stockman kast ryan + co LLP

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION

AND

YMCA FOUNDATION OF THE PIKES PEAK REGION

Consolidated Financial Statements

For the Year Ended December 31, 2010

And

Independent Auditors' Report

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

TABLE OF CONTENTS

stockman kast ryan + co
LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Young Men's Christian Association of the Pikes Peak Region

We have audited the accompanying consolidated statement of financial position of Young Men's Christian Association of the Pikes Peak Region and YMCA Foundation of the Pikes Peak Region (collectively, the Organization) as of December 31, 2010 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and in our report dated May 18, 2010 we expressed an unqualified opinion on those financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2010 and the change in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Stockman Kast Ryan + Co., LLP

May 17, 2011

Certified Public Accountants and Business Advisors | 102 N. Cascade Avenue, Suite 400, Colorado Springs, CO 80903
www.skrco.com
telephone: (719) 630-1186
facsimile: (719) 630-1187

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010 (with comparative totals for 2009)

	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009 Total
ASSETS					
Cash and cash equivalents	$ 1,382,001	$ 217,325	$ 16,920	$ 1,616,246	$ 189,691
Restricted cash					2,045,654
Accounts receivable	85,393			85,393	79,836
Promises to give, net		155,348		155,348	909,365
Investments	1,312,190	1,018	186,615	1,499,823	1,399,784
Prepaid expenses and other	237,509			237,509	316,152
Contributions receivable from trusts		176,000		176,000	162,000
Beneficial interest in trusts			1,227,000	1,227,000	1,160,000
Bond issuance costs, net	181,843			181,843	193,209
Land held for sale	1,200,000			1,200,000	
Property and equipment, net	40,928,004		257,759	41,185,763	43,195,533
TOTAL ASSETS	$ 45,326,940	$ 549,691	$ 1,688,294	$ 47,564,925	$ 49,651,224
LIABILITIES AND NET ASSETS					
Accounts payable	$ 468,074			$ 468,074	$ 442,191
Accrued expenses	807,939			807,939	799,637
Deferred revenue	609,271			609,271	742,592
Charitable gift annuity	712,070			712,070	767,883
Interest rate swap agreement	542,173			542,173	441,659
Notes payable	284,657			284,657	230,000
Bonds payable	17,644,000			17,644,000	17,639,250
TOTAL LIABILITIES	21,068,184	$ —	$ —	21,068,184	21,063,212
NET ASSETS					
Unrestricted	24,258,756			24,258,756	24,584,733
Temporarily restricted		549,691		549,691	2,412,108
Permanently restricted			1,688,294	1,688,294	1,591,171
Total net assets	24,258,756	549,691	1,688,294	26,496,741	28,588,012
TOTAL LIABILITIES AND NET ASSETS	$ 45,326,940	$ 549,691	$ 1,688,294	$ 47,564,925	$ 49,651,224

See notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010 (with comparative totals for 2009)

	2010				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2009 Total
PUBLIC SUPPORT AND REVENUE					
Contributions	$ 1,514,402	$ 17,482	$ 25,000	$ 1,556,884	$ 2,049,494
Special events, net of expenses of 71,323 and 56,744 in 2010 and 2009, respectively	112,712			112,712	73,915
Total public support	1,627,114	17,482	25,000	1,669,596	2,123,409
Memberships	11,547,904			11,547,904	11,503,480
Program service fees	3,195,177	8,586		3,203,763	3,525,987
Rental income	247,806			247,806	169,058
Investment income	114,744			114,744	167,701
Change in value of split interest agreements	21,639		67,000	88,639	121,719
Merchandise sales	52,239			52,239	53,565
Gain (loss) on interest rate swap agreement	(100,514)			(100,514)	224,774
Impairment loss on land held for sale	(1,272,000)			(1,272,000)	
Other	173,804			173,804	440,844
Total revenue	13,980,799	8,586	67,000	14,056,385	16,207,128
Net assets released from restrictions	1,883,362	(1,888,485)	5,123		
Total revenue and public support	17,491,275	(1,862,417)	97,123	15,725,981	18,330,537
EXPENSES					
Program services	15,367,712			15,367,712	15,904,669
General and administrative	2,371,847			2,371,847	2,265,837
Fundraising	77,693			77,693	103,658
Total expenses	17,817,252	—	—	17,817,252	18,274,164
CHANGE IN NET ASSETS BEFORE EXTRAORDINARY ITEM	(325,977)	(1,862,417)	97,123	(2,091,271)	56,373
Extraordinary gain					211,363
CHANGE IN NET ASSETS	(325,977)	(1,862,417)	97,123	(2,091,271)	267,736
NET ASSETS, Beginning of year	24,584,733	2,412,108	1,591,171	28,588,012	28,320,276
NET ASSETS, End of period	$ 24,258,756	$ 549,691	$ 1,688,294	$ 26,496,741	$ 28,588,012

See notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2010

	2010														
	Program Services											Supporting Services			
	Briargate Program	Tri-Lakes Program	Downtown Program	Southeast Program	Garden Ranch Program	Childcare	Camp Program	Meridian Ranch Program	Cordera Program	Fountain Program	Total	General and Administrative	Fund Raising	Total	2009 Total
PAYROLL EXPENSE															
Salaries	$ 1,362,375	$ 944,678	$ 1,187,315	$ 1,075,928	$ 965,097	$ 694,681	$ 265,062	$ 271,948	$ 196,775	$ 157,424	$ 7,121,283	$ 1,440,002		$ 8,561,285	$ 8,947,139
Employee benefits	144,369	101,814	169,669	116,578	122,015	71,157	24,364	18,643	15,428	25,273	809,310	178,588		987,898	1,103,459
Payroll taxes	127,263	85,331	110,473	99,523	86,971	63,891	29,476	24,930	18,536	14,111	660,505	113,939		774,444	793,828
Total	1,634,007	1,131,823	1,467,457	1,292,029	1,174,083	829,729	318,902	315,521	230,739	196,808	8,591,098	1,732,529	-	10,323,627	10,844,426
OPERATING EXPENSE															
Occupancy	465,609	407,210	544,097	511,042	359,333	106,807	118,217	12,788	10,573	95	2,535,771	61,604		2,597,375	2,524,626
Supplies	130,963	65,194	156,336	59,115	59,147	47,751	158,653	34,904	13,838	24,062	749,963	85,212		835,175	828,794
Contractual services	60,560	46,013	36,038	32,620	28,308	15,076	16,765	8,173	1,442	11,596	256,591	208,982		465,573	487,766
Insurance	48,744	34,893	51,327	36,893	33,302	6,874	44,226	4,126	1,400	3,153	264,938	15,074		280,012	283,300
Organization dues	39,439	33,662	35,682	20,922	23,830	11,604	7,211	1,246	3,285	1,927	178,808	17,339		196,147	204,500
Printing, publications and promotions	48,199	31,850	31,355	23,902	23,503	23,031	12,004	3,295	738	3,258	201,135	(29,904)		171,231	198,637
Education, conferences and training	23,193	9,296	17,714	13,271	13,637	4,233	5,816	3,770	2,586	590	94,106	66,847		160,953	146,801
Telephone	15,371	15,818	14,789	22,986	13,644	10,297	8,921	2,272	513	4,458	109,069	46,068		155,137	129,655
Travel and transportation	6,662	5,412	2,218	7,484	3,321	21,579	33,516	1,864	916	2,471	85,443	38,194		123,637	120,061
Fundraising expense											-		77,693	77,693	103,658
Equipment maintenance	16,497	1,285	12,985	3,808	4,131		550	5,495		434	45,185	14,894		60,079	25,643
Postage and shipping	2,236	3,111	2,336	1,889	2,813	1,045	965	81	3	227	14,706	5,669		20,375	21,917
Miscellaneous	18	57	1,124	(34)	(125)	45	981	(2)		15	2,079	14,716		16,795	37,850
Total operating expense	857,491	653,801	906,001	733,898	564,844	248,342	407,825	78,012	35,294	52,286	4,537,794	544,695	77,693	5,160,182	5,113,208
Total expenses before interest, depreciation and amortization	2,491,498	1,785,624	2,373,458	2,025,927	1,738,927	1,078,071	726,727	393,533	266,033	249,094	13,128,892	2,277,224	77,693	15,483,809	15,957,634
Depreciation and amortization	279,076	585,471	200,881	317,242	166,488		116,543			238	1,665,939	52,408		1,718,347	1,735,751
Interest	72,393	360,211	21,201	40,758	50,027		28,291				572,881	42,215		615,096	580,779
Total expenses	$ 2,842,967	$ 2,731,306	$ 2,595,540	$ 2,383,927	$ 1,955,442	$ 1,078,071	$ 871,561	$ 393,533	$ 266,033	$ 249,332	$ 15,367,712	$ 2,371,847	$ 77,693	$ 17,817,252	
Total expenses - 2009	$ 3,142,774	$ 3,099,831	$ 3,116,965	$ 2,735,302	$ 2,001,991	$ 17,493	$ 795,209	$ 382,039	$ 255,749	$ 357,316	$ 15,904,669	$ 2,265,837	$ 103,658		$ 18,274,164

See notes to financial statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE PIKES PEAK REGION AND YMCA FOUNDATION OF THE PIKES PEAK REGION

CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2010 (with comparative totals for 2009)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,091,271)	$ 267,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,718,347	1,735,751
Provision for uncollectible promises to give	(151,850)	(32,500)
Amortization of discount on promises to give	(40,500)	(242,000)
Other	(20,470)	(11,075)
Net realized and unrealized gains on investments	(67,675)	(139,577)
(Gain) loss on interest rate swap	100,514	(224,774)
Impairment loss on land held for sale	1,272,000	
Change in value of split interest agreement	(88,639)	(121,719)
Change in operating assets and liabilities:		
Accounts receivable	(5,557)	22,960
Prepaid expenses and other	78,643	4,550
Accounts payable and accrued expenses	34,185	119,410
Deferred revenue	(133,321)	(241,540)
Net cash provided by operating activities	604,406	1,137,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	109,973	1,117,832
Proceeds on sale of property and equipment	6,500	15,468
Purchase of investments	(142,337)	(1,356,018)
Purchase of property and equipment	(2,164,491)	(1,817,804)
Net decrease in restricted cash and cash held for construction	2,045,654	(195,350)
Net cash used in investing activities	(144,701)	(2,235,872)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of promissory note	172,898	184,397
Collections of contributions restricted for long-term purposes	946,367	523,158
Payments on gift annuity	(34,174)	(32,033)
Principal payments on promissory note	(118,241)	(69,623)
Net cash provided by investing activities	966,850	605,899
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,426,555	(492,751)
CASH AND CASH EQUIVALENTS, Beginning of year	189,691	682,442
CASH AND CASH EQUIVALENTS, End of year	$ 1,616,246	$ 189,691

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	$ 603,948	$ 580,779

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Young Men's Christian Association of the Pikes Peak Region's (YMCA) purpose and objectives are to operate institutions exclusively for religious, charitable, scientific and educational purposes, including the rehabilitation and welfare of youth and to establish and maintain a fellowship of individuals and families of all faiths. Including helping persons develop Christian personalities and to aid in building a Christian society through the improvement of physical, mental, social, moral and educational conditions of persons who participate in YMCA programs and the community served by the YMCA. The YMCA currently has nine centers operating out of six facilities (including Camp Shadybrook) serving individuals in the Colorado Springs and surrounding El Paso County area.

The YMCA Foundation of the Pikes Peak Region (Foundation) was established in 2008 as a supporting organization of the YMCA.

Principles of Consolidation — The consolidated financial statements include the accounts of the YMCA and the Foundation (collectively referred to as the Organization). The Foundation is consolidated since the YMCA has both an economic interest in and control over the Foundation. All material interorganization transactions have been eliminated.

Basis of Presentation — The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Cash and Cash Equivalents — For purposes of the statement of cash flows, the Organization considers cash, amounts due from banks and highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

Accounts Receivable — Accounts receivable relate to amounts due for various services. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. At December 31, 2010 and 2009 no allowance had been recorded on the accounts receivable.

Promises to Give — Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected within one year and at the present value of estimated future cash flows if expected to be collected in more than one year. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments — Investments are recorded at fair value, with realized and unrealized gains and losses included as unrestricted revenue in the consolidated statements of activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Donated investments are recorded at fair value on the date of donation. Fair values for mutual funds and common stocks are determined principally through quoted market prices. Fair values for fixed income securities are determined principally through pricing services.

Property and Equipment — Property and equipment are stated at cost or, if donated, at the fair market value at the date of the donation. Acquisitions of property and equipment in excess of $3,000 and having a useful life exceeding one year and expenditures, repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of ten to fifty years for buildings and improvements and three to twenty-five years for furniture, fixtures and equipment.

Contributions — Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor-stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and is reported as contribution revenue.

Donation of long-lived assets — The Organization has recorded donations of the use of long-lived assets in which the donor retains legal title as contribution revenue in the period in which the contribution or promise to give is received and expenses in the period in which the contribution or promise to give is received and expenses in the period the long-lived assets are used. The Organization has adopted a policy of not implying a time restriction and has recorded donated assets as increases in unrestricted net assets

Income Tax Status — The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization believes that it does not have any uncertain tax positions that are material to the financial statements.

Revenue Recognition— Income from membership dues is deferred and recognized over the periods to which the dues relate.

Functional Allocation of Expense — The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The consolidated statements of functional expenses provide a detail of the natural classifications of those functional expenses.

Marketing — The Organization expenses marketing costs as they are incurred. Total marketing expenses for 2010 and 2009 were $191,032 and $218,470, respectively.

Use of Estimates — The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through May 17, 2011, the date the financial statements were available for issuance.

2. PROMISES TO GIVE

The Organization instituted capital campaigns to raise funds to build new facilities and improve existing facilities in the Briargate, Southeast, Camp Shadybrook and Tri-Lakes areas of the Pikes Peak Region. Cash and promises to give raised through the capital campaign are restricted to payment of costs related to the facilities and campaign costs. Those restrictions are deemed to expire as payments are made. Discounts on future promises to give are recorded at a discount rate of 5.25%.

Unconditional promises to give are as follows at December 31:

	2010	**2009**
Net unconditional promises to give:		
Due in less than one year	$ 126,895	$ 702,972
Due in one to five years	127,103	497,393
Total	253,998	1,200,365
Allowance for uncollectable amounts	(78,150)	(230,000)
Unamortized discount	(20,500)	(61,000)
Total	$ 155,348	$ 909,365

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2010	2009
Land	$ 5,203,026	$ 7,675,026
Buildings and improvements	48,652,730	46,594,069
Furniture and equipment	4,705,959	4,235,834
Construction in progress	261,719	656,573
Total	58,823,434	59,161,502
Less accumulated depreciation	17,637,671	15,965,969
Net property and equipment	$ 41,185,763	$ 43,195,533

Included in buildings and improvements is $4,600,000 paid by the City of Colorado Springs for the aquatics portion of the Southeast facility. Under the terms of the contribution the City will retain title for 25 years at which time the Organization will receive title. However, the Organization has unrestricted use of the aquatics facilities and is responsible for its operation and management.

4. BENEFICIAL INTEREST IN TRUSTS

The Organization is the beneficiary of various irrevocable, perpetual trusts held and administered by third parties. Under the terms of the trust agreements, the Organization is to receive a stated percentage of the interest earned on the corpus of the trust assets in perpetuity for its unrestricted use. The Organization's share of the assets held in the trusts totaled $1,227,000 and $1,160,000 as of December 31, 2010 and 2009, respectively, and are reported at fair value and included in permanently restricted net assets in the Organization's consolidated statement of financial position. Fair value in the trusts is determined primarily based in the Organization's proportionate share of the fair value of the underlying assets of the trusts. Fair value of the underlying assets is determined using quoted market prices and pricing services.

The Organization is also the beneficiary of two charitable remainder trusts. A charitable remainder trusts provide for payment of distributions to the grantor or other beneficiaries over the trusts term. At the end of the trusts term, the remaining assets are available to the Organization's use. Assets held in the charitable remainder trusts totaled $176,000 and $162,000 at December 31, 2010 and 2009, respectively, and are reported at fair value in the statement of financial position as temporarily restricted net asset.

5. CHARITABLE GIFT ANNUITY

The Organization entered into a charitable gift annuity under which the Organization obtained ownership of land and a building, valued at $1,260,000 with the Organization obligated to pay the donor monthly payments of $6,300 for as long as the donor lives. A liability was recorded for the present value of future payments over the donor's estimated remaining life expectancy, using a discount rate of 6%.

6. NOTES PAYABLE

Notes payable consist of the following at December 31:

	2010	2009
Note payable to an individual, payable in monthly installments of $1,080, including interest at 9.0%, due June 2018, secured by land.	$ 70,475	$ 76,777
Note payable to a financing company, payable in monthly installments of $455, including interest at 4.9%, due October 2013, secured by a vehicle.	13,632	18,307
Notes payable to a vendor for equipment, payable in monthly installments of $10,120, including interest at 5.5% to 7.4%, due December 2010 through 2013, secured by equipment.	200,550	134,916
Total	$ 284,657	$ 230,000

Required annual minimum principal payments on the above notes are as follows:

2011	$ 133,216
2012	76,381
2013	27,265
2014	9,020
2015	9,867
Thereafter	28,908
Total	$ 284,657

7. BONDS PAYABLE

Bonds payable consist of the following at December 31:

	2010	2009
Bonds payable	$ 17,720,000	$ 17,720,000
Less unamortized discount	76,000	80,750
Bonds payable, net	$ 17,644,000	$ 17,639,250

On December 26, 2006, El Paso County, Colorado (the County) issued $19,000,000 of Colorado Variable Rate Demand Revenue Bonds (the Bonds), the proceeds of which were loaned to the Organization. The Bonds mature on December 31, 2025. An additional $16,000,000 of 2006 bonds is available to be issued in the future, if the Organization proceeds with development of new facilities.

The Bonds were issued to finance the costs of: 1) acquiring, constructing, completing and equipping real and personal property in connection with the construction of the Tri-Lakes facility and to finance additional improvements and renovations to other facilities; 2) refinancing the Issuer's outstanding Variable Rate Demand Revenue Bonds, Series 2002; and 3) paying certain costs of issuance relating to the Bonds. The County issued the Bonds under an Indenture of Trust between the County and Wells Fargo Bank West, National Association (Wells Fargo), the Trustee. Payment of principal and interest on the Bonds, and purchase price of the Bonds upon optional and mandatory tender, are secured by an irrevocable direct-pay Letter of Credit from Wells Fargo in the amount of $10,503,713. Repayments of advances on the Letter of Credit are made according to the terms of the Reimbursement Agreement with Wells Fargo.

The bonds bear interest at a weekly interest rate determined by the Remarketing Agent (effective rate at December 31, 2010 is .33%) payable on the first business day of each March, June, September and December.

The Letter of Credit is secured by the Organization's real property and improvements. Under the Indenture of Trust and the Mortgage and Loan Agreement, quarterly the Organization shall deposit into the Bond Principal Fund, an amount equal to one-forth of the annual principal reduction coming due on the immediately succeeding December 1 (whether at maturity or upon a sinking fund redemption) and into the Bond Interest Fund on the business day next preceding each interest payment date, an amount equal to the interest coming due on the Bonds on the immediately succeeding interest payment date.

The loan agreement under the bonds payable and the related reimbursement agreement under letters of credit contain certain restrictive covenants including limitations on new indebtedness, disposals of assets or investments, and a minimum ratio of net income available for debt service to current debt expense. As of December 31, 2010 the Organization was in compliance with these covenants.

The Organization has interest rate swap agreements outstanding for the purpose of hedging the risk of interest rate fluctuations associated with the bonds payable, not for speculation. In June 2003, the Organization entered into an interest rate swap agreement associated with its Variable Rate Demand Obligation Bonds, Series 2002. This interest rate swap agreement ended on July 12, 2010 and was replaced with a new agreement. Pursuant to the new agreement, the Organization pays a rate of 2.67% on the outstanding balance of the bonds and receives interest at the Bond Market Association (BMA) municipal swap index rate. The swap matures July 1, 2020. In December 2007, the Organization entered into an interest rate swap agreement associated with its Variable Rate Demand Obligation Bond fixed, which mature December 1, 2017. Pursuant to the agreement, the Organization pays a rate of 3.74% on the outstanding balance of the bonds and receives interest at the BMA index rate. The Organization recorded an unrealized gain (loss) of $(100,513) and $224,774 due to changes in the fair value of the interest swap agreements during the years ended December 31, 2010 and 2009, respectively.

Amounts required to be deposited into the Bond Principal Fund are as follows:

2011	$ 655,000
2012	695,000
2013	725,000
2014	760,000
2015	790,000
Thereafter	14,095,000
Total	$ 17,720,000

8. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2: Prices determined using significant other observable inputs. Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Prices determined using significant unobservable inputs. The methodology is to record these amounts as fair value are:

- Discounted cash flows based on information received from the counterparty.

The investment'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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by Level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of December 31:

	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
2010:				
ASSETS				
INVESTMENTS				
Bond mutual funds:				
Domestic	$ 360,498	$ 360,498		
International	39,251	39,251		
Corporate stocks:				
Domestic	188,004	188,004		
International	39,378	39,378		
Mixed strategy mutual funds	209,040		$ 209,040	
Equity mutual funds:				
Domestic	119,454	119,454		
International	62,893	62,893		

Corporate bonds	143,894		143,894	
Other investments:				
REIT's and other mutual funds	103,872		103,872	
Preferred securities	13,495	13,495		
Government securities	10,044	10,044		
Total investments	1,289,823	833,017	456,806	—
OTHER ASSETS				
Contributions receivable from trusts	176,000		176,000	
Beneficial interest in perpetual trusts	1,227,000		1,227,000	
Total	$ 2,692,823	$ 833,017	$ 1,859,806	$ —
LIABILITIES				
Interest rate swap agreement	$ 542,173			$ 542,173
Charitable gift annuity	712,070		$ 712,070	
Total	$ 1,254,243	$ —	$ 712,070	$ 542,173
2009:				
ASSETS				
INVESTMENTS				
Bond mutual funds	$ 444,067	$ 444,067		
Equity mutual funds	324,998	324,998		
Corporate stocks	201,421	201,421		
Corporate bonds	119,577		$ 119,577	
Other investments	53,346	53,346		
Government securities	46,375		46,375	
Total investments	1,189,784	1,023,832	165,952	—
OTHER ASSETS				
Beneficial interest in trusts	1,160,000		1,160,000	
Contributions receivable from trusts	162,000		162,000	
Total	$ 2,511,784	$ 1,023,832	$ 1,487,952	$ —
LIABILITIES				
Interest rate swap agreement	$ 441,659			$ 441,659
Charitable gift annuity	767,883		$ 767,883	
Total	$ 1,209,542	$ —	$ 767,883	$ 441,659

Activity relating to liabilities measured on a recurring basis using significant unobservable inputs (Level 3) is summarized below:

Interest rate swap agreements, January 1, 2009	$ 666,433
Change in value recognized as a gain	(224,774)
Interest rate swap agreements, December 31, 2009	441,659
Change in value recognized as a loss	100,514
Interest rate swap agreements, December 31, 2010	$ 542,173

Included in investments are water rights which are carried at cost of $210,000 at December 31, 2010 and 2009. The water rights consist of 143.2 shares of Mountain Mutual Reservoir Company purchased by the Organization to help insure a water supply for Camp Shadybrook and the shares are not publicly traded.

Investment income consists of the following for the years ended December 31:

	2010	2009
Net realized and unrealized gains	$ 67,675	$ 139,577
Interest and dividends	47,069	28,124
Total	$ 114,744	$ 167,701

9. BOARD DESIGNATED UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of the Organization to review its plans for future needs and to designate appropriate sums to assure adequate financing for the needs identified. Amounts designated by the Board of Directors for specific future needs are treated as board designated unrestricted net assets. The balance can be transferred to the undesignated portion of unrestricted net assets at the Board's discretion. Board designated amounts included in unrestricted net assets as of December 31, 2010 are as follows:

Designated for:	
Endowment funds	$ 826,823
Future maintenance	324,000
Future building improvements	299,814
Health and dental plans	204,019
Technology	138,780
Future equipment purchases	120,000
Unemployment	102,626
Use in specific programs	55,000
Future vehicle purchases	6,500
Total	$ 2,077,562

10. RESTRICTIONS ON NET ASSETS

Restricted net assets are available for the following purposes:

Temporarily Restricted:	
Time reserved promises to give	$ 155,348
Organization programs	218,343
Organization's share of charitable trusts receivable	176,000
Total temporarily restricted net assets	$ 549,691

Permanently Restricted:	
Beneficial interest in perpetual trusts	$ 1,227,000
Land for Briargate facility	257,759
Military program endowment fund	122,549
Organization endowment fund	43,986
Parson teen and youth endowment fund	25,000
Berwick memorial endowment fund	12,000
Total permanently restricted net assets	$ 1,688,294

11. ENDOWMENT FUNDS

The Organization's "endowment fund" has been designated by the Board of Directors to function as an endowment. There are no donor imposed restrictions on the endowment fund; accordingly the endowment fund assets are classified as unrestricted net assets in the accompanying Statement of Financial Position.

The Organization has adopted investment and spending policies for the endowment funds that attempt to maintain the purchasing power of the endowment assets. Specifically the primary investment management objectives of the endowment funds are to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

To satisfy it's long-term investment objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield interest and dividends. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The Organization had the following endowment funds related activities:

Endowment funds balance, January 1, 2009	$ 545,710
Investment return	104,739
Amounts expended	(18,587)
Endowment funds balance, December 31, 2009	631,862
Investment return	87,149
Additions to endowment fund	127,595
Amounts expended	(19,783)
Endowment funds balance, December 31, 2010	$ 826,823

12. DONATED SERVICES, FACILITIES AND MATERIALS

The Organization recognizes donated services as contributions if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed materials are recorded in the financial statements at their estimated fair value on the date of receipt.

A school district has provided local school facilities for use in YMCA programs at no charge to the Organization. No value has been placed on this donation of space and accordingly no contribution or expense is recorded because management does not believe it to have material amount.

In addition, a substantial number of volunteers have donated significant amounts of their time in the Organization's fundraising and membership development programs. These donated services are not reflected in the accompanying financial statements since they do not meet the criteria for recognition under Generally Accepted Accounting Standards.

13. COMMITMENTS AND CONTINGENCIES

The Organization is primarily self-insured for health costs and believes adequate accruals are maintained to cover the retained liability. The accrual for self-insurance liabilities are determined by management are based on claims filed and an estimate of material claims incurred but not yet reported and are not discounted. The Organization maintains third-party stop-loss insurance policies to cover health costs in excess of $20,000 per employee in each year.

14. RETIREMENT PLAN

The Organization participates in a defined contribution retirement plan sponsored by the National Organization of YMCAs, which covers all employees who meet the eligibility requirements as stated in the plan. Retirement contributions at 12% of eligible compensation were $563,159 in 2010.

15. CONCENTRATIONS OF CREDIT RISK

The Organization has various money market accounts with brokerage firms in the amount of $724,674 which are not insured. The Organization has not experienced any losses in such accounts.

The Organization has significant investments in mutual funds, common stock, and corporate debt securities and is, therefore, subject to concentrations of credit risk. Investments are made by investment managers engaged by the Organization and the investments are monitored by the Organization. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization.

16. EXTRAORDINARY GAIN

During the year ended December 31, 2009, the Organization's campground, Camp Shadybrook, experienced significant flood damage. Claims were filed with the Organization's insurance company. The payments on these claims exceeded the Organization's cost to repair the damage. Accordingly, this gain has been recorded as an extraordinary item in the Organization's Statement of Activities.