

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

Milwaukee, Wisconsin

**Consolidated Financial Statements and Additional
Information**

For the Years Ending December 31, 2009 and 2008

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

Consolidated Financial Statements and Additional Information
Years Ending December 31, 2009 and 2008

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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 statement of financial position of The Young Men's Christian Association of Metropolitan Milwaukee, Inc. as of and for the year ended December 31, 2009, and the related consolidated statements of activities, cash flows and functional expenses for the year 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 audit. The financial statements of The Young Men's Christian Association of Metropolitan Milwaukee, Inc., as of and for the year ended December 31, 2008, were audited by other auditors, whose report dated May 27, 2009, expressed an unqualified opinion on those statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2010, on our consideration of The Young Men's Christian Association of Metropolitan Milwaukee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of The Young Men's Christian Association of Metropolitan Milwaukee, Inc. taken as a whole. The additional information appearing on page 34 is presented for the purpose of additional analysis, and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Wisconsin State Single Audit Guidelines, issued by the Wisconsin Department of Administration, and is not required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Wipfli LLP

Wipfli LLP

May 10, 2010
Milwaukee, Wisconsin

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

Consolidated Statements of Financial Position

December 31, 2009 and 2008

<i>Assets</i>	2009	2008
Current assets:		
Cash and cash equivalents	\$ 1,831,210	\$ 1,653,298
Accounts receivable	664,988	1,061,418
Grants receivable	745,125	772,096
Unconditional promises to give	1,019,723	1,360,243
Prepaid expenses	49,838	88,236
Other current assets	141,634	187,380
Total current assets	4,452,518	5,122,671
Property and equipment	65,616,709	66,615,318
Other assets:		
Long-term investments	5,099,410	6,350,500
Other long-term assets	625,428	593,293
Unconditional promised to give - Net	423,731	754,150
Total other assets	6,148,569	7,697,943
TOTAL ASSETS	\$ 76,217,796	\$ 79,435,932
<i>Liabilities and Net Assets</i>	2009	2008
Current liabilities:		
Line of credit	\$ 1,756,000	\$ 1,878,000
Current maturities of long-term debt	955,269	23,563
Current maturities of capital lease obligations	515,262	633,446
Accounts payable	1,964,732	3,046,317
Accrued liabilities	1,514,225	1,612,126
Deferred revenue	897,594	1,315,117
Total current liabilities	7,603,082	8,508,569
Long-term liabilities:		
Long-term debt	29,079,805	30,035,567
Capital lease obligations	623,459	759,889
Other long-term liabilities	4,052,570	4,968,174
Total long-term liabilities	33,755,834	35,763,630
Total liabilities	41,358,916	44,272,199
Net assets:		
Unrestricted	21,908,351	21,891,620
Temporarily restricted	8,587,734	7,965,212
Permanently restricted	4,362,795	5,306,901
Total net assets	34,858,880	35,163,733
TOTAL LIABILITIES AND NET ASSETS	\$ 76,217,796	\$ 79,435,932

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Activities

Years Ended December 31, 2009 and 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total
Public support:				
Government grants	\$ 1,731,774	\$ -	\$ -	\$ 1,731,774
Contributions	2,261,449	607,366	55,894	2,924,709
United Way	309,247	309,249	-	618,496
Total public support	4,302,470	916,615	55,894	5,274,979
Revenue:				
Membership and program fees	29,899,673	-	-	29,899,673
Department of public instruction	4,998,998	-	-	4,998,998
Services and sales	1,022,394	-	-	1,022,394
Investment income (loss)	1,852	893,297	-	895,149
Gain on sale of property and equipment	118,832	-	-	118,832
Other	196,847	17,266	-	214,113
Total revenue	36,238,596	910,563	-	37,149,159
Net assets released from restrictions	2,806,696	(2,806,696)	-	-
Total public support and revenue	43,347,762	(979,518)	55,894	42,424,138
Expenses:				
Program	37,068,735	-	-	37,068,735
Management and general	4,013,792	-	-	4,013,792
Fundraising	827,405	-	-	827,405
Total expenses	41,909,932	-	-	41,909,932
Change in net assets from operating activities	1,437,830	(979,518)	55,894	514,206
Other changes in net assets:				
Recharacterization of net assets - UPMIFA	(1,602,040)	1,602,040	-	-
Distribution of WSAC Endowment	180,941	-	(1,000,000)	(819,059)
Total other changes in net assets	(1,421,099)	1,602,040	(1,000,000)	(819,059)
Changes in net assets	16,731	622,522	(944,106)	(304,853)
Net assets - Beginning of year	21,891,620	7,965,212	5,306,901	35,163,733
Net assets - End of year	\$ 21,908,351	\$ 8,587,734	\$ 4,362,795	\$ 34,858,880

Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total
\$ 1,952,713	\$ -	\$ -	\$ 1,952,713
1,672,872	2,289,464	52,222	4,014,558
313,660	313,660	-	627,320
3,939,245	2,603,124	52,222	6,594,591
29,302,844	-	-	29,302,844
5,669,331	-	-	5,669,331
993,066	-	-	993,066
(2,001,915)	-	-	(2,001,915)
195,928	-	-	195,928
122,887	-	-	122,887
34,282,141	-	-	34,282,141
7,141,279	(7,141,279)	-	-
45,362,665	(4,538,155)	52,222	40,876,732
42,516,201	-	-	42,516,201
4,495,379	-	-	4,495,379
730,423	-	-	730,423
47,742,003	-	-	47,742,003
(2,379,338)	(4,538,155)	52,222	(6,865,271)
-	-	-	-
533,194	-	(533,194)	-
-	-	-	-
533,194	-	(533,194)	-
(1,846,144)	(4,538,155)	(480,972)	(6,865,271)
23,737,764	12,503,367	5,787,873	42,029,004
\$ 21,891,620	\$ 7,965,212	\$ 5,306,901	\$ 35,163,733

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Changes in net assets	\$ (304,853)	\$ (6,865,271)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	3,785,061	4,214,512
Amortization	35,906	27,511
Gain on sale of property and equipment	(37,029)	(121,399)
Deferred gain on sale leaseback	(81,803)	(74,529)
Change in fair value of Interest rate swap contracts	(973,445)	2,386,538
Contributions restricted for endowment and capital	(280,208)	(1,666,115)
Realized loss (gain) on investments	466,649	(148,901)
Unrealized (gain) loss on investments	(1,229,104)	2,502,092
Bad debt expense	584,399	997,307
Interest paid with debt proceeds	-	221,199
Changes in assets and liabilities:		
Accounts and grants receivable	(15,400)	(772,556)
Unconditional promises to give	308,629	315,865
Prepaid expenses and other current assets	(12,724)	13,884
Accounts payable	(887,516)	663,491
Accrued liabilities and deferred revenue	(376,280)	47,799
Net cash provided by operating activities	982,282	1,741,427
Cash flows from investing activities:		
Capital expenditures	(2,604,759)	(7,323,185)
Proceeds from sale of property and equipment	50,000	4,877,100
Purchases of investments	(2,738,213)	(4,054,425)
Proceeds from sale of investments	4,751,758	4,691,713
Proceeds from life insurance policy	-	272,224
Increase (decrease) in cash surrender value	28,827	(44,352)
Net cash used in investing activities	(512,387)	(1,580,925)

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

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from financing activities:		
Principal payments on long-term debt	\$ (24,056)	\$ (1,121,981)
Net change in line of credit	(122,000)	(122,000)
Principal payments on capital lease obligations	(642,848)	(801,403)
Collections of capital campaign pledges	496,921	2,002,629
Net cash flows used in financing activities	(291,983)	(42,755)
Net change in cash and cash equivalents	177,912	117,747
Cash and cash equivalents - Beginning of year	1,653,298	1,535,551
Cash and cash equivalents - End of year	\$ 1,831,210	\$ 1,653,298
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 1,718,238	\$ 1,995,247
Noncash investing and financing activities:		
Property and equipment purchased with accounts payable	\$ 428,866	\$ 622,935
Purchase of equipment with capital lease obligation	\$ 388,234	\$ 172,274
Deferred gain on sales leaseback transaction	\$ -	\$ 1,958,066
Refinancing expenses	\$ -	\$ 275,053

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, 2009

	Program	Management and General	Fundraising	2009 Total
Wages and related expenses	\$ 20,167,662	\$ 2,733,150	\$ 650,570	\$ 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
Unrealized (gain) loss on interest rate swap	(973,445)	-	-	(973,445)
Depreciation expense	3,270,043	515,018	-	3,785,061
Total expenses	\$ 37,068,735	\$ 4,013,792	\$ 827,405	\$ 41,909,932

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

Consolidated Statements of Functional Expenses (Continued)

Year Ended December 31, 2008

	Program	Management and General	Fundraising	2008 Total
Wages and related expenses	\$ 21,034,532	\$ 3,034,249	\$ 514,386	\$ 24,583,167
Professional services	2,140,760	240,952	77,148	2,458,860
Program and supplies expense	3,394,546	74,837	7,159	3,476,542
Postage and shipping	104,683	11,888	9,191	125,762
Building rental, maintenance, and taxes	1,750,378	45,956	4	1,796,338
Utilities and telephone	2,810,675	119,071	342	2,930,088
Insurance	436,152	39,658	-	475,810
Equipment leases, rental, and maintenance	897,953	30,468	292	928,713
Advertising, printing, and promotion	1,655,069	30,382	113,689	1,799,140
Conferences, training, and employee expense	294,778	82,398	7,923	385,099
Dues	283,201	24,671	289	308,161
Interest expense	1,873,273	-	-	1,873,273
Unrealized (gain) loss on interest rate swap	2,386,538	-	-	2,386,538
Depreciation expense	3,453,663	760,849	-	4,214,512
Total expenses	\$ 42,516,201	\$ 4,495,379	\$ 730,423	\$ 47,742,003

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

Note 1 Nature of Operations

The Young Men's Christian Association of Metropolitan Milwaukee, Inc. (the "YMCA" or the "Association") is a not-for-profit, volunteer-led 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 eleven city and suburban membership centers, a K4-8 Charter School, a Community Development Center, three full-day child care centers, and two overnight camps for children and families.

The Association improves the quality of life for families and communities through programs (social, educational and health) that provide support and enrichment, promote good health, teach life skills, develop youth, instill values, and foster social responsibility and international understanding. Core programs include health and well being, early childhood education, urban education, camping, aquatics, youth leadership and family programs. Everyone is welcome to participate in YMCA programs. The Association's financial assistance program provides funds for those in need. The YMCA serves the community through youth development, healthy living and social responsibility.

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 YMCA 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 Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC) effective for financial statements for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative accounting principles generally accepted in the United States (GAAP) in one comprehensive set of guidance organized by subject area. In accordance with ASC, references to previously issued accounting standards have been replaced by ASC references. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with ACS 958, *Non-for-profit Entities*.

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

Notes to Consolidated Financial Statements

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 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.

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

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies** (Continued)

Fair Value of Financial Instruments

The Association's short-term financial instruments consist of the following: cash and cash equivalents, accounts receivable, grants receivable, unconditional promises to give and accounts payable. The carrying values of these short-term financial instruments approximate their estimated fair values based on the instruments short-term nature.

The fair value of the Association's long term investments is based on quoted market prices. The fair value of the Association's long-term unconditional promises have been recorded at the estimated present value of the future cash flows and are reflected in the financial statements at their net present value.

The fair value of the Association's variable rate debt is estimated based on current rates for similar variable rate debt with the same remaining maturities. The Association also considers its creditworthiness in determining the fair value of its variable rate debt.

The fair values of the Association's interest rate swap contracts (used for purposes other than trading) are the estimated amounts that the Association would receive, or pay, to sell, or transfer to another entity with the same credit standing, these agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets, and creditworthiness of the Association for liabilities.

For the fiscal year ended December 31, 2009, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

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 are reduced by allowances that reflect management's estimate of uncollectible amounts. Management believes no allowance for uncollectable accounts is required based upon management's judgment and consideration of the collectability of each account.

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

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies** (Continued)

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, 2009 and 2008. 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.

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

Notes to Consolidated Financial Statements

Note 2 Summary of Significant Accounting Policies (Continued)

Capitalized Loan Fees

Capitalized loan fees are included in other long-term assets, which are being amortized to expense over the life of the loan. Accumulated amortization as of December 31, 2009 and 2008 was \$186,314 and \$150,408, respectively.

	2009	2008
Balance, beginning of year	\$ 477,205	\$ 225,172
Amortization of loan fees	(35,906)	(27,511)
Refinancing costs	4,347	279,544
Balance, end of year	\$ 445,646	\$ 477,205

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 \$2,500 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 four 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.

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

Notes to Consolidated Financial Statements

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 2009 and 2008.

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 counter parties. 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. No derivative contracts were terminated prior to their maturity during 2009 or 2008.

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.

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

Notes to Consolidated Financial Statements

Note 2 Summary of Significant Accounting Policies (Continued)

Endowment Funds

The Association was required to adopt ASC 958, "Not-For-Profit Entities," in regards to *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*, for the year ended December 31, 2008. ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA. ASC 958 also requires additional disclosures for organizations subject to UPMIFA to enable users of the financial statements to understand the net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of an organization's endowment funds, both donor-restricted and board-designated. The adoption of ASC 958 had no effect on total net assets of the Association; however the enactment of UPMIFA in 2009 did have an effect on the net asset classification of the accumulated endowment earnings. The disclosures are required for each period presented and are included in Note 13 to the financial statements.

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.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was \$1,468,227 and \$1,799,140 for the years ended December 31, 2009 and 2008, respectively.

Reclassification

Certain amounts as previously reported in the 2008 financial statements have been reclassified to conform to the 2009 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

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

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies (Continued)**

New Accounting Pronouncements

The Association adopted ASC 740-10, *Accounting for Uncertainty in Income Taxes*, on January 1, 2009. ASC 740-10 requires an organization to determine whether it's 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 Company recorded no assets or liabilities related to uncertain tax positions as a result of the adoption of ASC 740-10.

In 2009, the Association adopted ASC 855, *Subsequent Events*, which modifies the definition of subsequent events and requires disclosure of the date through which an entity has evaluated subsequent events and the basis for that date.

Note 3 **Fair Value Measurements**

On January 1, 2008, the Association adopted ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 provides a framework for measuring, reporting and disclosing fair value under generally accepted accounting principles and applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis. There was no impact on the Association's financial statements as a result of adopting this standard.

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Association uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Association attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs.

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

Notes to Consolidated Financial Statements

Note 3 Fair Value Measurements (Continued)

Based on the observability of the inputs used in the valuation methods, the Association is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

The Association holds as investments various equity and fixed income mutual funds that are publicly traded securities. Fair values of mutual funds are valued at quoted market prices which represent the net asset value (NAV) of shares held at year end and are classified as level 1. The interest rate swaps are pay-fixed, receive variable interest rate swaps based on Securities Industry and Financial Markets Association (SIFMA) and London Interbank Offered Rate (LIBOR) swap rates. The swap rates are observable at commonly quoted intervals for the full terms of the swaps and therefore are considered level 2 items.

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:

		2009			
		Level 1	Level 2	Level 3	Total
Money market funds	\$	115,770	\$ -	\$ -	\$ 115,770
Stock funds	\$	3,164,756	\$ -	\$ -	\$ 3,164,756
Bonds funds	\$	1,818,884	\$ -	\$ -	\$ 1,818,884
Interest rate swaps	\$	-	\$ (1,909,113)	\$ -	\$ (1,909,113)
		2008			
		Level 1	Level 2	Level 3	Total
Money market funds	\$	352,050	\$ -	\$ -	\$ 352,050
Stock funds	\$	3,469,694	\$ -	\$ -	\$ 3,469,694
Bonds funds	\$	2,528,756	\$ -	\$ -	\$ 2,528,756
Interest rate swaps	\$	-	\$ (2,882,557)	\$ -	\$ (2,882,557)

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

Notes to Consolidated Financial Statements

Note 4 Property and Equipment

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

	Depreciable Lives	2009	2008
Land	N/A	\$ 7,475,469	\$ 7,478,909
Land improvements	15 yrs.	995,792	995,792
Buildings	30-50 yrs.	80,825,363	78,818,991
Buildings under construction	N/A	924,833	787,633
Machinery and equipment	5-12 yrs.	20,283,123	20,021,346
Leasehold improvements	30-50 yrs.	540,985	540,985
Total property and equipment		111,045,565	108,643,656
Less - Accumulated depreciation		(45,428,856)	(42,028,338)
Net property and equipment		\$ 65,616,709	\$ 66,615,318

In February 2008, the Association sold 14.86 acres of land with a carrying value of \$127,718 for \$3,750,000 the 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. In 2009, the Association recognized \$81,303 of the deferred gain. In 2008, the Association recognized \$74,529 of the deferred gain plus the gain recognized at the time of the sale, resulting in a total gain recognized of \$1,664,216. Deferred gain of \$1,876,763 and \$1,958,066 as of December 31, 2009 and 2008, respectively was recorded as 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. While the Association did not have any required lease payments in 2009 and 2008, it did recognize lease expense of \$139,145 and \$127,549, respectively and an increase in Other Long-Term Liabilities of the same amount.

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

Notes to Consolidated Financial Statements

Note 4 Property and Equipment (Continued)

Estimated future minimum lease payments as of December 31, 2009 are as follows:

2010	\$	80,000
2011		120,000
2012		120,000
2013		120,000
2014		134,400
Thereafter		2,904,221
Total	\$	3,478,621

In July 2008, the Association sold one of the buildings 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 annually by the consumer price index annually. While the Association did not receive any lease payments in 2009 and 2008, it did recognize lease revenue of \$34,866 and \$13,324, respectively, and an increase in Other Long-Term Assets of the same amount.

Estimated future payments to be received relative to this agreement as of December 31, 2009 are as follows:

2013	\$	14,583
2014		35,292
Thereafter		800,534
Total	\$	850,409

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

Notes to Consolidated Financial Statements

Note 5 Investments

Following is a summary of investments as of December 31:

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

	2008		
	Cost or Gift Value	Unrealized Gains (Losses)	Total Investments at Fair Value
Money market funds	\$ 352,050	-	\$ 352,050
Stock funds	4,255,744	(786,050)	3,469,694
Bond funds	2,659,310	(130,554)	2,528,756
Total	\$ 7,267,104	\$ (916,604)	\$ 6,350,500

Earnings from investment securities are summarized as follows:

	2009	2008
Interest and dividends	\$ 158,522	\$ 384,081
Net realized gain (loss)	(466,649)	148,901
Net unrealized gain (loss)	1,229,104	(2,502,092)
Less - Fees	(25,828)	(32,805)
Total	\$ 895,149	\$ (2,001,915)

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

Notes to Consolidated Financial Statements

Note 6 Unconditional Promises to Give

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

	2009	2008
Less than one year	\$ 1,141,723	\$ 1,360,243
One to five years	493,914	996,350
More than five years	8,917	13,000
Less: Discount to present value	(34,100)	(73,200)
Allowance for uncollectible promises to give	(167,000)	(182,000)
Pledges receivable - Net	1,443,454	2,114,393
Less - Current portion	(1,019,723)	(1,360,243)
Long-term portion	\$ 423,731	\$ 754,150

Note 7 Deferred Revenue

Deferred revenue consists of the following:

	2009	2008
Membership dues/gift certificates	\$ 476,360	\$ 849,000
Program fees	250,184	261,140
Youth Leadership Academy	171,050	204,977
Total	\$ 897,594	\$ 1,315,117

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 \$1,756,000 and \$1,878,000 as of December 31, 2009 and 2008, 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, 2009) and is collateralized by substantially all assets of the Association. The revolving credit loan expires June 30, 2010.

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

Notes to Consolidated Financial Statements

Note 9 Long-Term Debt

	2009	2008
Redevelopment Authority of the City of Milwaukee Redevelopment Revenue Bonds, series 2003 - Original loan \$15,695,000 dated November 12, 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. Any amounts drawn on the letter of credit must be reimbursed by the Association on demand. The letter of credit terminates November 15, 2013. This debt was refinanced with M&I Bank in January 2010. See note below.	\$ 14,470,000	\$ 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.	9,800,000	9,800,000

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

Notes to Consolidated Financial Statements

Note 9

Long-Term Debt (Continued)

	2009	2008
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. Any amounts drawn on the letter of credit must be reimbursed by the Association on demand. The letter of credit terminates November 15, 2013. Bond issuance costs were rolled into the loan amount. This debt was refinanced with M&I Bank in January 2010. See note below.	5,555,000	5,555,000
Land contract payable - Original loan \$243,318, dated July 10, 2006 - Interest of 8.5% and monthly payments of \$2,760 with the final payment due March 2018. Secured by the land purchased.	193,521	209,789
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 matures in December 2011.	16,553	24,341
	30,035,074	30,059,130
Less - Current portion	(955,269)	(23,563)
Long-term portion	29,079,805	\$ 30,035,567

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

Notes to Consolidated Financial Statements

Note 9 Long-Term Debt (Continued)

Principal requirements on long-term debt for years ending after December 31, 2009 are as follows:

2010	\$ 955,269
2011	1,012,486
2012	1,060,536
2013	1,122,351
2014	1,189,327
Thereafter	24,695,105
Total	\$ 30,035,074

The Association is subject to certain restrictions and covenants relating to their debt. As of December 31, 2009 and 2008, 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 \$2,340,869 and \$1,725,528 for the years ended December 31, 2009 and 2008, respectively.

The Redevelopment Authority of the City of Milwaukee Redevelopment Revenue Bonds, series 2003 and Series 2008 were refinanced to Series 2010 bonds on January 21, 2010. The series 2010 bonds have a loan amount of \$20,025,000 payable in 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.

Note 10 Derivative Financial Instruments and Hedging Activities

As disclosed in Note 9, the Redevelopment Revenue Bonds, series 2003, in the amount of \$14,470,000 as of December 31, 2009 and 2008, bear interest at a variable rate. To minimize the effect of changes in interest rates, the Association entered into an interest rate swap contract in the amount of \$7,500,000 under which it pays interest at a fixed 4.22% rate. The swap contract is dated May 25, 2004 and expires June 1, 2014. On May 12, 2008, the Association entered into an additional fixed term swap contract relating to this bond in the amount of \$6,970,000 under which it pays interest at a fixed 3.42% rate. The contract expires May 1, 2016.

Also as disclosed in Note 9, is the taxable variable rate demand note in the amount of \$9,800,000 as of December 31, 2009 and 2008, 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 is dated May 12, 2008 and expires May 1, 2018.

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

Notes to Consolidated Financial Statements

Note 10 Derivative Financial Instruments and Hedging Activities (Continued)

As disclosed in Note 9, the Redevelopment Revenue Bonds, series 2008, in the amount of \$5,555,000 as of December 31, 2009 and 2008, respectively bear 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 \$5,555,000 under which it pays interest at a fixed 3.19% rate. The swap contract is dated May 12, 2008 and 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, 2009 and 2008. The swap agreements are included in Other Long-term Liabilities in the accompanying Consolidated Statements of Financial Position. The classification of income (loss) is recorded in the Statement of Activities as Unrealized (Gain) Loss on Interest Rate Swap.

			Year Ended
2009	Notional Amount	As of December 31 Asset (Liability)	December 31 Gain/(Loss)
M&I Derivative	\$ 7,500,000	\$ (712,953)	\$ 83,773
M&I Derivative	\$ 6,970,000	(389,384)	51,859
M&I Derivative	\$ 9,800,000	(526,154)	437,291
M&I Derivative	\$ 5,555,000	(280,622)	400,522
Total		\$ (1,909,113)	\$ 973,445
2008			
M&I Derivative	\$ 7,500,000	\$ (796,726)	\$ (300,707)
M&I Derivative	\$ 6,970,000	(441,243)	(441,243)
M&I Derivative	\$ 9,800,000	(963,445)	(963,445)
M&I Derivative	\$ 5,555,000	(681,143)	(681,143)
Total		\$ (2,882,557)	\$ (2,386,538)

Note 11 Capital Lease

The Association has various capital lease agreements with imputed interest rates ranging from 5.32% 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, 2009 and 2008 was \$2,027,783 and \$2,718,317, respectively. Assets are amortization 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

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

Notes to Consolidated Financial Statements

Note 11 Capital Lease (Continued)

with depreciation expense. Accumulated amortization was \$759,904 and \$1,086,125 as of December 31, 2009 and 2008, respectively.

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of December 31, 2009:

2010	\$	572,235
2011		420,346
2012		180,395
2013		41,455
2014		13,833
Thereafter		1,154
Total future minimum lease payments		1,229,418
Less - Amount representing interest		(90,697)
Present value of future minimum lease payments		1,138,721
Less - Current portion		(515,262)
Long-term capital lease obligation	\$	623,459

Note 12 Net Assets

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

	2009	2008
Undesignated net assets, YMCA	\$ 21,625,505	\$ 20,584,776
Undesignated net assets, YLA	282,846	(114,055)
Board designated net assets, Endowment Fund	-	1,421,099
Totals	\$ 21,908,351	\$ 21,891,820

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

Notes to Consolidated Financial Statements

Note 12 Net Assets (Continued)

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

	2009	2008
United Way	\$ 309,246	\$ 313,660
Youth Leadership Academy	15,743	39,705
Strong Kids and Program	5,097,530	6,486,345
Endowment Accumulated Earnings Not Appropriated For Distribution	2,144,994	-
Capital Campaigns	1,020,221	1,125,502
Totals	\$ 8,587,734	\$ 7,965,212

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 \$4,362,795 and \$5,306,901 at December 31, 2009 and 2008, respectively.

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 YMCA 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.

During 2008, it was determined that \$533,194 of the permanently restricted net assets recorded as of December 2007 should have been recorded as unrestricted net assets. The adjustment to correct the classification is 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 58 individual funds established for the YMCA of Metropolitan Milwaukee. The endowment fund consists of donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments.

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

Notes to Consolidated Financial Statements

Note 13 Endowment Funds (Continued)

The Board of Trustees 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.

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

Notes to Consolidated Financial Statements

Note 13 Endowment Funds (Continued)

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.

Endowment net asset composition by type of fund as of December 31:

	2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Donor restricted	\$ -	\$ 2,144,994	\$ 4,362,795	\$ 6,507,789	
Total	\$ -	\$ 2,144,994	\$ 4,362,795	\$ 6,507,789	

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	\$ -	\$ -	\$ 5,306,901	\$ 5,306,901
Board designated	1,421,099	-	-	1,421,099
Total	\$ 1,421,099	\$ -	\$ 5,306,901	\$ 6,728,000

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

Notes to Consolidated Financial Statements

Note 13 Endowment Funds (Continued)

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

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year:	\$ 3,802,405	\$ -	\$ 5,787,873	\$ 9,590,278
Investment loss	(2,053,978)	-	-	(2,053,978)
Contributions	-	-	52,222	52,222
Appropriation of endowment assets for expenditure	(860,522)	-	-	(860,522)
Recharacterization of permanently restricted net assets (see Note 12)	533,194	-	(533,194)	-
Total	\$ 1,421,099	\$ -	\$ 5,306,901	\$ 6,728,000

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 \$1,133,000 as of December 31, 2009.

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

Notes to Consolidated Financial Statements

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 contributions to the plan based on a percentage of the participating employee's salary, to be remitted to the YMCA Retirement Fund monthly. Plan expense was \$1,135,474 and \$1,256,806 for the years ended December 31, 2009 and 2008, 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 YMCA's in the United States of America. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

Note 15 Operating Leases

The Association leases various facilities and equipment. These leases are accounted for as operating leases.

Future minimum lease payments as of December 31, 2009 are as follows:

2010	\$	503,355
2011		472,856
2012		234,166
2013		131,789
2014		144,581
Thereafter		3,067,120
Total	\$	4,553,867

Rent expense on the operating leases was \$674,564 and \$704,636 for the years ended December 31, 2009 and 2008, respectively.

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

Notes to Consolidated Financial Statements

Note 16 **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 \$433,799 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.

Note 17 **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 June 30, 2010. 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 18 **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.

The Association's unrelated business income was less than the expenses related to this income in both 2009 and 2008, and therefore, no provision has been made for income taxes in the accompanying financial statements.

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

Notes to Consolidated Financial Statements

Note 19 Subsequent Events

Subsequent events have been evaluated through May 10, 2010, which is the date the financial statements were available to be issued.

On January 21, 2010, a portion of the long term debt that the Association holds was refinanced. See Note 9 for a description of the refinancing.

Additional Information

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

Schedule of Revenue and Allowable Costs by Contract

Year Ending December 31, 2009

	Coggs Drop- In Center	Nutrition Site Hart Park	Total
Public support:			
Government grants	\$ 145,905	\$ 21,000	\$ 166,905
Expenses:			
Salaries and related expenses:			
Salaries and wages	91,184	14,482	105,666
Employee benefits	21,424	2,310	23,734
Payroll taxes	11,107	1,311	12,418
Total salaries and related expenses	123,715	18,103	141,818
Administrative expenses	19,264	3,880	23,144
Supplies	2,926	717	3,643
Training and education	-	108	108
Other expenses	-	530	530
Total expenses	145,905	23,338	169,243
Net expenses over revenue	\$ -	\$ (2,338)	\$ (2,338)



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of The Young Men's Christian Association of Metropolitan Milwaukee, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated May 10, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the YMCA Youth Leadership Academy, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The Young Men's Christian Association of Metropolitan Milwaukee, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Young Men's Christian Association of Metropolitan Milwaukee, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the finance committee, the board of Directors, federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

May 10, 2010
Milwaukee, Wisconsin



Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of The Young Men's Christian Association of Metropolitan Milwaukee, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the *State of Wisconsin State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that are applicable to each of its major federal and state programs for the year ended December 31, 2009. The Young Men's Christian Association of Metropolitan Milwaukee, Inc.'s major federal and state programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Men's Christian Association of Metropolitan Milwaukee, Inc.'s compliance based on our audit. The Young Men's Christian Association of Metropolitan Milwaukee, Inc.'s basic financial statements included the operations of the YMCA Youth Leadership Academy, which received \$4,999,000 in federal and state awards which is not included in the schedule during the year ended December 31, 2009. Our audit, described below, did not include the operations of the YMCA Youth Leadership Academy because it has a separate audit under OMB Circular A-133 and the State of Wisconsin State Single Audit Guidelines.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Wisconsin State Single Audit Guidelines*, Issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 and the *Wisconsin State Single Audit Guidelines*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about The Young Men's Christian Association of Metropolitan Milwaukee, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The Young Men's Christian Association of Metropolitan Milwaukee, Inc.'s compliance with those requirements.

In our opinion, The Young Men's Christian Association of Metropolitan Milwaukee, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of The Men's Christian Association of Metropolitan Milwaukee, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered The Men's Christian Association of Metropolitan Milwaukee, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express any opinion on the effectiveness of The Men's Christian Association of Metropolitan Milwaukee, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the finance committee, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.



Wipfli LLP

May 10, 2010
Milwaukee, Wisconsin

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

Schedule of Expenditures of Federal and State Awards Year Ended December 31, 2009

Office of National Drug Control Policy			
Passed through Safe and Sound, Inc.:			
John C. Cudahy Safe Place Program	07.XXX	I8PMLP512Z	30,000
Parklawn Safe Place Program	07.XXX	I8PMLP512Z	18,832
Total 07.XXX			48,832
U.S. Department of Health and Human Services			
Passed through Milwaukee County Department of Aging:			
Special Programs for the Aging Title III. Part C Nutrition Services	93.045	360-09-38	21,000
Passed through Day Care Services for Children, Inc. Head Start	93.600	Not available	55,240
Passed through Milwaukee County Department of Health and Human Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	40-09673-300	145,905
U.S. Department of Housing and Urban Development			
Passed through Milwaukee County Department of Health and Human Services:			
Community Development Block Grants / Entitlement Grants	14.218	3MM9/209570	10,925
Passed through the City of Wauwatosa			
Community Development Block Grants / Entitlement Grants	14.218	Not available	124,931
Passed through the City of Milwaukee Community Development Block Grant Administration:			
Community Development Block Grants / Entitlement Grants	14.218	C15109B073	39,289
Community Development Block Grants / Entitlement Grants	14.218	C15109B156	340,778
Total 14.218			515,923
Passed through City of Milwaukee Community Development Block Grant Administration:			
Home Investment Partnerships Program	14.239	C15109M021	587,928

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

Schedule of Expenditures of Federal and State Awards (Continued) Year Ended December 31, 2009

Federal Awards Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Federal
Corporation for National and Community Service Passed through the Wisconsin Department of Administration:			
AmeriCorps Programs	94.006	AD099312	207,807
AmeriCorps Programs - ARRA	94.006	AD099240	15,668
Total 94.006			223,475
U.S. Department of Justice Passed through Milwaukee Public Schools:			
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	C012189	3,000
Department of Education Pass through Marquette University:			
Early Reading First	84.359	S359B080083	26,545
Passed through Day Care Services for Children, Inc.			
Early Reading First	84.359	Not available	49,032
Total 84.359			75,577
Total expenditures of federal and state awards			\$ 1,676,880

See independent auditor's report.

See accompanying notes to the Schedule of Expenditure of Federal and State Awards.

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

Schedule of Findings and Questioned Costs

Year Ending December 31, 2009

Basis of Presentation

The accompanying schedule of expenditures of Federal and State Awards includes the Federal and State grant activity of The Young Men's Christian Association of Metropolitan Milwaukee, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Although the Youth Leadership Academy is consolidated with The Young Men's Christian Association of Metropolitan Milwaukee, Inc. for financial statements purposes, it is not included with the testing to meet the requirements of OMB Circular A-133 Audits of States, Local Governments and Nonprofit Organizations because it has a separate audit under OMB Circular A-133.

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

Schedule of Findings and Questioned Costs

Year Ending December 31, 2009

Section I: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency identified not considered to be material weaknesses?	_____ yes	<u> X </u> none reported	
Noncompliance material to consolidated financial statements noted?	_____ yes	<u> X </u> no	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ yes	<u> X </u> no	
Significant deficiency identified not considered to be material weaknesses?	_____ yes	<u> X </u> no	

Type of auditors' report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ yes	<u> X </u> no
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Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.218
94.006
94.006 - ARRA

Community Development Block Grant
AmeriCorps Programs
AmeriCorps Programs

Dollar threshold used to distinguish between Type A and Type B programs:
Federal Program

\$300,000

Auditee qualified as low-risk auditee?	<u> X </u> yes	_____ no
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The Young Men's Christian Association of Metropolitan Milwaukee, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ending December 31, 2009

Section II: Financial Statement Findings

There were no findings.

Section III: Federal Findings and Questioned Costs

There were no findings or questioned costs.

Section IV: Other Issues

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs, material weaknesses, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the Wisconsin State Single Audit Guidelines:

Department of Health and Family Services	_____ yes	<u> X </u> no
Department of Workforce Development	_____ yes	<u> X </u> no
Department of Corrections	_____ yes	<u> X </u> no
Department of Administration	_____ yes	<u> X </u> no
Department of Public Instruction	_____ yes	<u> X </u> no

Was a management letter or other document conveying audit comments issued as a result of this audit? _____ yes X no

Name and signature of partner



David Globig, CPA

Date of the report

May 10, 2010

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

Summary Schedule of Prior Audit Findings

Year Ending December 31, 2009

The prior year single audit disclosed no findings, and therefore, no uncorrected or unresolved findings exist from prior single audit.