

Financial Statements

2013

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

December 31, 2013



Strothman+Co

Financial Statements

**Young Men’s Christian Association of Central Kentucky, Inc.**

December 31, 2013

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**Financial Statements**

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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, 2013 and 2012, 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 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, 2013 and 2012, 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.

### **Prior Period Restatement**

As discussed in Note O to the financial statements, a financial statement overstatement of amounts previously reported for long-term debt and contributions as of and for the year ended December 31, 2012, was discovered by management of the Association during the current year. Accordingly, amounts reported for long-term debt and contributions have been restated in the 2012 financial statements, and an adjustment has been made to temporarily restricted net assets as of December 31, 2012. Our opinion is not modified with respect to that matter.

*STROTSMAN AND COMPANY*

Louisville, Kentucky  
April 26, 2014

Statements of Financial Position

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

December 31, 2013 and 2012

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
		(Restated)
<b>Assets</b>		
Cash and cash equivalents	\$ 99,505	\$ 2,070
Restricted cash accounts	2,656	203,035
Accounts receivable, net	155,501	95,083
Pledges receivable, net	274,504	251,292
Prepaid expenses	134,933	73,552
Investments	6,105,898	5,902,867
Property and equipment, net	17,536,196	17,868,527
	<u>\$ 24,309,193</u>	<u>\$ 24,396,426</u>
	<b>Total Assets</b>	<b>Total Assets</b>
<b>Liabilities</b>		
Line of credit	\$ 25,000	
Accounts payable	428,857	\$ 264,468
Accrued expenses	290,038	230,932
Other liabilities	11,673	21,288
Deferred income	188,122	264,005
Long-term liabilities	3,600,000	4,396,598
	<u>4,543,690</u>	<u>5,177,291</u>
	<b>Total Liabilities</b>	<b>Total Liabilities</b>
<b>Net Assets</b>		
Unrestricted	15,566,944	15,163,565
Temporarily restricted	1,504,765	1,521,922
Permanently restricted	2,693,794	2,533,648
	<u>19,765,503</u>	<u>19,219,135</u>
	<b>Total Net Assets</b>	<b>Total Net Assets</b>
<b>Total Liabilities and Net Assets</b>	<u>\$ 24,309,193</u>	<u>\$ 24,396,426</u>

See Notes to Financial Statements

## Statement of Activities

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

	Year Ended December 31, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Support and Revenues</b>				
Public support-contributions	\$ 587,001	\$ 166,177	\$ 42,913	\$ 796,091
Special events	37,981	1,125		39,106
United Way allocations	136,204			136,204
Government grants	228,404	190,619		419,023
Membership dues	5,807,057			5,807,057
Rental revenues	70,050			70,050
Program fees	3,579,748			3,579,748
Sale of supplies and services	37,276			37,276
Investment income, net	376,587	2,536	117,233	496,356
Miscellaneous income	124,568			124,568
	<u>10,984,876</u>	<u>360,457</u>	<u>160,146</u>	<u>11,505,479</u>
Net assets released from restriction	<u>377,614</u>	<u>(377,614)</u>		
<b>Total Support and Revenues</b>	<u>11,362,490</u>	<u>(17,157)</u>	<u>160,146</u>	<u>11,505,479</u>
<b>Expenses</b>				
Program and membership services				
Youth development	4,850,669			4,850,669
Healthy living	3,328,988			3,328,988
Social responsibility	617,786			617,786
	<u>8,797,443</u>			<u>8,797,443</u>
<b>Total Program and Membership Services</b>	<u>8,797,443</u>			<u>8,797,443</u>
Supporting services				
Management and general	1,848,687			1,848,687
Fundraising	312,981			312,981
	<u>2,161,668</u>			<u>2,161,668</u>
<b>Total Supporting Services</b>	<u>2,161,668</u>			<u>2,161,668</u>
<b>Total Expenses</b>	<u>10,959,111</u>			<u>10,959,111</u>
<b>Change in Net Assets</b>	<u>403,379</u>	<u>(17,157)</u>	<u>160,146</u>	<u>546,368</u>
<b>Net Assets Beginning of Year</b>	<u>15,163,565</u>	<u>1,521,922</u>	<u>2,533,648</u>	<u>19,219,135</u>
<b>Net Assets End of Year</b>	<u>\$ 15,566,944</u>	<u>\$ 1,504,765</u>	<u>\$ 2,693,794</u>	<u>\$ 19,765,503</u>

See Notes to Financial Statements

Statement of Activities

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

	Year Ended December 31, 2012 (Restated)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenues</b>				
Public support-contributions	\$ 509,533	\$ 216,664	\$ 6,996	\$ 733,193
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
	<u>10,352,491</u>	<u>380,073</u>	<u>122,409</u>	<u>10,854,973</u>
Net assets released from restriction	406,410	(406,410)		
<b>Total Support and Revenues</b>	<u>10,758,901</u>	<u>(26,337)</u>	<u>122,409</u>	<u>10,854,973</u>
<b>Expenses</b>				
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
<b>Total Program and Membership Services</b>	<u>8,970,802</u>			<u>8,970,802</u>
Supporting services				
Management and general	1,565,652			1,565,652
Fundraising	182,962			182,962
<b>Total Supporting Services</b>	<u>1,748,614</u>			<u>1,748,614</u>
<b>Total Expenses</b>	<u>10,719,416</u>			<u>10,719,416</u>
<b>Change in Net Assets</b>	<u>39,485</u>	<u>(26,337)</u>	<u>122,409</u>	<u>135,557</u>
<b>Net Assets Beginning of Year, as previously reported</b>	<u>15,124,080</u>	<u>698,259</u>	<u>2,411,239</u>	<u>18,233,578</u>
Prior period adjustment		850,000		850,000
<b>Net Assets Beginning of Year, as Restated</b>	<u>15,124,080</u>	<u>1,548,259</u>	<u>2,411,239</u>	<u>19,083,578</u>
<b>Net Assets End of Year</b>	<u>\$ 15,163,565</u>	<u>\$ 1,521,922</u>	<u>\$ 2,533,648</u>	<u>\$ 19,219,135</u>

See Notes to Financial Statements

Statement of Functional Expenses

Young Men's Christian Association of Central Kentucky, Inc

	Year Ended December 31, 2013					
	<u>Youth Development</u>	<u>Healthy Living</u>	<u>Social Responsibility</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 2,389,914	\$ 1,671,200	\$ 210,380	\$ 993,424	\$ 204,036	\$ 5,468,954
Employee benefits	230,030	146,350	36,945	206,186	24,017	643,528
Payroll taxes	193,543	137,134	16,790	72,441	15,395	435,303
Contracted labor and professional fees	38,194	70,319	3,649	145,120	25,914	283,196
Supplies/other program costs	341,300	52,565	74,045	15,729	147	483,786
Telephone and communication	26,154	17,844	3,308	22,811	989	71,106
Postage and shipping	9,063	5,922	1,200	7,163	1,400	24,748
Building occupancy	834,578	582,677	101,540	6,192		1,524,987
Equipment expenses	94,594	181,478	5,960	70,328	2,199	354,559
Advertising and publicity	52,304	29,557	23,617	160,827	13,616	279,921
Employee expenses	27,161	17,214	14,432	22,990	3,252	85,049
Conferences, conventions and meetings	20,209	9,322	17,256	29,363	20,933	97,083
Association dues and memberships	63,096	40,926	7,620	8,615	275	120,532
Scholarships and awards	41	28	33,130	4,246		37,445
Financing costs	85,710	59,651	10,916	45,229	673	202,179
Insurance expense	36,226	24,862	4,614	967		66,669
Miscellaneous expense	66,898	48,473	9,058	27,217	135	151,781
Depreciation	341,654	233,466	43,326	9,839		628,285
	<u>\$ 4,850,669</u>	<u>\$ 3,328,988</u>	<u>\$ 617,786</u>	<u>\$ 1,848,687</u>	<u>\$ 312,981</u>	<u>\$ 10,959,111</u>

See Notes to Financial Statements

Statement of Functional Expenses

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

	<b>Year Ended December 31, 2012</b>					
	<u><b>Youth Development</b></u>	<u><b>Healthy Living</b></u>	<u><b>Social Responsibility</b></u>	<u><b>Management and General</b></u>	<u><b>Fund Raising</b></u>	<u><b>Total Expenses</b></u>
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
	<u>\$ 4,923,508</u>	<u>\$ 3,094,142</u>	<u>\$ 953,152</u>	<u>\$ 1,565,652</u>	<u>\$ 182,962</u>	<u>\$ 10,719,416</u>

See Notes to Financial Statements

Statements of Cash Flows

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

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
		(Restated)
<b>Operating Activities</b>		
Change in net assets	\$ 546,368	\$ 122,758
Adjustments		
Depreciation	628,285	624,157
Trust expenses	52,042	25,075
Unrealized and realized gain on investments	(565,045)	(399,906)
Loss on disposal of assets, operating	904	
Bad debts	94,552	102,358
Changes in:		
Restricted cash accounts	200,379	200,080
Accounts receivable	(154,970)	(62,005)
Pledges receivable	(23,212)	(24,379)
Prepaid expenses	(61,381)	57,455
Accounts payable	164,389	(30,990)
Accrued expenses and other current liabilities	49,491	(27,831)
Deferred income	(75,883)	1,769
<b>Net Cash Provided By Operating Activities</b>	<b>855,919</b>	<b>588,541</b>
<b>Investing Activities</b>		
Proceeds from sales or maturities of investments	1,300,585	1,576,449
Acquisition of investments	(990,613)	(900,842)
Purchase of equipment	(296,858)	(321,479)
<b>Net Cash Provided By Investing Activities</b>	<b>13,114</b>	<b>354,128</b>
<b>Financing Activities</b>		
Proceeds from line of credit	25,000	
Payments on notes payable	(71,598)	(91,237)
Payments on bond obligation	(600,000)	(600,000)
Payment on contractual obligation	(125,000)	(250,000)
Payments on capital lease obligation		(182)
<b>Net Cash Used In Financing Activities</b>	<b>(771,598)</b>	<b>(941,419)</b>
<b>Increase in Cash</b>	<b>97,435</b>	<b>1,250</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>2,070</b>	<b>820</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 99,505</b>	<b>\$ 2,070</b>
<b>Supplemental Disclosures</b>		
Cash paid during the year for interest	\$ 61,179	\$ 73,920

See Notes to Financial Statements

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

December 31, 2013 and 2012

**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, while many other fee-based programs are offered at a discount to members.

**Health and Fitness Programs:** The YMCA offers more than 200 classes city-wide each week as part of a general YMCA membership. These classes and programs allow members and non-members alike to expand physical fitness through a variety of interests including personal fitness programs, weight management programs, group participation Yoga, cycling, aerobics, along with various other programs. Additionally, the YMCA offers an array of fee-based offerings including Pilates Reformer, personal training, and martial arts.

**Youth Development**

**Before and After School Childcare:** This program offers before/after school child care at twenty-one 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 and part day summer camps, sports camps, and horseback 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 six months through kindergarten. This highly diverse center focuses on family activities and early childhood education.

Continued

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note A--Nature of Operations--Continued**

**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 leadership through the Black Achievers program and youth advisory councils.

**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), and sewing.

**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

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**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, 2013 and 2012, 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	7 years
Vehicles	10 years

Continued

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**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, 2013 and 2012.

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, 2013 and 2012, the balance of the allowance for doubtful accounts was \$64,775 and \$155,493, respectively.

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 temporarily restricted grant revenue in the statement of activities.

Advertising--The Association expenses advertising costs as incurred. Advertising expense amounts to \$279,921 and \$281,823 for the years ended December 31, 2013 and 2012, 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

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**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 income. 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, 2013, 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 2013 Annual Giving campaign which were released from restriction on January 1, 2014. 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, 2013 and 2012, 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, 2010 through 2012 are subject to examination by the Internal Revenue Service.

Reclassifications--Certain amounts in the 2012 financial statements have been reclassified to conform to 2013 presentation.

Subsequent Event--The Association has evaluated events occurring between the end of its most recent fiscal year end and April 26, 2014, the date the financial statements were available to be issued. No events were identified requiring disclosure.

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**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:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Board designated endowments	\$ 1,922,734	\$ (Restated) 1,644,779
Board designated net assets	1,011,173	1,091,153
Other unrestricted net assets	12,633,037	12,427,633
	<u>\$ 15,566,944</u>	<u>\$ 15,163,565</u>

Temporarily restricted net assets are available for the following purposes:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Annual Giving campaign	\$ 146,092	\$ (13,569)
Grants	30,043	98,527
Scholarship programs	73,146	68,909
Scott County facility	35,499	35,470
Capital campaign	1,219,985	1,332,585
	<u>\$ 1,504,765</u>	<u>\$ 1,521,922</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:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Endowments	<u>\$ 2,693,794</u>	<u>\$ 2,533,648</u>

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note D--Property and Equipment, Net**

Land, buildings and equipment consist of the following:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Land and land improvements	\$ 7,614,202	\$ 7,614,202
Buildings and building improvements	17,479,552	17,310,343
Furniture and equipment	1,102,562	1,041,033
Vehicle	9,176	4,000
Construction-in-progress	473,778	445,841
	<u>26,679,270</u>	<u>26,415,419</u>
Less accumulated depreciation	<u>(9,143,074)</u>	<u>(8,546,892)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 17,536,196</u></b>	<b><u>\$ 17,868,527</u></b>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$628,285 and \$624,157, respectively.

Construction-in-progress relates to costs incurred for the construction of a new YMCA facility located in Lexington, Kentucky (Hamburg) and improvements in-process at existing facilities. As a result of the loss of a significant campaign pledge in previous years, construction on the Hamburg project was halted. As of December 31, 2013, the Board of Directors had not made a decision on whether to seek additional funding and move forward on that project. Cost to complete the Hamburg project has not been determined as of December 31, 2013.

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

December 31, 2013 and 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. Employees who are 21 years of age and over are eligible to participate in the Retirement Plan on the first day of the month after two years of service, defined as completion of 1,000 hours of compensated employment within a 12-month period. 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, 2013 and 2012, thereby making the required employee contribution rates to be 0% for the respective periods. The Association contributed \$362,311 and \$375,030 for the years ended December 31, 2013 and 2012, 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--Line of Credit**

In 2013, the Association secured a \$250,000 line of credit with a bank. The line of credit bears interest at the bank's prime rate (3.25% at December 31, 2013). The outstanding balance on the line of credit was \$25,000 as of December 31, 2013.

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note G--Long-Term Liabilities**

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

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Notes payable		\$ 71,598
Bonds payable	\$ 3,600,000	4,200,000
Contractual obligation		125,000
	<u>\$ 3,600,000</u>	<u>\$ 4,396,598</u>

Notes Payable

The Association had a mortgage note payable in monthly installments of \$3,696, including interest at a rate of 7.25%. The outstanding balance was \$25,259 as of December 31, 2012, and was paid in full during 2013.

The Association had an equipment note payable in monthly installments of \$4,716, including interest at 3.85%. The outstanding balance was \$46,339 as of December 31, 2012, and was paid in full during 2013.

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 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, 2013) 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.

Continued

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note G--Long-Term Liabilities--Continued**

The bonds are backed by a letter of credit agreement with a bank. The stated amount of the letter of credit is \$3,600,000 at December 31, 2013 and bears a fee rate of 1.25%. The letter of credit agreement expires on July 15, 2015.

Debt service requirements at December 31, 2013 are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>
2014	\$ 600,000
2015	600,000
2016	600,000
2017	600,000
2018	600,000
Thereafter	<u>600,000</u>
	<u>\$ 3,600,000</u>

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, 2013, the Association was in compliance with all specified covenants

Contractual Obligation

The Association had 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 was 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 second and third payments were made in January and June 2012, respectively. The remaining payment was made in January 2013.

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note H--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 2018. Lease expense for the years ended December 31, 2013 and 2012 was \$159,348 and \$125,594 respectively.

The following is a schedule of the future minimum operating lease and service agreement payments as of December 31, 2013:

**Year Ending December 31**

2014	\$	405,884
2015		240,743
2016		117,230
2017		9,472
2018		<u>9,476</u>
	\$	<u><u>782,805</u></u>

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note I--Investments and Fair Value Accounting**

Investments as of December 31, 2013 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation/ (Depreciation)</u>
Equities	\$ 2,195,831	\$ 2,919,785	\$ 723,954
Fixed income	1,785,589	1,783,438	(2,151)
Cash equivalents	591,844	592,067	223
Real estate investments	128,290	127,506	(784)
Alternative strategies	668,391	683,102	14,711
	<u>\$ 5,369,945</u>	<u>\$ 6,105,898</u>	<u>\$ 735,953</u>
Investments		\$ 3,412,104	
Perpetual trusts held by third parties		<u>2,693,794</u>	
		<u>\$ 6,105,898</u>	

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

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation</u>
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
	<u>\$ 5,512,865</u>	<u>\$ 5,902,867</u>	<u>\$ 390,002</u>
Investments		\$ 3,369,219	
Perpetual trusts held by third parties		<u>2,533,648</u>	
		<u>\$ 5,902,867</u>	

Continued

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note I--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, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income (net of distributions):				
Capital Contribution Escrow	\$ 58	\$ 132		\$ 190
YMCA Maintenance Reserve	16,705			16,705
YMCA Endowment	48,844		\$ 56	48,900
Stoll Trust			(50,571)	(50,571)
Mitchell Trust			(8,263)	(8,263)
Coolidge Trust			(18,723)	(18,723)
Cooper Trust			(4,383)	(4,383)
Other	47	(549)		(502)
	<u>\$ 65,654</u>	<u>\$ (417)</u>	<u>\$ (81,884)</u>	<u>\$ (16,647)</u>
Realized gains (losses):				
Capital Contribution Escrow	\$ (43)	\$ (33)		\$ (76)
YMCA Maintenance Reserve	53,443			53,443
YMCA Endowment	100,498	(9)	\$ (1)	100,488
Stoll Trust			30,711	30,711
Mitchell Trust			21,415	21,415
Coolidge Trust			62,988	62,988
Cooper Trust			6,089	6,089
Other		418		418
	<u>\$ 153,898</u>	<u>\$ 376</u>	<u>\$ 121,202</u>	<u>\$ 275,476</u>
Unrealized gains (losses):				
Capital Contribution Escrow	\$ 10	\$ 9		\$ 19
YMCA Maintenance Reserve	59,650			59,650
YMCA Endowment	120,450	1,822	\$ 191	122,463
Stoll Trust			21,100	21,100
Mitchell Trust			35,044	35,044
Coolidge Trust			39,531	39,531
Cooper Trust			8,651	8,651
Other		3,111		3,111
	<u>\$ 180,110</u>	<u>\$ 4,942</u>	<u>\$ 104,517</u>	<u>\$ 289,569</u>
Total investment income	\$ 399,662	\$ 4,901	\$ 143,835	\$ 548,398
Less investment fees	(23,075)	(2,365)	(26,602)	(52,042)
Investment income, net	<u>\$ 376,587</u>	<u>\$ 2,536</u>	<u>\$ 117,233</u>	<u>\$ 496,356</u>

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note I--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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income (net of distributions):				
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
	<u>\$ 82,035</u>	<u>\$ 399</u>	<u>\$ (39,137)</u>	<u>\$ 43,297</u>
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)
	<u>\$ 126,068</u>	<u>\$ (1,203)</u>	<u>\$ 53,388</u>	<u>\$ 178,253</u>
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
	<u>\$ 92,116</u>	<u>\$ 4,753</u>	<u>\$ 124,784</u>	<u>\$ 221,653</u>
Total investment income	\$ 300,219	\$ 3,949	\$ 139,035	\$ 443,203
Less investment fees	<u>(23,392)</u>	<u>(579)</u>	<u>(23,622)</u>	<u>(47,593)</u>
Investment income, net	<u>\$ 276,827</u>	<u>\$ 3,370</u>	<u>\$ 115,413</u>	<u>\$ 395,610</u>

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note I--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, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Equities	\$ 1,650,334		\$ 1,650,334
Fixed income		\$ 776,699	776,699
Cash equivalents	522,361		522,361
Real estate investments		127,507	127,507
Alternative strategies		335,203	335,203
	<u>2,172,695</u>	<u>1,239,409</u>	<u>3,412,104</u>
Perpetual trusts held by third parties			
Equities	1,265,491		1,265,491
Fixed income		1,006,739	1,006,739
Cash equivalents	73,665		73,665
Alternative strategies		347,899	347,899
	<u>1,339,156</u>	<u>1,354,638</u>	<u>2,693,794</u>
	<u>\$ 3,511,851</u>	<u>\$ 2,594,047</u>	<u>\$ 6,105,898</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
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
	<u>2,501,324</u>	<u>867,895</u>	<u>3,369,219</u>
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
	<u>1,233,186</u>	<u>1,300,462</u>	<u>2,533,648</u>
	<u>\$ 3,734,510</u>	<u>\$ 2,168,357</u>	<u>\$ 5,902,867</u>

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note J--Pledges Receivable**

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

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Receivable in less than one year	\$ 275,079	\$ 215,769
Receivable in one to five years	33,000	159,642
Receivable in six to fifteen years	61,000	66,000
	<hr/>	<hr/>
Total pledges receivable	369,079	441,411
Less allowance for doubtful accounts	(64,775)	(155,493)
Less discounts to net present value	(29,800)	(34,626)
	<hr/>	<hr/>
Net pledges receivable	<u>\$ 274,504</u>	<u>\$ 251,292</u>

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

**Note K--Related Party Transactions**

As of December 31, 2013 and 2012, \$107,196 and \$107,016, 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.

Continued

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note L--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 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. 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, 2013, Beaumont Wellness Associates had not applied for tax exempt status.

**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.

Continued

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note N--Endowment--Continued**

**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, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds		\$ 32,137	\$ 2,693,794	\$ 2,725,931
Board-designated endowment funds	\$ 1,922,738			1,922,738
<b>Total Funds</b>	<u>\$ 1,922,738</u>	<u>\$ 32,137</u>	<u>\$ 2,693,794</u>	<u>\$ 4,648,669</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 1,644,779		\$ 2,533,646	\$ 4,178,425
Investment return				
Investment income (loss), net of investment expenses	35,526		(108,486)	(72,960)
Net appreciation (realized and unrealized)	<u>185,786</u>		<u>225,719</u>	<u>411,505</u>
Total investment return	221,312		117,233	338,545
Contributions	<u>56,647</u>	<u>\$ 32,137</u>	<u>42,915</u>	<u>131,699</u>
<b>Endowment Net Assets End of Year</b>	<u>\$ 1,922,738</u>	<u>\$ 32,137</u>	<u>\$ 2,693,794</u>	<u>\$ 4,648,669</u>

Continued

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note N--Endowment--Continued**

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

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 1,434,124		\$ 2,411,239	\$ 3,845,363
Investment return				
Investment income, 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
<b>Endowment Net Assets End of Year</b>	<u>\$ 1,644,779</u>	<u>\$</u>	<u>\$ 2,533,648</u>	<u>\$ 4,178,427</u>

Continued

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

December 31, 2013 and 2012

**Note N--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. The Association's donor-restricted endowment consists entirely of four perpetual trusts held by third parties, and one donor designated endowment. Each trust and the endowment have 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

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.

Notes to Financial Statements--Continued

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

December 31, 2013 and 2012

**Note O--Prior Period Adjustment**

In 2013, the Association discovered a financial statement adjustment related to the capital advance received from Nazareth Health, Inc., for the construction of a facility in connection with St. Joseph Hospital. The Association previously reported the capital advance as a long-term note payable. In 2013, management determined the note payable should have been characterized as a temporarily restricted contribution in the year the capital advance was received since the likelihood of having to repay the capital advance is remote. Management recorded a prior period adjustment to restate beginning temporarily restricted net assets at January 1, 2012 and reduce long-term liabilities in the amount of \$850,000. The 2012 statement of activities has been restated to remove \$100,000 previously shown as net assets released from restriction.