

Strothman & Company P S C

Certified Public Accountants & Advisors



Financial Statements

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

December 31, 2010

Financial Statements

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

December 31, 2010

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1600 Waterfront Plaza
325 West Main Street
Louisville, Kentucky 40202-4251

502 585 1600
502 585 1601 Fax
www.strothman.com

Independent Auditors' Report



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

We have audited the accompanying statements of financial position of the Young Men's Christian Association of Central Kentucky, Inc. (the "Association") as of December 31, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. The financial statements of the Association as of and for the year ended December 31, 2009 were audited by other auditors whose report dated April 28, 2010, expressed an unqualified opinion.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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 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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Louisville, Kentucky
April 29, 2011

Statements of Financial Position

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

	December 31	
	2010	2009
Assets		
Cash and cash equivalents	\$ 383,872	\$ 538,175
Restricted cash and cash equivalents	182,839	182,226
Accounts receivable	63,654	43,535
Unconditional promises to give, net	467,993	429,786
Prepaid expenses	79,155	82,224
Investments	4,198,428	4,067,700
Perpetual trusts held by third parties	2,576,917	2,388,027
Land, buildings and equipment, net	18,831,735	19,132,272
Debt issuance costs, net	79,133	88,444
	<u>26,863,726</u>	<u>26,952,389</u>
Total Assets	\$ 26,863,726	\$ 26,952,389
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 311,538	\$ 247,979
Accrued liabilities	239,362	328,685
Deferred income	340,450	311,009
Notes payable	1,202,689	1,186,749
Bond obligation	5,400,000	6,000,000
Capital lease obligation	2,255	4,021
	<u>7,496,294</u>	<u>8,078,443</u>
Total Liabilities	7,496,294	8,078,443
Net Assets		
Unrestricted		
Operating	13,795,362	13,690,855
Board designated endowments	2,696,272	2,419,552
Temporarily restricted	298,881	375,512
Permanently restricted	2,576,917	2,388,027
	<u>19,367,432</u>	<u>18,873,946</u>
Total Net Assets	19,367,432	18,873,946
Total Liabilities and Net Assets	\$ 26,863,726	\$ 26,952,389

See Notes to Financial Statements

Statement of Activities

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

Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Membership dues	\$ 5,260,061			\$ 5,260,061
Activity and daily fees	3,129,976			3,129,976
Contributions	611,820	\$ 256,008	\$ 50	867,878
Interest and dividends	82,110			82,110
United Way	160,274			160,274
Governmental and foundation grants	365,693			365,693
Rental of facilities	18,457			18,457
Resident room rentals	70,334			70,334
Other	88,407			88,407
Realized gains (losses), net	(28,548)		(23,720)	(52,268)
Unrealized gains, net	162,531		219,572	382,103
Losses on unconditional promises to give		(5,000)		(5,000)
Net assets released from restrictions:				
Satisfaction of program restrictions	334,651	(327,639)	(7,012)	
Total Support and Revenues	<u>10,255,766</u>	<u>(76,631)</u>	<u>188,890</u>	<u>10,368,025</u>
Expenses				
Program and membership services				
Membership services	3,949,543			3,949,543
Prime time	1,206,094			1,206,094
Youth camps	414,410			414,410
Health and fitness programs	503,220			503,220
Preschool day care	375,042			375,042
Youth/teen programs	419,939			419,939
Aquatics	617,587			617,587
Community services	219,635			219,635
Arts and humanities	103,958			103,958
Total Program Services	<u>7,809,428</u>			<u>7,809,428</u>
Supporting services				
Maintenance and housekeeping	459,539			459,539
Management and general	1,454,623			1,454,623
Fundraising	150,949			150,949
Total Supporting Services	<u>2,065,111</u>			<u>2,065,111</u>
Total Expenses	<u>9,874,539</u>			<u>9,874,539</u>
Increase (Decrease) in Net Assets	381,227	(76,631)	188,890	493,486
Net Assets Beginning of Year	<u>16,110,407</u>	<u>375,512</u>	<u>2,388,027</u>	<u>18,873,946</u>
Net Assets End of Year	<u>\$ 16,491,634</u>	<u>\$ 298,881</u>	<u>\$ 2,576,917</u>	<u>\$ 19,367,432</u>

See Notes to Financial Statements

Statement of Activities

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

Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and Revenues				
Membership dues	\$ 5,393,938			\$ 5,393,938
Activity and daily fees	3,108,699			3,108,699
Contributions	792,501	\$ 70,961		863,462
Interest and dividends	134,424	155		134,579
United Way	174,588			174,588
Governmental and foundation grants	315,817			315,817
Rental of facilities	22,758			22,758
Resident room rentals	74,103			74,103
Other	132,725			132,725
Realized gains (losses), net	(65,094)		\$ (117,710)	(182,804)
Unrealized gains, net	294,497	1,811	374,666	670,974
Losses on unconditional promises to give		(1,421,345)		(1,421,345)
Net assets released from restrictions:				
Satisfaction of program restrictions	57,634	(34,625)	(23,009)	
Total Support and Revenues	<u>10,436,590</u>	<u>(1,383,043)</u>	<u>233,947</u>	<u>9,287,494</u>
Expenses				
Program and membership services				
Membership services	3,905,502			3,905,502
Prime time	1,252,023			1,252,023
Youth camps	353,034			353,034
Health and fitness programs	489,558			489,558
Preschool day care	366,720			366,720
Youth/teen programs	514,748			514,748
Aquatics	615,956			615,956
Community services	242,015			242,015
Arts and humanities	111,283			111,283
Total Program Services	<u>7,850,839</u>			<u>7,850,839</u>
Supporting services				
Maintenance and housekeeping	452,510			452,510
Management and general	1,407,162			1,407,162
Fundraising	127,478			127,478
Total Supporting Services	<u>1,987,150</u>			<u>1,987,150</u>
Total Expenses	<u>9,837,989</u>			<u>9,837,989</u>
Increase (Decrease) in Net Assets	598,601	(1,383,043)	233,947	(550,495)
Net Assets Beginning of Year	<u>15,511,806</u>	<u>1,758,555</u>	<u>2,154,080</u>	<u>19,424,441</u>
Net Assets End of Year	<u>\$ 16,110,407</u>	<u>\$ 375,512</u>	<u>\$ 2,388,027</u>	<u>\$ 18,873,946</u>

See Notes to Financial Statements

Statement of Functional Expenses

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

	Year Ended December 31, 2010												
	Membership Services	Prime Time	Youth Camps	Health and Fitness Programs	Pre-School Day Care	Youth/Teen Programs	Aquatics	Community Services	Arts and Humanities	Maint./House-keeping	Management and General	Fund Raising	Total Expenses
Salaries and wages	\$ 1,613,490	\$ 759,817	\$ 208,530	\$ 227,963	\$ 248,163	\$ 218,610	\$ 360,173	\$ 88,385	\$ 52,700	\$ 222,602	\$ 839,921	\$ 92,198	\$ 4,932,552
Employee benefits	128,854	92,884	7,843	21,734	33,935	20,684	27,136	19,156	12,051	38,162	174,507	19,636	596,582
Payroll taxes, etc.	138,014	66,516	16,579	19,220	20,345	13,592	30,963	7,008	3,532	21,273	67,247	7,351	411,640
Total salaries and related expenses	1,880,358	919,217	232,952	268,917	302,443	252,886	418,272	114,549	68,283	282,037	1,081,675	119,185	5,940,774
Building occupancy expenses	964,497	31,598	63,149	70,007	50	50,353	73,930	13,656	6,151	-	3,496	-	1,276,887
Contracted/temporary labor	742	8,308	7,241	80,181	-	5,004	6,777	2,682	22,439	-	-	-	133,374
Advertising, printing and promotion	49,479	19,401	4,170	2,309	-	7,801	3,371	6,976	112	-	144,170	11,590	249,379
Program bus/van rentals	-	11,860	18,264	-	-	6,946	181	4,433	-	-	-	-	41,684
Travel and transportation expenses	12,134	6,754	1,049	4,033	99	2,419	9,093	2,917	90	3,170	26,998	1,198	69,954
Program related supplies and costs	54,455	88,770	31,139	15,374	58,957	46,200	24,659	34,302	763	-	275	3,344	358,238
Insurance costs	27,571	11,380	2,100	2,082	-	2,115	3,768	926	256	30,999	3,042	-	84,239
Bank and other payment processing fees	80,666	20,446	3,645	5,431	-	4,048	4,539	11	611	-	8,088	-	127,485
YMCA National Support	61,184	17,904	4,655	4,597	2,459	3,569	4,000	1,348	721	-	-	-	100,437
Professional fees and services	13,602	548	385	296	-	257	281	-	27	-	35,837	-	51,233
Technology cost and support	56,111	16,704	4,583	4,454	2,989	4,274	5,668	1,374	501	-	3,312	5,140	105,110
Miscellaneous	89	(493)	42	20	-	27	53	1	2	-	4,282	-	4,023
Equipment expenses	151,891	4,820	817	2,277	300	672	10,361	2,398	49	11,741	10,198	-	195,524
Telephone and communication	15,048	9,648	2,500	1,047	291	1,551	1,285	3,304	135	640	16,720	11	52,180
Maintenance/housecleaning supplies	-	563	825	-	1,587	51	13,756	-	3	129,751	-	-	146,536
Office supplies and expense	11,829	7,421	966	220	1,256	2,256	1,097	1,982	62	-	6,509	325	33,923
Conferences, seminars, meeting costs	7,070	12,955	745	1,640	876	905	1,476	763	46	540	14,418	4,915	46,349
Other employee expenses	14,997	12,007	2,544	1,717	714	1,488	4,581	659	87	491	20,995	50	60,330
Postage and mailing costs	25,371	1,863	520	381	72	907	418	796	50	-	6,881	3,946	41,205
Scholarships and awards	-	-	-	-	-	-	-	25,025	-	-	-	-	25,025
Depreciation and amortization	439,906	2,502	26,688	32,103	2,914	21,806	24,174	673	2,986	-	14,912	-	568,664
Loss on disposition of assets	-	-	-	-	-	-	-	-	-	-	3,794	-	3,794
Investment and trustee expense	-	-	-	-	-	-	-	-	-	-	40,906	-	40,906
Interest and financing costs	78,897	-	4,623	5,769	-	3,547	4,475	-	515	-	-	-	97,826
Dues and memberships	3,646	1,918	808	365	35	857	1,372	860	69	170	8,115	1,245	19,460
	<u>\$ 3,949,543</u>	<u>\$ 1,206,094</u>	<u>\$ 414,410</u>	<u>\$ 503,220</u>	<u>\$ 375,042</u>	<u>\$ 419,939</u>	<u>\$ 617,587</u>	<u>\$ 219,635</u>	<u>\$ 103,958</u>	<u>\$ 459,539</u>	<u>\$ 1,454,623</u>	<u>\$ 150,949</u>	<u>\$ 9,874,539</u>

See Notes to Financial Statements

Statement of Functional Expenses

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

	Year Ended December 31, 2009												
	Membership Services	Prime Time	Youth Camps	Health and Fitness Programs	Pre-School Day Care	Youth/Teen Programs	Aquatics	Community Services	Arts and Humanities	Maint./ House- keeping	Management and General	Fund Raising	Total Expenses
Salaries and wages	\$ 1,621,289	\$ 850,841	\$ 185,521	\$ 216,184	\$ 240,001	\$ 248,690	\$ 368,188	\$ 93,379	\$ 53,256	\$ 214,004	\$ 788,998	\$ 68,727	\$ 4,949,078
Employee benefits	121,792	85,554	13,023	17,477	29,008	32,372	24,885	15,347	11,797	40,529	136,613	14,379	542,776
Payroll taxes, etc.	144,218	73,649	16,401	19,368	20,809	21,830	33,157	7,922	4,309	18,347	64,953	5,482	430,445
Total salaries and related expenses	1,887,299	1,010,044	214,945	253,029	289,818	302,892	426,230	116,648	69,362	272,880	990,564	88,588	5,922,299
Building occupancy expenses	904,953	29,094	47,645	68,406	224	64,231	68,036	16,563	7,854		6,199		1,213,205
Contracted/temporary labor		724	5,514	80,799		14,847	3,632	1,000	24,782	154			131,452
Advertising, printing and promotion	50,458	20,451	4,120	891		6,706	3,663	4,968	346		144,773	20,121	256,497
Program bus/van rentals		17,453	15,936	165		9,459	166	4,305					47,484
Travel and transportation expenses	9,084	5,018	1,495	7,277	602	2,609	5,327	2,198	106	2,733	26,909	1,560	64,918
Program related supplies and costs	50,079	67,367	24,314	12,041	59,108	59,674	27,448	28,807	957		912	3,185	333,892
Insurance costs	28,311	2,996	1,711	2,357		2,348	3,110	10,463	312	32,043	3,684		87,335
Bank and other payment processing fees	75,837	17,722	2,193	5,495		3,940	4,129	224	673		9,918		120,131
YMCA National Support	63,223	18,487	4,058	4,520	3,541	5,660	3,959	1,714	987		80		106,229
Professional fees and services	14,298										53,493		67,791
Technology cost and support	56,285	16,197	3,433	4,708	2,891	4,406	3,685	1,411	593		1,933	3,791	99,333
Miscellaneous	1,118	167	44	61		73	43		8		4,035		5,549
Equipment expenses	186,758	2,323	1,090	2,043	1,229	3,013	15,123	1,239	76	13,443	17,229		243,566
Telephone and communication	14,903	10,224	2,492	1,196	387	1,733	1,255	3,675	162	360	16,482	21	52,890
Maintenance/housecleaning supplies	1,641	416	1,473	76	1,404	219	10,787		13	128,791	13		144,833
Office supplies and expense	8,576	7,926	884	186	1,658	989	1,861	1,503	58		3,915	443	27,999
Conferences, seminars, meeting costs	7,573	9,238	854	1,736	1,010	952	1,785	5,363	66	540	23,728	4,859	57,704
Other employee expenses	12,772	9,681	1,493	1,325	1,295	2,191	4,702	517	105	1,431	30,125	8	65,645
Postage and mailing costs	23,924	3,034	388	531	50	1,093	609	1,170	69		6,462	4,487	41,817
Scholarships and awards								32,625					32,625
Depreciation and amortization	443,092	1,915	17,803	35,976	3,256	24,726	24,498	5,812	3,923		16,013		577,014
(Gain) loss on disposition of assets	(6,099)							1,659			2,557		(1,883)
Investment and trustee expense											41,829		41,829
Interest and financing costs	69,765		867	6,600		2,530	4,847		802				85,411
Dues and memberships	1,652	1,546	282	140	247	457	1,061	151	29	135	6,309	415	12,424
	<u>\$ 3,905,502</u>	<u>\$ 1,252,023</u>	<u>\$ 353,034</u>	<u>\$ 489,558</u>	<u>\$ 366,720</u>	<u>\$ 514,748</u>	<u>\$ 615,956</u>	<u>\$ 242,015</u>	<u>\$ 111,283</u>	<u>\$ 452,510</u>	<u>\$ 1,407,162</u>	<u>\$ 127,478</u>	<u>\$ 9,837,989</u>

See Notes to Financial Statements

Statements of Cash Flows

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

	Year Ended December 31	
	2010	2009
Operating Activities		
Increase (decrease) in net assets	\$ 493,486	\$ (550,495)
Adjustments		
Depreciation and amortization	568,664	577,014
Trust expenses	40,906	41,829
Unrealized and realized gain on investments	(329,835)	(488,394)
Forgiveness of debt	(100,000)	(100,000)
Loss (gain) on disposal	3,795	(1,883)
Bad debts		2,010,179
Changes in:		
Restricted cash and cash equivalents	(613)	(390)
Accounts receivable	(20,119)	73,852
Unconditional promises to give	(38,207)	(563,849)
Prepaid expenses	3,069	15,206
Other assets		3,000
Accounts payable	63,559	140
Accrued liabilities	(89,323)	35,244
Deferred income	29,441	(6,772)
Net Cash Provided By Operating Activities	624,823	1,044,681
Investing Activities		
Proceeds from sales or maturities of investments	2,319,094	2,961,247
Acquisition of investments	(2,349,783)	(3,036,026)
Purchase of equipment	(262,611)	(146,070)
Proceeds from sale of equipment		4,100
Net Cash Used In Investing Activities	(293,300)	(216,749)
Financing Activities		
Proceeds from note payable	160,000	
Payments on notes payable	(44,060)	(33,125)
Payments on bond obligation	(600,000)	(600,000)
Payments on capital lease obligation	(1,766)	(1,753)
Net Cash Used In Financing Activities	(485,826)	(634,878)
Increase (Decrease) in Cash	(154,303)	193,054
Cash and Cash Equivalents Beginning of Year	538,175	345,121
Cash and Cash Equivalents End of Year	\$ 383,872	\$ 538,175
Supplemental Disclosures		
Cash paid during the year for interest	\$ 97,799	\$ 89,159

See Notes to Financial Statements

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

December 31, 2010 and 2009

Note A--Nature of Operations

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

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

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

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

Health 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.

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

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

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).

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--The accompanying financial statements of the Association are presented following the requirements of ASC 958-205 (formerly known as Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*). Under ASC 958-205, 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, 2010 and 2009

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, 2010 and 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Association.

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

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

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

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

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 year ended December 31, 2010.

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

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

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

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

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

Allowance for Doubtful Accounts--The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses based on prior year experience and knowledge of donors' financial conditions. Amounts are charged against the allowance when management determines the collectability is doubtful. At December 31, 2010 and 2009, the balance of allowance for doubtful accounts of \$26,934 and \$2,022,509 relates entirely to unconditional promises to give.

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

Advertising--The Association expenses advertising costs as incurred. Advertising expense amounts to \$249,379 and \$256,497 for the years ended December 31, 2010 and 2009, 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.

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 ASC 820-10 (formerly known as SFAS 157, *Fair Value Measurement*). The standard establishes a three Level hierarchy for inputs used in measuring fair value.

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

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

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.

Continued

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, 2010, temporarily restricted net assets consist of grants for various purposes for which the Association has not disbursed all proceeds. 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 ASC 740-10 (formerly known as Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*), 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 as prescribed by ASC 740-10.

Subsequent Event--The Association has evaluated events occurring between the end of its most recent fiscal year end and April 29, 2011, the date the financial statements were available to be issued. No events were identified requiring disclosure.

Reclassification--Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation. These reclassifications are not material to the Association's financial position.

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

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

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

	December 31	
	2010	2009
Board designated endowments	<u>\$ 2,696,272</u>	<u>\$ 2,419,552</u>

Temporarily restricted net assets are available for the following purposes:

	December 31	
	2010	2009
Scholarship programs	\$ 66,338	\$ 64,687
Scott County facility	33,724	31,383
Capital Campaign	<u>198,819</u>	<u>279,442</u>
	<u>\$ 298,881</u>	<u>\$ 375,512</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:

	December 31	
	2010	2009
Endowments	<u>\$ 2,576,917</u>	<u>\$ 2,388,027</u>

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note D--Land, Buildings and Equipment, Net

Land, buildings and equipment consist of the following:

	December 31	
	2010	2009
Land and land improvements	\$ 7,301,105	\$ 7,301,105
Buildings and improvements	17,440,159	17,393,546
Furniture and equipment	1,166,198	1,019,499
Vehicle	4,000	4,000
Construction-in-progress	861,833	830,771
	<u>26,773,295</u>	<u>26,548,921</u>
Less accumulated depreciation	<u>(7,941,560)</u>	<u>(7,416,649)</u>
Land, Buildings and Equipment, Net	<u>\$ 18,831,735</u>	<u>\$ 19,132,272</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$557,633 and \$567,702, respectively.

Construction-in-process relates to the construction of two new YMCA facilities. In 2009, due to the loss of a significant campaign pledge, construction on the projects was halted. As of December 31, 2010, the Board of Directors had not made a decision on whether to seek additional funding and move forward on the projects. Cost to complete the projects has not been determined as of December 31, 2010.

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

December 31, 2010 and 2009

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, 2010 and 2009, thereby making the required employee contribution rates to be 0% for the respective periods. The Association contributed \$357,047 and \$317,884 for the years ended December 31, 2010 and 2009, 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.

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note F--Notes Payable

Notes payable at December 31, 2010 and 2009 consist of the following:

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
6% uncollateralized note payable, \$100,000 of principal and related interest 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.	\$ 950,000	\$ 1,050,000
Mortgage note payable at 7.25% interest rate, due July 1, 2013, principal and interest due in monthly payments of \$3,696, collateralized by real estate owned by the Association	101,140	136,749
Equipment loan payable to Chase Bank at 3.85% interest rate, due October 25, 2013, principal and interest due in monthly payments of \$4,716	<u>151,549</u>	
	<u>\$ 1,202,689</u>	<u>\$ 1,186,749</u>

The following is a summary of debt maturities as of December 31, 2010:

Year	<u>Payment Amount</u>	<u>Forgiveness Amount</u>
2011	\$ 100,944	\$ 100,000
2012	100,944	100,000
2013	73,031	100,000
2014	-	100,000
2015	-	100,000
Thereafter	-	450,000

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

December 31, 2010 and 2009

Note G--Bonds Obligation

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

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

The Bonds bear interest in one of several different adjustable interest rate methods (0.24% and 0.33% through December 31, 2010) 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 \$5,400,000 at December 31, 2010 and bears a fee rate of 1.25%. The letter of credit agreement expires on July 15, 2015.

Debt service requirements at December 31, 2010 are as follows (presented on the assumption that a letter of credit exists through the maturity date of the bonds):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ended December 31,			
2011	\$ 600,000	\$ 17,820	\$ 617,820
2012	600,000	15,840	615,840
2013	600,000	13,860	613,860
2014	600,000	11,880	611,880
2015	600,000	9,900	609,900
Thereafter	<u>2,400,000</u>	<u>31,680</u>	<u>2,431,680</u>
	<u>\$ 5,400,000</u>	<u>\$ 100,980</u>	<u>\$ 5,500,980</u>

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note G--Bonds Obligation--Continued

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, 2010, the Association was in compliance with all specified covenants.

Note H--Lease Obligations

The Association leases five copiers and cardiovascular fitness equipment from non-related parties under signed operating lease agreements. The Association signed a five year service agreement for membership computer software in 2009, which expires in May 2014. Equipment lease expense for the years ended December 31, 2010 and 2009 was \$165,560 and \$243,566, respectively.

The following is a schedule of the future minimum operating lease and service agreement payments as of December 31, 2010:

Year	
2011	\$ 81,762
2012	78,088
2013	10,254
2014	<u>2,825</u>
	<u>\$ 172,929</u>

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note I--Investments and Fair Value Accounting

Investments as of December 31, 2010 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation</u>
Equities	\$ 2,249,384	\$ 2,522,167	\$ 272,783
Fixed income	2,867,559	2,919,140	51,581
Cash equivalents	975,175	976,054	879
Real estate investments	8,040	14,426	6,386
Alternative strategies	91,349	120,893	29,544
Other	205,331	222,665	17,334
	<u>\$ 6,396,838</u>	<u>\$ 6,775,345</u>	<u>\$ 378,507</u>
Investments		\$ 4,198,428	
Perpetual trusts held by third parties		<u>2,576,917</u>	
		<u>\$ 6,775,345</u>	

Investments as of December 31, 2009 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Appreciation (Depreciation)</u>
Equities	\$ 2,584,689	\$ 2,685,869	\$ 101,180
Fixed income	3,074,898	2,954,638	(120,260)
Cash equivalents	815,418	815,220	(198)
	<u>\$ 6,475,005</u>	<u>\$ 6,455,727</u>	<u>\$ (19,278)</u>
Investments		\$ 4,067,700	
Perpetual trusts held by third parties		<u>2,388,027</u>	
		<u>\$ 6,455,727</u>	

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note I--Investments--Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income:				
Capital Contribution Escrow	\$ 44,412			\$ 44,412
YMCA Maintenance Reserve	24,392			24,392
YMCA Endowment	33,549			33,549
Stoll Trust	(4,737)			(4,737)
Mitchell Trust	(70)			(70)
Coolidge Trust	(8,164)			(8,164)
Cooper Trust	(7,272)			(7,272)
	<u>\$ 82,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,110</u>
Realized gains (losses):				
Capital Contribution Escrow	\$ (22,556)			\$ (22,556)
YMCA Maintenance Reserve	(315)			(315)
YMCA Endowment	(5,677)			(5,677)
Stoll Trust			\$ (10,911)	(10,911)
Mitchell Trust			(4,394)	(4,394)
Coolidge Trust			(11,028)	(11,028)
Cooper Trust			2,613	2,613
	<u>\$ (28,548)</u>	<u>\$ -</u>	<u>\$ (23,720)</u>	<u>\$ (52,268)</u>
Unrealized gains (losses):				
Capital Contribution Escrow	\$ 3,675			\$ 3,675
YMCA Maintenance Reserve	82,505			82,505
YMCA Endowment	76,351			76,351
Stoll Trust			\$ 101,996	101,996
Mitchell Trust			26,933	26,933
Coolidge Trust			80,724	80,724
Cooper Trust			9,919	9,919
	<u>\$ 162,531</u>	<u>\$ -</u>	<u>\$ 219,572</u>	<u>\$ 382,103</u>

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note I--Investments--Continued

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Interest and dividend income:				
Capital Contribution Escrow	\$ 45,253			\$ 45,253
Capital Reserve	722			722
YMCA Maintenance Reserve	26,406			26,406
YMCA Endowment	32,495			32,495
Stoll Trust	22,728			22,728
Mitchell Trust	(2,102)			(2,102)
Coolidge Trust	5,801			5,801
Cooper Trust	3,092			3,092
Miscellaneous	29	\$ 155		184
	<u>\$ 134,424</u>	<u>\$ 155</u>	<u>\$ -</u>	<u>\$ 134,579</u>
Realized gains (losses):				
Capital Contribution Escrow	\$ (11,357)			\$ (11,357)
YMCA Maintenance Reserve	(6,496)			(6,496)
YMCA Endowment	(46,923)			(46,923)
Stoll Trust			\$ (82,703)	(82,703)
Mitchell Trust			(27,376)	(27,376)
Coolidge Trust			(7,789)	(7,789)
Cooper Trust			158	158
Miscellaneous	(318)			(318)
	<u>\$ (65,094)</u>	<u>\$ -</u>	<u>\$ (117,710)</u>	<u>\$ (182,804)</u>
Unrealized gains (losses):				
Capital Contribution Escrow	\$ (21,771)			\$ (21,771)
YMCA Maintenance Reserve	105,264			105,264
YMCA Endowment	211,567			211,567
Stoll Trust			\$ 171,458	171,458
Mitchell Trust			68,711	68,711
Coolidge Trust			108,676	108,676
Cooper Trust			25,821	25,821
Miscellaneous	(563)	\$ 1,811		1,248
	<u>\$ 294,497</u>	<u>\$ 1,811</u>	<u>\$ 374,666</u>	<u>\$ 670,974</u>

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note I--Investments--Continued

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Equities	\$ 1,654,228		\$ 1,654,228
Fixed income		\$ 1,746,371	1,746,371
Cash equivalents	744,197		744,197
Real estate investments		14,426	14,426
Alternative strategies		90,997	90,997
	<u>2,398,425</u>	<u>1,851,794</u>	<u>4,250,219</u>
Perpetual trusts held by third parties			
Equities	867,940		867,940
Fixed income		1,172,768	1,172,768
Cash equivalents	231,857		231,857
Alternative strategies		29,896	29,896
Other		222,665	222,665
	<u>1,099,797</u>	<u>1,425,329</u>	<u>2,525,126</u>
	<u>\$ 3,498,222</u>	<u>\$ 3,277,123</u>	<u>\$ 6,775,345</u>

The following table presents the balances of the assets measured at fair value on a recurring basis as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments			
Equities	\$ 1,322,380		\$ 1,322,380
Fixed income		\$ 2,018,088	2,018,088
Cash equivalents	727,232		727,232
	<u>2,049,612</u>	<u>2,018,088</u>	<u>4,067,700</u>
Perpetual trusts held by third parties			
Equities	1,363,489		1,363,489
Fixed income		936,550	936,550
Cash equivalents	87,988		87,988
	<u>1,451,477</u>	<u>936,550</u>	<u>2,388,027</u>
	<u>\$ 3,501,089</u>	<u>\$ 2,954,638</u>	<u>\$ 6,455,727</u>

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note J--Promises to Give

Unconditional promises to give related to the Association's Capital Campaign and Campaign for Kids are as follows:

	December 31	
	2010	2009
Receivable in less than one year	\$ 270,109	\$ 354,500
Receivable in one to five years	223,437	878,920
Receivable in six to fifteen years	35,000	1,270,000
Receivable in over fifteen years	40,000	17,000
	<hr/>	<hr/>
Total unconditional promises to give	568,546	2,520,420
Less allowance for doubtful accounts	(26,934)	(2,022,509)
Less discounts to net present value	<hr/> (73,619)	<hr/> (68,125)
Net unconditional promises to give	<hr/> <u>\$ 467,993</u>	<hr/> <u>\$ 429,786</u>

Discount rate used on promises to give was 5%.

Note K--Related Party Transactions

As of December 31, 2010 and 2009, \$104,770 and \$102,637, respectively, was paid to the YMCA of the U.S.A. for support services.

Note L--Split-Interest Agreements

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

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

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note L--Split-Interest Agreements--Continued

- 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, 2010, Beaumont Wellness Associates had not applied for tax exempt status.

Beginning in June 2006, the YMCA of Central Kentucky embarked on a \$20 million capital campaign to build two new full service facilities. As of December 31, 2010, the campaign has received unconditional and conditional promises to give of approximately \$2.0 million. In addition, a commitment has been secured for one of the facilities from a health-care facility to lease a portion of the square footage upon completion for a five-year term with an option to renew for additional five-year terms. The Association has ceased building design processes until additional funds can be raised.

The Association has entered into agreements with architectural, consulting and construction management firms related to the construction of two new YMCA facilities. The Association has incurred approximately \$1,000,000 related to the construction of these facilities, including \$861,833 of construction-in-progress (see Note D).

Note N--Conditional Promise to Give

The Association has been promised \$500,000 by the Jessamine County Fiscal Court, to be contributed at a rate of \$100,000 per year over a five year period, ending with calendar year ending December 31, 2015, 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. In addition, the contributor has agreed to donate a suitable building site with a minimum of 10 acres of land for construction of a Jessamine County facility, provided the construction of this facility is contingent on YMCA's ability to raise sufficient funds through capital contributions. The contributor will also provide site development services corresponding with the construction of this facility.

The Association has also been promised \$300,000 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 2010 and 2009.

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.

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

December 31, 2010 and 2009

Note O--Capital Lease Obligations

The Association has acquired equipment under the provisions of a long-term lease. The property under capital lease has a cost of \$7,461, accumulated amortization of \$3,440, and a net book value of \$4,021. Amortization of the leased equipment is included in depreciation expense.

Future minimum lease payments are as follows:

Years Ending December 31,		
2011	\$	2,184
2012		<u>182</u>
		2,366
Less amount representing interest		<u>(111)</u>
Present value of minimum lease payments	\$	<u><u>2,255</u></u>

Note P--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.

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note P--Endowment--Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds			\$ 2,576,917	\$ 2,576,917
Board-designated endowment funds	\$ 1,329,204			1,329,204
Total Funds	<u>\$ 1,329,204</u>	<u>\$</u>	<u>\$ 2,576,917</u>	<u>\$ 3,906,121</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 1,231,420		\$ 2,388,027	\$ 3,619,447
Investment return				
Investment income, net of investment expenses	13,129			13,129
Net appreciation (realized and unrealized)	<u>100,113</u>		<u>195,852</u>	<u>295,965</u>
Total investment return	113,242		195,852	309,094
Contributions	1,250		50	1,300
Transfers	<u>(16,708)</u>		<u>(7,012)</u>	<u>(23,720)</u>
Endowment Net Assets End of Year	<u>\$ 1,329,204</u>	<u>\$</u>	<u>\$ 2,576,917</u>	<u>\$ 3,906,121</u>

Continued

Notes to Financial Statements--Continued

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

December 31, 2010 and 2009

Note P--Endowment--Continued

Endowment Net Asset Composition by Type of Fund as of December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds			\$ 2,388,027	\$ 2,388,027
Board-designated endowment funds	\$ 1,231,420			1,231,420
Total Funds	<u>\$ 1,231,420</u>	<u>\$</u>	<u>\$ 2,388,027</u>	<u>\$ 3,619,447</u>

Changes in Endowment Net Assets for the Year Ended December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets beginning of year	\$ 1,007,628		\$ 2,154,080	\$ 3,161,708
Investment return				
Investment income, net of investment expenses	25,256			25,256
Net appreciation (realized and unrealized)	<u>163,927</u>		<u>256,956</u>	<u>420,883</u>
Total investment return	189,183		256,956	446,139
Contributions	37,254			37,254
Transfers	<u>(2,645)</u>		<u>(23,009)</u>	<u>(25,654)</u>
Endowment Net Assets End of Year	<u>\$ 1,231,420</u>	<u>\$</u>	<u>\$ 2,388,027</u>	<u>\$ 3,619,447</u>

Continued

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

December 31, 2010 and 2009

Note P--Endowment--Continued

Endowment Investment Policy

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

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

Long-term: The investment assets of the Association should achieve a return measured over a market cycle which equals or exceeds the rate of return earned by similar investment assets managed by other similar investment managers.

Short-term: The returns on the managed funds of the Association measured on a year-to-date basis, should exceed the returns achieved by comparable unmanaged market indices.

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

<u>Asset Class</u>	
Equity	50-70%
Fixed Income	30-50%
Real Estate	0-5%

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