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**YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE PIKES PEAK REGION**

AND

YMCA FOUNDATION OF THE PIKES PEAK REGION

Consolidated Financial Statements

For the Year Ended December 31, 2011

And

Independent Auditors' Report

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

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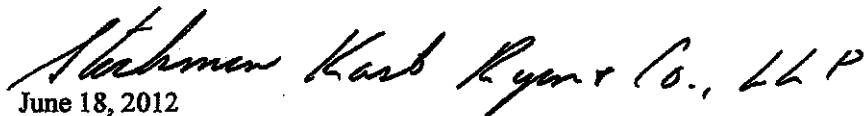
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of Young Men's Christian Association of the Pikes Peak Region and YMCA Foundation of the Pikes Peak Region (collectively, the Organization) as of December 31, 2011 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2010 financial statements and in our report dated May 17, 2011 we expressed an unqualified opinion on those financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2011 and the change in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


June 18, 2012

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011 (with comparative totals for 2010)**

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Cash and cash equivalents	\$ 672,759	\$ 185,887	\$ 8,648	\$ 867,294	\$ 1,616,246
Accounts receivable	59,794			59,794	85,393
Promises to give, net		13,743		13,743	155,348
Investments	1,554,731	966	194,887	1,750,584	1,499,823
Prepaid expenses and other	199,041			199,041	237,509
Beneficial interest in trusts		655,600	1,154,000	1,809,600	1,403,000
Bond issuance costs, net	170,478			170,478	181,843
Land held for sale	1,200,000			1,200,000	1,200,000
Property and equipment, net	<u>39,520,888</u>		<u>257,759</u>	<u>39,778,647</u>	<u>41,185,763</u>
TOTAL ASSETS	<u>\$ 43,377,691</u>	<u>\$ 856,196</u>	<u>\$ 1,615,294</u>	<u>\$ 45,849,181</u>	<u>\$ 47,564,925</u>
LIABILITIES AND NET ASSETS					
Accounts payable	\$ 483,159			\$ 483,159	\$ 468,074
Accrued expenses	715,947			715,947	807,939
Deferred revenue	599,793			599,793	609,271
Charitable gift annuity	692,031			692,031	712,070
Interest rate swap agreement	1,319,640			1,319,640	542,173
Notes payable	280,006			280,006	284,657
Bonds payable	<u>16,993,750</u>			<u>16,993,750</u>	<u>17,644,000</u>
TOTAL LIABILITIES	<u>21,084,326</u>	<u>\$ —</u>	<u>\$ —</u>	<u>21,084,326</u>	<u>21,068,184</u>
NET ASSETS					
Unrestricted	22,293,365			22,293,365	24,258,756
Temporarily restricted		856,196		856,196	549,691
Permanently restricted			1,615,294	1,615,294	1,688,294
Total net assets	<u>22,293,365</u>	<u>856,196</u>	<u>1,615,294</u>	<u>24,764,855</u>	<u>26,496,741</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,377,691</u>	<u>\$ 856,196</u>	<u>\$ 1,615,294</u>	<u>\$ 45,849,181</u>	<u>\$ 47,564,925</u>

See notes to financial statements.

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

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011 (with comparative totals for 2010)**

	2011			2010 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
PUBLIC SUPPORT AND REVENUE					
Contributions	\$ 1,168,016	\$ 636,559		\$ 1,804,575	\$ 1,510,828
Special events, net of expenses of \$65,045 and \$71,323 in 2011 and 2010, respectively	<u>98,792</u>			<u>98,792</u>	<u>112,712</u>
Total public support	<u>1,266,808</u>	<u>636,559</u>		<u>1,903,367</u>	<u>1,623,540</u>
Memberships	10,776,532			10,776,532	11,547,904
Program service fees	2,978,672	8,571		2,987,243	3,203,763
Rental income	223,889	300		224,189	247,806
Investment income	8,128			8,128	114,744
Change in value of split interest agreements	24,606		\$ (73,000)	(48,394)	134,695
Merchandise sales	70,686			70,686	52,239
Loss on interest rate swap agreement	(777,467)			(777,467)	(100,514)
Impairment loss on land held for sale					(1,272,000)
Other	<u>119,554</u>			<u>119,554</u>	<u>173,804</u>
Total revenue	<u>13,424,600</u>	<u>8,871</u>	<u>(73,000)</u>	<u>13,360,471</u>	<u>14,102,441</u>
Net assets released from restrictions	<u>338,925</u>	<u>(338,925)</u>			
Total revenue and public support	<u>15,030,333</u>	<u>306,505</u>	<u>(73,000)</u>	<u>15,263,838</u>	<u>15,725,981</u>
EXPENSES					
Program services	14,530,167			14,530,167	15,367,712
General and administrative	2,399,810			2,399,810	2,371,847
Fundraising	<u>65,747</u>			<u>65,747</u>	<u>77,693</u>
Total expenses	<u>16,995,724</u>			<u>16,995,724</u>	<u>17,817,252</u>
CHANGE IN NET ASSETS	(1,965,391)	306,505	(73,000)	(1,731,886)	(2,091,271)
NET ASSETS, Beginning of year	<u>24,258,756</u>	<u>549,691</u>	<u>1,688,294</u>	<u>26,496,741</u>	<u>28,588,012</u>
NET ASSETS, End of period	<u>\$ 22,293,365</u>	<u>\$ 856,196</u>	<u>\$ 1,615,294</u>	<u>\$ 24,764,855</u>	<u>\$ 26,496,741</u>

See notes to financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2011 (with comparative totals 2010)**

	2011												2010 Total	
	Program Services						Meridian			Supporting Services				
	Briargate Program	Downtown Program	Tri-Lakes Program	Southeast Program	Garden Ranch Program	Camp Program	Childcare Program	Meridian Ranch Program	Cordova Program	Fountain Program	Total	General and Administrative		Fund Raising
PAYROLL EXPENSE	\$ 1,232,637	\$ 1,146,001	\$ 890,478	\$ 956,930	\$ 879,369	\$ 261,074	\$ 472,991	\$ 277,437	\$ 203,439	\$ 160,116	\$ 6,480,472	\$ 1,447,995	\$ 7,928,467	\$ 8,561,285
Salaries	131,501	148,055	96,528	86,035	115,262	32,095	55,720	18,329	20,819	15,450	719,794	238,773	958,567	987,898
Employee benefits	114,808	111,831	81,992	86,350	80,311	26,147	43,448	26,121	18,313	16,454	607,775	103,947	711,722	774,444
Payroll taxes	1,478,946	1,405,887	1,068,998	1,131,315	1,074,942	319,316	572,159	321,887	242,571	192,020	7,808,041	1,790,715	9,598,756	10,323,627
OPERATING EXPENSE	451,271	573,969	409,167	556,300	349,893	106,189	82,433	4,244	11,970	3,284	2,548,720	7,956	2,556,676	2,597,375
Occupancy	131,364	187,872	82,613	55,121	64,799	132,454	35,219	29,864	16,008	22,106	757,420	86,955	844,375	835,175
Supplies	59,868	39,073	44,241	31,006	28,633	12,618	10,778	6,723	744	5,947	239,631	262,849	502,480	465,173
Contractual services	38,256	38,008	31,094	30,393	27,576	35,504	3,294	4,133	1,402	2,599	212,259	15,933	228,192	280,012
Insurance	38,790	32,589	32,255	23,367	24,689	15,527	14,209	3,377	691	4,050	189,544	(2,477)	187,067	171,231
Printing, publications and promotion:	33,960	32,556	28,901	17,487	22,486	7,134	9,260	1,053	3,376	1,676	157,889	10,805	168,694	196,147
Organization dues	16,520	15,211	9,518	13,645	13,581	6,604	1,849	6,042	1,557	961	85,488	58,443	143,931	160,953
Education, conferences and training	16,897	16,016	13,383	14,114	17,536	5,791	4,834	7,674	442	8,722	105,409	33,506	138,915	155,137
Telephone	5,880	2,746	3,821	4,549	2,873	9,872	17,499	610	254	2,069	49,773	29,270	79,043	123,637
Travel and transportation	2,065	2,112	1,616	1,487	2,799	1,458	451			4	11,992	3,761	65,747	77,693
Fundraising expense	5,224	3,602	3,962	2,795	566	1,676	42	(1,436)	118	398	15,111		15,753	60,079
Postage and shipping	15	275	66	5,223						23	7,440	30,786	15,111	20,375
Equipment maintenance	800,110	944,029	660,637	755,287	555,231	334,827	179,868	62,284	36,562	51,841	4,380,676	537,787	38,226	16,795
Miscellaneous	2,279,956	2,349,916	1,729,635	1,886,602	1,630,173	654,143	732,027	384,171	279,133	243,861	12,188,717	2,328,502	65,747	14,582,966
Total expenses before interest, depreciation and amortization	292,775	217,632	514,822	329,690	177,998	149,377					1,682,294	70,750	1,753,044	1,718,347
Depreciation and amortization	78,149	65,026	384,779	44,696	56,330	30,176					659,156	538	659,714	613,096
Interest	\$ 2,649,980	\$ 2,632,574	\$ 2,629,236	\$ 2,260,988	\$ 1,864,501	\$ 833,696	\$ 732,027	\$ 384,171	\$ 279,133	\$ 243,861	\$ 14,330,167	\$ 2,399,810	\$ 65,747	\$ 16,995,724
Total expenses	\$ 2,842,967	\$ 2,595,540	\$ 2,731,306	\$ 2,383,927	\$ 1,955,442	\$ 871,561	\$ 1,078,071	\$ 393,533	\$ 266,033	\$ 249,332	\$ 15,367,712	\$ 2,371,847	\$ 77,693	\$ 17,817,252

See notes to financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
DECEMBER 31, 2011 (with comparative totals for 2010)**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,731,886)	\$ (2,091,271)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,753,044	1,718,347
Provision for uncollectible promises to give	(28,150)	(151,850)
Amortization of discount on promises to give	(15,500)	(40,500)
Other	24,240	(20,470)
Net realized and unrealized (gains) losses on investments	24,463	(67,675)
Loss on interest rate swap agreement	777,467	100,514
Impairment loss on land held for sale		1,272,000
Change in value of split interest agreement	48,394	(134,695)
Contributions restricted for long-term purposes	(643,600)	
Change in operating assets and liabilities:		
Accounts receivable	25,599	(5,557)
Prepaid expenses and other	38,468	78,643
Accounts payable and accrued expenses	(76,907)	34,185
Deferred revenue	(9,478)	(133,321)
Net cash provided by operating activities	<u>186,154</u>	<u>558,350</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	269,053	109,973
Proceeds on sale of property and equipment	22,800	6,500
Purchase of investments	(544,277)	(142,337)
Purchase of property and equipment	(202,265)	(1,991,593)
Proceeds from distribution from trust	202,362	46,056
Net decrease in restricted cash and cash held for construction		<u>2,045,654</u>
Net cash provided by (used in) investing activities	<u>(252,327)</u>	<u>74,253</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Collections of contributions restricted for long-term purposes	185,255	946,367
Payments on gift annuity	(33,795)	(34,174)
Principal payments on promissory note	(179,239)	(118,241)
Principal payments on bonds	(655,000)	
Net cash provided by (used in) investing activities	<u>(682,779)</u>	<u>793,952</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(748,952)	1,426,555
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,616,246</u>	<u>189,691</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 867,294</u>	<u>\$ 1,616,246</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 661,747</u>	<u>\$ 603,948</u>
Assets acquired through issuance of promissory notes	<u>\$ 174,588</u>	<u>\$ 172,898</u>

See notes to financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The accompanying financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2010, from which the summarized information was derived.

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

Accounts Receivable — Accounts receivable relate to amounts due for various services. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable

collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. At December 31, 2011 and 2010 no allowance had been recorded on the accounts receivable.

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

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

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

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

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

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

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

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

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

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

Marketing — The Organization expenses marketing costs as they are incurred. Total marketing expenses for 2011 and 2010 were \$214,082 and \$191,032, respectively.

Use of Estimates — The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications — Certain reclassifications have been made to the 2010 report amounts to conform with the presentation in the current year.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through June 18, 2012, the date the financial statements were available for issuance.

2. PROMISES TO GIVE

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

Unconditional promises to give are as follows at December 31:

	2011	2010
Net unconditional promises to give:		
Due in less than one year	\$ 38,643	\$ 126,895
Due in one to five years	<u>30,100</u>	<u>127,103</u>
Total	68,743	253,998
Allowance for uncollectable amounts	(50,000)	(78,150)
Unamortized discount	<u>(5,000)</u>	<u>(20,500)</u>
Total	<u>\$ 13,743</u>	<u>\$ 155,348</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2011	2010
Land	\$ 5,203,026	\$ 5,203,026
Buildings and improvements	48,767,311	48,652,730
Furniture and equipment	4,619,207	4,705,959
Construction in progress	<u>287,750</u>	<u>261,719</u>
Total	58,877,294	58,823,434
Less accumulated depreciation	<u>19,098,647</u>	<u>17,637,671</u>
Net property and equipment	<u>\$ 39,778,647</u>	<u>\$ 41,185,763</u>

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

4. BENEFICIAL INTEREST IN TRUSTS

The Organization is the beneficiary of various irrevocable, perpetual trusts held and administered by third parties. Under the terms of the trust agreements, the Organization is to receive a stated percentage of the interest earned on the corpus of the trust assets in perpetuity for its unrestricted use. The Organization's share of the assets held in the trusts totaled \$1,154,000 and \$1,227,000 as of December 31, 2011 and 2010, respectively, and are reported at fair value and included in permanently restricted net assets in the Organization's consolidated statement of financial position. Fair value in the trusts is determined primarily based in the Organization's proportionate share of the fair value of the underlying assets of the trusts. Fair value of the underlying assets is determined using quoted market prices and pricing services.

During the year ended December 31, 2011, the Organization was named as the remainder beneficiary under a charitable remainder trust, for which a local bank serves as the trustee and makes annual distributions to the lead beneficiary. The distributions are to continue for the lifetime of the lead beneficiary. Upon the death of such beneficiary, the trust's remaining principal will be distributed to the Organization. Based on the beneficiary's life expectancy, an estimated annual investment return of approximately 7% and a discount rate of approximately 15%, the present value and future benefits to be received by the Organization is estimated to be \$643,600 at December 31, 2011. This amount is classified as temporarily restricted until the trust's assets are distributed to the Organization.

The Organization is also a beneficiary under other charitable remainder trusts recorded at their estimated fair values of \$12,000 and \$176,000 at December 31, 2011 and 2010, respectively.

5. CHARITABLE GIFT ANNUITY

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

6. NOTES PAYABLE

Notes payable consist of the following at December 31:

	2011	2010
Notes payable to a vendor, payable in monthly installments of \$10,120, including interest at 5.5% to 7.4%, due December 2010 through 2013, secured by equipment carried at \$207,697.	\$ 207,697	\$ 200,550
Note payable to an individual, payable in monthly installments of \$1,080, including interest at 9.0%, due June 2018, secured by land carried at \$251,149.	63,583	70,475
Note payable to a financing company, payable in monthly installments of \$455, including interest at 4.9%, due October 2013, secured by a vehicle carried at \$5,428.	<u>8,726</u>	<u>13,632</u>
Total	<u>\$ 280,006</u>	<u>\$ 284,657</u>

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

2012	\$ 133,783
2013	85,820
2014	21,627
2015	9,867
2016	10,792
Thereafter	<u>18,117</u>
Total	<u>\$ 280,006</u>

7. BONDS PAYABLE

Bonds payable consist of the following at December 31:

	2011	2010
Bonds payable	\$ 17,065,000	\$ 17,720,000
Less unamortized discount	<u>71,250</u>	<u>76,000</u>
Bonds payable, net	<u>\$ 16,993,750</u>	<u>\$ 17,644,000</u>

On December 26, 2006, El Paso County, Colorado (the County) issued \$19,000,000 of Colorado Variable Rate Demand Revenue Bonds (the Bonds), the proceeds of which were loaned to the Organization. The Bonds mature on December 31, 2025. An additional \$16,000,000 of 2006 bonds is available to be issued in the future, if the Organization proceeds with development of new facilities. The Bonds were issued to finance the costs of: 1) acquiring, constructing, completing and equipping real and personal property in connection with the construction of the Tri-Lakes facility and to finance additional improvements and renovations to other facilities; 2) refinancing the Issuer's outstanding Variable Rate Demand Revenue Bonds, Series 2002; and 3) paying certain costs of issuance relating to the Bonds.

The County issued the Bonds under an Indenture of Trust between the County and Wells Fargo Bank West, National Association (Wells Fargo), the Trustee. Payment of principal and interest on the Bonds, and purchase price of the Bonds upon optional and mandatory tender, are secured by an irrevocable direct-pay Letter of Credit from Wells Fargo in the amount of \$10,503,713.

The bonds bear interest at a weekly interest rate determined by the Remarketing Agent (effective rate at December 31, 2011 is 0.09%) payable on the first business day of each March, June, September and December.

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

The loan agreement under the bonds payable and the related reimbursement agreement under letters of credit contain certain restrictive covenants including the requirement to maintain a liquidity ratio of not less than 2.0 and a debt service coverage ratio of not less than 1.0. As of December 31, 2011 the Organization's liquidity ratio and debt service coverage ratios, as defined by the reimbursement agreement, were 1.99 and .89, respectively, which are lower than the required levels and is a breach of the bond agreement. Wells Fargo has waived these requirements of the agreement as of December 31, 2011.

The Organization has interest rate swap agreements outstanding for the purpose of hedging the risk of interest rate fluctuations associated with the bonds payable, not for speculation. On July 12, 2010, the Organization entered into an interest rate swap agreement associated with its Variable Rate Demand Obligation Bonds, Series 2002. Pursuant to this agreement, the Organization pays a rate of 2.67% on the outstanding balance of the bonds and receives interest at the Bond Market Association (BMA) municipal swap index rate. The swap matures July 1, 2020. In December 2007, the Organization entered into an interest rate swap agreement associated with its Variable Rate Demand Obligation Bond fixed, which mature December 1, 2017. Pursuant to the agreement, the Organization pays a rate of 3.74% on the outstanding balance of the bonds and receives interest at the BMA index rate. The Organization recorded unrealized losses of \$(777,467) and \$(100,513) due to changes in the fair value of the interest swap agreements during the years ended December 31, 2011 and 2010, respectively.

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

2012	\$ 695,000
2013	725,000
2014	760,000
2015	790,000
2016	825,000
Thereafter	<u>13,270,000</u>
Total	<u>\$ 17,065,000</u>

8. INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2011:				
ASSETS				
INVESTMENTS				
Bond mutual funds:				
Domestic	\$ 562,604	\$ 562,604		
International	78,179	78,179		
Corporate stocks:				
Domestic	142,531	142,531		
International	37,290	37,290		
Mixed strategy mutual funds	181,923		\$ 181,923	
Equity mutual funds:				
Domestic	148,268	148,268		
International	100,691	100,691		
Corporate bonds	134,184		134,184	
REIT's and other mutual funds	<u>154,914</u>	<u>154,914</u>		
Total investments	1,540,584	1,224,477	316,107	
OTHER ASSETS				
Beneficial interest in trusts	<u>1,809,600</u>		<u>1,166,000</u>	<u>\$ 643,600</u>
Total	<u>\$ 3,350,184</u>	<u>\$ 1,224,477</u>	<u>\$ 1,482,107</u>	<u>\$ 643,600</u>
LIABILITIES				
Interest rate swap agreement	\$ 1,319,640			\$ 1,319,640
Charitable gift annuity	<u>692,031</u>		<u>\$ 692,031</u>	
Total	<u>\$ 2,011,671</u>	<u>\$ —</u>	<u>\$ 692,031</u>	<u>\$ 1,319,640</u>
2010:				
ASSETS				
INVESTMENTS				
Bond mutual funds:				
Domestic	\$ 360,498	\$ 360,498		
International	39,251	39,251		
Corporate stocks:				
Domestic	188,004	188,004		
International	39,378	39,378		
Mixed strategy mutual funds	209,040		\$ 209,040	
Equity mutual funds:				
Domestic	119,454	119,454		
International	62,893	62,893		
Corporate bonds	143,894		143,894	
Other investments:				
REIT's and other mutual funds	103,872		103,872	
Preferred securities	13,495	13,495		
Government securities	<u>10,044</u>		<u>10,044</u>	
Total investments	1,289,823	822,973	466,850	—

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
OTHER ASSETS				
Beneficial interest in trusts	<u>1,403,000</u>		<u>1,403,000</u>	
Total	<u>\$ 2,692,823</u>	<u>\$ 822,973</u>	<u>\$ 1,869,850</u>	<u>\$ —</u>
LIABILITIES				
Interest rate swap agreement	\$ 542,173			\$ 542,173
Charitable gift annuity	<u>712,070</u>		<u>\$ 712,070</u>	
Total	<u>\$ 1,254,243</u>	<u>\$ —</u>	<u>\$ 712,070</u>	<u>\$ 542,173</u>

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

Beneficial interest in trust, January 1, 2011	\$ —
Contribution	<u>643,600</u>
Beneficial interest in trust, December 31, 2011	<u>\$ 643,600</u>

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

Interest rate swap agreements, January 1, 2010	\$ 441,659
Change in value recognized as a loss	<u>100,514</u>
Interest rate swap agreements, December 31, 2010	542,173
Change in value recognized as a loss	<u>777,467</u>
Interest rate swap agreements, December 31, 2011	<u>\$ 1,319,640</u>

Included in investments are water rights which are carried at cost of \$210,000 at December 31, 2011 and 2010. The water rights consist of 143.2 shares of Mountain Mutual Reservoir Company purchased by the Organization to help insure a water supply for Camp Shadybrook.

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

	2011	2010
Net realized and unrealized gains (losses)	\$ (24,463)	\$ 67,675
Interest and dividends	<u>32,591</u>	<u>47,069</u>
Total	<u>\$ 8,128</u>	<u>\$ 114,744</u>

9. BOARD DESIGNATED UNRESTRICTED NET ASSETS

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

Board designated amounts included in unrestricted net assets as of December 31, 2011 are as follows:

Designated for:

Payment of bonds	\$ 915,635
Endowment funds	606,773
Future maintenance	310,273
Health and dental plans	227,934
Unemployment	131,540
Future equipment purchases	103,799
Technology	82,307
Future building improvements	79,172
Use in specific programs	48,000
Future vehicle purchases	<u>2,949</u>
Total	<u>\$ 2,508,382</u>

10. RESTRICTIONS ON NET ASSETS

Restricted net assets are available for the following purposes:

Temporarily Restricted:

Beneficial interest in trusts	\$ 655,600
Organization programs	186,851
Time reserved promises to give	<u>13,745</u>
Total temporarily restricted net assets	<u>\$ 856,196</u>

Permanently Restricted:

Beneficial interest in perpetual trusts	\$ 1,154,000
Land for Briargate facility	257,759
Military program endowment fund	122,549
Organization endowment fund	43,986
Parson teen and youth endowment fund	25,000
Berwick memorial endowment fund	<u>12,000</u>
Total permanently restricted net assets	<u>\$ 1,615,294</u>

11. ENDOWMENT FUNDS

The Organization's endowment consists of nine individual funds established for a variety of purposes. Its endowment includes both donor-related endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Colorado has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Organization has interpreted 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. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Organization
- 7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 1,101	\$ 203,535	\$ 204,636
Perpetual trust endowment funds			1,154,000	1,154,000
Board-designated endowment funds	<u>\$ 606,773</u>			<u>606,773</u>
Total funds	<u>\$ 606,773</u>	<u>\$ 1,101</u>	<u>\$ 1,357,535</u>	<u>\$ 1,965,409</u>

Changes in Endowment Net Assets for the year ended December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 620,133	\$ 1,101	\$ 1,430,535	\$ 2,051,769
Investment return:				
Investment income	12,365			12,365
Net appreciation (realized and unrealized)	(14,186)		(73,000)	(87,186)
Total investment return	(1,821)	—	(73,000)	(74,821)
Appropriation of endowment assets for expenditures	(11,539)	—	—	(11,539)
Endowment net assets, end of year	\$ 606,773	\$ 1,101	\$ 1,357,535	\$ 1,965,409

Endowment Net Asset Composition by Type of Fund as of December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 1,101	\$ 203,535	\$ 204,636
Perpetual trust endowment funds			1,227,000	1,227,000
Board-designated endowment funds	\$ 620,133			620,133
Total funds	\$ 620,133	\$ 1,101	\$ 1,430,535	\$ 2,051,769

Changes in Endowment Net Assets for the year ended December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 575,015	\$ —	\$ 1,330,689	\$ 1,905,704
Investment return:				
Investment income	9,841	32	2,875	12,748
Net appreciation (realized and unrealized)	49,314	913	69,969	120,196
Total investment return	59,155	945	72,844	132,944
Contributions	—	156	27,002	27,158
Appropriation of endowment assets for expenditures	(14,037)	—	—	(14,037)
Endowment net assets, end of year	\$ 620,133	\$ 1,101	\$ 1,430,535	\$ 2,051,769

	2011	2010
Permanently Restricted Net Assets		
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	<u>\$ 1,357,536</u>	<u>\$ 1,427,814</u>
Temporarily Restricted Net Assets		
The portion of perpetual endowment funds subject to a time restriction under UPMIFA	<u>\$ 1,101</u>	<u>\$ 1,101</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiency existed as of December 31, 2011 or 2010.

The Organization has adopted investment and spending policies for endowment assets with a balanced objective with an emphasis on long-term capital appreciation over current income to insure preservation of real purchasing power and growth of principal. Included in endowments are perpetual trusts held by third parties, these trusts are controlled by the third party and the investment policies of the Organization does not apply to them. The balance of perpetual trusts held by third parties was \$1,154,000 and \$1,227,000 at December 31, 2011 and 2010, respectively. Endowment assets also include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy the endowment assets are invested in a manner that is intended to produce maximum results while assuming a moderate level of investment risk.

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

12. DONATED SERVICES, FACILITIES AND MATERIALS

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

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

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

13. COMMITMENTS AND CONTINGENCIES

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

14. RETIREMENT PLAN

The Organization participates in a defined contribution retirement plan sponsored by the National Organization of YMCAs, which covers all employees who meet the eligibility requirements as stated in the plan. Retirement contributions of 12% of eligible compensation were \$548,657 and \$563,159 in 2011 and 2010, respectively.

15. CONCENTRATIONS OF CREDIT RISK

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

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

16. RELATED PARTY TRANSACTIONS

The Marketing President for a local bank sits on the board of directors of the Organization. This bank holds significant investments, bonds and the swap agreements of the Organization.

