YOUNG MEN'S CHRISTIAN ASSOCIATION
OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

December 31, 2014 and 2013

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

We have audited the accompanying financial statements of the Young Men's Christian Association of Middle Tennessee (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

Auditor's 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 audit 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615.383.6592 • *fax* 615.383.7094 • www.fdhcpa.com

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 Middle Tennessee as of December 31, 2014 and 2013, 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.

Frasier, Dean + Howard, PLLC

May 4, 2015

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,871,057	$ 12,661,417
Accounts receivable:		
Membership and program fees, net of allowance of $169,397 and $160,451 at December 31, 2014 and 2013, respectively	1,476,717	1,400,196
Grants and contracts	152,589	155,188
Pledges receivable, net	147,571	919,894
Prepaid expenses and other assets	546,105	996,772
Total current assets	12,194,039	16,133,467
Pledges receivable, less current portion	1,017,616	1,028,800
Land held for sale	2,387,500	2,700,000
Property and equipment, net	124,305,205	129,482,104
Bond issue costs, net	76,462	80,709
Cash restricted for investment in property and equipment	272,008	856,908
Total assets	$ 140,252,830	$ 150,281,988
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 1,328,667	$ 2,398,351
Accrued expenses	4,966,438	5,619,359
Deferred membership and other revenues	1,962,897	1,644,677
Current portion of notes payable	35,722	19,053
Current portion of bonds payable	2,949,177	2,694,548
Current portion of capital leases	936,636	2,300,734
Total current liabilities	12,179,537	14,676,722
Line of credit	5,844,414	4,419,724
Long term interest rate swap	2,239,029	1,861,082
Long term notes payable, less current portion	54,816	23,929
Long term bonds payable, less current portion	47,414,060	50,859,738
Long term capital leases, less current portion	1,388,673	1,253,149
Deferred lease revenue	1,170,665	1,250,164
Total liabilities	70,291,194	74,344,508
Net assets:		
Unrestricted:		
Undesignated	64,739,724	67,391,595
Board-designated	3,784,717	5,740,283
Total unrestricted	68,524,441	73,131,878
Temporarily restricted	1,437,195	2,805,602
Total net assets	69,961,636	75,937,480
Total liabilities and net assets	$ 140,252,830	$ 150,281,988

See accompanying notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2014
(With Summarized Financial Information for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2013 Total
Operating activities:					
Public support:					
Contributions	$ 3,972,779	$ -	$ -	$ 3,972,779	$ 3,993,866
Foundation and corporate grants	1,050,491	-	-	1,050,491	797,483
Special events, net	839,748	-	-	839,748	509,793
Loss on sale of property and equipment	(205,755)	-	-	(205,755)	(109,195)
Total public support	5,657,263	-	-	5,657,263	5,191,947
Revenue:					
Membership fees, net	46,064,734	-	-	46,064,734	49,004,314
Program fees, net	23,204,946	-	-	23,204,946	23,791,112
Government grants and contracts	1,818,438	-	-	1,818,438	2,070,484
Sales to members	887,481	-	-	887,481	825,306
Other income	856,160	-	-	856,160	855,804
Consulting and management fees	183,152	-	-	183,152	165,809
Interest income	113,776	-	-	113,776	117,058
Total revenue	73,128,687	-	-	73,128,687	76,829,887
Total public support and revenue	78,785,950	-	-	78,785,950	82,021,834
Expenses:					
Program services	71,769,906	-	-	71,769,906	77,299,280
Administrative	9,633,895	-	-	9,633,895	10,545,295
Fundraising	1,530,644	-	-	1,530,644	1,526,252
Total expenses	82,934,445	-	-	82,934,445	89,370,827
Changes in net assets from operations	(4,148,495)	-	-	(4,148,495)	(7,348,993)
Non-operating activities:					
Unrealized gain (loss) on interest rate swap	(377,947)	-	-	(377,947)	1,722,966
Contributions for capital assets	846,497	1,543	-	848,040	676,246
Restructuring costs	(2,297,442)	-	-	(2,297,442)	(10,351,370)
Release from restriction	1,369,950	(1,369,950)	-	-	-
Total non-operating activities	(458,942)	(1,368,407)	-	(1,827,349)	(7,952,158)
Change in net assets	(4,607,437)	(1,368,407)	-	(5,975,844)	(15,301,151)
Net assets - beginning of year	73,131,878	2,805,602	-	75,937,480	91,238,631
Net assets - end of year	$ 68,524,441	$ 1,437,195	$ -	$ 69,961,636	$ 75,937,480

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating activities:				
Public support:				
Contributions	$ 3,993,866	$ -	$ -	$ 3,993,866
Foundation and corporate grants	797,483	-	-	797,483
Special events, net	509,793	-	-	509,793
Loss on disposal of property and equipment	(109,195)	-	-	(109,195)
Total public support	5,191,947	-	-	5,191,947
Revenue:				
Membership fees, net	49,004,314	-	-	49,004,314
Program fees, net	23,791,112	-	-	23,791,112
Government grants and contracts	2,070,484	-	-	2,070,484
Other income	855,804	-	-	855,804
Sales to members	825,306	-	-	825,306
Consulting and management fees	165,809	-	-	165,809
Interest income	117,058	-	-	117,058
Total revenue	76,829,887	-	-	76,829,887
Total public support and revenue	82,021,834	-	-	82,021,834
Expenses:				
Program services	77,299,280	-	-	77,299,280
Administrative	10,545,295	-	-	10,545,295
Fundraising	1,526,252	-	-	1,526,252
Total expenses	89,370,827	-	-	89,370,827
Changes in net assets from operations	(7,348,993)	-	-	(7,348,993)
Non-operating activities:				
Unrealized gain (loss) on interest rate swap	1,722,966	-	-	1,722,966
Contributions for capital assets	-	676,246	-	676,246
Restructuring costs	(10,351,370)	-	-	(10,351,370)
Release from restriction	2,890,178	(2,890,178)	-	-
Total non-operating activities	(5,738,226)	(2,213,932)	-	(7,952,158)
Changes in net assets	(13,087,219)	(2,213,932)	-	(15,301,151)
Net assets - beginning of year	86,219,097	5,019,534	-	91,238,631
Net assets - end of year	$ 73,131,878	$ 2,805,602	$ -	$ 75,937,480

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

		Supporting Services		
	Program Services	Administrative	Fundraising	Total
Personnel costs:				
Salaries and wages	$ 31,299,750	$ 4,411,100	$ 1,067,347	$ 36,778,197
Employee benefits	3,244,455	1,283,061	148,962	4,676,478
Payroll taxes	3,127,104	407,646	76,644	3,611,394
Total personnel costs	37,671,309	6,101,807	1,292,953	45,066,069
Non-personnel costs:				
Occupancy	10,874,119	408,468	-	11,282,587
Depreciation and amortization	8,576,887	763,423	-	9,340,310
Supplies	4,550,711	141,901	109,674	4,802,286
Purchased services	1,639,078	650,624	37,710	2,327,412
Financing costs	1,995,539	27,291	-	2,022,830
Technology systems and services	1,239,744	591,759	33,015	1,864,518
Conferences, meetings, and staff development	880,148	207,058	17,848	1,105,054
Promotion and publication	908,584	24,794	-	933,378
Equipment	696,178	219,944	3,019	919,141
Awards, grants and assitance	856,476	-	-	856,476
Travel, meals and entertainment	539,406	132,285	10,369	682,060
Membership and professional dues	375,615	61,396	4,114	441,125
Bad debt expense	431,752	-	-	431,752
Liability and other insurance	263,163	34,505	-	297,668
Postage and shipping	160,790	120,391	3,441	284,622
Miscellaneous	110,407	148,249	18,501	277,157
Total non-personnel costs	34,098,597	3,532,088	237,691	37,868,376
Total expenses	$ 71,769,906	$ 9,633,895	$ 1,530,644	$ 82,934,445

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

		Supporting Services		
	Program Services	Administrative	Fundraising	Total
Personnel costs:				
Salaries and wages	$ 34,278,933	$ 4,770,877	$ 954,857	$ 40,004,667
Employee benefits	3,459,974	928,230	163,050	4,551,254
Payroll taxes	3,192,019	494,903	67,749	3,754,671
Total personnel costs	40,930,926	6,194,010	1,185,656	48,310,592
Non-personnel costs:				
Occupancy	11,958,335	469,340	-	12,427,675
Depreciation and amortization	9,279,087	1,007,574	-	10,286,661
Supplies	4,918,004	205,825	117,492	5,241,321
Purchased services	1,917,182	966,497	112,997	2,996,676
Financing costs	1,677,301	29,028	-	1,706,329
Equipment	1,009,554	631,593	6,534	1,647,681
Conferences, meetings and staff development	1,048,906	307,366	26,694	1,382,966
Travel, meals and entertainment	780,300	202,573	29,524	1,012,397
Awards, grants and assistance	946,094	-	-	946,094
Promotion and publication	833,228	7,035	-	840,263
Technology system and services	426,957	147,120	-	574,077
Bad debt expense	539,072	-	-	539,072
Miscellaneous	254,560	184,609	35,312	474,481
Membership and professional dues	326,129	54,155	3,468	383,752
Postage and shipping	182,860	129,966	8,575	321,401
Liability and other insurance	270,785	8,604	-	279,389
Total non-personnel costs	36,368,354	4,351,285	340,596	41,060,235
Total expenses	$ 77,299,280	$ 10,545,295	$ 1,526,252	$ 89,370,827

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	$ (5,975,844)	$ (15,301,151)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	9,340,310	10,286,661
Loss (gain) on disposition and impairment of property and equipment	2,317,935	8,504,900
Donated property and equipment	(846,497)	-
Increase (decrease) in interest rate swap	377,947	(1,722,966)
Contributions for property and equipment	(1,543)	(282,646)
Gain on sale of investments	-	(17,363)
Changes in operating assets and liabilities:		
Accounts and grants receivable	(73,922)	(636,480)
Pledges receivable	(693,541)	-
Prepaid expenses and other assets	450,667	(253,493)
Accounts payable and accrued expenses	(1,722,605)	2,394,518
Deferred membership and other revenues	318,220	(365,002)
Deferred lease revenue	(79,499)	(107,409)
Net cash provided by operating activities	3,411,628	2,499,569
Cash flows from investing activities:		
Proceeds from sale of investments	-	2,034,903
Purchases of property and equipment	(2,895,978)	(5,143,510)
Decrease in cash restricted for investment in property and equipment	584,900	415,844
Proceeds from sale of property and equipment	598,200	476,653
Net cash used in investing activities	(1,712,878)	(2,216,110)
Cash flows from financing activities:		
Proceeds received from contributions for property and equipment	1,478,591	2,080,734
Principal payments on debt obligations	(5,553,913)	(5,404,884)
Proceeds from debt obligations	3,835,110	7,205,203
Principal payments on capital lease obligations	(4,248,898)	(3,177,218)
Net cash (used in) provided by financing activities	(4,489,110)	703,835
(Decrease) increase in cash and cash equivalents	(2,790,360)	987,294
Cash and cash equivalents - beginning of year	12,661,417	11,674,123
Cash and cash equivalents - end of year	$ 9,871,057	$ 12,661,417

See accompanying notes to the financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2014 and 2013

	2014	2013
Supplemental cash flow disclosures:		
Non-cash investing and financing activities:		
Donated property and equipment	$ 846,497	$ -
Property and equipment acquired through capitalized leases	$ 3,020,324	$ 2,418,797
Accounts payable for construction-in-progress	$ -	$ 77,604
Interest expense paid	$ 2,022,830	$ 1,706,329

See accompanying notes to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Young Men's Christian Association of Middle Tennessee (the "YMCA") is a worldwide charitable fellowship united by a common loyalty to Jesus Christ for the purpose of helping people grow in spirit, mind and body. As the region's leading nonprofit dedicated to strengthening community, the YMCA works side-by-side with neighbors to make sure that everyone, regardless of age, income or background, has the opportunity to learn, grow and thrive. With 18 family wellness centers and nearly 200 program locations, the YMCA exists to nurture the potential of children and teens, improve the region's health and well-being and provide opportunities to give back and support neighbors.

Basis of Presentation

The accompanying financial statements present the financial position and operations of the corporate office and all YMCA centers on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. All significant transactions and balances between and among the Corporate Office and the centers have been eliminated in combination.

Resources are classified as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets are free of donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by donors are included in this classification. All expenditures are reported in the unrestricted class of net assets, since the use of restricted contributions in accordance with the donors' stipulations results in the release of the restriction. Unrestricted net assets include certain board designated reserves for contingencies, major maintenance and capital asset additions.

Temporarily restricted net assets are limited as to use by donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. As of December 31, 2014 and 2013, all temporarily restricted net assets were from contributions and pledges for capital improvements at the various YMCA facilities.

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations or certain restricted purposes. The YMCA had no permanently restricted net assets as of December 31, 2014 or 2013.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as unrestricted.

The YMCA also receives grant revenue from various federal and state agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Any gifts of equipment or materials are reported as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Donated Services

Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2014 and 2013, contributed services meeting the requirements for recognition in the financial statements was not significant.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking account balances, savings account balances, and money market funds that can be liquidated without significant penalty or restriction.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. The allowance for doubtful accounts for accounts receivable at December 31, 2014 and 2013, is $169,397 and $160,451, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an appropriate discount rate commensurate with the rate on U.S. Government bonds whose maturities correspond to the maturities of the contributions and management's estimate of credit risk for each contribution. Amortization of the discount is recognized using the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible pledges and historical trends.

Prepaid Expenses

Prepaid expenses include certain marketing and promotional costs pertaining to future campaigns and are paid in advance and charged to operating expense when the campaign occurs.

Advertising, marketing and promotional costs incurred amounted to $1,254,475 and $1,300,282 for the years ended December 31, 2014 and 2013, respectively.

Property and Equipment

Land, building, equipment, furniture and software are reported at cost at the date of purchase or at estimated fair value at date of gift to the YMCA. The YMCA's policy is to capitalize purchases with a cost of $5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from three to fifteen years for equipment and furniture, five years for software, fifteen years for land improvements and forty years for buildings.

Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The YMCA assesses recoverability of the carrying value of the asset by estimating future net cash flows expected to result from the assets, including eventual disposition. If the future cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its estimated fair value.

Bond Issue Costs and Amortization

Bond issue costs are capitalized and amortized by the straight-line method over the term of the related bond issue. Accumulated amortization at December 31, 2014 and 2013 was $4,247 and $4,248, respectively.

Derivatives

The YMCA utilizes derivative financial instruments to manage its interest rate exposure by reducing the impact of fluctuating interest rates on its debt service requirements. Derivatives are recognized as either assets or liabilities in the statement of financial position at fair value. Changes in the fair value of derivatives are recognized currently in the statement of activities.

Deferred Revenues

Deferred revenue consists of membership dues, unearned revenue from a lease, and advance operational and maintenance costs received from a leasee.

Income from membership dues is deferred initially and recognized over the periods to which the dues relate.

Deferred lease revenue is recognized into income on the straight-line method over the term of the lease.

The reimbursement for operational and maintenance costs relating to a lease is recognized as the actual costs are incurred which is currently expected to represent a term of approximately 15 years.

Grant funds received prior to expenditure are recorded initially as deferred revenue and recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The YMCA qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The YMCA pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2014 and 2013.

The YMCA files U.S. Federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. In addition, the YMCA files a Tennessee state income tax return.

The YMCA follows Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The YMCA has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2011 through 2014. There is no accrual for uncertain tax positions at December 31, 2014 and 2013.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - includes activities carried out to fulfill the YMCA's mission to provide nurturing and healthy development of children, teens, adults, seniors, families and communities.

Supporting Services:

Administrative - relates to the overall direction of the organization. These expenses are not identifiable with a particular program or event or with fundraising, but are indispensable to the conduct of those activities and are essential to the organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing, and other administrative activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supporting Services (Continued)

> Fundraising - includes costs of activities directed toward appeals for financial support including special events and grants. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

The YMCA classifies its financial assets and liabilities based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for financial assets and liabilities:

> Interest rate swaps are measured at fair value on a recurring basis utilizing Level 2 inputs. The YMCA obtains bank quotations to value its interest rate swaps. For purposes of potential valuation adjustments to its derivative positions, the YMCA evaluates the credit risk of its counterparties as well as that of the YMCA.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The carrying value of cash and cash equivalents, accounts and grants receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying value of contributions receivable approximates fair value because of the present value discount included in the carrying amount. Notes payable, bonds payable, and capital lease obligations have a carrying value which approximates the fair value of the outstanding balance of the notes, bonds, and capital lease obligations, respectively. The estimated fair value amounts have been determined by the YMCA using available market information and appropriate valuation methodologies.

No changes in the valuation methodologies were made during 2014 or 2013.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 presentation.

Subsequent Events

The YMCA evaluated subsequent events through May 4, 2015, when these financial statements were available to be issued. Except as discussed in Note 15, YMCA management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

	2014	2013
Cash and cash equivalents	$ 9,871,057	$ 12,661,417
Cash restricted for investment in property and equipment	272,008	856,908
	$ 10,143,065	$ 13,518,325

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Pledges receivable consisted of the following as of December 31:

	2014	2013
Temporarily restricted:		
Less than one year	$ 259,765	$ 1,253,145
One to five years	1,168,980	1,233,437
Five years and greater	-	-
	1,428,745	2,486,582
Less: allowance for uncollectible contributions	(112,194)	(333,251)
Less: discount to net present value	(151,364)	(204,637)
Total	$ 1,165,187	$ 1,948,694

Conditional promises to give that have not been recognized as support consisted of the following at December 31:

	2014	2013
Nelson Andrews Leadership Center Campaign	$ -	$ 200,000

NOTE 4 – LAND HELD FOR SALE

During 2009, the YMCA received a land donation with an estimated fair value of $600,000. Management determined that the YMCA will sell the land and currently lists the property for sale. During 2014, the YMCA recognized an impairment loss of $312,500 which is included within restructuring costs in the accompanying 2014 statement of activities.

During 2011, the YMCA received a land donation with an estimated fair value of $2,000,000. During the same year, the YMCA purchased adjacent land for $1,825,738. During 2013, management determined that the YMCA will sell the land and currently lists the property for sale. In conjunction with the listing, the YMCA recognized an impairment loss of $1,725,738 which is included within restructuring costs in the accompanying 2013 statement of activities.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2014	2013
Land and land improvements	$ 16,371,682	$ 15,428,094
Buildings and improvements	139,673,067	142,289,966
Equipment and furniture	41,554,938	41,578,435
Software	4,024,031	3,653,726
Construction in progress	126,551	170,410
	201,750,269	203,120,631
Less: accumulated depreciation	(77,445,064)	(73,638,527)
	$124,305,205	$129,482,104

Construction-in-progress includes expansions and additions that were underway at December 31, 2014, at certain YMCA centers, as to which the estimated cost to complete these projects was approximately $6,087,000.

NOTE 6 – DEFERRED LEASE REVENUE

In June 2006, the YMCA entered into an agreement with Fifty Forward (a nonprofit organization) for facility use and maintenance. Under the terms of the lease, Fifty Forward has the right to occupy approximately 20% of the space at the Bellevue Family YMCA and J.L. Turner Center for Lifelong Learning for an initial term of 20 years, with four consecutive five-year renewal options. The agreement required an initial advance payment of $2,000,000, of which $1,486,636 was prepaid rent for the entire initial lease term, and $513,364 was a prepayment for estimated operational costs and maintenance for approximately 15 years. The remaining unamortized balance of deferred lease revenue for the Bellevue facility totaled $1,170,665 and $1,250,164 at December 31, 2014 and 2013, respectively. The agreement with Fifty Forward also includes revenue sharing provisions related to certain jointly sponsored programs primarily directed to senior citizens at the Bellevue facility.

NOTE 7 – LINE OF CREDIT

During 2012, the YMCA entered into a line of credit with a financial institution in conjunction with the refinancing of its existing notes and bonds payable (see Note 8). The line of credit matures June 30, 2017 and provides for maximum borrowings of $7,000,000 through June 30, 2013, $10,500,000 through June 30, 2014, and $15,000,000 through June 30, 2017. The agreement requires monthly interest payments calculated at a rate of LIBOR plus 1.30% (1.46% and 1.47% at December 31, 2014, and 2013, respectively) in addition to a fee of 0.25% of the unused principal balance. Outstanding borrowings on the line of credit totaled $5,844,414 and $4,419,724 at December 31, 2014 and 2013, respectively. The line of credit contains restrictive covenants and is secured by a

NOTE 7 – LINE OF CREDIT (Continued)

negative pledge of the YMCA's assets. The YMCA was in compliance with all covenants at December 31, 2014.

NOTE 8 – NOTES AND BONDS PAYABLE

On July 1, 2012, the YMCA entered into an agreement with a financial institution to provide up to $57 million in financing through a guaranty and credit qualified tax exempt loan and up to $15 million in financing (see line of credit discussed in Note 7) through a taxable debt facility. These debt instruments served to refinance substantially all existing debt and provide additional borrowing capacity. The industrial development bond associated with the tax exempt loan was approved by the Davidson County Industrial Development Board on May 8, 2012. The guaranty and credit agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's real property. The YMCA was in compliance with all covenants at December 31, 2014.

Notes and bonds payable consisted of the following at December 31:

		2014	2013
Bonds Payable			
2012 Industrial Revenue Bonds, face value $57,000,000, final maturity date of June 1, 2037. Payments toward principal repayment are due monthly. Interest on the bonds is determined weekly by the Remarketing Agent and ranged from 1.54% - 1.55% in 2014 (1.55% - 1.59% in 2013).	(1)	$ 50,363,237	$ 53,554,286
Notes Payable			
Notes payable on vehicles purchased for employee and program usage. Total monthly payments range from $389 to $667, including interest ranging from 0% to 4.89% per annum. Maturities range through 2018.		90,538	42,982
Total notes and bonds payable		$ 50,453,775	$ 53,597,268

NOTE 8 – NOTES AND BONDS PAYABLE (Continued)

Annual principal maturities and required reimbursement payments of notes and bonds payable as of December 31, 2014, are as follows:

Years Ending December 31;	Notes Payable	2012 Bond Issue	Total
2015	$ 35,722	$ 2,949,177	$ 2,984,899
2016	27,004	3,115,130	3,142,134
2017	22,359	3,250,392	3,272,751
2018	5,453	3,380,408	3,385,861
2019	-	3,515,624	3,515,624
Thereafter	-	34,152,506	34,152,506
	$ 90,538	$ 50,363,237	$ 50,453,775

(1) At December 31, 2014 and 2013, the YMCA had an interest rate swap agreement with SunTrust Bank (the "Bank") in order to lessen exposure to fluctuating interest rates on the Bonds. The interest rate swap is applicable to a scheduled notional amount, which reduces annually each January. Under the agreement, the YMCA makes a monthly interest payment to the Bank equal to a per annum rate of 2.95% times the scheduled annual notional amount ($25,429,869 and $25,277,143 in 2014 and 2013, respectively), and the Bank makes a monthly interest adjustment payment to the YMCA equal to the applicable notional amount times a per annum rate of 77% of LIBOR (0.12% and 0.13% at December 31, 2014 and 2013, respectively).

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The YMCA has received certain federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantors.

During 2001, the YMCA entered into a management agreement with the YMCA of Scottsville and Allen County, Inc. ("Scottsville Center") for the YMCA to oversee the day-to-day operations of the facility. This agreement was renewed during 2010 and expired December 31, 2013. The YMCA determined the Scottsville Center to be a variable interest entity because of beneficial use. As a result, the YMCA included the Scottsville Center land, building and equipment in the YMCA's total assets. However, when the agreement expired December 31, 2013, these assets were transferred to the YMCA of Scottsville and Allen County, Inc. The carrying value of these assets approximated $3.5 million at December 31, 2013. The resulting loss is included within restructuring costs in the accompanying 2013 statement of activities.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

The YMCA maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of December 31, 2014, the YMCA's depositor accounts exceeded FDIC insurance limits by approximately $6,200,000.

Contributions receivable represent concentrations of credit risk to the extent they are receivable from concentrated sources. Contributions receivable from one donor amounted to 81% of total gross outstanding contributions receivable as of December 31, 2014 (three donors comprised 80% of gross outstanding contributions receivable as of December 31, 2013).

NOTE 11 – EMPLOYEE BENEFIT PLANS

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (a separate corporation) (the "Retirement Fund"). This plan is for the benefit of all eligible professional and nonprofessional staff of duly organized and reorganized YMCA's throughout the United States.

Contributions to the plan by employees and employer YMCA's are based on a percentage of the participating employees' salaries and are remitted monthly. Total contributions to the plan by the YMCA of Middle Tennessee, which are included in employee benefits, amounted to $2,262,577 in 2014 and $2,562,280 in 2013.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

NOTE 12 – RELATED PARTY TRANSACTIONS AND RELATED ENTITIES

The YMCA purchases insurance, utilities, contracts for marketing services, law services, construction services and architectural services from entities in which certain Board members are affiliated. The total of such expenditures approximated $921,000 in 2014 and $331,000 in 2013.

The YMCA Foundation of Middle Tennessee (the "YMCA Foundation") was formed to establish a sustaining means of support, using its income primarily for the benefit of the YMCA. The YMCA has representation on the YMCA Foundation's Board of Directors but does not have a majority voting interest. The YMCA Foundation receives donor designated funds and also makes grants to other nonprofit organizations. For the year ended December 31, 2014, the YMCA Foundation paid out total grants of $754,997 ($181,169 in 2013), of which $741,505 ($173,704 in 2013) was paid to the YMCA and included in grant revenues. During the year ended December 31, 2013, the YMCA contributed $292,384 into the YMCA Foundation's endowment fund.

NOTE 12 – RELATED PARTY TRANSACTIONS AND RELATED ENTITIES (Continued)

A condensed summary of financial information of the YMCA Foundation as of and for the years ended December 31, follows:

	2014	2013
Total assets	$ 8,317,785	$ 7,738,497
Total liabilities	55,551	57,267
Net assets	$ 8,262,234	$ 7,681,230
Net assets:		
Unrestricted	$ 7,210,990	$ 6,635,441
Unrestricted – Philanthropic funds	97,527	92,072
Temporarily restricted	953,717	953,717
Total net assets	$ 8,262,234	$ 7,681,230
Total support and revenue, including realized and unrealized gains on investments of $612,742 in 2014 and $1,000,514 in 2013.	$ 1,389,443	$ 1,602,129
Total expenses	$ 808,439	$ 267,425
Resources held for the benefit of the YMCA	$ 8,164,707	$ 7,589,158

NOTE 13 – LEASES

The YMCA is obligated under several noncancelable operating leases for office space, equipment and vehicles that expire at various dates through 2023. Total rental expense incurred under these leases for the years ended December 31, 2014 and 2013, amounted to: office space - $1,091,386 and $1,082,571, respectively; equipment - $171,405 and $226,058, respectively; and vehicles - $82,168 and $110,409, respectively.

The YMCA has also entered into several noncancelable capital leases for equipment that expire at various dates through 2019. Total capital lease payments made under these leases for the years ended December 31, 2014 and 2013 amounted to $4,339,735 and $3,286,514, including $90,837 and $109,294 of imputed interest, respectively.

NOTE 13 – LEASES (Continued)

Assets recorded under capital leases are included in property, plant and equipment and consisted of the following at December 31:

	2014	2013
Cost	$ 3,020,324	$ 6,991,438
Accumulated depreciation	(1,006,775)	(2,101,898)
Net book value	$ 2,013,549	$ 4,889,540

Future minimum lease payments required under all noncancelable leases as of December 31, 2014, are:

	Operating Leases				Capital Leases
	Office	Equipment	Vehicles	Total	Equipment
Years Ending December 31:					
2015	$ 775,112	$ 186,608	$ 6,582	$ 968,302	$ 981,600
2016	740,638	186,608	6,582	933,828	981,600
2017	756,371	108,855	1,646	866,872	247,997
2018	465,307	-	-	465,307	181,305
2019	320,000	-	-	320,000	15,110
Thereafter	1,280,000	-	-	1,280,000	-
	$ 4,337,428	$ 482,071	$ 14,810	$ 4,834,309	$ 2,407,612
Less: interest imputed at rates ranging from 1.20% to 4.23%					82,303
Present value of future minimum lease payments					$ 2,325,309

NOTE 14 – RESTRUCTURING COSTS

During 2013, YMCA staff and a volunteer task force completed a center sustainability review with the objective of maintaining service and ensuring the long-term fiscal stability of the YMCA. The decision was made to cease current operations at three subsidized YMCA centers (Cool Springs effective September 30, 2013, and Maury County and Oakwood Commons effective December 31, 2013). The Scottsville Center management agreement expired December 31, 2013 and was not renewed. Additionally, land held in Mt. Juliet was listed for sale. Land, building, and equipment at the Maury County location with a net depreciated value of $3,184,267 was deeded to a successor not-for-profit entity effective January 1, 2014. The assets of the Scottsville Center with a net depreciated value of $3,447,319 were transferred out at December 31, 2013 (See note 9). Property and equipment at Oakwood Commons and Cool Springs with a depreciated value of $38,381 were disposed in connection with the restructuring. An impairment loss totaling $1,725,738 was

NOTE 14 – RESTRUCTURING COSTS (Continued)

recognized to record the Mt. Juliet land at the current listing price. The net depreciated values of the subsidized YMCA centers and the Scottsville center are included in restructuring costs in the statement of activities for the year ended December 31, 2013. Additionally, the Cool Springs and Oakwood Commons facilities were leased under multiple year operating lease agreements. As a result, the YMCA recognized $1,524,787 in restructuring costs to accrue future lease payments. Additional costs of $430,878 were incurred related to severance, refunds, and other related costs.

The following table summarizes the financial impact of ceasing operations at the centers for the year ended December 31, 2013.

Property and equipment carrying value	$ 6,669,967
Impairment on Mt. Juliet property	1,725,738
Future operating lease payments (Oakwood Commons and Cool Springs)	1,524,787
Employee severance and other expenses	430,878
Total	$ 10,351,370

The accompanying 2013 financial statements include an accrual for the expected costs of ceasing operations at the centers of $1,803,442 to be paid in future years.

During 2014, the YMCA entered into an agreement to sell certain assets comprising the Putnam County Family YMCA to the Upper Cumberland Family YMCA ("Upper Cumberland") for $496,500. Property and equipment at this facility with a depreciated value of $2,115,375 were disposed in connection with the restructuring. Additionally during 2014, the YMCA's lease for the Mt. Juliet Family YMCA facility was not renewed and the center closed. Property and equipment at this facility with a depreciated value of $16,902 were disposed in connection with this closure.

The following table summarizes the financial impact of ceasing operations at the centers for the year ended December 31, 2014.

Impairment charge for Mt. Juliet land	$ 312,500
Loss on disposal of property and equipment, Upper Cumberland and Mt. Juliet	1,799,680
Employee severance and other expenses	185,262
Total	$ 2,297,442

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the YMCA entered into sublease agreements for the facilities previously occupied by the Cool Springs and Oakwood Commons facilities. Under terms of the agreements, the YMCA expects to receive approximately $825,000 through the year ending December 31, 2018 to offset related accruals recorded during the 2013 restructure (see Note 14).

Additionally subsequent to December 31, 2014, the YMCA announced the closure of three additional subsidized YMCA facilities.