

**YOUNG MEN'S CHRISTIAN
ASSOCIATION OF AUSTIN**

**Consolidated Financial Statements and
Supplemental Schedules for the Years
Ended December 31, 2007 and 2006
and Independent Auditors' Report**





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Young Men's Christian Association of Austin:

We have audited the accompanying consolidated statements of financial position of the Young Men's Christian Association of Austin (the "YMCA") as of December 31, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the YMCA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of Austin as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental 2007 and 2006 consolidated schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the 2007 and 2006 basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Maxwell Locke & Ritter LLP
August 26, 2008

Affiliated Companies

ML&R PERSONNEL SOLUTIONS, LLC

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A Registered Investment Advisor

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YOUNG MEN'S CHRISTIAN ASSOCIATION OF AUSTIN

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 252,630	\$ (15,004)
Accounts and pledges receivable	73,949	108,698
Prepaid expenses	40,804	27,422
Total current assets	367,383	121,116
INVESTMENTS	5,953,009	10,099,653
FIXED ASSETS, net	24,645,776	19,972,059
DEPOSITS	14,535	13,925
TOTAL	<u>\$ 30,980,703</u>	<u>\$ 30,206,753</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 324,850	\$ 640,240
Deferred revenue	383,483	337,699
Total current liabilities	708,333	977,939
NET ASSETS:		
Unrestricted:		
Designated	2,206,081	1,905,023
Undesignated	28,066,289	27,283,291
Total unrestricted net assets	30,272,370	29,188,314
Temporarily restricted	-	40,500
Total net assets	30,272,370	29,228,814
TOTAL	<u>\$ 30,980,703</u>	<u>\$ 30,206,753</u>

See notes to consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF AUSTIN

CONSOLIDATED STATEMENT OF ACTIVITIES **YEAR ENDED DECEMBER 31, 2007**

	Unrestricted	Temporarily Restricted	Total
REVENUE:			
Membership fees	\$ 8,130,936	-	8,130,936
Less financial assistance to members	(619,122)	-	(619,122)
Program service fees	4,929,998	-	4,929,998
Less financial assistance to participants	(480,790)	-	(480,790)
Contributions	934,416	-	934,416
Investment income	477,748	-	477,748
Other	158,747	-	158,747
Total revenue	13,531,933	-	13,531,933
Net assets released from restrictions	40,500	(40,500)	-
Total revenue and net assets released from restrictions	13,572,433	(40,500)	13,531,933
EXPENSES:			
Member services	5,700,930	-	5,700,930
Child care	2,561,602	-	2,561,602
Aquatics	1,276,292	-	1,276,292
Adult programs	864,579	-	864,579
Youth programs	803,235	-	803,235
Management and general	1,244,631	-	1,244,631
Fundraising	37,108	-	37,108
Total expenses	12,488,377	-	12,488,377
CHANGE IN NET ASSETS	1,084,056	(40,500)	1,043,556
BEGINNING NET ASSETS	29,188,314	40,500	29,228,814
ENDING NET ASSETS	<u>\$ 30,272,370</u>	<u>-</u>	<u>30,272,370</u>

See notes to consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF AUSTIN

CONSOLIDATED STATEMENT OF ACTIVITIES **YEAR ENDED DECEMBER 31, 2006**

	Unrestricted	Temporarily Restricted	Total
REVENUE:			
Membership fees	\$ 7,192,265	-	7,192,265
Less financial assistance to members	(596,806)	-	(596,806)
Program service fees	4,548,818	-	4,548,818
Less financial assistance to participants	(449,935)	-	(449,935)
Contributions	1,050,689	40,500	1,091,189
Investment income	511,903	-	511,903
Other	124,630	-	124,630
Total revenue	12,381,564	40,500	12,422,064
Net assets released from restrictions	243,717	(243,717)	-
Total revenue and net assets released from restrictions	12,625,281	(203,217)	12,422,064
EXPENSES:			
Member services	4,462,368	-	4,462,368
Child care	2,255,918	-	2,255,918
Aquatics	1,127,452	-	1,127,452
Adult programs	683,914	-	683,914
Youth programs	642,400	-	642,400
Management and general	1,089,228	-	1,089,228
Fundraising	31,993	-	31,993
Total expenses	10,293,273	-	10,293,273
CHANGE IN NET ASSETS	2,332,008	(203,217)	2,128,791
BEGINNING NET ASSETS	26,856,306	243,717	27,100,023
ENDING NET ASSETS	\$ 29,188,314	40,500	29,228,814

See notes to consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF AUSTIN

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,043,556	\$ 2,128,791
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	1,176,845	755,133
Net unrealized and realized gains on investments	(29,856)	(193,297)
Changes in assets and liabilities that provided (used) cash:		
Accounts and pledges receivable	34,749	24,678
Prepaid expenses	(13,382)	52,980
Deposits	(610)	-
Accounts payable and accrued expenses	(315,390)	415,923
Deferred revenue	45,784	27,631
Net cash provided by operating activities	1,941,696	3,211,839
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(5,850,562)	(4,989,976)
Purchases of investments	(302,254)	(629,831)
Proceeds from the sale of investments	4,478,754	1,533,928
Net cash used in investing activities	(1,674,062)	(4,085,879)
NET CHANGE IN CASH AND CASH EQUIVALENTS	267,634	(874,040)
CASH AND CASH EQUIVALENTS, beginning of year	(15,004)	859,036
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 252,630</u>	<u>\$ (15,004)</u>

See notes to consolidated financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF AUSTIN

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Young Men's Christian Association (the "YMCA") is a nonprofit corporation organized in 1953. The YMCA's principal purpose is to further the physical, spiritual and mental development of all individuals in Austin, regardless of race, sex, religious preference or economic background. The YMCA fulfills its purpose by offering programs primarily relating to adult health and fitness, adult and youth sports, child care, character development, recreation and programs for the disabled.

Prior to 1991, the YMCA coordinated programs from its Townlake Branch. During 1991, the YMCA opened a second branch, the Southwest Family Branch. In 1993, the Program Services Branch was chartered. The YMCA opened its fourth branch, the North Park Family Branch in 1997. The East Communities Branch and the Pflugerville Center opened in 2000, and the Northwest Family Branch began operations in 2002. During 2004, the Program Services Branch moved into a YMCA owned building at 1402 E. Cesar Chavez. In 2005, land was donated to the YMCA by the Buda Economic Development Corporation for construction of a YMCA facility in Hays County.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements of the YMCA are consolidated with the Young Men's Christian Association of Austin Endowment Fund (the "Endowment"). As the Endowment is under the control of the YMCA and was established for the benefit of the YMCA, the financial statements of the Endowment are consolidated with the YMCA. There are no significant intercompany balances and transactions.

The YMCA maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, net assets of the YMCA and changes therein are classified and reported as follows:

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the YMCA. Generally, the donors of these assets permit the YMCA to use all or part of the income earned for general purposes. The YMCA has not received any permanently restricted net assets as of December 31, 2007.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the YMCA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Unrestricted - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes.

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 - The YMCA considers all cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned and require payment within thirty days. Account balances with charges over thirty days old are considered delinquent and management begins collection efforts at this time. Delinquent accounts receivable invoices do not accrue interest. The YMCA continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The YMCA did not record an allowance for uncollectible accounts as of December 31, 2007 and 2006 as the outstanding receivable balances were deemed collectible. Accounts receivable represent amounts earned from pool management contracts.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values based on quoted market prices in the statements of financial position. Realized gains or losses on the sale of securities are based on specific identification of the cost of securities sold. Unrealized and realized gains and losses are included in the consolidated statements of activities.

Fixed Assets - Fixed assets are stated at cost unless received as a gift, in which case the asset is recorded at its fair value on the date of donation. The YMCA records depreciation using the straight-line method based on the estimated useful lives of the assets. Buildings and improvements are generally depreciated over 5 to 31.5 years, furniture and fixtures over 5 to 7 years, and equipment is depreciated over 3 to 10 years.

The YMCA reports gifts of property 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.

Deferred Revenue - Deferred revenue generally includes membership dues and program fees received in advance. Grant funds received in excess of allowable expenses incurred are also recorded as deferred revenue.

Contributed Services - Contributed services are reflected in the financial statements at their fair value of the services rendered if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The YMCA receives the benefit of donated time and services from various volunteers and contributors. The value of this contributed time is not reflected in the accompanying financial statements because it does not meet the above criteria. However, the YMCA receives in-kind legal services that are not recorded in the financial statements because of the immaterial amount.

Federal Income Taxes - The YMCA is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, except for income tax related to certain unrelated business income. The YMCA had no material unrelated business income during the years ended December 31, 2007 and 2006.

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

Revenue Recognition - Membership fees are recorded as revenue over the applicable membership period. Program fees are recorded as revenue when the program services are rendered.

Unconditional contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions received with donor-imposed restrictions that are satisfied in the same period are reported as releases from restrictions. Non-cash contributions are recorded at their estimated fair market values at the date of contribution. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable in amount.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. The YMCA is the revocable beneficiary of several life insurance policies and a portion of an estate.

Concentration of Credit Risk - Financial instruments which potentially subject the YMCA to credit risk consist of cash and cash equivalents and investments. The YMCA's cash and cash equivalents are placed with high-credit, quality financial institutions. The YMCA's cash balances were in excess of federal insurance limits by approximately \$101,000 at December 31, 2007. The YMCA believes no significant concentration of credit risk exists with respect to cash and cash equivalents. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statement of financial position.

Advertising Costs - Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2007 and 2006, were \$72,928 and \$56,804, respectively.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the current year presentation.

2. INVESTMENTS

The YMCA's investments at December 31, 2007 and 2006 consisted of the following:

Endowment Investments	2007	2006
Equity securities	\$ 1,153,368	923,944
Fixed income securities	542,807	602,248
Income cash and equivalents	61,650	36,721
Money market	448,256	318,898
Total	2,206,081	1,881,811
Enhanced Cash Investments		
Money market – Goldman Sachs Prime		
Obligations	3,190,400	1,452,054
Fixed income securities	-	6,234,665
Total	3,190,400	7,686,719
Reserve Cash Investments		
Money market – Goldman Sachs Prime		
Obligations	556,528	531,123
Total	556,528	531,123
Total investments	\$ 5,953,009	10,099,653

Investment income consists of dividend and interest income of \$447,892 and \$318,606 and net realized and unrealized gains (losses) on investments of \$29,856 and \$193,297 for the years ended December 31, 2007 and 2006, respectively.

3. FIXED ASSETS

Fixed assets at December 31, 2007 and 2006 consisted of the following:

	2007	2006
Land	\$ 3,259,196	\$ 2,619,346
Construction in progress	-	4,959,758
Buildings and improvements	26,284,258	16,795,449
Furniture, fixtures and equipment	2,472,001	1,810,342
	32,015,455	26,184,895
Less accumulated depreciation	(7,369,679)	(6,212,836)
Total	\$ 24,645,776	\$ 19,972,059

4. NET ASSETS

Designated unrestricted net assets consist of the Endowment. The Endowment was established as a separate legal, tax-exempt entity under sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code of 1986, as amended. The Endowment is supervised by a Board designated "Investment Committee". Endowment funds are managed by a professional fund management firm, Hester and Associates, who reports to the Investment Committee a minimum of once a year. The Investment Committee also reports at least once per year to the Board of Directors. The Board of Directors is charged with the disbursement and allocation of earnings of endowed funds in support of the future growth and mission of the YMCA. The amount of endowment earnings to be available for allocation is determined by the spending policy of the YMCA and is presented to the Board by the Chair of the Investment Committee at the January meeting. The Endowment Alliance Committee is charged by the Board to make recommendations as to the use of the funds allocated through the spending policy. Based on the recommendations by the Endowment Alliance Committee, the Board grants unrestricted endowed earnings through an established Request for Funding procedure.

Temporarily restricted net assets represent amounts that are restricted by donor stipulations for building expansion and future operations. Net assets released from restrictions represent the portion of temporarily restricted net assets which were utilized as specified by donors.

Temporarily restricted net assets of \$40,500 as of December 31, 2006, were restricted for child care and camps.

5. RETIREMENT PLAN

The YMCA participates in the YMCA Retirement Fund (the "Plan"). The Plan is a defined contribution pension plan serving only YMCA organizations. All employees of the YMCA are required to participate in the Plan. The Plan provides retirement and other benefits for YMCA employees and their designated beneficiaries. All of the staff at the YMCA are eligible to participate in the Plan when they are age 21 or older and have completed 1,000 hours of service within each of any two years, beginning with their date of hire or anniversary date. These two years are not required to be consecutive. Under the terms of the Plan, eligible employees contribute five percent of their gross salaries to the Plan, and the YMCA makes an additional contribution on behalf of the eligible employees in the amount equal to seven percent of each employee's gross salary. Additional contributions may be made by the employee to a tax-deferred account or an after-tax account. The YMCA's and employee's contributions fully vests immediately upon contribution. YMCA contributions totaled \$124,288 and \$107,448 for the years ended December 31, 2007 and 2006, respectively.

6. COMMITMENTS AND CONTINGENCIES

The YMCA leases program and office space under non-cancelable leases which expire at various dates. In addition to minimum lease payments, the operating leases require additional payments for other allocated costs. Rental expense including allocated costs under operating leases was approximately \$524,000 and \$455,000 for the years ended December 31, 2007 and 2006, respectively. Future minimum lease payments under all leases as of December 31, 2007 are as follows:

2008	\$ 270,804
2009	275,800
2010	110,927
2011	<u>10,604</u>
	<u>\$ 668,135</u>

The YMCA performs services under various contractual and grant agreements which are subject to compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

The YMCA, in the normal course of operations, is subject to various legal matters. In the opinion of management, the resolution of these matters will not have a material adverse effect on the financial position of the YMCA or its results of activities.

7. RELATED PARTY TRANSACTIONS

The YMCA pays monthly dues of between 1 and 1.5 percent of operating income to YMCA of the USA. Dues to YMCA of the USA totaled approximately \$132,000 and \$120,000 for the years ended December 31, 2007 and 2006, respectively.

Certain members of the Board of Directors and employees of the YMCA contributed approximately \$148,000 and \$172,000 to the YMCA during the years ended December 31, 2007 and 2006, respectively.

8. SUBSEQUENT EVENTS

YMCA entered into a capital lease financed through a bank for \$666,000 on March 12, 2008. The lease is for cardio and fitness equipment and has an interest rate of 2.953% per annum. Monthly payments are \$19,667 for 36 months with a \$1 buyout.

SUPPLEMENTAL SCHEDULE

YOUNG MEN'S CHRISTIAN ASSOCIATION OF AUSTIN

CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES YEARS ENDED DECEMBER 31, 2007 AND 2006

2007								
	Member Services	Child Care	Aquatics	Adult Programs	Youth Programs	Management and General	Fund Raising	Total
Salaries, wages and benefits	\$ 1,962,107	1,669,353	1,142,889	797,217	561,687	692,642	-	\$ 6,825,895
Other operating costs	905,605	665,165	81,663	43,200	190,684	209,774	30,337	2,126,428
Occupancy	1,471,858	105,760	6,693	-	43,039	23,768	175	1,651,293
Depreciation	1,053,994	31,797	36,500	21,995	2,850	29,709	-	1,176,845
Outside services	33,999	8,701	-	-	-	231,160	-	273,860
National YMCA support	75,862	30,544	8,547	2,167	4,975	3,554	6,596	132,245
Other	197,505	50,282	-	-	-	54,024	-	301,811
Total expenses	\$ 5,700,930	2,561,602	1,276,292	864,579	803,235	1,244,631	37,108	12,488,377
Financial assistance to members and program participants								1,099,912
Total								\$ 13,588,289
2006								
Salaries, wages and benefits	\$ 1,619,278	1,504,354	988,787	627,581	449,492	597,857	-	\$ 5,787,349
Other operating costs	683,390	561,090	79,610	32,516	159,289	193,993	22,753	1,732,641
Occupancy	1,315,599	84,491	15,199	-	26,017	18,516	2,122	1,461,944
Depreciation	636,212	30,200	36,200	21,900	2,750	27,871	-	755,133
Outside services	-	-	-	-	-	196,747	-	196,747
National YMCA support	66,297	28,258	7,656	1,917	4,852	3,635	7,118	119,733
Other	141,592	47,525	-	-	-	50,609	-	239,726
Total expenses	\$ 4,462,368	2,255,918	1,127,452	683,914	642,400	1,089,228	31,993	10,293,273
Financial assistance to members and program participants								1,046,741
Total								\$ 11,340,014