash accounts		$ 403,115		403,115
Accounts receivable, net	132,155	3,281		135,436
Pledges receivable, net	7,198	219,715		226,913
Prepaid expenses	131,007			131,007
Investments	3,664,973	72,148	$ 2,411,239	6,148,360
Property and equipment, net	18,226,488			18,226,488
Total Assets	$ 22,162,641	$ 698,259	$ 2,411,239	$ 25,272,139
Liabilities				
Accounts payable	$ 308,257			$ 308,257
Accrued expenses	211,896			211,896
Other liabilities	68,155			68,155
Deferred income	262,236			262,236
Long-term liabilities	6,188,017			6,188,017
Total Liabilities	7,038,561			7,038,561
Total Net Assets	15,124,080	$ 698,259	$ 2,411,239	18,233,578
Total Liabilities and Net Assets	$ 22,162,641	$ 698,259	$ 2,411,239	$ 25,272,139

See Notes to Financial Statements

Statement of Activities

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31, 2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and Revenues				
Public support-contributions	$ 509,533	$ 316,664	$ 6,996	$ 833,193
Special events	22,432	1,097		23,529
United Way allocations	131,074			131,074
Government grants	252,562	158,942		411,504
Membership dues	5,566,807			5,566,807
Rental revenues	69,893			69,893
Program fees	3,447,913			3,447,913
Sale of supplies and services	30,805			30,805
Investment income, net	276,827	3,370	115,413	395,610
Miscellaneous income	44,645			44,645
	10,352,491	480,073	122,409	10,954,973
Net assets released from restriction	506,410	(506,410)		
Total Support and Revenues	10,858,901	(26,337)	122,409	10,954,973
Expenses				
Program and membership services				
Youth development	4,923,508			4,923,508
Healthy living	3,094,142			3,094,142
Social responsibility	953,152			953,152
Total Program Services	8,970,802			8,970,802
Supporting services				
Management and general	1,565,652			1,565,652
Fundraising	182,962			182,962
Total Supporting Services	1,748,614			1,748,614
Total Expenses	10,719,416			10,719,416
Change in Net Assets	139,485	(26,337)	122,409	235,557
Net Assets Beginning of Year	15,124,080	698,259	2,411,239	18,233,578
Net Assets End of Year	$ 15,263,565	$ 671,922	$ 2,533,648	$ 18,469,135

See Notes to Financial Statements

Statement of Activities

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31, 2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Support and Revenues				
Public support-contributions	$ 671,510	$ 287,407	$ 4,853	$ 963,770
Capital campaign contributions	(200)	(368,761)		(368,961)
Special events	17,976	14,782		32,758
United Way allocations	142,650			142,650
Foundation grants	125,175			125,175
Government grants	274,377	119,243		393,620
Membership dues	5,326,832			5,326,832
Rental revenues	95,821			95,821
Program fees	3,115,920			3,115,920
Sale of supplies and services	17,665			17,665
Investment income (loss), net	46,281	2,245	(121,225)	(72,699)
Miscellaneous income	138,394			138,394
	9,972,401	54,916	(116,372)	9,910,945
Net assets released from restriction	100,000	(100,000)		
Total Support and Revenues	10,072,401	(45,084)	(116,372)	9,910,945
Expenses				
Program and membership services				
Youth development	4,607,849			4,607,849
Healthy living	2,895,768			2,895,768
Social responsibility	892,043			892,043
Total Program Services	8,395,660			8,395,660
Supporting services				
Management and general	1,712,700			1,712,700
Fundraising	136,543			136,543
Total Supporting Services	1,849,243			1,849,243
Total Expenses	10,244,903			10,244,903
Deficit of Operating Support and Revenue over Operating Expenses	(172,502)	(45,084)	(116,372)	(333,958)
Other Changes				
Loss on contractual obligation due to abandonment of project	(375,000)			(375,000)
Loss on disposal of construction in progress	(424,896)			(424,896)
Change in Net Assets	(972,398)	(45,084)	(116,372)	(1,133,854)
Net Assets Beginning of Year	16,096,478	743,343	2,527,611	19,367,432
Net Assets End of Year	$ 15,124,080	$ 698,259	$ 2,411,239	$ 18,233,578

See Notes to Financial Statements

Statement of Functional Expenses

Young Men's Christian Association of Central Kentucky, Inc

	Year Ended December 31, 2012					
	Youth Development	**Healthy Living**	**Social Responsibility**	**Management and General**	**Fund Raising**	**Total Expenses**
Salaries and wages	$ 2,444,039	$ 1,572,986	$ 369,226	$ 882,812	$ 105,912	$ 5,374,975
Employee benefits	256,257	130,093	71,954	184,131	15,384	657,819
Payroll taxes	202,935	131,076	28,214	68,837	8,103	439,165
Contracted labor and professional fees	41,447	75,100	2,893	123,649	11,742	254,831
Supplies/other program costs	349,963	64,032	98,743	8,178	5,742	526,658
Telephone and communication	21,586	13,438	4,115	23,805	260	63,204
Postage and shipping	14,392	8,809	2,790	6,910	1,500	34,401
Building occupancy	760,167	494,301	141,729	2,415		1,398,612
Equipment expenses	120,024	157,695	7,534	27,810	1,036	314,099
Advertising and publicity	55,866	32,912	30,587	150,276	12,182	281,823
Employee expenses	31,545	24,337	23,693	17,594	2,721	99,890
Conferences, conventions and meetings	19,627	9,358	22,807	17,671	17,759	87,222
Association dues and memberships	66,026	37,240	11,611	7,113	310	122,300
Scholarships and awards			33,175	5,500		38,675
Financing costs	96,838	63,798	18,743	25,293	105	204,777
Insurance expense	32,724	20,565	6,335	207		59,831
Miscellaneous expense	70,632	45,939	13,554	6,646	206	136,977
Depreciation	339,440	212,463	65,449	6,805		624,157
	$ 4,923,508	$ 3,094,142	$ 953,152	$ 1,565,652	$ 182,962	$ 10,719,416

See Notes to Financial Statements

Statement of Functional Expenses

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31, 2011					
	Youth Development	**Healthy Living**	**Social Responsibility**	**Management and General**	**Fund Raising**	**Total Expenses**
Salaries and wages	$ 2,351,234	$ 1,477,615	$ 455,180	$ 910,535	$ 62,455	$ 5,257,019
Employee benefits	234,948	147,651	45,484	197,678	14,735	640,496
Payroll taxes	195,174	122,655	37,784	66,263	4,825	426,701
Contracted labor and professional fees	68,416	42,996	13,245	185,170	4,531	314,358
Supplies/other program costs	336,277	211,331	65,101	12,132	23,760	648,601
Telephone and communication	21,856	13,735	4,231	18,535	14	58,371
Postage and shipping	15,925	10,008	3,083	6,149	3,474	38,639
Building occupancy	670,736	421,519	129,849	3,697	600	1,226,401
Equipment expenses	172,312	108,288	33,358	31,041		344,999
Advertising and publicity	50,338	31,634	9,745	165,904	16,158	273,779
Employee expenses	44,861	28,193	8,684	31,009	2,247	114,994
Conferences, conventions and meetings	21,649	13,605	4,191	23,081	3,119	65,645
Association dues and memberships	53,912	33,880	10,437	6,642	375	105,246
Scholarships and awards	19,743	12,407	3,822	9,081		45,053
Financing costs	105,345	66,203	20,394	9,549		201,491
Insurance expense	37,580	23,617	7,275	13,545		82,017
Miscellaneous expense	14,445	9,080	2,798	22,689	250	49,262
Depreciation	193,098	121,351	37,382			351,831
	$ 4,607,849	$ 2,895,768	$ 892,043	$ 1,712,700	$ 136,543	$ 10,244,903

See Notes to Financial Statements

Statements of Cash Flows

Young Men's Christian Association of Central Kentucky, Inc.

	Year Ended December 31	
	2012	**2011**
Operating Activities		
Change in net assets	$ 235,557	$ (1,133,854)
Adjustments		
Depreciation	624,157	351,831
Trust expenses	23,265	58,788
Unrealized and realized (gain) loss on investments	(398,095)	95,615
Forgiveness of debt recognized as contributions	(100,000)	(100,000)
Loss on contractual obligation due to abandonment of project		375,000
Loss on disposal of construction in progress		424,896
Bad debts	102,358	9,574
Changes in:		
Restricted cash accounts	200,080	(174,960)
Accounts receivable	(62,005)	(81,356)
Pledges receivable	(24,379)	241,080
Prepaid expenses	57,455	27,282
Accounts payable	(43,789)	3,182
Accrued expenses and other current liabilities	(27,831)	34,226
Deferred income	1,769	(78,213)
Net Cash Provided By Operating Activities	588,542	53,091
Investing Activities		
Proceeds from sales or maturities of investments	1,576,449	1,795,087
Acquisition of investments	(900,842)	(1,263,717)
Purchase of equipment	(321,479)	(105,269)
Net Cash Provided By Investing Activities	354,128	426,101
Financing Activities		
Payments on notes payable	(91,237)	(89,855)
Payments on bond obligation	(600,000)	(600,000)
Payment on contractual obligation	(250,000)	(125,000)
Payments on capital lease obligation	(182)	(2,072)
Net Cash Used In Financing Activities	(941,419)	(816,927)
Increase (Decrease) in Cash	1,251	(337,735)
Cash and Cash Equivalents Beginning of Year	820	338,555
Cash and Cash Equivalents End of Year	$ 2,071	$ 820
Supplemental Disclosures		
Cash paid during the year for interest	$ 73,920	$ 86,351
Supplemental Disclosure of Noncash Financing Activities		
Forgiveness of debt	$ 100,000	$ 100,000

See Notes to Financial Statements

Note A--Nature of Operations

The Young Men's Christian Association of Central Kentucky, Inc. (the "Association" or "YMCA") 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:

Healthy Living

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.

Health and 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.

Youth Development

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.

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.

Continued

Note A--Nature of Operations--Continued

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.

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, watercolor and oil painting, clay sculpting), drama (theatre) and language programs (beginning, intermediate Spanish).

Social Responsibility

Community Services: The Association is committed to working with local and regional nonprofit agencies in support of stronger communities. Program and events such as arts and humanities, work with refugee families, neighborhood events, literacy days, free book give-a-ways, nonprofit use of YMCA facilities, city-wide events (2nd Sunday, Bike Lexington, etc.), tax preparation and more emphasize our commitment to community partners. 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.

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.

Note B--Summary of Significant Accounting Policies

Basis of Accounting--The Association's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation--Under applicable accounting and financial reporting standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Continued

Note B--Summary of Significant Accounting Policies--Continued

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, 2012 and 2011, 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 $1,500 are capitalized and depreciated over their useful life. It is the Association's policy to capitalize donated useful property exceeding $1,500 at fair value. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	40 years
Building and land improvements	15 years
Furniture and equipment	4 – 7 years
Vehicles	10 years

Continued

Note B--Summary of Significant Accounting Policies--Continued

Impairment of Long-Lived Assets--Management of the Association reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. There were no charges for impairments of long-lived assets during the years ended December 31, 2012 and 2011.

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.

Pledges Receivable--Pledges receivable 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 collectability is doubtful. At December 31, 2012 and 2011, the balance of allowance for doubtful accounts of $155,493 and $162,290, respectively, relates entirely to pledges receivable.

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 $281,823 and $273,779 for the years ended December 31, 2012 and 2011, respectively.

Allocation of Functional 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.

Valuation of Investments--Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains and losses are included in the statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Continued

Note B--Summary of Significant Accounting Policies—Continued

Fair Value of Financial Instruments--The Association's financial instruments include cash and cash equivalents, investments, accounts receivable, accounts payable, accrued expenses and deferred revenue. The investments are reported at fair value in accordance with accounting standards. The standards establish a three Level hierarchy for inputs used in measuring fair value.

Level I inputs are quoted prices that are observable in an active market for identical assets and liabilities. Level II inputs are those other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Finally, Level III inputs are those that are unobservable and significant to the overall fair value measurement.

Net Assets--The Association classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the consolidated statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. At December 31, 2012, temporarily restricted net assets consist of grants for various purposes for which the Association has not disbursed all proceeds. Temporarily restricted net assets also consist of contributions received as part of the 2012 Annual Giving campaign which were released from restriction on January 1, 2012. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

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

Accounting for Uncertain Tax Positions--In accordance with accounting standards, the Association measures, recognizes, presents and discloses in its financial statements uncertain tax positions that they have taken or expect to take on a tax return. Management believes the Association has not taken any uncertain tax positions during the years ended December 31, 2012 and 2011, and has not incurred or accrued any associated interest or penalties related to these positions.

The Organization's income tax returns for the years ended December 31, 2009 through 2011 are subject to examination by the Internal Revenue Service.

Reclassifications--Certain amounts in the 2011 financial statements have been reclassified to conform to 2012 presentation.

Subsequent Event--The Association has evaluated events occurring between the end of its most recent fiscal year end and April 26, 2013, the date the financial statements were available to be issued. No events were identified requiring disclosure.

Note C--Board Designated, Temporarily Restricted and Permanently Restricted Net Assets

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

	December 31	
	2012	**2011**
Board designated endowments	$ 1,644,779	$ 1,434,124
Board designated net assets	1,091,153	1,340,966
Other unrestricted net assets	12,527,633	12,348,990
	$ 15,263,565	$ 15,124,080

Temporarily restricted net assets are available for the following purposes:

	December 31	
	2012	**2011**
Annual Giving campaign	$ (13,569)	$ 172,032
Grants	98,527	114,084
Scholarship programs	68,909	67,141
Scott County facility	35,470	34,627
Capital campaign	482,585	310,375
	$ 671,922	$ 698,259

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:

	December 31	
	2012	**2011**
Endowments	$ 2,533,648	$ 2,411,239

Note D--Property and Equipment, Net

Land, buildings and equipment consist of the following:

	December 31	
	2012	**2011**
Land and land improvements	$ 7,614,202	$ 7,609,057
Buildings and building improvements	17,310,343	17,202,567
Furniture and equipment	1,041,033	995,945
Vehicle	4,000	4,000
Construction-in-progress	445,841	405,874
	26,415,419	26,217,443
Less accumulated depreciation	(8,546,892)	(7,990,955)
Property and Equipment, Net	$ 17,868,527	$ 18,226,488

Depreciation expense for the years ended December 31, 2012 and 2011 was $624,157 and $351,831, respectively.

Construction-in-process relates to costs incurred for the construction of two new YMCA facilities located in Jessamine County, Kentucky and Lexington, Kentucky (Hamburg). In 2009, due to the loss of a significant campaign pledge, construction on the projects was halted. During 2011, the Board of Directors had elected to terminate the Jessamine County project and write off the related construction costs. The Association recognized a loss on the project of $424,896, which is included as other changes in the statement of activities. As of December 31, 2012, the Board of Directors had not made a decision on whether to seek additional funding and move forward on the Hamburg project. Cost to complete the Hamburg project has not been determined as of December 31, 2012.

Note E--Pension Plan

The Association participates in the YMCA Retirement Fund which is a defined contribution, money purchase, church plan (the "Retirement 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 (the "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 (the "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 throughout 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.

The Retirement 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 Retirement 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 Retirement Plan were vested to the employee after three years of service. Effective July 1, 2006, the Retirement 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 Retirement Plan become immediately vested to the employee upon entrance into the Retirement Plan.

The Association elected to contribute 12% for the years ended December 31, 2012 and 2011, thereby making the required employee contribution rates to be 0% for the respective periods. The Association contributed $375,030 and $376,394 for the years ended December 31, 2012 and 2011, respectively, of which none was unpaid as of each respective year 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 F--Long-Term Liabilities

Long-term liabilities consist of notes payable, bonds payable, a contractual obligation, and a capital lease obligation as follows:

	December 31	
	2012	**2011**
Notes payable	$ 821,598	$ 1,012,834
Bonds payable	4,200,000	4,800,000
Contractual obligation	125,000	375,000
Capital lease obligation		183
	$ 5,146,598	$ 6,188,017

Notes Payable

Notes payable at December 31, 2012 and 2011 consist of the following:

	December 31	
	2012	**2011**
Uncollateralized note payable, $100,000 of principal and related interest at 6% to be forgiven annually as a contribution. 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 unless and until the facility shall cease to be used for the purpose intended under the agreement.	$ 750,000	$ 850,000
Mortgage note payable in monthly installments of $3,696 including interest at 7.25%, due July 1, 2013, collateralized by real estate owned by the Association.	25,259	62,862
Equipment loan payable in monthly installments of $4,716 including interest at 3.85%, due October 25, 2013	46,339	99,972
	$ 821,598	$ 1,012,834

Continued

Note F--Long-Term Liabilities--Continued

The following is a summary of debt maturities as of December 31, 2012:

Year Ending December 31	Payment Amount	Forgiveness Amount
2013	$ 71,598	$ 100,000
2014		100,000
2015		100,000
2016		100,000
2017		100,000
Thereafter		250,000

Bonds Payable

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 (0.01% and 0.33% through December 31, 2012) 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.

The bonds are backed by a letter of credit agreement with a bank. The stated amount of the letter of credit is $4,200,000 at December 31, 2012 and bears a fee rate of 1.25%. The letter of credit agreement expires on July 15, 2015.

Continued

Note F--Long-Term Liabilities--Continued

Debt service requirements at December 31, 2012 are as follows:

Year Ended December 31	Principal
2013	$ 600,000
2014	600,000
2015	600,000
2016	600,000
2017	600,000
Thereafter	1,200,000
	$ 4,200,000

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, 2012, the Association was not in compliance with all specified covenants, and anticipates being out of compliance during 2013. Management believes the Association will return to compliance in 2013. Subsequent to year end, the Association received a waiver from the bank for the noncompliance at December 31, 2012. Although the bank would not issue debt covenant waivers for future years, management believes it is unlikely that the bank will place the loan and indenture in default.

Contractual Obligation

The Association has a contractual obligation to repay the Jessamine County Fiscal Court $500,000 for capital pledges received in prior years for the construction of a new Jessamine County YMCA. The project was abandoned in 2011 therefore the Association is obligated to return the funds received. The Jessamine County Fiscal Court has agreed upon repayment terms to be four equal payments of $125,000, with no interest charged on the outstanding balance. The first payment was made in 2011 and the Association has recorded a liability for the remaining balance of $375,000, which is included in long-term liabilities on the statement of financial position at December 31, 2011. The Association made a second and third payment in January and June 2012, respectively, and the remaining payment was made in January 2013.

Note G--Operating Lease Obligations

The Association leases office equipment and cardiovascular fitness equipment from non-related parties under operating lease agreements that expire at various dates through 2016. Lease expense for the years ended December 31, 2012 and 2011 was $125,594 and $149,233 respectively.

The following is a schedule of the future minimum operating lease and service agreement payments as of December 31, 2012:

Year Ending December 31	
2013	$ 328,708
2014	326,589
2015	248,623
2016	7,084
	$ 911,004

Note H--Investments and Fair Value Accounting

Investments as of December 31, 2012 consist of the following:

	Cost	Market	Unrealized Appreciation
Equities	$ 2,375,521	$ 2,738,163	$ 362,642
Fixed income	1,715,636	1,717,027	1,391
Cash equivalents	995,460	996,350	890
Real estate investments	51,314	55,930	4,616
Alternative strategies	374,934	395,397	20,463
	$ 5,512,865	$ 5,902,867	$ 390,002
Investments		$ 3,369,219	
Perpetual trusts held by third parties		2,533,648	
		$ 5,902,867	

Investments as of December 31, 2011 consist of the following:

	Cost	Market	Unrealized Appreciation
Equities	$ 2,446,744	$ 2,601,904	$ 155,160
Fixed income	2,380,418	2,401,630	21,212
Cash equivalents	910,299	910,303	4
Real estate investments	20,807	21,460	653
Alternative strategies	201,671	213,063	11,392
	$ 5,959,939	$ 6,148,360	$ 188,421
Investments		$ 3,737,121	
Perpetual trusts held by third parties		2,411,239	
		$ 6,148,360	

Continued

Note H--Investments and Fair Value Accounting--Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income:				
Capital Contribution Escrow	$ 8,137			$ 8,137
YMCA Maintenance Reserve	30,068			30,068
YMCA Endowment	43,830			43,830
Stoll Trust			$ 749	749
Mitchell Trust			(4,352)	(4,352)
Coolidge Trust			(25,358)	(25,358)
Cooper Trust			(10,176)	(10,176)
Other		$ 399		399
	$ 82,035	$ 399	$ (39,137)	$ 43,297
Realized gains (losses):				
Capital Contribution Escrow	$ (9,841)			$ (9,841)
YMCA Maintenance Reserve	106,476			106,476
YMCA Endowment	29,433			29,433
Stoll Trust			$ 6,396	6,396
Mitchell Trust			11,650	11,650
Coolidge Trust			35,211	35,211
Cooper Trust			131	131
Other		$ (1,203)		(1,203)
	$ 126,068	$ (1,203)	$ 53,388	$ 178,253
Unrealized gains (losses):				
Capital Contribution Escrow	$ 4,068			$ 4,068
YMCA Maintenance Reserve	(3,877)			(3,877)
YMCA Endowment	91,925			91,925
Stoll Trust			$ 61,915	61,915
Mitchell Trust			19,798	19,798
Coolidge Trust			29,656	29,656
Cooper Trust			13,415	13,415
Other		$ 4,753		4,753
	$ 92,116	$ 4,753	$ 124,784	$ 221,653
Total investment income	$ 300,219	$ 3,949	$ 139,035	$ 443,203
Less investment fees	(23,392)	(579)	(23,622)	(47,593)
Investment income, net	$ 276,827	$ 3,370	$ 115,413	$ 395,610

Continued

Note H--Investments and Fair Value Accounting--Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividend income:				
Capital Contribution Escrow	$ 32,056			$ 32,056
YMCA Maintenance Reserve	29,047			29,047
YMCA Endowment	36,809			36,809
Stoll Trust			$ (20,837)	(20,837)
Mitchell Trust			405	405
Coolidge Trust			(12,934)	(12,934)
Cooper Trust			(7,748)	(7,748)
Other	693	$ 2,573		3,266
	$ 98,605	$ 2,573	$ (41,114)	$ 60,064
Realized gains (losses):				
Capital Contribution Escrow	$ (26,279)			$ (26,279)
YMCA Maintenance Reserve	8,398			8,398
YMCA Endowment	38,983			38,983
Stoll Trust			$ 38,733	38,733
Mitchell Trust			2,358	2,358
Coolidge Trust			(3,328)	(3,328)
Cooper Trust			3,114	3,114
Other		$ 193		193
	$ 21,102	$ 193	$ 40,877	$ 62,172
Unrealized gains (losses):				
Capital Contribution Escrow	$ 5,884			$ 5,884
YMCA Maintenance Reserve	(28,875)			(28,875)
YMCA Endowment	(43,661)			(43,661)
Stoll Trust			$ (71,035)	(71,035)
Mitchell Trust			(15,675)	(15,675)
Coolidge Trust			12,431	12,431
Cooper Trust			(16,135)	(16,135)
Other		$ (426)		(426)
	$ (66,652)	$ (426)	$ (90,414)	$ (157,492)
Total investment income (loss)	$ 53,055	$ 2,340	$ (90,651)	$ (35,256)
Less investment fees	(6,774)	(95)	(30,574)	(37,443)
Investment income (loss), net	$ 46,281	$ 2,245	$ (121,225)	$ (72,699)

Continued

Note H--Investments and Fair Value Accounting--Continued

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Total
Investments			
Equities	$ 1,614,614		$ 1,614,614
Fixed income		$ 594,913	594,913
Cash equivalents	886,710		886,710
Real estate investments		55,930	55,930
Alternative strategies		217,052	217,052
	2,501,324	867,895	3,369,219
Perpetual trusts held by third parties			
Equities	1,123,547		1,123,547
Fixed income		1,122,114	1,122,114
Cash equivalents	109,639		109,639
Alternative strategies		178,348	178,348
	1,233,186	1,300,462	2,533,648
	$ 3,734,510	$ 2,168,357	$ 5,902,867

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2011:

	Level 1	Level 2	Total
Investments			
Equities	$ 1,617,820		$ 1,617,820
Fixed income		$ 1,169,344	1,169,344
Cash equivalents	835,611		835,611
Real estate investments		21,460	21,460
Alternative strategies		92,886	92,886
	2,453,431	1,283,690	3,737,121
Perpetual trusts held by third parties			
Equities	984,084		984,084
Fixed income		1,232,285	1,232,285
Cash equivalents	74,693		74,693
Alternative strategies		120,177	120,177
	1,058,777	1,352,462	2,411,239
	$ 3,512,208	$ 2,636,152	$ 6,148,360

Note I--Pledges Receivable

Pledges receivable are unconditional promises to give related to the Association's Capital Campaign and Annual Giving Campaign are as follows:

	December 31	
	2012	**2011**
Receivable in less than one year	$ 215,769	$ 171,610
Receivable in one to five years	159,642	187,631
Receivable in six to fifteen years	66,000	68,000
Receivable in over fifteen years		10,000
Total pledges receivable	441,411	437,241
Less allowance for doubtful accounts	(155,493)	(162,290)
Less discounts to net present value	(34,626)	(48,038)
Net pledges receivable	$ 251,292	$ 226,913

The discount rate used on promises to give was 5%.

Note J--Related Party Transactions

As of December 31, 2012 and 2011, $107,016 and $93,600, respectively, was paid to the YMCA of the U.S.A. for support services.

Note K--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.

Continued

Note K--Split-Interest Agreements--Continued

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.

Note L--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. This 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, 2012, Beaumont Wellness Associates had not applied for tax exempt status.

In 2006, the Association embarked on a capital campaign to build two new full service facilities, one in Lexington, Kentucky (Hamburg), and the other in Jessamine County, Kentucky. Due to the loss of a key donor in 2009, construction on Jessamine County facility was halted. In 2011, the Board of Directors made the decision to terminate the Jessamine County project, resulting in the Association recognizing a loss of $424,896. As of December 31, 2012, The Board of Directors has not made a decision on the future of the Hamburg project and the Association has ceased building design processes until additional funds can be raised.

The Association had entered into agreements with architectural, consulting and construction management firms related to the construction of two new YMCA facilities. The amounts associated with the Jessamine County project were written off in 2011, and the Association has incurred costs of approximately $500,000 related to the construction of the Hamburg facility, including $445,841 of construction-in-progress (see Note D).

Note M--Conditional Promise to Give

The Association has $300,000 remaining on an initial $500,000 pledge by the Lexington-Fayette County Urban Government, to be contributed at a rate of $100,000 per year over a five year period, subject to sufficient funds being appropriated in each fiscal year's budget and the Association's adherence to the terms set forth in the agreement. No pledges were received in 2012 and 2011.

Since these promises do not meet the criteria for revenue recognition under generally accepted accounting principles, they are not reflected as contributions in the statement of activities until they are met.

Note N--Endowment

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.

Endowment Net Asset Composition by Type of Fund as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			$ 2,533,648	$ 2,533,648
Board-designated endowment funds	$ 1,644,779			1,644,779
Total Funds	$ 1,644,779	$	$ 2,533,648	$ 4,178,427

Continued

Note N--Endowment--Continued

Changes in Endowment Net Assets for the Year Ended December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	$ 1,434,124		$ 2,411,239	$ 3,845,363
Investment return				
Investment income (loss), net of investment expenses	33,098		(61,705)	(28,607)
Net appreciation (realized and unrealized)	121,359		178,171	299,530
Total investment return	154,457		116,466	270,923
Contributions	56,198		5,943	62,141
Endowment Net Assets End of Year	$ 1,644,779	$	$ 2,533,648	$ 4,178,427

Endowment Net Asset Composition by Type of Fund as of December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds			$ 2,411,239	$ 2,411,239
Board-designated endowment funds	$ 1,434,124			1,434,124
Total Funds	$ 1,434,124	$	$ 2,411,239	$ 3,845,363

Continued

Note N--Endowment--Continued

Changes in Endowment Net Assets for the Year Ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets beginning of year	$ 1,329,204		$ 2,527,611	$ 3,856,815
Investment return				
Investment income, net of investment expenses	40,917		(71,153)	(30,236)
Net depreciation (realized and unrealized)	(4,679)		(52,920)	(57,599)
Total investment return	36,238		(124,073)	(87,835)
Contributions	68,682		7,701	76,383
Endowment Net Assets End of Year	$ 1,434,124	$	$ 2,411,239	$ 3,845,363

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. 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:

Continued

Note N--Endowment--Continued

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	
Equities	35-55%
Fixed income	25-45%
Real estate	0-20%
Alternatives	0-20%
Cash and equivalents	0-25%

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