

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

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CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009



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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Trustees  
Young Men's Christian Association  
of South Palm Beach County, Inc.

We have audited the accompanying consolidated statements of financial position of Young Men's Christian Association of South Palm Beach County, Inc. (the "YMCA") as of December 31, 2010 and 2009 and the related consolidated statements of activities, cash flows and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the YMCA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Young Men's Christian Association of South Palm Beach County, Inc. as of December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Morrison, Brown, Argiz & Farra*

Boca Raton, Florida  
July 22, 2011

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

**ASSETS**

	<u>2010</u>			<u>2009</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,708,399	\$ -	\$ 1,708,399	\$ 1,542,475	\$ -	\$ 1,542,475
Receivables:						
Unconditional promises to give, net	64,149	486,787	550,936	66,134	210,757	276,891
Other receivables, net	120,016	-	120,016	84,145	-	84,145
Beneficial interest in irrevocable trusts	-	1,409,479	1,409,479	-	1,301,286	1,301,286
Prepaid expenses	250,093	-	250,093	251,176	-	251,176
Property and equipment, net	15,582,010	-	15,582,010	16,080,855	-	16,080,855
Bond financing costs, net	263,404	-	263,404	274,632	-	274,632
<b>TOTAL ASSETS</b>	<b><u>\$ 17,988,071</u></b>	<b><u>\$ 1,896,266</u></b>	<b><u>\$ 19,884,337</u></b>	<b><u>\$ 18,299,417</u></b>	<b><u>\$ 1,512,043</u></b>	<b><u>\$ 19,811,460</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 240,509	\$ -	\$ 240,509	\$ 269,061	\$ -	\$ 269,061
Deferred revenue	626,806	-	626,806	650,442	-	650,442
Bonds payable	9,430,000	-	9,430,000	9,720,000	-	9,720,000
Fair value of interest rate swap	894,474	-	894,474	737,053	-	737,053
<b>TOTAL LIABILITIES</b>	<b><u>11,191,789</u></b>	<b><u>-</u></b>	<b><u>11,191,789</u></b>	<b><u>11,376,556</u></b>	<b><u>-</u></b>	<b><u>11,376,556</u></b>
<b>NET ASSETS</b>						
Unrestricted	6,796,282	-	6,796,282	6,922,861	-	6,922,861
Temporarily restricted	-	1,896,266	1,896,266	-	1,512,043	1,512,043
<b>TOTAL NET ASSETS</b>	<b><u>6,796,282</u></b>	<b><u>1,896,266</u></b>	<b><u>8,692,548</u></b>	<b><u>6,922,861</u></b>	<b><u>1,512,043</u></b>	<b><u>8,434,904</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 17,988,071</u></b>	<b><u>\$ 1,896,266</u></b>	<b><u>\$ 19,884,337</u></b>	<b><u>\$ 18,299,417</u></b>	<b><u>\$ 1,512,043</u></b>	<b><u>\$ 19,811,460</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

CONSOLIDATED STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31,

	<b>2010</b>			<b>2009</b>		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT:</b>						
Contributions, net of change in present value of (\$119,800) and \$523,783 for the years ended December 31, 2010 and 2009, respectively	\$ 661,041	\$ 460,709	\$ 1,121,750	\$ 425,064	\$ 164,308	\$ 589,372
Special events, net	35,863	-	35,863	29,532	-	29,532
Government and other grants	310,516	-	310,516	458,574	-	458,574
Membership dues	3,809,132	-	3,809,132	3,293,154	-	3,293,154
Program and service fees	3,675,441	-	3,675,441	3,124,475	-	3,124,475
Other revenue, net	104,277	-	104,277	112,505	-	112,505
Interest income	5,099	-	5,099	751	-	751
Net assets released from capital campaign restrictions	<u>76,486</u>	<u>(76,486)</u>	<u>-</u>	<u>360,701</u>	<u>(360,701)</u>	<u>-</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b><u>8,677,855</u></b>	<b><u>384,223</u></b>	<b><u>9,062,078</u></b>	<b><u>7,804,756</u></b>	<b><u>(196,393)</u></b>	<b><u>7,608,363</u></b>
<b>EXPENSES:</b>						
Program services:						
Membership and program services	4,786,708	-	4,786,708	4,866,290	-	4,866,290
Youth development	<u>2,808,303</u>	<u>-</u>	<u>2,808,303</u>	<u>2,687,002</u>	<u>-</u>	<u>2,687,002</u>
<b>Total Program services</b>	<b><u>7,595,011</u></b>	<b><u>-</u></b>	<b><u>7,595,011</u></b>	<b><u>7,553,292</u></b>	<b><u>-</u></b>	<b><u>7,553,292</u></b>
Supporting services:						
Management and general	843,171	-	843,171	657,106	-	657,106
Fund raising	<u>208,831</u>	<u>-</u>	<u>208,831</u>	<u>217,480</u>	<u>-</u>	<u>217,480</u>
<b>Total Supporting services</b>	<b><u>1,052,002</u></b>	<b><u>-</u></b>	<b><u>1,052,002</u></b>	<b><u>874,586</u></b>	<b><u>-</u></b>	<b><u>874,586</u></b>
<b>TOTAL EXPENSES BEFORE INTEREST RATE SWAP EXPENSE</b>	<b><u>8,647,013</u></b>	<b><u>-</u></b>	<b><u>8,647,013</u></b>	<b><u>8,427,878</u></b>	<b><u>-</u></b>	<b><u>8,427,878</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS PRIOR TO INTEREST RATE SWAP EXPENSE</b>	<b>30,842</b>	<b>384,223</b>	<b>415,065</b>	<b>(623,122)</b>	<b>(196,393)</b>	<b>(819,515)</b>
Change in fair value of interest rate swap	<u>(157,421)</u>	<u>-</u>	<u>(157,421)</u>	<u>575,253</u>	<u>-</u>	<u>575,253</u>
<b>CHANGE IN NET ASSETS</b>	<b>(126,579)</b>	<b>384,223</b>	<b>257,644</b>	<b>(47,869)</b>	<b>(196,393)</b>	<b>(244,262)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b><u>6,922,861</u></b>	<b><u>1,512,043</u></b>	<b><u>8,434,904</u></b>	<b><u>6,970,730</u></b>	<b><u>1,708,436</u></b>	<b><u>8,679,166</u></b>
<b>NET ASSETS - END OF YEAR</b>	<b><u>\$ 6,796,282</u></b>	<b><u>\$ 1,896,266</u></b>	<b><u>\$ 8,692,548</u></b>	<b><u>\$ 6,922,861</u></b>	<b><u>\$ 1,512,043</u></b>	<b><u>\$ 8,434,904</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 257,644	\$ (244,262)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation and amortization	563,775	537,857
Bad debt expense	116,597	143,180
Present value discount adjustment	(119,800)	523,783
Change in fair value of interest rate swap	157,421	(575,253)
(Increase) decrease in:		
Unconditional promises to give and beneficial interest in irrevocable trusts	(312,112)	(290,633)
Other receivables	(102,794)	(45,831)
Prepaid expenses and other assets	1,083	(51,512)
(Decrease) increase in:		
Accounts payable and accrued expenses	(28,552)	(141,304)
Deferred revenue	<u>(23,636)</u>	<u>84,501</u>
TOTAL ADJUSTMENTS	<u>251,982</u>	<u>184,788</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>509,626</u>	<u>(59,474)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(53,702)</u>	<u>(269,387)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(53,702)</u>	<u>(269,387)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of bonds payable	<u>(290,000)</u>	<u>(280,000)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(290,000)</u>	<u>(280,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	165,924	(608,861)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,542,475</u>	<u>2,151,336</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<b><u>\$ 1,708,399</u></b>	<b><u>\$ 1,542,475</u></b>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW  
INFORMATION:**

During the years ended December 31, 2010 and 2009, cash paid by the YMCA for interest totaled \$353,428 and \$347,294, respectively.

The accompanying notes are an integral part of these consolidated financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Membership and Program Services</u>	<u>Youth Development</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$ 2,160,945	\$ 1,547,712	\$ 3,708,657	\$ 472,281	\$ 159,896	\$ 4,340,834
Employment, health and retirement benefits	183,388	234,738	418,126	70,448	22,630	511,204
Payroll taxes	200,014	144,597	344,611	36,943	14,541	396,095
Professional/contract services	240,059	8,717	248,776	76,758	-	325,534
Supplies	221,973	183,147	405,120	16,243	-	421,363
Telephone	48,266	19,864	68,130	10,750	5,956	84,836
Postage and shipping	7,584	3,750	11,334	1,931	976	14,241
Occupancy	429,846	188,916	618,762	15,018	-	633,780
Equipment repair and maintenance	27,140	4,765	31,905	6,144	-	38,049
Equipment rental	84,156	10,125	94,281	-	-	94,281
Media services and publications	120,071	5,879	125,950	211	1,084	127,245
Travel and transportation	35,203	22,170	57,373	48,129	3,282	108,784
Conference and meetings	9,493	7,100	16,593	22,252	466	39,311
Fees, awards and camps	70	30	100	1,625	-	1,725
Dues and subscriptions	2,546	929	3,475	26,867	-	30,342
Interest expense and other bank charges	327,785	127,758	455,543	10,945	-	466,488
Liability insurance	156,712	72,580	229,292	6,308	-	235,600
National YMCA dues	61,245	26,801	88,046	-	-	88,046
Bad debt	81,618	34,979	116,597	-	-	116,597
Other miscellaneous	3,521	1,958	5,479	3,404	-	8,883
Depreciation and amortization	<u>385,073</u>	<u>161,788</u>	<u>546,861</u>	<u>16,914</u>	<u>-</u>	<u>563,775</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 4,786,708</u></b>	<b><u>\$ 2,808,303</u></b>	<b><u>\$7,595,011</u></b>	<b><u>\$ 843,171</u></b>	<b><u>\$ 208,831</u></b>	<b><u>\$ 8,647,013</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Program Services</u>			<u>Supporting Services</u>		
	<u>Membership and Program Services</u>	<u>Youth Development</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
Salaries	\$ 2,157,324	\$ 1,458,467	\$ 3,615,791	\$ 359,532	\$ 167,651	\$ 4,142,974
Employment, health and retirement benefits	160,747	212,339	373,086	45,656	25,949	444,691
Payroll taxes	195,094	129,644	324,738	31,837	13,093	369,668
Professional/contract services	283,372	3,594	286,966	24,462	-	311,428
Supplies	179,289	146,967	326,256	12,791	-	339,047
Telephone	52,355	18,293	70,648	10,579	5,971	87,198
Postage and shipping	9,947	3,560	13,507	4,467	1,212	19,186
Occupancy	477,530	162,512	640,042	14,278	-	654,320
Equipment repair and maintenance	37,891	4,717	42,608	25,027	-	67,635
Equipment rental	199,127	67,940	267,067		-	267,067
Media services and publications	29,728	9,546	39,274	808	2,827	42,909
Travel and transportation	14,578	79,543	94,121	38,552	385	133,058
Conference and meetings	7,159	4,854	12,013	30,524	392	42,929
Fees, awards and camps	-	-	-	3,050	-	3,050
Dues and subscriptions	1,770	827	2,597	19,553	-	22,150
Interest expense and other bank charges	327,187	101,617	428,804	10,445	-	439,249
Liability insurance	154,517	60,812	215,329	6,223	-	221,552
National YMCA dues	69,010	23,546	92,556	-	-	92,556
Bad debt	91,277	49,498	140,775	2,405	-	143,180
Other miscellaneous	29,436	15,962	45,398	776	-	46,174
Depreciation and amortization	<u>388,952</u>	<u>132,764</u>	<u>521,716</u>	<u>16,141</u>	<u>-</u>	<u>537,857</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 4,866,290</u></b>	<b><u>\$ 2,687,002</u></b>	<b><u>\$ 7,553,292</u></b>	<b><u>\$ 657,106</u></b>	<b><u>\$ 217,480</u></b>	<b><u>\$ 8,427,878</u></b>

The accompanying notes are an integral part of these consolidated financial statements.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**1. NATURE OF ORGANIZATION**

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Young Men's Christian Association of South Palm Beach County, Inc. (the "YMCA") is a not-for-profit corporation organized under the laws of the State of Florida for the general purpose of promoting the physical, mental and spiritual growth of individuals and families in the South Palm Beach County, Florida area as well as assisting in community development. The YMCA is a member of the YMCA of the USA, a world-wide organization. Each member of the YMCA of the USA is autonomous.

The YMCA provides many programs and services to people of all ages. Some of the programs and services are:

Summer camp	Senior health and wellness programs
Early childhood development program	Family development programs
Preschool	Youth and adult aquatic instruction and water safety
Social and recreational programs for youths and adults with disabilities	Youth and adult sport leagues

Revenues are derived primarily from program services, membership fees and contributions.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Presentation and Principles of Consolidation**

The consolidated financial statements include the accounts of the YMCA and the YMCA Foundation of South Palm Beach County, Inc. (the "YMCA Foundation"), which are under common control. All intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

The consolidated financial statements of the YMCA have been prepared on the accrual basis of accounting and in accordance with accounting standards issued by the Financial Accounting Standards Board ("FASB"). The YMCA reports its three types of net assets as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the YMCA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations for which the assets must be maintained permanently by the YMCA. The YMCA has no such net assets as of and for the years ended December 31, 2010 and 2009.

**Cash and Cash Equivalents**

The YMCA considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. The YMCA is required to maintain all cash and cash equivalents at the financial institution that provided the letter of credit.

**Contributed Services**

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialized skills and are provided by individuals possessing such specialized skills. In addition, the appropriate value of donated services of individuals is recorded as an expense when such services qualify for cost reimbursement from third-party providers. The YMCA did not record any contributed services for the years ended December 31, 2010 and 2009.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Concentrations of Credit Risk**

The YMCA maintains cash balances at local banks. Accounts at a local institution are insured by the Federal Deposit Insurance Corporation. At December 31, 2010 and 2009 and at certain times during the year, the YMCA had amounts on deposit, which were in excess of the federally insured limits. The YMCA has not experienced any losses in such accounts.

Concentrations of credit risk exist for the YMCA's unconditional promises to give and beneficial interest in irrevocable trusts due to the size of the amounts and the small number of donors. As of December 31, 2010 and 2009, unconditional promises to give and beneficial interest in irrevocable trusts from one individual donor represented approximately 72% and 82%, respectively, of total unconditional promises to give and beneficial interest in irrevocable trusts. Concurrently, as of December 31, 2009, revenue from the same individual donor represented approximately 22% of total contribution revenue. There was no contribution revenue concentration for the year ended December 31, 2010. The allowance for uncollectible unconditional promises to give is based on the YMCA's historical pledge collection experience and management's evaluation of other pertinent factors. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Based on past experience with these donors, management expects to collect these outstanding unconditional promises to give and beneficial interest in irrevocable trusts and has determined that an allowance for doubtful accounts is not required.

Concentrations of credit risk with respect to other receivables are limited due to the large number of members comprising the YMCA's membership base. As of December 31, 2010 and 2009, the YMCA had no significant concentrations of credit risk relating to other receivables.

**Contributions and Unconditional Promises to Give**

The YMCA accounts for contributions in accordance with the provisions of an accounting standard issued by the FASB. In accordance with this standard, contributed goods and services, which meet certain criteria, are recorded as contributions at their estimated fair value at date of receipt. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor-imposed restrictions. Contributions with donor-imposed restrictions are reported as restricted support.

Unconditional promises to give are carried at their net realizable value. Multi-year promises are discounted using a fair market rate and reported at their net present value.

**Other Receivables**

Other receivables consist of membership, general contributions and other program related fees. Management reviews its receivable balances for uncollectible accounts on a monthly basis and either directly writes them off or creates an allowance for doubtful accounts (NOTE 5). The allowance for doubtful accounts is determined taking into account the financial condition of the YMCA's customers, current general economic conditions, and the age of certain balances due to the YMCA. Receivables are charged off after all means of collection have been exhausted.

**Split-Interest Agreements**

The YMCA has been named as a remainder beneficiary of various charitable remainder annuity and unitrusts. Trust assets are stated at fair market value. The YMCA's beneficial interest was determined using Internal Revenue Service actuarial assumptions, discounted using the applicable federal rate in effect at the date of the gift. The YMCA used a present value discount rate of 4%.

A contribution is recorded at the fair value of the assets received less a present value discount. The assets related to these trusts are separately identified in the accompanying consolidated statements of financial position as "Beneficial interest in irrevocable trusts."

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Property and Equipment, Net**

The YMCA capitalizes all expenditures in excess of \$1,000 for property and equipment. Property and equipment are recorded at cost if purchased and at their estimated fair value if donated. Property and equipment donations are reported as unrestricted support unless the donor has restricted the use of the asset for a specific purpose. Contributions of cash, other assets and unconditional promises to give which are restricted for the purpose of acquiring property and equipment are reported as restricted support. When there are no explicit donor stipulations about how long those long-lived assets must be maintained, the YMCA reports expirations of donor restrictions when the acquired long-lived assets are placed in service. These expirations of donor restrictions are reported as reclassifications to unrestricted net assets.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets.

<u>Assets</u>	<u>Useful lives</u>
Youth learning center	39 years
Buildings and improvements - Boca Raton	5 - 39 years
Buildings and improvements - Boynton Beach	5 - 39 years
Sports field	5 - 15 years
Equipment	2 - 10 years
Vehicles	3 - 7 years

**Long-Lived Assets**

The YMCA reviews its long-lived assets for possible impairment at least annually, and more frequently if circumstances warrant. Impairment is determined to exist when estimated amounts recoverable through future cash flows from operations on an undiscounted basis are less than the long-lived asset carrying values. If a long-lived asset is determined to be impaired, it is written down to its estimated fair value to the extent that the carrying amount exceeds the fair value of the long-lived asset. No write-downs for impairment of long-lived assets were recorded for the years ended December 31, 2010 or 2009.

**Bond Financing Costs, Net**

The YMCA amortizes costs incurred in obtaining debt financing over the terms of the debt instruments. Accordingly, costs incurred to obtain the bond payable, as described in NOTES 7 and 10, are being amortized over twenty-five years.

**Derivative Financial Instruments**

The YMCA adopted the provision of an accounting standard for utilizing derivative instruments and hedging activities. The standard requires that all derivative financial instruments, such as interest rate swaps contracts and foreign exchange contracts, be recognized in the consolidated financial statements and measured at fair value regardless of the purpose or intent for holding them. If the derivative is a hedge, depending on the nature of the hedge, a change in fair value of the derivative will either be offset against the change in the fair value of a hedge asset or liability through earnings.

The YMCA utilizes interest rate swaps to manage interest rate costs and to hedge against risks associated with changing interest rates. The YMCA designates interest rate swaps as hedges of specific debt instruments and accounts for them using the short-cut method, as described in the accounting standard. Interest differentials on interest rate swaps are recognized as adjustments to interest incurred on the related debt instruments (NOTE 12).

**Income Taxes**

The YMCA is a non-profit corporation which is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, generally would not incur income taxes. As a result, the consolidated financial statements do not reflect a provision for income taxes.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Income Taxes (Continued)**

The YMCA adopted the provisions of an accounting standard, which clarifies the accounting for uncertainty in income taxes recognized in the YMCA's consolidated financial statements in accordance with existing accounting guidance on income taxes, and prescribes a recognition threshold and measurement process for consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Interest and penalties on tax liabilities, if any, would be recorded as an expense in the consolidated statements of activities. No liabilities for unrecognized tax benefits were recorded as a result of implementing this standard.

The U.S. Federal jurisdiction is the major tax jurisdiction where the YMCA files income tax returns. The YMCA is generally no longer subject to U.S. Federal examinations by tax authorities for years before 2007.

**Use of Estimates**

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the consolidated statements of financial position. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Deferred Revenue**

Deferred revenue consists of membership dues, various programs and rent received in advance on a multi year lease (NOTE 8). Membership fees are due on a month to month basis and can be cancelled at anytime by the member. Membership fees received in advance of the scheduled payment terms are recorded as deferred revenue. Additionally, program revenue received in advance of the program function is recorded as deferred revenue.

**Advertising Costs**

The YMCA uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2010 and 2009 were approximately \$127,000 and \$43,000, respectively, and are included within "Media services and publications" in the consolidated statements of functional expenses.

**Subsequent Events**

The YMCA has evaluated subsequent events through July 22, 2011, which is the date the consolidated financial statements were available to be issued.

**Adoption of Accounting Pronouncements**

Not-for-Profit Entities: Mergers and Acquisitions

In April 2009, the FASB issued an accounting standard on not-for-profit entities mergers and acquisitions. The standard provides guidance on accounting for a not-for-profit's combination with one or more other not-for-profit entities, businesses, or non-profit activities. The standard also makes accounting for goodwill and other intangible assets applicable to not-for-profit entities. The standard is to be applied prospectively with early application prohibited and is effective for fiscal years beginning on or after December 15, 2009. The standard did not have an impact on the YMCA's consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Adoption of Accounting Pronouncements (Continued)**

Fair Value Measurements

In September 2009, the FASB issued an accounting standard update which amends existing guidance on fair value measurements and disclosures. The update allows an entity to measure the fair value of an investment that has no readily determinable fair market value, on the basis of the net asset value per share as provided by the investee. The update is effective for annual and interim periods ending after December 15, 2009, with early adoption permitted, and did not have an effect on the YMCA's consolidated financial statements.

In January 2010, the FASB issued an accounting standard update on fair value measurements and disclosures. The update requires more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and inputs used, (3) the activity in Level 3 fair value measurements, and (4) the transfers between Levels 1, 2, and 3. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. This update did not have an effect on the YMCA's consolidated financial statements.

Fair Value Measurements – Liabilities

In August 2009, the FASB issued an accounting standard update to guidance on fair value measurements and disclosure. The updated guidance clarifies that the fair value of a liability can be measured in relation to the quoted price of the liability when the liability trades as an asset in an active market, without adjusting the price for restrictions that prevent the transfer of the liability. This update is effective for annual and interim periods beginning after August 31, 2009. The update did not have an effect on the valuation techniques used by the YMCA for measuring liabilities at fair value.

Derivatives and Hedging

In March 2010, the FASB issued an accounting standard update that works to resolve potential ambiguity about embedded credit derivative scope exceptions in existing guidance. The update is effective at the beginning of the first quarter beginning after June 15, 2010 with early implementation permitted at the beginning of an entity's first quarter beginning after issuance of this update. The update did not have an effect on the YMCA's consolidated financial statements.

**Reclassifications**

Certain items in the 2009 consolidated financial statements have been reclassified to conform to the 2010 presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**3. UNCONDITIONAL PROMISES TO GIVE, NET**

Unconditional promises to give, which were recorded at the net present value of estimated future cash flows using a discount rate of 4.00% consisted of the following at December 31, 2010:

Years ended December 31,	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
2011	\$ 83,717	\$ 461,057	\$ 544,774
2012	-	70,500	70,500
2013	-	45,000	45,000
2014	-	25,000	25,000
2015	-	5,000	5,000
Thereafter	-	20,000	20,000
	<u>83,717</u>	<u>626,557</u>	<u>710,274</u>
Less:			
Allowance for doubtful accounts	(19,568)	(108,495)	(128,063)
Discount for the effects of present value	-	(31,275)	(31,275)
	<u>\$ 64,149</u>	<u>\$ 486,787</u>	<u>\$ 550,936</u>

Unconditional promises to give, which were recorded at the net present value of estimated future cash flows using a discount rate of 4.00% consisted of the following at December 31, 2009:

Years ended December 31,	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
2010	\$ 115,697	\$ 156,420	\$ 272,117
2011	-	55,000	55,000
2012	-	55,000	55,000
2013	-	30,000	30,000
2014	-	5,000	5,000
Thereafter	-	25,000	25,000
	<u>115,697</u>	<u>326,420</u>	<u>442,117</u>
Less:			
Allowance for doubtful accounts	(49,563)	(95,995)	(145,558)
Discount for the effects of present value	-	(19,668)	(19,668)
	<u>\$ 66,134</u>	<u>\$ 210,757</u>	<u>\$ 276,891</u>

Total bad debt expense for the years ended December 31, 2010 and 2009 was \$49,674 and \$50,836, respectively. This is included within "Bad debt" in the consolidated statements of functional expenses.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**4. BENEFICIAL INTEREST IN IRREVOCABLE TRUSTS**

In 2009, the YMCA became aware that it was the beneficiary of three irrevocable charitable remainder trusts. A charitable remainder trust is an arrangement in which a donor establishes and funds a trust with specific distributions to be made to a beneficiary or beneficiaries over the trust's term. Upon termination of the trust, the not-for-profit receives the assets remaining in the trust. These trusts are funded via single premium annuities and have a universal life component whereby the YMCA is a beneficiary. The YMCA's beneficial interest in irrevocable trusts is \$1,940,000 which is funded through guaranteed universal life insurance policies in which the premiums are funded through the guaranteed single premium annuities.

The discounted net present value of the beneficial interest in the irrevocable trusts totaled the following at December 31,:

	<u>2010</u>	<u>2009</u>
Remainder in irrevocable trusts	\$ 1,940,000	\$ 1,940,000
Less: Present value discount	<u>(530,521)</u>	<u>(638,714)</u>
	<b><u>\$ 1,409,479</u></b>	<b><u>\$ 1,301,286</u></b>

**5. OTHER RECEIVABLES, NET**

Other receivables consisted of the following at December 31,:

	<u>2010</u>	<u>2009</u>
Membership and other program related fees	\$ 231,016	\$ 181,145
Less: Allowance for doubtful accounts	<u>(111,000)</u>	<u>(97,000)</u>
	<b><u>\$ 120,016</u></b>	<b><u>\$ 84,145</u></b>

Total bad debt expense for the years ended December 31, 2010 and 2009 was \$66,923 and \$92,344, respectively. This is included within "Bad debt" in the consolidated statements of functional expenses.

**6. PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following at December 31,:

	<u>2010</u>	<u>2009</u>
Land	\$ 2,516,500	\$ 2,516,500
Youth learning center	307,266	307,266
Buildings and improvements - Boca Raton	11,313,456	11,305,456
Buildings and improvements - Boynton Beach	5,958,922	5,955,687
Sports field	225,925	225,925
Equipment	2,024,619	1,982,152
Vehicles	<u>34,642</u>	<u>34,642</u>
	22,381,330	22,327,628
Less: accumulated depreciation	<u>(6,799,320)</u>	<u>(6,246,773)</u>
	<b><u>\$ 15,582,010</u></b>	<b><u>\$ 16,080,855</u></b>

Depreciation expense for the years ended December 31, 2010 and 2009 was \$552,547 and \$526,629, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**7. BOND FINANCING COSTS, NET**

Bond financing costs consisted of the following at December 31,:

	<u>2010</u>	<u>2009</u>
Deferred financing costs	\$ 337,226	\$ 337,226
Less: Accumulated amortization	<u>(73,822)</u>	<u>(62,594)</u>
	<b><u>\$ 263.404</u></b>	<b><u>\$ 274.632</u></b>

Amortization expense was \$11,228 for each of the years ended December 31, 2010 and 2009, respectively.

**8. DEFERRED REVENUE**

Deferred revenue consisted of the following at December 31,:

	<u>2010</u>	<u>2009</u>
Membership dues, program fees and other	\$ 118,619	\$ 179,652
Rent (NOTE 14)	<u>508,187</u>	<u>470,790</u>
	<b><u>\$ 626.806</u></b>	<b><u>\$ 650.442</u></b>

**9. PENSION PLAN**

The YMCA participates in The YMCA Retirement Fund, a national program. Participation in the Plan is mandatory for all eligible employees. For the years ended December 31, 2010 and 2009, the YMCA contributed 12% of participants' gross earnings. For 2010 and 2009, contributions made on behalf of participating employees totaled approximately \$252,000 and \$213,000, respectively.

**10. BONDS PAYABLE**

On January 1, 1999, the YMCA entered into a Loan Agreement with Palm Beach County, Florida to borrow \$6,700,000 from the issuance of the Palm Beach County, Florida Economic Development Revenue Bonds (YMCA Boynton Beach Project), Series 1999 to be used to acquire land, equipment and construct an approximately 58,000 square foot YMCA Family Social Service Center.

On November 1, 2003, the YMCA refunded these revenue bonds and entered into a new agreement with Palm Beach County, Florida to borrow \$13,700,000 from the issuance of Palm Beach County, Florida Economic Development Refunding and Improvement Revenue Bonds Series 2003 (YMCA Project) for the purpose of refunding the existing bonds, to pay the issuance costs of the new bonds and to fund the construction of the redevelopment project (the Project) at the Boca Raton, FL facility.

The bonds (NOTE 12) bear interest at a short-term rate and are due to mature in 2028. The variable short-term rate as of December 31, 2010 and 2009 was 0.18% and 0.16%, respectively.

Several loan covenants exist for the YMCA including meeting the debt service coverage ratio of 1.00 which is tested semi-annually on a rolling quarterly basis. The YMCA was in compliance with this covenant as of December 31, 2010.

On December 21, 2006, the YMCA entered into an Amended and Restated letter of credit and reimbursement agreement with a bank. The agreement, among other things, required early redemption of the bonds in the amount of \$3,700,000. Further, as part of the amendment, U.S. Bank National Association (formerly Wachovia Bank, National Association), as Trustee, amended the irrevocable letter of credit to extend the stated expiration date in the letter of credit to November 5, 2011. The stated expiration date shall be extended automatically for an additional five-year period from the then applicable stated expiration date with a final maturity date not to exceed November 5, 2028, unless the bank gives written notice to borrower and trustee at least 120 days prior to the then applicable stated expiration date that the letter of credit shall not be automatically extended.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**10. BONDS PAYABLE (CONTINUED)**

The YMCA has not been notified by the bank of its intentions. In the event that the bank does not renew the letter of credit, the YMCA believes it can obtain alternative sources of financing.

The following is a summary of interest cost incurred for the years ended December 31:

	<b>2010</b>	<b>2009</b>
Interest costs expensed	<b><u>\$ 353,428</u></b>	<b><u>\$ 347,294</u></b>

At December 31, 2010, aggregate annual maturities of indebtedness for each of the next five years and thereafter are as follows:

<b>Years ending December 31,</b>			
2011	\$	305,000	
2012		320,000	
2013		330,000	
2014		350,000	
2015		360,000	
Thereafter		7,765,000	
		<b><u>\$ 9,430,000</u></b>	

**11. FAIR VALUE MEASUREMENTS**

The YMCA adopted a FASB accounting standard on fair value measurements. The accounting standard establishes a framework for measuring fair value, expands disclosures about fair value measurements and provides new income recognition criteria for certain derivative contracts. GAAP requires that a fair value measurement reflect assumptions market participants would use in pricing an asset or liability.

GAAP defines "fair value" as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or if none exists, the most advantageous market, for the specific asset or liability at the measurement date (referred to as an exit price).

The accounting standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under the accounting standard are:

- Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.
- Level 2** - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3** - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The accounting standard requires the YMCA to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**11. FAIR VALUE MEASUREMENTS (CONTINUED)**

**Determination of Fair Value**

In determining fair value, the YMCA used market prices of the same or similar instruments whenever such prices are available, even in situations where trading volume may be low when compared with prior periods. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale. Where necessary, the YMCA estimates fair value using other market observable data such as prices for synthetic or derivative instruments, market indices, industry ratings or underlying collateral or models employing techniques such as discounted cash flow analyses. The discount rate used will vary among different types of financial instruments, and particularly in the case of liquid markets, is appropriately adjusted to reflect the illiquidity of the markets. The assumptions used in the models, which typically include assumptions for interest rates, credit losses and prepayments, are corroborated by and independently verified against market observable data where possible. Where appropriate, the YMCA may use a combination of these valuation approaches.

The following sections describe the valuation methodologies used by the YMCA to measure classes of financial instruments at fair value and specify the level in the fair value hierarchy where various financial instruments are generally classified. Valuation models, significant inputs to those models and any significant assumptions are included where appropriate.

*Interest Rate Swap* – fair value is based on dealer quotations which generally represent an estimate of the amount the YMCA would pay or receive to terminate the agreement at the reporting date.

*Beneficial Interest in Irrevocable Trusts* – fair value is based on the face value of the insurance policies along with the life expectancy of the donor and discounted cash flows.

**Items Measured at Fair Value On a Recurring Basis**

The following table presents the YMCA's assets that are measured at fair value on a recurring basis at December 31, 2010, for each fair value hierarchy levels.

<u>Description</u>	<u>12/31/10</u>	<u>Fair Value Measurement at Reporting Date Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Other Observable Inputs (Level 3)</u>
<b>Assets:</b>				
Beneficial interest in irrevocable trusts	\$ 1,409,479	\$ -	\$ -	\$ 1,409,479
<b>Liabilities:</b>				
Interest rate swap	(894,474)	-	-	(894,474)
Net assets at fair value	<b>\$ 515,005</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 515,005</b>

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
OF SOUTH PALM BEACH COUNTY, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**11. FAIR VALUE MEASUREMENTS (CONTINUED)**

**Items Measured at Fair Value On a Recurring Basis (Continued)**

The following table presents the YMCA's assets that are measured at fair value on a recurring basis at December 31, 2009, for each fair value hierarchy levels.

Description	12/31/09	Fair Value Measurement at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
<b>Assets:</b>				
Beneficial interest in irrevocable trusts	\$ 1,301,286	\$ -	\$ -	\$ 1,301,286
<b>Liabilities:</b>				
Interest rate swap	(737,053)	-	-	(737,053)
Net assets at fair value	\$ 564,233	\$ -	\$ -	\$ 564,233

**Changes in fair value of Level 3 Investments**

The following table sets forth a summary of changes in the fair value of the YMCA's Level 3 net assets for the year ended December 31,:

	2010	2009
Balance, beginning of year	\$ 564,233	\$ (1,312,306)
Net (depreciation) appreciation in fair value	(157,421)	575,253
Change in beneficial interest in irrevocable trust	108,193	1,301,286
Balance, end of year	\$ 515,005	\$ 564,233

**12. FAIR VALUE OF INTEREST RATE SWAP**

On July 28, 2006, the YMCA entered into a derivative financial instrument with a lender to manage the overall borrowing costs associated with \$7,000,000 of its bond payable (NOTE 10) which matures on July 28, 2021. Credit loss from counterparty non-performance is not anticipated. At December 31, 2010 and 2009, the outstanding notional balance was \$6,084,593 and \$6,310,933, respectively. The YMCA's available rate borrowings are based on the BMA Municipal Swap Index. This agreement fixed the BMA Municipal Swap Index at an interest rate of 4.05%. The swap is a cash flow hedge, as it has been designated against the bond payable carrying a variable rate of interest and converts such loan to fixed debt. Amounts received or paid as a result of the swap agreement are recognized as adjustments to interest expense.

The net effect on the YMCA's operating results is that interest on a portion of the variable rate debt is being hedged based on fixed interest rates. The interest rate swap contract is reflected at fair value in the YMCA's consolidated statements of financial position and the related gain or loss is recognized as a change in net assets. The fair value of the interest rate swap as of December 31, 2010 and 2009 was a \$894,474 and \$737,053 liability, respectively, which is reflected in the consolidated statements of financial position as fair value of interest rate swap. The fair value is based on dealer quotations which generally represent an estimate of the amount the YMCA would pay or receive to terminate the agreement at the reporting date. The change in fair value related to the interest rate swap at December 31, 2010 and 2009 was (\$157,421) and \$575,253, respectively, and is reflected in the consolidated statements of activities within the caption "Change in fair value of interest rate swap."

**YOUNG MEN'S CHRISTIAN ASSOCIATION  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

**13. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Unconditional promises to give (NOTE 3)	\$ 486,787	\$ 210,757
Beneficial interests in irrevocable trusts (NOTE 4)	<u>1,409,479</u>	<u>1,301,286</u>
	<b><u>\$ 1,896,266</u></b>	<b><u>\$ 1,512,043</u></b>

**14. COMMITMENTS AND CONTINGENCIES**

**Operating Agreements**

On January 22, 1999, the YMCA and Bethesda Memorial Hospital, Inc. ("BMH") entered into several agreements whereby they joined in a collaborative effort to extend both their commitments to provide fitness and wellness services to the community. As part of these agreements, the YMCA dedicated 3,500 square feet of the YMCA Boynton Facility to physical therapy. BMH leases this space and operates its various rehabilitation programs. The Lease Agreement for the 3,500 square feet is for a 25-year term, which commenced in December 2000. The YMCA manages and operates these programs and retains all revenues, incurs all expenses and assumes all liabilities associated with such programs. The first five years of the lease term were prepaid by BMH, which totaled \$385,000.

The YMCA is amortizing the prepaid rent on the straight-line basis over the 25-year lease term and the remaining unamortized portion is reflected as deferred revenue in the consolidated statements of financial position. As of December 31, 2010 and 2009, there was approximately \$231,000 and \$247,000 reflected as deferred revenue, respectively (NOTE 8).

On November 14, 2003, the YMCA entered into an agreement with BMH in which the YMCA dedicated 2,616 square feet for BMH to lease and establish sports and back medicine program within the newly redeveloped Boca Raton facility. The Lease Agreement for the 2,616 square feet is for a 25-year term, which commenced on June 1, 2006. The total rent for the first five years is \$329,995, which BMH paid to the YMCA in 5 equal installments of \$65,999, with the first installment due on the date of commencement of the term and annually thereafter. Rent for the remaining 20 years of the lease term is \$1 per year. The YMCA received the five payments of \$65,999 as of December 31, 2010. The amortization of the lease over 25 years commenced on January 1, 2007 and totaled \$13,201 which is reflected within "Other revenue, net" in the consolidated statements of activities for the years ended December 31, 2010 and 2009. The remaining unamortized portion is reflected within deferred revenue in the consolidated statements of financial position as of December 31, 2010, and 2009, was approximately \$277,000 and \$224,000, respectively (NOTE 8).

**Operating Leases**

The YMCA leases vans, buses, computer equipment, fitness equipment, and other operating furniture and fixtures under operating lease agreements, which are in effect through October 2013. Approximate minimum future rental payments under these non-cancelable lease agreements having initial or remaining terms in excess of one year as of December 31, 2010 are as follows:

**Years ending December 31,**

2011	\$ 63,000
2012	56,000
2013	<u>27,000</u>
	<b><u>\$ 146,000</u></b>

Total expense under these operating leases for the years ended December 31, 2010 and 2009 was \$94,281 and \$267,067, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**14. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

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**Contingent Liability and Potential Litigation**

The YMCA engaged an Architect firm ("Architects") to design the construction expansion project which consisted of renovation and the construction of additional program space at the Peter Blum Family YMCA in Boca Raton, Florida. A lawsuit filed by the Architects requested the YMCA to pay an additional \$307,013 in excess of the contracted fee. The YMCA had filed a counter claim against the Architects in excess of the claim presented to the YMCA. In January 2011, the YMCA entered into a settlement agreement relieving all liability related to the legal claim and received cash of \$150,000 in April 2011 under the settlement.

The YMCA is exposed to various other claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the YMCA's consolidated financial position or the results of its activities.

**15. SUBSEQUENT EVENTS**

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In June 2011, the YMCA was the beneficiary of a bequest and received cash of \$425,000 temporarily restricted for the benefit of the Special Needs Program.