

YMCA OF GREATER SAINT PAUL
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007

**YMCA OF GREATER SAINT PAUL
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YEARS ENDED DECEMBER 31, 2008 AND 2007**

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INDEPENDENT AUDITORS' REPORT

General Board of Directors
YMCA of Greater Saint Paul
Saint Paul, Minnesota

We have audited the accompanying statements of financial position of the YMCA of Greater Saint Paul as of December 31, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the YMCA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the YMCA of Greater Saint Paul as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17 to the financial statements, the YMCA of Greater Saint Paul adopted FASB Staff Position 117-1 (FSP 117-1), upon the Uniform Prudent Management of Institutional Funds Act (UPMIFA) becoming effective in the State of Minnesota. The impact of this adoption was a reclassification of \$2,965,898 in unrestricted net assets to temporary restricted net assets.



LarsonAllen LLP

Minneapolis, Minnesota
June 1, 2009



**YMCA OF GREATER SAINT PAUL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

	2008	2007
ASSETS		
Cash and Cash Equivalents	\$ 1,879,203	\$ 1,927,966
Certificate of Deposit	101,659	96,670
Accounts Receivable	1,616,967	1,241,994
Contributions Receivable	3,354,112	3,648,765
Investments	9,456,170	13,897,675
Prepaid Expenses, Inventory and Other Assets	399,014	950,780
Interest in Beneficiary Trusts	1,315,204	1,864,787
Property and Equipment, Net	54,297,295	55,317,087
New Richmond Property Usage	-	4,191,215
	\$ 72,419,624	\$ 83,136,939
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,251,321	\$ 2,324,229
Accrued Payroll	1,622,651	1,517,390
Other Accrued Expenses	286,998	781,935
Deferred Revenue	1,549,672	1,557,222
Notes Payable	15,319,668	16,058,973
Deferred Swap Rate Liability	28,738	8,854
Total Liabilities	20,059,048	22,248,603
NET ASSETS		
Unrestricted	40,286,174	45,992,854
Temporarily Restricted	5,527,570	7,917,967
Permanently Restricted	6,546,832	6,977,515
Total Net Assets	52,360,576	60,888,336
Total Liabilities and Net Assets	\$ 72,419,624	\$ 83,136,939

See accompanying Notes to Financial Statements.

**YMCA OF GREATER SAINT PAUL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING SUPPORT AND REVENUE				
Public Support:				
Contributions and Grants	\$ 2,770,620	\$ 3,421,188	\$ -	\$ 6,191,808
Contributions Designated for Endowment	144,197	-	116,303	260,500
Total Public Support	<u>2,914,817</u>	<u>3,421,188</u>	<u>116,303</u>	<u>6,452,308</u>
Revenue:				
Membership Fees	20,164,621	-	-	20,164,621
Program Service Fees:				
Child Care Fees	11,146,677	-	-	11,146,677
Camp Fees	4,607,033	-	-	4,607,033
Program Fees	4,030,851	-	-	4,030,851
Sale of Merchandise	614,329	-	-	614,329
Investment Income	779,059	-	-	779,059
Other	302,986	-	-	302,986
Total Revenue	<u>41,645,556</u>	<u>-</u>	<u>-</u>	<u>41,645,556</u>
Net Assets Released from Restriction	<u>1,601,223</u>	<u>(1,601,223)</u>	<u>-</u>	<u>-</u>
Total Operating Support and Revenue	<u>46,161,596</u>	<u>1,819,965</u>	<u>116,303</u>	<u>48,097,864</u>
OPERATING EXPENSES				
Program Services:				
Membership and Program	23,692,894	-	-	23,692,894
Child Care	4,746,539	-	-	4,746,539
Camp	7,512,874	-	-	7,512,874
Total Program Services	<u>35,952,307</u>	<u>-</u>	<u>-</u>	<u>35,952,307</u>
Supporting Services:				
Management and General	9,479,501	-	-	9,479,501
Fundraising	1,621,734	-	-	1,621,734
Total Supporting Services	<u>11,101,235</u>	<u>-</u>	<u>-</u>	<u>11,101,235</u>
Total Operating Expenses	<u>47,053,542</u>	<u>-</u>	<u>-</u>	<u>47,053,542</u>
EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	(891,946)	1,819,965	116,303	1,044,322
NONOPERATING REVENUES AND EXPENDITURES				
Unrestricted Capital Contributions	15,000	-	-	15,000
Investment Income (Loss)	(3,132,957)	(1,512,158)	-	(4,645,115)
Loss on Interest Rate Swap Agreement	(19,884)	-	-	(19,884)
Increase (Decrease) in Value of Beneficiary Trusts	-	-	(549,583)	(549,583)
Increase in Cash Surrender Value of Life Insurance	3,015	-	2,597	5,612
Rental Activity, Net of Expenses of \$266,646 and \$298,485, Respectively	(273,946)	-	-	(273,946)
Gain (Loss) on Sale of Property	(166)	-	-	(166)
Net Assets Released from Restrictions - Capital	1,560,102	(1,560,102)	-	-
Adoption of FSP 117-1 Endowments	(2,965,898)	2,965,898	-	-
Termination of New Richmond Lease	-	(4,104,000)	-	(4,104,000)
Total Nonoperating Revenues and Expenditures	<u>(4,814,734)</u>	<u>(4,210,362)</u>	<u>(546,986)</u>	<u>(9,572,082)</u>
CHANGE IN NET ASSETS	(5,706,680)	(2,390,397)	(430,683)	(8,527,760)
Net Assets - Beginning of Year	<u>45,992,854</u>	<u>7,917,967</u>	<u>6,977,515</u>	<u>60,888,336</u>
NET ASSETS - END OF YEAR	\$ 40,286,174	\$ 5,527,570	\$ 6,546,832	\$ 52,360,576

See accompanying Notes to Financial Statements.

2007

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,445,131	\$ 3,421,053	\$ -	\$ 5,866,184
41,869	-	102,852	144,721
<u>2,487,000</u>	<u>3,421,053</u>	<u>102,852</u>	<u>6,010,905</u>
18,022,146	-	-	18,022,146
10,443,650	-	-	10,443,650
4,623,889	-	-	4,623,889
3,373,035	-	-	3,373,035
586,385	-	-	586,385
786,787	-	-	786,787
1,956,710	-	-	1,956,710
<u>39,792,602</u>	<u>-</u>	<u>-</u>	<u>39,792,602</u>
1,281,598	(1,281,598)	-	-
43,561,200	2,139,455	102,852	45,803,507
21,321,677	-	-	21,321,677
4,330,363	-	-	4,330,363
7,025,051	-	-	7,025,051
<u>32,677,091</u>	<u>-</u>	<u>-</u>	<u>32,677,091</u>
8,560,620	-	-	8,560,620
1,452,109	-	-	1,452,109
<u>10,012,729</u>	<u>-</u>	<u>-</u>	<u>10,012,729</u>
42,689,820	-	-	42,689,820
871,380	2,139,455	102,852	3,113,687
2,015,000	-	-	2,015,000
305,799	-	-	305,799
(24,979)	-	-	(24,979)
-	-	14,903	14,903
-	-	-	-
(301,964)	-	-	(301,964)
4,334	-	-	4,334
6,839,293	(6,839,293)	-	-
-	-	-	-
-	-	-	-
<u>8,837,483</u>	<u>(6,839,293)</u>	<u>14,903</u>	<u>2,013,093</u>
9,708,863	(4,699,838)	117,755	5,126,780
36,283,991	12,617,805	6,859,760	55,761,556
<u>\$ 45,992,854</u>	<u>\$ 7,917,967</u>	<u>\$ 6,977,515</u>	<u>\$ 60,888,336</u>

**YMCA OF GREATER SAINT PAUL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008**

	2008									
	Program Services				Supporting Services			Administrative		Combined
	Membership and Program	Child Care	Camp	Total Program Services	Management and General	Fundraising	Total Support Services	Subtotal	Training Center	Total
Salaries and Wages	\$ 11,311,401	\$ 4,834,248	\$ 1,828,745	\$ 17,974,394	\$ 4,114,974	\$ 1,166,696	\$ 5,281,670	\$ 23,256,064	\$ -	\$ 23,256,064
Employee Health and Retirement Benefits	894,194	595,421	100,893	1,590,508	741,755	211,327	953,082	2,543,590	-	2,543,590
Payroll Taxes and Workers' Compensation	1,063,514	446,420	193,229	1,703,163	412,018	112,272	524,290	2,227,453	-	2,227,453
Total Salaries and Related Benefits	13,269,109	5,876,089	2,122,867	21,268,065	5,268,747	1,490,295	6,759,042	28,027,107	-	28,027,107
Occupancy	5,179,155	293,229	768,750	6,241,134	312,384	1,650	314,034	6,555,168	107,461	6,662,629
Telephone	21,502	21,998	8,704	52,204	359,280	836	360,116	412,320	-	412,320
Employee Travel and Training	117,939	55,351	39,343	212,633	357,498	30,343	387,841	600,474	-	600,474
National and Professional Dues	1,025	512	-	1,537	305,995	60	306,055	307,592	-	307,592
Awards and International Grants	321,006	505	47,075	368,586	89,110	4,033	93,143	461,729	-	461,729
Contract Services and Professional Fees	115,212	129,037	211,481	455,730	1,379,237	12,135	1,391,372	1,847,102	-	1,847,102
Printing and Promotions	450,593	32,119	33,374	516,086	427,696	34,780	462,476	978,562	-	978,562
Interest and Bank Charges	614,595	-	31,189	645,784	14,647	-	14,647	660,431	31,741	692,172
Postage and Shipping	378	178	213	769	192,658	9,155	201,813	202,582	-	202,582
Supplies	870,944	896,569	991,534	2,759,047	286,490	29,763	316,253	3,075,300	-	3,075,300
Miscellaneous	63,030	207,287	35,753	306,070	221,683	8,684	230,367	536,437	-	536,437
Depreciation	2,668,406	-	456,256	3,124,662	264,076	-	264,076	3,388,738	127,444	3,516,182
Total Expenses	<u>\$ 23,692,894</u>	<u>\$ 7,512,874</u>	<u>\$ 4,746,539</u>	<u>\$ 35,952,307</u>	<u>\$ 9,479,501</u>	<u>\$ 1,621,734</u>	<u>\$ 11,101,235</u>	<u>\$ 47,053,542</u>	<u>\$ 266,646</u>	<u>\$ 47,320,188</u>

See accompanying Notes to Financial Statements.

**YMCA OF GREATER SAINT PAUL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007**

	2007									
	Program Services				Supporting Services				Administrative Training Center	Combined Total
	Membership and Program	Child Care	Camp	Total Program Services	Management and General	Fundraising	Total Support Services	Subtotal		
Salaries and Wages	\$ 10,211,665	\$ 4,572,818	\$ 1,646,147	\$ 16,430,630	\$ 4,135,871	\$ 955,752	\$ 5,091,623	\$ 21,522,253	\$ -	\$ 21,522,253
Employee Health and Retirement Benefits	833,111	562,002	93,969	1,489,082	675,528	155,836	831,364	2,320,446	-	2,320,446
Payroll Taxes and Workers' Compensation	972,338	444,093	193,609	1,610,040	345,435	78,943	424,378	2,034,418	-	2,034,418
Total Salaries and Related Benefits	12,017,114	5,578,913	1,933,725	19,529,752	5,156,834	1,190,531	6,347,365	25,877,117	-	25,877,117
Occupancy	4,821,876	263,768	801,817	5,887,461	300,824	-	300,824	6,188,285	138,153	6,326,438
Telephone	14,202	12,476	16,358	43,036	351,823	1,287	353,110	396,146	-	396,146
Employee Travel and Training	105,018	88,699	37,441	231,158	366,058	42,284	408,342	639,500	-	639,500
National and Professional Dues	41	200	65	306	279,523	51	279,574	279,880	-	279,880
Awards and International Grants	26,970	6,362	53,570	86,902	30,275	12,658	42,933	129,835	-	129,835
Contract Services and Professional Fees	84,809	44,170	103,790	232,769	1,076,568	8,618	1,085,186	1,317,955	-	1,317,955
Printing and Promotions	445,070	27,214	54,061	526,345	488,572	39,526	528,098	1,054,443	-	1,054,443
Interest and Bank Charges	439,807	-	37,857	477,664	19,697	-	19,697	497,361	37,254	534,615
Postage and Shipping	31	549	824	1,404	195,672	11,921	207,593	208,997	-	208,997
Supplies	852,100	954,185	837,408	2,643,693	261,097	18,395	279,492	2,923,185	-	2,923,185
Miscellaneous	76,544	48,515	9	125,068	33,677	126,838	160,515	285,583	-	285,583
Depreciation	2,438,095	-	453,438	2,891,533	-	-	-	2,891,533	123,078	3,014,611
Total Expenses	<u>\$ 21,321,677</u>	<u>\$ 7,025,051</u>	<u>\$ 4,330,363</u>	<u>\$ 32,677,091</u>	<u>\$ 8,560,620</u>	<u>\$ 1,452,109</u>	<u>\$ 10,012,729</u>	<u>\$ 42,689,820</u>	<u>\$ 298,485</u>	<u>\$ 42,988,305</u>

See accompanying Notes to Financial Statements.

**YMCA OF GREATER SAINT PAUL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (8,527,760)	\$ 5,126,780
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,516,182	3,014,611
Bad Debt Expense	334,367	224,300
In-Kind Lease Expense	92,693	92,694
In-Kind Lease Disposal	4,098,522	-
Transfer of Property Relating to New Richmond Location	311,321	-
Change in the Value of Beneficiary Trusts and Life Insurance	543,971	(14,903)
Realized Gain on Investments	(633,347)	(1,517,655)
Unrealized Loss on Investments	4,499,403	1,211,856
(Gain) Loss on Sale of Property	166	(4,334)
Capital Campaign Revenue	(2,160,344)	(2,365,718)
Permanently Restricted Revenue	(116,303)	(102,852)
(Increase) Decrease in Assets:		
Accounts Receivable	(709,340)	(284,733)
Contributions Receivable	(984,572)	(178,785)
Prepaid Expenses and Inventory	551,766	(163,151)
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,072,908)	(545,601)
Accrued Payroll	105,261	245,476
Other Accrued Expenses	(494,937)	35,704
Deferred Swap Agreement	19,884	24,980
Deferred Revenue	(7,550)	(1,800,115)
Net Cash Provided (Used) by Operating Activities	(633,525)	2,998,554
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(2,812,547)	(8,766,367)
Proceeds on Disposal of Property and Equipment	4,670	29,659
Purchase of Investments	(14,091,628)	(24,123,781)
Proceeds from Sale of Investments	14,697,871	23,904,699
Net Cash Used by Investing Activities	(2,201,634)	(8,955,790)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Collected on Capital Campaign Contributions	3,404,973	1,868,312
Cash Collected on Permanently Restricted Contributions	120,728	114,537
Proceeds from Borrowings	1,263,310	1,667,794
Principal Payments on Capital Lease	-	(50,558)
Principal Payments on Notes Payable and Lines of Credit	(2,002,615)	(1,426,209)
Net Cash Provided by Financing Activities	2,786,396	2,173,876
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,763)	(3,783,360)
Cash and Cash Equivalents - Beginning of Year	1,927,966	5,711,326
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,879,203	\$ 1,927,966
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Payments for Interest	\$ 711,482	\$ 542,734
Property and Equipment Acquired through Construction Loans	\$ 201,173	\$ 3,668,859
Construction Interest Capitalized	\$ 44,230	\$ 133,080

See accompanying Notes to Financial Statements.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The YMCA of Greater Saint Paul (YMCA) is a Minnesota not-for-profit, charitable organization committed to practicing Christian values by providing opportunities for everyone to build strong kids, strong families, and strong communities. It is driven by community need, guided by community volunteers, and open to all. Subject to available resources, no person is denied participation in a YMCA program solely by reason of financial inability to pay. In all programs, the YMCA builds values of caring, honesty, respect, and responsibility.

The YMCA provides child care, camping, health enhancement, and community outreach programs to residents of the inner city of St. Paul and suburban East Metro area, including all of Ramsey County and parts of Washington, Dakota, St. Croix, Pierce and Polk (WI) counties. The YMCA derives its revenues from participant fees, membership dues, government contracts and grants, contributions, and miscellaneous sources.

Financial Statement Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the YMCA and changes therein are classified and reported as follows:

Unrestricted – Those resources over which the board of directors has discretionary control. The Board designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the YMCA or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the YMCA. The donors of these resources permit the YMCA to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

The YMCA has elected to treat all contributions in which the restrictions are met in the current year as unrestricted contributions.

Measure of Operations

In its statements of activity, the YMCA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of gains and losses on disposal of property and equipment, realized and unrealized investment income, changes in the value of beneficiary trusts, net joint rental activity, conditional asset retirement expenses, unrestricted capital contributions and releases from restriction for capital purposes.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The YMCA's financial instruments are cash and cash equivalents, accounts receivable, contributions receivable, marketable securities, interest in beneficiary trusts, due from property manager, accounts payable, notes payable and the deferred swap rate asset. The recorded values of cash and cash equivalents, accounts receivable, due from property manager, and accounts payable approximate their fair values based on their short-term nature. The fair value of contributions receivable, which is based on discounted cash flows using the rate deemed representative of the market and the risks at the time of gift, approximates the carrying value at December 31, 2008 and 2007. Fair values of marketable securities, interest in beneficiary trusts, and the deferred swap rate asset are based on quoted market prices as of December 31, 2008 and 2007. The fair value of the YMCA's notes payable is estimated based on the current rates offered to the YMCA for debt of similar terms and maturities. Under this method, the YMCA's fair value of long-term debt was \$1,283,605 and \$446,493 greater than the carrying value at December 31, 2008 and 2007, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash, money market accounts, and all highly liquid securities purchased with an original maturity of 90 days or less. At times the balance may exceed federally insured limits.

Accounts Receivable

The YMCA provides an allowance for bad debts using the allowance method. Services are sold on an unsecured basis. Payment is required upon receipt of the invoice. Accounts past due more than 90 days are individually analyzed for collectibility. Accounts for which no payments have been received for 90 days are written off. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. At December 31, 2008 and 2007, the allowance was approximately \$105,000 and \$109,000, respectively.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments

Investments are stated at fair value on a recurring basis. The YMCA's investments are invested in a partnership with other nonprofits. The YMCA owns 2.595% of the partnership which is classified as a Level 3 asset. Fair value measurement of the underlying assets are based upon quoted prices. Investments valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

or brokers in active over-the-counter markets. Investments whose values are not part of active markets but are observable either directly or indirectly through comparison to similar assets or liabilities are considered Level 2 investments. Investments valued using Level 3 inputs include partnership interests, and alternative investments which are valued using inputs provided by the investment manager and evaluated by an independent reporting service on a monthly basis.

Interest in Beneficiary Trusts

The YMCA is benefactor of various trusts held by third parties. The assets are recorded as permanently restricted net assets at the present value of the estimated future cash receipts. The valuation of the YMCA's interests in the perpetual trusts is adjusted to fair market value at the statement of financial position date.

Inventories

Inventories consisting primarily of clothing, athletic gear and promotional items are valued at the lower of cost on a first-in, first-out basis, or market. Total inventories at December 31, 2008 and 2007 are \$59,666 and \$46,821, respectively.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of donated property. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Property and equipment is depreciated over the lives of the assets using the straight-line method.

Deferred Revenue

Membership dues and program fees that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which the revenue is earned.

Donated Goods and Services

Donated supplies and equipment are reflected as contributions in the accompanying statements at their fair values at the date of receipt. Many volunteers and corporations have donated significant amounts of time and services to the YMCA's fund-raising campaigns, policy-making boards, and program operations. However, such contributed services do not meet the criteria for recognition of contributed services contained in accounting principles generally accepted in the United States of America and, accordingly, are not reflected in the accompanying financial statements.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were \$322,280 and \$329,735 for the years ended December 31, 2008 and 2007, respectively.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

Tax Status

The YMCA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes. The YMCA is not considered a private foundation and contributions to the YMCA are considered tax deductible.

Effective January 1, 2007, the YMCA adopted the provisions of FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes: An Interpretation of FASB Statement No. 109*, ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Contributions receivable result from both individuals and corporations. The vast majority of those contributions are located in the St. Paul/Minneapolis area and its surrounding suburbs, as well as those in which the YMCA has a camp presence.

The YMCA holds its investments in a variety of investment vehicles. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the YMCA's investment holdings and the amounts reported on the statements of financial position.

Fair Value Measurements

SFAS No. 157, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The YMCA accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. The YMCA accounts for certain financial assets and liabilities at fair value under various accounting literature, including SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The YMCA also accounts for certain assets at fair value under applicable industry guidance.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The YMCA also was able to adopt Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159) on January 1, 2008. SFAS 159 allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The YMCA has not elected to measure any existing financial instruments at fair value at January 1, 2008, as permitted under SFAS 159. However, the YMCA may elect to measure newly acquired financial instruments at fair value in the future.

Fair Value Hierarchy

In accordance with SFAS No. 157, the YMCA has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the balance sheets are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that The YMCA has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (for example, restricted stock).
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently).
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities, and derivatives).

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, long-term promises to give, split-interest agreements, and long-term grants payable).

Uniform Prudent Management of Institutional Funds Act

During 2008, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the State of Minnesota. In August 2008, the FASB released FASB Staff Position 117-1 (FSP 117-1) which provides guidance on the classification of endowment fund net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. Under UPMIFA all unappropriated endowment fund assets are considered restricted. The financial statements impact for implementation of FSP 117-1 is detailed in Note 17.

Reclassifications

Certain amounts for the year ended December 31, 2007, have been reclassified to conform with the presentation of the December 31, 2008 amounts. The reclassifications have no effect on changes in net assets or net assets for the year ended December 31, 2007.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category.

Unconditional promises to give at December 31, 2008 and 2007 are expected to be realized in the following years:

	2008	2007
Within One Year	\$ 2,664,230	\$ 2,131,681
In One to Five Years	1,031,508	1,738,107
	<u>3,695,738</u>	<u>3,869,788</u>
Less: Discounts (4.25% - 4.5%)	(68,791)	(107,431)
Less: Allowance for Uncollectible Contributions	(272,835)	(113,592)
Total	<u>\$ 3,354,112</u>	<u>\$ 3,648,765</u>

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 3 CONTINGENT GRANTS

The YMCA received a \$75,000 contingent grant in 2007. The grant will be paid over five years as long as the YMCA uses the donor as their natural gas provider. As of December 31, 2008, \$30,000 has been recorded as revenue on this grant and the remaining contingent amount of \$45,000 will be recognized over the remaining three years as the conditions are met.

The YMCA received a \$2,000,000 contingent grant for the construction of a YMCA facility in Hastings, MN that was contingent upon completion of the project by May 2009. The project was completed during the year ended December 31, 2007 and the \$2,000,000 grant was included in revenue for the year ended December 31, 2007. As of December 31, 2008, \$1,600,000 in cash had been received. As of December 31, 2008, \$400,000 remains receivable.

NOTE 4 NEW RICHMOND PROPERTY USAGE

During the years ended December 31, 2008 and 2007, the YMCA leased both land and a building from the City of New Richmond under an agreement dated March 31, 2004. This agreement required that the YMCA, as the tenant, obtain a million dollar loan for improvements in the Aquatic Center and other building areas. Thereafter, the City fully assumed the loan and makes all payments to the bank during the ten years of the debt agreement including principal and interest. If the City determines that it is in their best interest to not make payments, the YMCA can purchase the Aquatic Center, Citizen's Field and parking lot for \$1.

The lease term was for 10 years with the YMCA's option to execute up to 15, 5-year renewals for the facility. The rent was \$1 per year. The property usage attributed to the entire building and land after improvements had an appraised market value of \$4.56 million and was recorded as a contribution when the agreement was signed. The use of the building was amortized over the estimated 50-year life of the building.

On December 31, 2008, the YMCA ceased operations in New Richmond and the City of New Richmond agreed to transfer the lease agreement to another organization. The assets related to this lease were disposed of as non-operating activity during the year ended December 31, 2008.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 5 INVESTMENTS AND INVESTMENT INCOME

Investments and investment income consist of the following at and for the years ended December 31:

	2008	2007
Investments:		
Cash Equivalents	\$ -	\$ (16,952)
Mortgage-Backed	-	407
Treasury	-	3,355
Fixed Income Mutual Fund	-	3,570,998
Equity Mutual Funds	-	10,267,027
Certificates of Deposit	101,659	96,670
Corporate Bonds	-	72,840
Investment in Community Investment Group (CIG)	9,456,170	-
Total Marketable Securities	\$ 9,557,829	\$ 13,994,345
Investment Income:		
Interest and Dividends	\$ 40,499	\$ 893,283
Distribution from Investment in CIG	672,000	-
Unrealized Gain	73,987	-
Realized Loss	(7,427)	-
Total Operating Investment Income	779,059	893,283
Unrealized Gain (Loss)	65,848	(1,211,856)
Realized Gain (Loss)	(71,725)	1,517,655
Unrealized Loss - Investment in CIG	(4,639,238)	-
Total Non-Operating Investment Income (Loss)	(4,645,115)	305,799
Total Investment Income (Loss)	\$ (3,866,056)	\$ 1,199,082

In January 2008, the investments were liquidated, and the funds were used to purchase a partnership interest in Community Investment Group, an investment fund managed by the St. Paul Foundation. Not included in the above return the YMCA incurred investment fees of \$104,436 and \$106,496 for the years ended December 31, 2008 and 2007, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2008	2007
Land and Improvements	\$ 4,666,604	\$ 4,666,604
Buildings and Improvements	76,524,166	72,671,746
Equipment	10,929,365	10,334,770
Construction in Progress	490,382	2,755,209
Total	92,610,517	90,428,329
Less: Accumulated Depreciation	38,313,222	35,111,242
Total Property and Equipment	\$ 54,297,295	\$ 55,317,087

Construction in progress consists of renovations and expansions at various branches and camps and will be placed into service as the projects are completed.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 7 NOTES PAYABLE

A summary of notes payable at December 31 is as follows:

<u>Description</u>	<u>2008</u>	<u>2007</u>
\$1,000,000 Equipment Line of Credit, interest variable (3.25% at December 31, 2008), principal and interest due in monthly installments based on outstanding draws through June 2009, secured by vehicles and equipment. Was renewed subsequent to year end to extend through February 1, 2013.	\$ 15,552	\$ 73,239
City of Minneapolis, Minnesota Revenue Note, interest fixed at 5.76%, principal and interest due in semi-annual installments of \$27,470 through May 22, 2013, secured by the Administrative Training Center.	215,083	255,864
City of Minneapolis, Minnesota Revenue Note, interest fixed at 4.412%, principal and interest due in semi-annual installments of \$43,665 through May 22, 2013, secured by the Administrative Training Center.	353,609	423,062
City of Hudson, Revenue Note, interest at 5.5%, due in monthly installments of \$14,647 through September 2008. (1)	-	133,995
City of Hudson, Revenue Note, interest at 75% of prime rate adjusted annually (2.44 at December 31, 2008), due in monthly installments of \$5,099 through June 2009. (1)	32,750	89,540
City of Eagan, Minnesota Revenue Note, interest quarterly (1.30% at December 31, 2008) principal due in semi-annual installments of \$155,000 through May 30, 2012. Interest swap effective March 4, 2003 fixed interest at 3.09% payable quarterly and principal at \$155,000 payable semi-annually through July 1, 2010. Secured by a Letter of Credit issued May 30, 2002 subject to annual renewals.	1,240,000	1,550,000
City of Ely, Minnesota Revenue Note, interest only (1.30% at December 31, 2008) payable quarterly through December 2012. Outstanding principal due December 2012, with option for principal prepayment. Secured by a Letter of Credit issued December 17, 2002 subject to annual renewal.	575,000	720,000
Effective, March 2003 City of Hudson, Wisconsin Revenue Note, interest at 5.05%, due in monthly installments of \$9,702 through September 2013, secured by building and equipment.	483,852	573,298

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 7 NOTES PAYABLE (CONTINUED)

<u>Description</u>	<u>2008</u>	<u>2007</u>
City of Woodbury, Minnesota Revenue Note, interest at 4.63%, payable monthly through January 1, 2021. Interest is reset at January 1, 2011 and January 1, 2016 at 75% of the current prime rate. Secured by building and equipment.	3,586,738	3,771,956
City of Woodbury, Minnesota Revenue Note, interest at 4.63%, payable monthly through January 1, 2011. Outstanding principal due January 1, 2011. Secured by building and equipment.	1,000,000	191,678
Housing and Redevelopment Authority of City of St. Paul, Commercial Development Revenue Note, interest at 5.80%, due in monthly installments of \$3,768 through September 2011. Note can be extended through June 21, 2021 with interest being reset at June 21, 2011 and June 21, 2016 at 1.5% above the LIBOR swap rate.	403,869	424,690
City of Lino Lakes, Revenue Note, interest at 4.63%, interest only through June 2007 then monthly principal and interest through January 2021. Interest is reset at June 28, 2011 and June 28, 2016 at 70% of the current prime rate. Secured by building.	3,210,112	3,410,769
City of Lino Lakes, Revenue Note, interest only at 70% of prime rate adjusted monthly (2.80% at December 31, 2008) payable monthly through June 1, 2009. Outstanding principal due June 1, 2009. Secured by building.	500,000	500,000
Housing and Redevelopment Authority City of Hastings, Commercial Development Revenue Note, interest at 4.575%, interest only through December 2007 then monthly principal and interest through December 2012.	2,167,962	2,700,000
Housing and Redevelopment Authority City of Hastings, Commercial Development Revenue Note, interest at 4.575%, interest only through December 2007 then monthly principal and interest through December 2022. Interest is reset at December 2012, and December 2017 at .125% above 60% of the current prime rate.	1,535,141	1,240,882
Total	<u>\$ 15,319,668</u>	<u>\$ 16,058,973</u>

(1) Borrowings are collateralized by related land, buildings, equipment and capital campaign contributions receivable.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 7 NOTES PAYABLE (CONTINUED)

Lines of Credit

The YMCA has a line of credit which allows for borrowings of up to \$1,000,000 and incurs interest at LIBOR plus 1.75% (3.1825% at December 31, 2008). The line is secured by depository accounts at the bank and expires on June 30, 2009. As of December 31, 2008 and 2007, there were no outstanding borrowings under the line.

Loan Guarantees

Related to their participation in a joint rental activity with YMCA of Metropolitan Minneapolis, the YMCA of Greater Saint Paul and YMCA of Metropolitan Minneapolis entered into an agreement to cross guarantee each others portion of the City of Minneapolis Revenue Notes. No asset or liability is recorded for the guarantees in either party's financial statements. As of December 31, 2008 and 2007, the amount guaranteed by each party is \$568,692 and \$678,926, respectively.

Remarketing Agreement

The City of Eagan, Minnesota Revenue Note was issued by the City of Eagan on behalf of the YMCA. By definition, the note is a long-term note bearing an interest rate that is indexed based on the current short-term market rate. The variable rate is the lowest rate, which, in the judgment of the remarketing agent, would enable the note to be sold at par. The rate at December 31, 2008 was 1.30%. The note is secured through a \$1,284,029 letter of credit. The letter of credit expired in May 2009 and is expected to be extended in successive one-year terms thereafter. However, it is subject to nonrenewal with a 90-day advance written notice from the bank. The note is solely the responsibility of the YMCA. The note can be redeemed at the option of the note holders. The YMCA entered into an agreement which provides for the remarketing, to the extent possible, of the note in the event of redemption. In the event remarketing is unsuccessful, the letter of credit will be drawn upon to pay the trustee. The letter of credit requires repayment upon demand.

The City of Ely, Minnesota Revenue Note was issued by the City of Ely on behalf of the YMCA. By definition, the note is a long-term note bearing an interest rate that is indexed based on the current short-term market rate. The variable rate is the lowest rate, which, in the judgment of the remarketing agent, would enable the note to be sold at par providing the rate does not exceed 12%. The rate at December 31, 2008 was 1.30%. The note is secured through a \$595,417 letter of credit. The letter of credit expires in December 2009 and is expected to be extended in successive one-year terms thereafter. However, it is subject to nonrenewal with a 60-day advance written notice from the bank. The note is solely the responsibility of the YMCA. The note can be redeemed at the option of the note holders. The YMCA entered into an agreement which provides for the remarketing, to the extent possible, of the note in the event of redemption. In the event remarketing is unsuccessful, the letter of credit will be drawn upon to pay the trustee. The letter of credit requires repayment upon demand.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 7 NOTES PAYABLE (CONTINUED)

Interest Rate Swap Agreement

In conjunction with the City of Eagan bonds, the YMCA entered into an interest rate swap agreement with Wells Fargo (the Swap Provider) with the objective to minimize the risks associated with market rate fluctuations. The swap agreement is a cash flow hedge that is deemed to be 100% effective. Pursuant to the terms of the swap agreement (Interest Rate Swap), the YMCA pays the Swap Provider interest at a fixed rate, 3.09%. The Swap Provider will pay the YMCA interest at a variable rate equal to the Weighted Average Rate (the arithmetic mean of the Bond Market Association (BMA) Index in effect for each day in the calculation period). This Interest Rate Swap has the effect of converting the interest rate on the Bonds from a variable rate to a net fixed rate, or synthetic rate, of 3.09%. The swap agreement expires on July 1, 2010. As of December 31, 2008, the notional amount of the swap agreement was \$1,240,000. At December 31, 2008, the fair value of the swap agreement liability was \$28,738. At December 31, 2007, the fair value of the swap agreement liability was \$8,854.

Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, establish accounting and reporting standards for derivative instruments and for hedging activities. These standards require that all derivatives, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair market value.

Maturities

A summary of aggregate annual future maturities of principal on notes payable as of December 31, 2008 is as follows:

<u>Year Ending December 31,</u>	<u>Scheduled Payment Amount</u>	<u>Contractual Payment Amount</u>
2009	\$ 2,300,298	\$ 3,660,298
2010	1,857,928	1,402,928
2011	2,924,912	2,469,912
2012	1,978,919	1,528,919
2013	873,405	873,405
Thereafter	5,384,206	5,384,206
Total	<u>\$ 15,319,668</u>	<u>\$ 15,319,668</u>

The contractual payment amount reflects the full value of YMCA's \$4.4 million revenue notes to the City of Eagan and City of Ely. The contractual payment arises from accounting standards that require debt obligations, which are subject to a remarketing agreement and secured by a letter of credit containing an annual renewal, be reflected as a current debt obligation.

The notes payable are subject to various financial and non-financial covenants.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 8 NET ASSETS

Unrestricted Board Designated Net Assets

Unrestricted contributions of \$147,544 and \$33,691 are board designated as part of the Endowment Fund as of December 31, 2008 and 2007, respectively.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2008	2007
Time Restricted:		
Y Partner Campaign	\$ 855,458	\$ 990,162
Purpose Restricted:		
Northwest Capital Campaign	-	371,253
Camp Widjiwagan Capital Campaign	24,049	24,559
Midway Capital Campaign	94,840	-
New Richmond Building Agreement	-	4,195,200
New Richmond Capital Campaign	-	5,444
Camping Continuum	503,881	503,881
Camp St. Croix Capital Campaign	1,629,642	199,959
Wild River Capital Campaign	-	27,603
Camp du Nord Capital Campaign	967,950	1,442,262
Excess Endowment Earnings	1,068,826	-
Program Restricted	382,924	157,644
Total	\$ 5,527,570	\$ 7,917,967

Net assets released from restrictions were released for the following uses:

	2008	2007
Time	\$ 990,162	\$ 1,042,460
Capital Improvements	1,560,102	6,839,293
Spending Rate Release of Endowment Funds	384,914	-
Program	226,147	239,138
Total	\$ 3,161,325	\$ 8,120,891

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 8 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following purposes as of December 31:

	<u>2008</u>	<u>2007</u>
Future Operations	\$ 1,579,427	\$ 1,568,740
Beneficiary Trust - Future Operations	1,290,147	1,827,666
Camp St. Croix	515,471	513,654
Camp du Nord	480,273	445,472
Camp Widjiwagan	2,070,642	2,008,901
Twin Cities YMCA Camps	4,500	4,060
East YMCA	24,967	24,967
East YMCA Wendall Anderson Youth Scholarships	269,527	269,427
Midway YMCA	108,176	103,249
Beneficiary Trust - Midway YMCA	25,057	37,120
Hastings YMCA	1,320	1,120
Northeast YMCA	4,393	3,243
Northwest YMCA	3,008	3,008
River Falls YMCA	4,210	2,500
St. Croix Valley YMCA	11,297	11,297
Southeast YMCA	8,486	8,486
Skyway YMCA	78,650	78,630
South YMCA	49,998	48,711
Southwest YMCA	17,283	17,264
Total	<u>\$ 6,546,832</u>	<u>\$ 6,977,515</u>

NOTE 9 DONOR ADVISED FUNDS

The St. Paul Foundation holds and administers a fund of donor advised contributions from an individual to the St. Paul Foundation for the benefit of the YMCA of Greater Saint Paul. The YMCA's agreement with the foundation requires that the principal be maintained in a separate advised fund with the income available for distribution to YMCA of Greater Saint Paul subject to the Foundation's Board of Trustees approval and subject to their "variance powers" to redirect such gifts and therefore the assets are not recorded by the YMCA until received.

The fund held assets as of December 31 are as follows:

	<u>2008</u>	<u>2007</u>
YMCA General Operating Support	<u>\$ 86,871</u>	<u>\$ 126,845</u>

Total contributions received from the St. Paul Foundation for the years ended December 31, 2008 and 2007 was approximately \$5,000 each year.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 9 DONOR ADVISED FUNDS (CONTINUED)

The Orange County Community Foundation also holds and administers a donor advised fund from an individual for the benefit of the YMCA of Greater Saint Paul. Total contributions received from the Orange County Community Foundation for the years ended December 31, 2008 and 2007 were \$43,913 and \$42,332, respectively. As of December 31, 2008 and 2007, the value of the trust assets was \$1,222,379 and \$1,820,936, respectively. The YMCA does not have "variance powers" over these funds and therefore the assets are not recorded by the YMCA until received.

NOTE 10 LEASES

Operating Leases

The YMCA leases various pieces of equipment and facilities under operating lease agreements which expire on various dates through December 2009 and thereafter. Rent expense for the years ended December 31, 2008 and 2007 totaled \$1,177,650 and \$1,035,103, respectively.

The future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 846,242
2010	722,403
2011	553,287
2012	373,989
2013	145,163
Thereafter	20
Total Future Lease Payments	\$ 2,641,104

Included in the above schedule are annual payments of \$143,000 for the joint rental activity with The YMCA of Metropolitan Minneapolis.

NOTE 11 RETIREMENT PLAN

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (Retirement Fund) (a separate corporation). This plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements.

In accordance with the agreement with the Retirement Fund, contributions required by the YMCA are a percentage of the participating employee's salary and must be remitted to the Retirement Fund monthly. Total YMCA contributions charged to retirement expense were \$1,231,115 and \$1,143,940 in 2008 and 2007, respectively.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 11 RETIREMENT PLAN (CONTINUED)

The Retirement Fund is operated as a church pension plan and is a not-for-profit, tax exempt New York state corporation (1922). Participation is available to all duly organized or reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Long-Term Membership Agreement

The YMCA has an agreement that requires the YMCA to make available 595 memberships to owners/occupants of the Galtier Plaza project in downtown St. Paul for a term of 30 years, expiring in 2015. The total consideration paid by the developer of Galtier Plaza to the YMCA for providing the memberships was \$717,665.

There is an "after-ten-years escalator clause," which requires each condominium or office occupant receiving membership privileges between the years 1997 and 2015 to individually pay any increase in YMCA membership rates from the opening date of Galtier Plaza, November 21, 1985, for office occupants, and not later than November 1, 1989, for condominium occupants, to the date of membership payment.

Unemployment

The YMCA is self-funded for unemployment insurance. As former employees file unemployment claims, the YMCA makes payments to the State. During the years ended December 31, 2008 and 2007, the YMCA paid claims of \$124,466 and \$52,021, respectively.

Litigation and Insurance

The YMCA is involved in certain legal claims incidental to the normal course of its activities. As a result, the YMCA maintains liability insurance coverage. Although the ultimate outcome of these claims cannot be determined, management believes, based on their current assessment, that the final disposition of these claims will not have a material adverse effect on the financial position of the YMCA.

Services

The YMCA entered into a contract for the construction of the Camp St. Croix Dining Hall during 2008. As of December 31, 2008, the noncancelable portion of this contracts totaled approximately \$950,000.

**YMCA OF GREATER SAINT PAUL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

NOTE 13 YMCA OF METROPOLITAN MINNEAPOLIS

The YMCA of Greater Saint Paul and the YMCA of Metropolitan Minneapolis share services in the areas of human resources, marketing, communications/public relations, graphics, management information systems, purchasing, risk and insurance management. The YMCA of Greater Saint Paul and the YMCA of Metropolitan Minneapolis have also entered into a joint rental activity for the operation of the YMCA Administrative Training Center. At December 31, 2008 and 2007, \$371,808 and \$309,898, respectively, was receivable from the YMCA of Metropolitan Minneapolis and \$323,351 and \$169,607, respectively, was payable to the YMCA of Metropolitan Minneapolis.

NOTE 14 RELATED PARTY

The YMCA pays dues to YMCA of the USA. During the years ended December 31, 2008 and 2007, \$276,730 and \$245,926 was expensed for these dues, respectively.

NOTE 15 ASSET RETIREMENT OBLIGATION

The YMCA owns buildings that contain asbestos in various forms. At this time, the YMCA has no formal plans to renovate or demolish these buildings. However, in accordance with Financial Accounting Standards Board Interpretation No. 47 (FIN 47), management estimated the cost of any potential obligation to remove asbestos. The YMCA used a future value rate assumption of 3.0% and discounted the estimate to present value using a risk-free rate of return of 4.5%. The potential environmental remediation liability is reported on the balance sheet as an asset retirement obligation included in other accrued expenses in the amount of \$191,243 and \$179,438 at December 31, 2008 and 2007, respectively.

NOTE 16 FAIR VALUE MEASUREMENTS

The YMCA uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the YMCA measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

Assets and Liabilities measured at Fair Value on a Recurring Basis

	Level 1	Level 2	Level 3	Total
Certificate of Deposit	\$ -	\$ 101,659	\$ -	\$ 101,659
Investments	-	-	9,456,170	9,456,170
Interest in Beneficiary Trusts	-	-	1,315,204	1,315,204
Total	<u>\$ -</u>	<u>\$ 101,659</u>	<u>\$ 10,771,374</u>	<u>\$ 10,873,033</u>
Deferred Swap Rate Liability	\$ -	\$ (28,738)	\$ -	\$ (28,738)

Assets Measured at Fair Value on a Non-Recurring Basis

	Level 1	Level 2	Level 3	Total
Long-Term Contributions Receivable, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,193</u>	<u>\$ 51,193</u>

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NOTE 16 FAIR VALUE MEASUREMENTS (CONTINUED)

The above Long-term Contributions receivable measured at fair value represent the portion of Long-term Contributions pledged in the year ended December 31, 2008. Long-Term Contributions pledged prior to 2008 have been valued at present value of future payments with historical discount rates.

Level 3 Assets

The following table provides a summary of changes in fair value of the Association's Level 3 financial assets for the year ended December 31, 2008

	Investments	Interest in Beneficial Trusts	Total
Balances as of January 1, 2008	\$ -	\$ 1,864,787	\$ 1,864,787
Change in Value of Beneficial Trusts	-	(549,583)	(549,583)
Purchase of Investments	14,116,136	-	14,116,136
Proceeds from Sale of Investments	(560,000)	-	(560,000)
Change in Value of Investments	(4,099,966)	-	(4,099,966)
Balances as of December 31, 2008	<u>\$ 9,456,170</u>	<u>\$ 1,315,204</u>	<u>\$ 10,771,374</u>

NOTE 17 ENDOWMENT

The YMCA's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as an endowment. As required by GAAP, 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.

Interpretation of Relevant Law

The Board of Directors of YMCA of Greater St. Paul has interpreted the Minnesota 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 fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the YMCA classifies as permanently restricted net assets the original value of the gifts to the permanent endowment and the value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds, if any that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the YMCA. In accordance with UPMIFA, the YMCA 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 YMCA 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 YMCA
- (7) The investment policies of the YMCA.

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NOTE 17 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

Endowment net asset composition by type and changes in endowment net assets for the years ended December 31 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>
Donor-Restricted Endowment Funds	\$ (884,059)	\$ 1,068,826	\$ 5,229,031	\$ 5,413,798
Board-Designated Endowment Funds	4,042,372	-	-	4,042,372
Total Funds	<u>\$ 3,158,313</u>	<u>\$ 1,068,826</u>	<u>\$ 5,229,031</u>	<u>\$ 9,456,170</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>
Donor-Restricted Endowment Funds	\$ (81,387)	\$ -	\$ 5,112,728	\$ 5,031,341
Board-Designated Endowment Funds	8,866,334	-	-	8,866,334
Total Funds	<u>\$ 8,784,947</u>	<u>\$ -</u>	<u>\$ 5,112,728</u>	<u>\$ 13,897,675</u>

The following is a summary of endowment funds subject to Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) for the years ended December 31:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2008 Total</u>
Endowment Investments, January 1, 2008	\$ 8,784,947	\$ -	\$ 5,112,728	\$ 13,897,675
Adoption of FSP 117-1 Endowments	(2,965,898)	2,965,898	-	-
Investment Income (Loss)	(2,517,847)	(1,512,158)	-	(4,030,005)
Contributions	144,197	-	116,303	260,500
Appropriations of Endowment Assets for Expenditure	(287,086)	(384,914)	-	(672,000)
Endowment Investments, December 31, 2008	<u>\$ 3,158,313</u>	<u>\$ 1,068,826</u>	<u>\$ 5,229,031</u>	<u>\$ 9,456,170</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2007 Total</u>
Endowment Investments January 1, 2007	\$ 8,459,588	\$ -	\$ 5,009,876	\$ 13,469,464
Investment Income (Loss)	903,482	-	-	903,482
Contributions	41,869	-	102,852	144,721
Appropriations of Endowment Assets for Expenditure	(619,992)	-	-	(619,992)
Endowment Investments December 31, 2007	<u>\$ 8,784,947</u>	<u>\$ -</u>	<u>\$ 5,112,728</u>	<u>\$ 13,897,675</u>

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NOTE 17 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the YMCA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$884,059 and \$81,387 as of December 31, 2008 and 2007, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during 2008.

Investment Objectives and Strategies

The YMCA has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the Endowment Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy.

To achieve these objectives, the YMCA follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds. The YMCA expects its endowment funds, over time, to provide an absolute return equal to GNP Price Deflator plus 5-1/2% compounded annually. Actual returns in any given year may vary from this amount.

Spending Policy

The YMCA has a policy of appropriating for distribution each year no less than a fixed percent of the average quarterly value based on the prior 12 quarters. In establishing this policy, the YMCA considered the long-term expected return on its endowment. At no time will the distributions reduce the value of the endowment below donor contributions.