The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements

For the Years Ending December 31, 2010 and 2009

The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Consolidated Financial Statements
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WIPFLi LLP

Independent Auditor's Report

Board of Directors
The Young Men's Christian Association of Metropolitan Milwaukee, Inc.
Milwaukee, Wisconsin

We have audited the accompanying consolidated statements of financial position of The Young Men's Christian Association of Metropolitan Milwaukee, Inc. as of and for the years ended December 31, 2010 and 2009, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of The Young Men's Christian Association of Metropolitan Milwaukee's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

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

Wipfli LLP

Wipfli LLP

April 27, 2011
Milwaukee, Wisconsin

The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Consolidated Statements of Financial Position

December 31, 2010 and 2009

Assets	**2010**	**2009**
Current assets:		
Cash and cash equivalents	$ 2,104,552	$ 1,831,210
Accounts receivable	330,025	517,620
Accounts receivable - Insurance claim	929,528	-
Grants receivable	895,384	892,493
Current portion of unconditional promises to give	1,238,791	1,019,723
Prepaid expenses	118,800	49,838
Other current assets	153,729	141,634
Total current assets	5,770,809	4,452,518
Property and equipment	64,309,830	65,616,709
Other assets:		
Long-term investments	5,576,793	5,099,410
Other long-term assets	689,666	625,428
Unconditional promises to give, less current portion - Net	199,334	423,731
Total other assets	6,465,793	6,148,569
TOTAL ASSETS	$ 76,546,432	$ 76,217,796

Liabilities and Net Assets	2010	2009
Current liabilities:		
Line of credit	$ 200,000	$ 1,756,000
Current maturities of long-term debt	993,441	955,269
Current maturities of capital lease obligations	634,078	515,262
Accounts payable	1,254,440	1,964,732
Accrued liabilities	1,722,373	1,595,528
Accrued liabilities - Insurance claim	813,213	-
Deferred revenue	863,767	897,594
Total current liabilities	6,481,312	7,684,385
Long-term liabilities:		
Long-term debt, less current maturities	27,910,000	29,079,805
Capital lease obligations, less current maturities	819,034	623,459
Other long-term liabilities	2,039,994	2,062,154
Interest rate swap agreements	2,706,624	1,909,113
Total long-term liabilities	33,475,652	33,674,531
Total liabilities	39,956,964	41,358,916
Net assets:		
Unrestricted	22,823,682	21,908,351
Temporarily restricted	9,347,748	8,587,734
Permanently restricted	4,418,038	4,362,795
Total net assets	36,589,468	34,858,880
TOTAL LIABILITIES AND NET ASSETS	$ 76,546,432	$ 76,217,796

The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Consolidated Statements of Activities

Years Ended December 31, 2010 and 2009

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support:				
Contributions	$ 2,074,949	$ 1,883,956	$ 55,243	$ 4,014,148
Government and private grants	1,933,133	-	-	1,933,133
United Way	297,834	297,834	-	595,668
Total public support	4,305,916	2,181,790	55,243	6,542,949
Operating revenue:				
Membership and program fees	31,681,438	-	-	31,681,438
Department of public instruction	4,896,777	-	-	4,896,777
Services and sales	862,466	-	-	862,466
Investment return appropriated for operations	430,661	-	-	430,661
Other	54,755	94,490	-	149,245
Total operating revenue	37,926,097	94,490	-	38,020,587
Net assets released from restrictions	1,718,363	(1,718,363)	-	-
Total public support and operating revenue	43,950,376	557,917	55,243	44,563,536
Operating expenses:				
Program	38,099,591	-	-	38,099,591
Management and general	3,692,963	-	-	3,692,963
Fundraising	1,016,066	-	-	1,016,066
Total operating expenses	42,808,620	-	-	42,808,620
Change in net assets from operating activities	1,141,756	557,917	55,243	1,754,916
Other changes in net assets:				
Investment return reduced by net appreciation for operations	-	202,097	-	202,097
Net gain on disposal of capital assets	1,068,656	-	-	1,068,656
Donation of property and equipment	(497,570)	-	-	(497,570)
Gain (loss) on interest rate swap agreements	(797,511)	-	-	(797,511)
Distribution of WSAC Endowment	-	-	-	-
Recharacterization of net assets - UPMIFA	-	-	-	-
Total other changes in net assets	(226,425)	202,097	-	(24,328)
Changes in net assets	915,331	760,014	55,243	1,730,588
Net assets - Beginning of year	21,908,351	8,587,734	4,362,795	34,858,880
Net assets - End of year	$ 22,823,682	$ 9,347,748	$ 4,418,038	$ 36,589,468

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,261,449	$ 607,366	$ 55,894	$ 2,924,709
1,731,774	-	-	1,731,774
309,247	309,249	-	618,496
4,302,470	916,615	55,894	5,274,979
29,899,673	-	-	29,899,673
4,998,998	-	-	4,998,998
1,022,394	-	-	1,022,394
352,195	-	-	352,195
196,847	17,266	-	214,113
36,470,107	17,266	-	36,487,373
2,456,353	(2,456,353)	-	-
43,228,930	(1,522,472)	55,894	41,762,352
38,030,311	-	-	38,030,311
4,013,792	-	-	4,013,792
839,274	-	-	839,274
42,883,377	-	-	42,883,377
345,553	(1,522,472)	55,894	(1,121,025)
-	542,954	-	542,954
118,832	-	-	118,832
-	-	-	
973,445	-	-	973,445
180,941	-	(1,000,000)	(819,059)
(1,602,040)	1,602,040	-	-
(328,822)	2,144,994	(1,000,000)	816,172
16,731	622,522	(944,106)	(304,853)
21,891,620	7,965,212	5,306,901	35,163,733
$ 21,908,351	$ 8,587,734	$ 4,362,795	$ 34,858,880

The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Changes in net assets	$ 1,730,588	$ (304,853)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	3,591,797	3,785,061
Amortization	39,128	35,906
Gain on disposal of property and equipment	(987,352)	(37,529)
Donation of property and equipment	497,570	-
Deferred gain on sale leaseback	(81,304)	(81,303)
Change in fair value of interest rate swap contracts	797,511	(973,445)
Contributions for restricted purposes	(1,939,198)	(280,208)
Realized loss (gain) on investments	(33,454)	466,649
Unrealized gain on investments	(456,424)	(1,229,104)
Bad debt expense	410,869	584,399
Changes in assets and liabilities:		
Accounts and grants receivable	(1,040,296)	(15,400)
Unconditional promises to give	583,221	308,629
Prepaid expenses and other current assets	(200,118)	(12,724)
Accounts payable	(396,744)	(887,516)
Accrued liabilities and deferred revenue	48,206	(376,280)
Net cash provided by operating activities	2,564,000	982,282
Cash flows from investing activities:		
Capital expenditures	(690,694)	(2,604,759)
Proceeds from disposal of property and equipment	397,275	50,000
Purchases of investments	(1,379,771)	(2,738,213)
Proceeds from sale of investments	1,392,267	4,751,758
Increase in cash surrender value of life insurance	15,695	28,827
Net cash used in investing activities	(265,228)	(512,387)

The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Consolidated Statements of Cash Flows (Continued)
Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from financing activities:		
Principal payments on long-term debt	$ (1,131,633)	$ (24,056)
Net change in line of credit	(1,556,000)	(122,000)
Principal payments on capital lease obligations	(583,706)	(642,848)
Collections of restricted campaign pledges	1,245,909	496,921
Net cash flows used in financing activities	(2,025,430)	(291,983)
Net change in cash and cash equivalents	273,342	177,912
Cash and cash equivalents - Beginning of year	1,831,210	1,653,298
Cash and cash equivalents - End of year	$ 2,104,552	$ 1,831,210
Supplemental cash flow disclosures:		
Cash paid for interest	$ 2,107,461	$ 2,269,872
Noncash investing and financing activities:		
Property and equipment purchased with accounts payable	$ 951,182	$ 428,866
Purchase of equipment with capital lease obligation	$ 898,097	$ 388,234

See accompanying notes to consolidated financial statements.

The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Consolidated Statements of Functional Expenses

Year Ended December 31, 2010

	Program	Management and General	Fundraising	2010 Total
Wages and related expenses	$ 20,081,058	$ 2,629,792	$ 759,570	$ 23,470,420
Professional services	1,817,505	237,467	64,182	2,119,154
Program and supplies expense	2,856,366	60,414	7,394	2,924,174
Postage and shipping	38,955	7,854	11,921	58,730
Building rental, maintenance, and taxes	2,475,478	107,161	-	2,582,639
Utilities and telephone	2,445,908	76,277	-	2,522,185
Insurance	347,304	19,206	949	367,459
Equipment leases, rental, and maintenance	773,638	37,352	-	810,990
Advertising, printing, and promotion	1,418,367	24,340	160,957	1,603,664
Conferences, training, and employee expense	258,169	73,512	9,393	341,074
Dues	286,236	23,927	1,700	311,863
Interest expense	2,104,471	-	-	2,104,471
Depreciation expense	3,196,136	395,661	-	3,591,797
Total expenses	$ 38,099,591	$ 3,692,963	$ 1,016,066	$ 42,808,620

The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Consolidated Statements of Functional Expenses (Continued)
Year Ended December 31, 2009

	Program	Management and General	Fundraising	2009 Total
Wages and related expenses	$ 20,155,793	$ 2,733,150	$ 662,439	$ 23,551,382
Professional services	1,957,452	207,349	67,863	2,232,664
Program and supplies expense	3,105,026	87,443	8,463	3,200,932
Postage and shipping	82,757	9,651	9,361	101,769
Building rental, maintenance, and taxes	1,603,964	121,755	-	1,725,719
Utilities and telephone	2,445,237	161,807	-	2,607,044
Insurance	351,794	25,538	-	377,332
Equipment leases, rental, and maintenance	812,701	40,837	-	853,538
Advertising, printing, and promotion	1,356,164	23,866	88,197	1,468,227
Conferences, training, and employee expense	176,050	71,595	1,251	248,896
Dues	288,423	15,783	1,700	305,906
Interest expense	2,424,907	-	-	2,424,907
Depreciation expense	3,270,043	515,018	-	3,785,061
Total expenses	$ 38,030,311	$ 4,013,792	$ 839,274	$ 42,883,377

Note 1 Nature of Operations

The Young Men's Christian Association of Metropolitan Milwaukee, Inc. (the "Y" or the "Association") is a not-for-profit, volunteer-led, human development charitable organization whose mission is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all. The Association operates ten city and suburban membership centers, a K4-8 Charter School, a Community Development Center, three full-day child care centers, two overnight camps for children and families, and conducts programming at numerous community-based locations.

The Y is a diverse organization of men, women, and children joined together by a shared commitment to nurturing the potential of kids, promoting healthy living and fostering a sense of social responsibility. Since no two communities are exactly alike, no two Ys are exactly alike. They are united by a deep commitment to strengthening their communities and to ensure that those they serve learn, grow, and thrive. Core programs include health and well-being, early childhood education, elementary education and academic mentoring, camping, aquatics, youth leadership, and family programs. The Association's financial assistance program provides funds for those in need - everyone is welcome to participate in Y programs.

Note 2 Summary of Significant Accounting Policies

Consolidated Financial Statements

The accompanying consolidated financial statements include the accounts of The Young Men's Christian Association of Metropolitan Milwaukee, Inc. and its wholly-controlled subsidiary, the YMCA Youth Leadership Academy, Inc. (Academy). The Academy is a not-for-profit organization which qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and is a non-stock corporation that operates a charter school. The Y is the sole member of the non-stock corporation. The fiscal year-end of the Academy is June 30; however, the consolidated financial statements include amounts as of December 31. Significant intercompany accounts and transactions are eliminated in consolidation.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with ACS 958, *Not-for-profit Entities*.

Note 2 Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenues and expenses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported 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 either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) 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.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The Association reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Fees and dues revenue are recognized when earned.

Grant revenue is recognized as revenue in the period in which it is expended for cost-reimbursed agreements.

Note 2 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Association measures the fair value of its financial instruments, unconditional promises to give, and certain other assets using a three-tier hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The Association determines fair value by:

- Level 1 input to the valuation methodology is unadjusted quoted prices for identical asset or liabilities in active markets that the Association has the ability to access.

- Level 2 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 active 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.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Cash and Cash Equivalents

The Association defines cash and cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less.

Accounts Receivable

Accounts receivable are generally uncollateralized client obligations due upon receipt. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of accounts receivable is reduced by allowances that reflect management's estimate of uncollectible amounts. The allowance for uncollectible accounts is $5,900 and $79,000 as of December 31, 2010 and 2009, respectively.

Note 2 Summary of Significant Accounting Policies (Continued)

Grants Receivable

Grants receivable consist of various Federal and State grant funds passed through governmental agencies to the Y for various programs. Management believes no allowance for uncollectible grants is required based upon management's judgment and consideration of the collectability of each grant.

Promises to Give

Unconditional promises to give made to the Association are recorded as receivables in the year the pledge was made. Pledges and other promises to give whose eventual uses are restricted by the donor are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase in temporarily restricted net assets and reclassified to unrestricted net assets when received.

Unconditional promises to give are reported in the statements of financial position net of unamortized discounts and an allowance for uncollectible pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate of 3.00% for the years ending December 31, 2010 and 2009. Amortization of the discount is recorded as an increase or decrease in contribution revenue. An allowance for uncollectible accounts is determined by management based on past collection history.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Association records the change of ownership of bonds and stocks on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the Consolidated Statements of Activities as increases or decreases in Unrestricted net assets unless the income or loss is restricted by donor or law.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Note 2 Summary of Significant Accounting Policies (Continued)

Capitalized Loan Fees

Capitalized loan fees are included in other long-term assets in the accompanying consolidated statements of financial position, which are being amortized to expense over the life of the loan. Accumulated amortization as of December 31, 2010 and 2009, was $225,442 and $186,314, respectively.

	2010	2009
Balance, beginning of year	$ 445,646	$ 477,205
Amortization of loan fees	(39,128)	(35,906)
Refinancing costs	53,655	4,347
Balance, end of year	$ 460,173	$ 445,646

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, improvements, and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Donated property and equipment are recorded as increases in unrestricted net assets at their estimated fair market value as of the date received, unless restricted by donor. Contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. The Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

The Association owns three (four as of December 31, 2009) buildings constructed prior to the passage of the Clean Air Act that contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the buildings. The Association has not recognized the asset retirement obligation for asbestos removal in its consolidated financial statements because it currently believes that the potential liability to remove these materials is immaterial. If sufficient information becomes available to change the estimate of the liability, it will be recognized at that time.

Note 2 Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Association reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. The Association has not recognized any impairment of long-lived assets during 2010 and 2009.

Derivatives

The Association follows ASC 815, *Derivatives and Hedging*, to account for its derivative transactions, which consist entirely of interest rate swap contracts. ASC 815 requires an organization to recognize all of its derivative instruments as either assets or liabilities in the statement of financial position at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, whether the hedge is a cash flow or a fair value hedge.

The Association uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts designated and qualifying as cash flow hedges are reported at fair value. The change in fair value of the derivative is recognized as a change in net assets in the period of change. The Association documents its risk management strategy and hedge effectiveness at the inception of and during the term of each hedge. It is the policy of the Association to execute such contracts with creditworthy counterparties. The Association's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable rate debt to a fixed rate. The Association does not use derivatives for trading or speculative purposes. Three of the Association's four derivative contracts were revised in 2010, and none of the contracts were terminated prior to their maturity in 2010 and 2009.

Deferred Revenue

Program service fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as support in the year when the program services fees are earned.

Functional Expense

The costs of providing the various programs and other activities 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.

Note 2 Summary of Significant Accounting Policies (Continued)

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was $1,603,664 and $1,468,227 for the years ended December 31, 2010 and 2009, respectively.

Reclassification

Certain amounts as previously reported in the 2009 financial statements have been reclassified to conform to the 2010 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Income Taxes

The Association is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code ("Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Association is also exempt from state income taxes on related income.

In order to account for any uncertain tax positions, the Association determines whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. The Association recorded no assets or liabilities related to uncertain tax positions in 2010 and 2009. Federal tax returns for tax years 2007 and beyond remain subject to examination by the Internal Revenue Service.

Note 3 Fair Value Measurements

Following is a description of the valuation methodology used for each asset measured at fair value on a recurring basis:

- Money market funds are measured at cost, which approximates fair value.
- Equity and fixed income mutual funds that are publicly traded securities are valued at quoted market prices which represent the net asset value (NAV) of shares held at year end.
- Interest rate swaps are valued using discounted cash flows based on observable yield curves and other factors.

Note 3 Fair Value Measurements (Continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at December 31:

	2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 83,861	$ -	$ -	$ 83,861
Equity mutual funds	3,624,133	-	-	3,624,133
Fixed income mutual funds	1,868,799	-	-	1,868,799
Interest rate swaps	-	(2,706,624)	-	(2,706,624)
Total	$ 5,576,793	$ (2,706,624)	$ -	$ 2,870,169

	2009			
	Level 1	**Level 2**	**Level 3**	**Total**
Money market funds	$ 115,770	$ -	$ -	$ 115,770
Equity mutual funds	3,164,756	-	-	3,164,756
Fixed income mutual funds	1,818,884	-	-	1,818,884
Interest rate swaps	-	(1,909,113)	-	(1,909,113)
Total	$ 5,099,410	$ (1,909,113)	$ -	$ 3,190,297

Note 4 Property and Equipment

The major categories of property and equipment at December 31 are summarized as follows:

	Depreciable Lives	2010	2009
Land	N/A	$ 7,461,240	$ 7,475,469
Land improvements	15 yrs.	1,227,149	995,792
Buildings and improvements	10-50 yrs.	80,218,718	80,825,363
Construction in progress	N/A	1,785,525	924,833
Machinery and equipment	5-12 yrs.	16,639,765	20,283,123
Leasehold improvements	30-50 yrs.	500,000	540,985
Total property and equipment		107,832,397	111,045,565
Less - Accumulated depreciation		(43,522,567)	(45,428,856)
Net property and equipment		$ 64,309,830	$ 65,616,709

In July 2010, two of the Association's membership centers experienced property damage as a result of flooding. The Association is currently settling the insurance claim related to the damage and has recorded a gain of $1,074,843, included in the net gain on disposal of capital assets in the accompanying statement of activities for 2010. The property damaged had a cost of $679,022, accumulated depreciation of $432,062, and a net book value of $246,960. Insurance proceeds for the claim are estimated to be $2,100,000, of which $929,528 was recorded as a receivable as of December 31, 2010. The insurance proceeds cover clean up and recovery as well as replacement personal property and capital property. As of December 31, 2010, the cost of the replacement capital property is $1,224,829, of which $892,715 is included in construction in progress and $332,114 is included in buildings and improvements in the table above.

In December 2010, the Association donated a building and certain equipment to another not-for-profit organization. At the time of the gift, the property and equipment had a cost of $985,886, accumulated depreciation of $488,316, and a net book value of $497,570.

Note 5 Investments

Following is a summary of investments as of December 31:

	2010		
	Cost or Gift Value	Unrealized Gains (Losses)	Total Investments at Fair Value
Money market funds	$ 83,861	$ -	$ 83,861
Equity mutual funds	2,853,565	770,568	3,624,133
Fixed income mutual funds	1,870,444	(1,645)	1,868,799
Total	$ 4,807,870	$ 768,923	$ 5,576,793

	2009		
	Cost or Gift Value	Unrealized Gains (Losses)	Total Investments at Fair Value
Money market funds	$ 115,770	$ -	$ 115,770
Equity mutual funds	2,854,986	309,770	3,164,756
Fixed income mutual funds	1,816,154	2,730	1,818,884
Total	$ 4,786,910	$ 312,500	$ 5,099,410

Earnings from investment securities are summarized as follows:

	2010	2009
Interest and dividends	$ 169,225	$ 158,522
Net realized gain (loss)	33,454	(466,649)
Net unrealized gain	456,424	1,229,104
Less - Fees	(26,345)	(25,828)
Total Investment income	632,758	895,149
Less: Investment return appropriated for operations	(430,661)	(352,195)
Investment return reduced by appropriation for operations	$ 202,097	$ 542,954

Note 6 Unconditional Promises to Give

Unconditional promises to give as of December 31 consist of the following:

	2010	2009
Less than one year	$ 1,354,791	$ 1,141,723
One to five years	221,334	493,914
More than five years	7,000	8,917
Less: Discount to present value	(18,000)	(34,100)
Allowance for uncollectible promises to give	(127,000)	(167,000)
Pledges receivable, net	1,438,125	1,443,454
Less - Current portion	(1,238,791)	(1,019,723)
Long-term portion	$ 199,334	$ 423,731

Note 7 Deferred Revenue

Deferred revenue consists of the following at December 31:

	2009	2009
Membership dues/gift certificates	$ 459,097	$ 476,360
Program fees	233,266	250,184
YMCA Youth Leadership Academy, Inc.	171,404	171,050
Total	$ 863,767	$ 897,594

Note 8 Line of Credit

The Association has a revolving credit loan with $2,000,000 available from M&I Marshall & Ilsley Bank (M&I) with outstanding balances of $200,000 and $1,756,000 as of December 31, 2010 and 2009, respectively. The revolving credit loan bears interest at LIBOR plus 275 basis points, with a minimum interest rate floor of 5% (5% at December 31, 2010) and is collateralized by substantially all assets of the Association. The revolving credit loan expires June 30, 2011.

Note 9 Long-Term Debt

	2010	2009
Redevelopment Authority of the City of Milwaukee Redevelopment Revenue Bonds, Series 2003. Variable interest rate. Interest payable in annual installments until 2022, then principal and interest payments are due annually with a final payment due July 1, 2028. Secured by substantially all assets and supported by a letter of credit in favor of the bond trustees. This debt was refinanced with M&I Bank in January 2010.	$ -	$ 14,470,000
M&I Bank taxable variable rate demand note, Series 2008, payable in annual installments beginning in May 2010 with a final payment due May 2018. Secured by substantially all assets and is supported by a letter of credit in favor of the bond trustees. Any amounts drawn on the letter of credit must be reimbursed by the Association on demand. The letter of credit terminates May 15, 2013. Bond issuance costs were rolled into the loan amount.	8,870,000	9,800,000
Redevelopment Authority of the City of Milwaukee Development Revenue Bonds, Series 2008 payable in annual installments beginning in May 2018 with a final payment due May 2021. Secured by substantially all assets and supported by a letter of credit in favor of the bond trustees. Bond issuance costs were rolled into the loan amount. This debt was refinanced with M&I Bank in January 2010.	-	5,555,000

Note 9 Long-Term Debt (Continued)

	2010	2009
The Redevelopment Authority of the City of Milwaukee Redevelopment Revenue Bonds, Series 2003 and Series 2008 were refinanced to Series 2010 bonds in January 2010. The Series 2010 requires annual installments beginning May 2018 with a final payment due May 1, 2028. Interest is 70% of 30-day LIBOR plus 375 basis points floating. This loan is secured by substantially all assets.	20,025,000	-
Land contract payable - original loan $243,318, dated July 10, 2006. Interest of 8.5% and monthly payments of $2,760. Secured by the land purchased. Paid in full December 2010.	-	193,521
Ford Credit note payable with an interest rate of 3.9% and a monthly payment of $719. The note is secured by the vehicle and was paid in full March 2011.	8,441	16,553
	28,903,441	30,035,074
Less - Current portion	(993,441)	(955,269)
Long-term portion	$ 27,910,000	$ 29,079,805

Principal requirements on long-term debt for years ending after December 31, 2010, are as follows:

2011	$ 993,441
2012	1,040,000
2013	1,100,000
2014	1,165,000
2015	1,230,000
Thereafter	23,375,000
Total	$ 28,903,441

Note 9 Long-Term Debt (Continued)

The Association is subject to certain restrictions and covenants relating to its debt. As of December 31, 2010 and 2009, management believes the Association was in compliance with or obtained waivers for all of the established covenants.

Long-term debt and line of credit interest charged to expense was $2,019,090 and $2,340,869 for the years ended December 31, 2010 and 2009, respectively.

Note 10 Derivative Financial Instruments and Hedging Activities

As disclosed in Note 9, the Redevelopment Revenue Bonds, series 2010, in the amount of $20,025,000 as of December 31, 2010, bear interest at a variable rate and replaced the Redevelopment Revenue Bonds, series 2003 and 2008. To minimize the effect of changes in interest rates, on January 21, 2010, the Association revised three of its fixed term interest rate swap contracts with M&I Bank. The first contract is in the amount of $7,500,000 under which it pays interest at a fixed 4.15% rate and expires June 1, 2014. A second contract is in the amount of $6,970,000 under which it pays interest at a fixed 3.28% rate and expires May 1, 2016. The third contract is in the amount of $5,555,000 under which it pays interest at a fixed 3.19% rate and expires May 1, 2018.

Also as disclosed in Note 9, is the taxable variable rate demand note in the amount of $8,870,000 and $9,800,000 as of December 31, 2010 and 2009, respectively, that bears interest at a variable rate. To minimize the effect of changes in interest rates, on May 12, 2008, the Association entered into an interest rate swap contract in the amount of $9,800,000 under which it pays interest at a fixed 4.12% rate. The swap contract expires May 1, 2018.

The following represents the notional amount hedged, fair value of the interest rate swap outstanding at year end, and the amount of exposure recorded in unrestricted net assets for the years ended December 31, 2010 and 2009. The swap agreements are recorded in the consolidated statements of financial position as long-term liabilities - Interest rate swap agreements.

Note 10 Derivative Financial Instruments and Hedging Activities (Continued)

The classification of income (loss) is recorded in the statement of activities as unrealized (gain) loss on interest rate swap.

2010	Notional Amount	As of December 31 Asset (Liability)	Year Ended December 31 Gain/(Loss)
M&I Deriviative	$ 7,500,000	$ (835,059)	$ (122,106)
M&I Deriviative	$ 6,970,000	(647,388)	(258,004)
M&I Deriviative	$ 5,555,000	(491,376)	(210,754)
M&I Deriviative	$ 8,870,000	(732,801)	(206,647)
Total		$ (2,706,624)	$ (797,511)
2009			
M&I Deriviative	$ 7,500,000	$ (712,953)	$ 83,773
M&I Deriviative	$ 6,970,000	(389,384)	51,859
M&I Deriviative	$ 5,555,000	(280,622)	400,522
M&I Deriviative	$ 9,800,000	(526,154)	437,291
Total		$ (1,909,113)	$ 973,445

Note 11 Leases

Capital Lease

The Association has various capital lease agreements with imputed interest rates ranging from 0% to 8.66%. Monthly payments of principal and interest range from $696 to $19,038. The assets and liabilities under capital leases are recorded at the lower of the present value of minimum lease payments or the fair value of the asset. The capitalized cost of the leased property at December 31, 2010 and 2009 was $2,874,607 and $2,041,453, respectively. Assets are amortized over their estimated productive lives or the lease term, if shorter, for leases that transfer ownership or contain bargain purchase clauses. Amortization expense on capital leases is included with depreciation expense. Accumulated amortization was $1,213,521 and $733,086 as of December 31, 2010 and 2009, respectively.

Note 11 Leases (Continued)

Sale Leaseback

In February 2008, the Association sold 14.86 acres of land with a carrying value of $127,718 for $3,750,000. Total gain on the sale was $3,622,282. The Association maintained ownership of two buildings located on 2.9 acres of the land sold and entered into a 25-year lease with the purchaser for use of the land. The gain on the sale in excess of the present value of the minimum lease payments in the amount of $1,589,687 was recognized at the time of the sale, and the remaining gain of $2,032,595 was deferred and will be amortized over the life of the lease. The Association will recognize $81,304 of the deferred gain on an annual basis until the lease expires in January 2033. The Association recognized $81,304 and $81,303 of the deferred gain in 2010 and 2009, respectively. At December 31, 2010 and 2009, the remaining deferred gain was $1,795,459 and $1,876,763, respectively; the current accrued liability is $81,304 and $81,303, respectively; and the remainder is included in other long-term liabilities in the accompanying consolidated statements of financial position.

The lease agreement requires the Association to make payments of $120,000 per year with the first payment due May 1, 2010. Beginning February 2013, the lease payments will increase by the consumer price index every five years. The Association paid $80,000 in lease payments in 2010; recognized lease expense of $139,145 in both 2010 and 2009; and an increased accrued rent expense $59,145 and $139,145 in 2010 and 2009, respectively. Accrued rent expense of $325,839 and $266,694, as of December 31, 2010 and 2009, respectively, is included in other long-term liabilities in the accompanying consolidated statements of financial position.

Operating Leases

The Association leases various facilities and equipment. These leases are accounted for as operating leases. Rent expense on the operating leases was $617,719 and $674,564 for the years ended December 31, 2010 and 2009, respectively.

Note 11 Leases (Continued)

The following is a schedule of future minimum lease payments under all leases with an initial term in excess of one year at December 31, 2010:

	Capital Lease	Sale Leaseback	Operating Leases
2011	$ 685,843	$ 120,000	$ 476,690
2012	473,742	120,000	237,838
2013	250,699	120,000	135,215
2014	78,953	134,400	144,581
2015	60,848	134,400	144,581
Thereafter	-	2,769,821	2,922,539
Total future minimum lease payments	1,550,085	$ 3,398,621	$ 4,061,444
Less - Amount representing interest	(96,973)		
Present value of future minimum lease payments	1,453,112		
Less - Current portion	(634,078)		
Long-term capital lease obligation	$ 819,034		

Sublease

In July 2008, the Association sold one of the buildings, as part of the sale leaseback noted above, located on the 2.9 acres of land leased for $1,125,000. The carrying value of the building was $2,262,796, and a loss on the sale of $1,137,796 was recorded. The building sold sits on 1.88 acres of the 2.9 acres leased by the Association. The Association entered into a 25-year sublease with the purchaser for use of this land. The lease requires the purchaser to make payments of $35,000 per year to the Association with the first payment due July 15, 2013. Beginning July 15, 2014, the lease payments will increase by the consumer price index annually. While the Association did not receive any lease payments in 2010 and 2009, it did recognize lease revenue of $34,016 and $34,866, respectively, and an increase in other long-term assets in the accompanying consolidated statements of financial position of the same amount.

Note 11 Leases (Continued)

Estimated future payments to be received relative to this agreement as of December 31, 2010, are as follows:

2011	$ -
2012	-
2013	14,583
2014	35,292
2015	35,998
Thereafter	764,536
Total	$ 850,409

Note 12 Net Assets

Unrestricted net assets are composed of the following at December 31:

	2010	2009
Undesignated net assets, YMCA	$ 22,410,429	$ 21,625,505
Undesignated net assets, YLA	413,253	282,846
Totals	$ 22,823,682	$ 21,908,351

Temporarily restricted net assets are composed of the following at December 31:

	2010	2009
United Way	$ 297,834	$ 309,246
YMCA Youth Leadership Academy, Inc.	17,762	15,743
Scholarships and programs	5,789,864	5,097,530
Endowment accumulated earnings not appropriated for distribution	2,347,092	2,144,994
Capital campaigns	895,196	1,020,221
Totals	$ 9,347,748	$ 8,587,734

Permanently restricted net assets consist of funds invested in perpetuity, income of which is used to fund various Association programs as specified by the donors. These amounts totaled $4,418,038 and $4,362,795 at December 31, 2010 and 2009, respectively.

Note 12 Net Assets (Continued)

During 2009, the Walter Schroeder Aquatic Center Maintenance Endowment Fund was distributed in full as a result of a spin-off of the Walter Schroeder Aquatic Center (WSAC) from the Y in 2008. At the time of distribution, the permanent balance of the endowment was $1,000,000 and the market value was $819,059. The market value of $819,059 was distributed directly to the WSAC, and the remaining balance of $180,941 was reclassified into unrestricted net assets. Both the distribution and the reclassification are presented in the consolidated statement of activities as an other change in net assets.

Note 13 Endowment Funds

The Association's endowment funds consist of donor-restricted funds established for the YMCA of Metropolitan Milwaukee.

The Association has interpreted Wisconsin's adoption of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds in excess of the original fair value that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. If the market value of the permanently restricted net asset at year-end is below the original fair value, the deficit is recorded as a loss to the unrestricted net assets.

The primary long-term financial objective for the Association's endowments is to preserve the real purchasing power of endowment assets and income after accounting for endowment spending and costs of portfolio management. Performance of the overall endowment against this objective is measured over rolling periods of one, three, and five years.

Note 13 Endowment Funds (Continued)

The endowment funds are managed to optimize the long-run total rate of return on invested assets, assuming a prudent level of risk. The goal for this rate of return is one that provides funding for the Association's existing spending policy. Over the short term, the return for each element of the endowment portfolio should match or exceed each of the returns for the broader capital markets in which assets are invested.

The endowment assets are governed by a spending policy that seeks to distribute a specific payout rate of the endowment base to support the Association's programs. The endowment base will be defined as the three-year moving average of the market value of the total endowment portfolio (calculated as of the last day of December for the prior three years). The distribution or payout rate will be calculated at a specific fixed percentage of the base. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the endowments. In addition, this policy will minimize the probability of invading the principal over the long term. Spending in a given year will reduce the unit value of each endowment element by the payout percentage. In the case of short-term declines in the market value of the endowment pool of funds, the overall spending rate may be calculated below the designated payout percentage in order to maintain the original unit value of certain elements of the true endowment. Growth of the unit values over time should allow for spending of principal, without drawing from the original corpus of a particular gift.

The endowment is invested in cash and cash equivalents and equity and fixed income mutual funds. The total endowment will be monitored on a continual basis for consistency of investment philosophy, return relative to objectives, and asset allocation.

Donor-restricted endowment net asset composition by type of fund as of December 31:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Purpose:				
Building maintenance	$ -	$ 194,994	$ 201,187	$ 396,181
Operations and programs	-	2,048,496	4,100,855	6,149,351
International programs	-	103,602	115,996	219,598
Total	$ -	$ 2,347,092	$ 4,418,038	$ 6,765,130

Note 13 Endowment Funds (Continued)

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Purpose:				
Building maintenance	$ -	$ 185,472	$ 201,187	$ 386,659
Operations and programs	-	1,858,843	4,046,612	5,905,455
International programs	-	100,679	114,996	215,675
Total	$ -	$ 2,144,994	$ 4,362,795	$ 6,507,789

Changes in endowment net assets for the year ended December 31:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year:	$ -	$ 2,144,994	$ 4,362,795	$ 6,507,789
Investment income	-	632,759	-	632,759
Contributions	-	-	55,243	55,243
Appropriation of endowment assets for expenditure	-	(430,661)	-	(430,661)
Total	$ -	$ 2,347,092	$ 4,418,038	$ 6,765,130

Note 13 Endowment Funds (Continued)

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year:	$ 1,421,099	$ -	$ 5,306,901	$ 6,728,000
Investment income	-	893,297	-	893,297
Contributions	-	-	55,894	55,894
Appropriation of endowment assets for expenditure	-	(350,343)	-	(350,343)
Distribution of WSAC endowment	180,941	-	(1,000,000)	(819,059)
Recharacterization of net assets - UPMIFA	(1,602,040)	1,602,040	-	-
Total	$ -	$ 2,144,994	$ 4,362,795	$ 6,507,789

During 2009, the Association borrowed $1,133,000 from the endowment funds to pay construction payables. The loan was approved by the Executive Board of Directors and the Board of Trustees in January 2009. The Association expects to repay the borrowed funds with capital pledge payments received through 2016 as well as revenue earned from fundraising and operations. The loan had a balance of $620,000 and $1,133,000 as of December 31, 2010 and 2009, respectively.

Note 14 Defined Contribution Retirement Plan

The Association participates in a defined contribution, individual account, money purchase retirement plan covering all eligible employees. The Plan is administered by the Young Men's Christian Association Retirement Fund (a separate corporation). The Association makes monthly contributions to the Young Men's Christian Association Retirement Fund based on a percentage of the participating employee's salary. Plan expense was $840,817 and $1,135,474 for the years ended December 31, 2010 and 2009, respectively.

The Young Men's Christian Association Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation (1922). Participation is available to all duly organized or reorganized Ys in the United States of America. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

Note 15 Commitments and Contingencies

Financial Awards from Grantors

Financial awards from federal, state, and local governments in the form of grants are subject to special audit. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

Litigation

The Association is party to various legal actions that are incidental to its activities. The outcome of legal actions cannot be predicted with certainty. Management of the Association believes that the outcome of any of these proceedings will not have a material adverse effect on its financial position or activities.

Letter of Credit

The Association utilizes two letters of credit to satisfy requirements of the Wisconsin Unemployment Reserve Fund: one letter of credit in the amount of $446,726 for The Young Men's Christian Association of Metropolitan Milwaukee, Inc. and one in the amount of $58,000 for the YMCA Youth Leadership Academy, Inc.

Commitments

The Association is party to a construction contract that exists for the building renovation of one of its membership centers. The Association's commitment on this contract approximates $824.000.

The Association is also party to a purchase commitment for the acquisition of software, implementation services, and software maintenance. The Association's total commitment approximates $345,000.

Note 16 Concentrations

The Association maintains depository relationships with one financial institution, which participates in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under this Program, non-interest-bearing transaction accounts are fully guaranteed by the FDIC through December 31, 2012. The Association also maintains interest-bearing transaction accounts, which are insured by the FDIC up to $250,000. The Association has not experienced any losses with these accounts. Management believes the Association is not exposed to any significant risk on cash.

Note 17 Subsequent Events

Subsequent events have been evaluated through April 27, 2011, which is the date the financial statements were available to be issued.