YOUNG MEN'S CHRISTIAN ASSOCIATION
OF THE GREATER TWIN CITIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Young Men's Christian Association of
the Greater Twin Cities
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of the Greater Twin Cities (YMCA), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Committee
Young Men's Christian Association of the Greater Twin Cities

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the YMCA as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 30, 2014

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents	$ 6,473,381	$ 3,245,093
Accounts Receivable, Net	1,999,935	1,786,173
Contributions Receivable, Net	17,543,687	13,842,022
Receivable on Sale - Leaseback Transaction	3,000,000	3,000,000
Leverage Loan Receivable	8,396,400	8,396,400
Investments	75,836,668	71,345,702
Prepaid Expenses and Other Assets	2,087,939	1,848,863
Interest in Beneficiary Trusts	2,869,721	2,562,225
Funds Held in Escrow	343,075	303,075
Land, Building and Equipment, Net	146,294,414	147,910,484
Total Assets	$ 264,845,220	$ 254,240,037
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 3,395,529	$ 3,574,278
Accrued Expenses	5,006,848	4,849,820
Annuity Obligations	437,772	590,426
Bonds and Notes Payable	42,283,287	44,923,710
Capital Lease Payable	20,312,168	19,712,350
Deferred Swap Rate Liability	565,675	1,020,945
Deferred Gain on Sale - Leaseback Transaction	4,536,758	5,670,947
Deferred Revenue	4,663,604	4,731,689
Total Liabilities	81,201,641	85,074,165
NET ASSETS		
Unrestricted	126,669,274	118,059,617
Temporarily Restricted	30,272,707	26,482,876
Permanently Restricted	26,701,598	24,623,379
Total Net Assets	183,643,579	169,165,872
Total Liabilities and Net Assets	$ 264,845,220	$ 254,240,037

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE				
Public Support:				
Contributions	$ 3,207,801	$ 3,706,377	$ 1,766,916	$ 8,681,094
United Way	-	1,710,575	-	1,710,575
Grants	106,863	4,222,366	-	4,329,229
Total Public Support	3,314,664	9,639,318	1,766,916	14,720,898
Revenue:				
Youth Development	46,747,245	-	-	46,747,245
Less: Specific Assistance to Individuals	(2,911,412)	-	-	(2,911,412)
Healthy Living	63,375,209	-	-	63,375,209
Less: Specific Assistance to Individuals	(4,463,690)	-	-	(4,463,690)
Social Responsibility	2,099,082	-	-	2,099,082
Sale of Supplies	1,228,433	-	-	1,228,433
Investment Income	1,386,180	1,044,679	-	2,430,859
Other	1,861,723	-	-	1,861,723
Total Revenue	109,322,770	1,044,679	-	110,367,449
Net Assets Released from Restrictions - Program	7,061,409	(7,061,409)	-	-
Total Operating Support and Revenue	119,698,843	3,622,588	1,766,916	125,088,347
OPERATING EXPENSES				
Program Services:				
Youth Development	49,877,894	-	-	49,877,894
Healthy Living	40,313,026	-	-	40,313,026
Social Responsibility	2,349,026	-	-	2,349,026
Total Program Services	92,539,946	-	-	92,539,946
Support Services:				
Management and General	21,541,806	-	-	21,541,806
Fundraising	4,789,318	-	-	4,789,318
Total Support Services	26,331,124	-	-	26,331,124
Total Operating Expenses	118,871,070	-	-	118,871,070
EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	827,773	3,622,588	1,766,916	6,217,277
NONOPERATING REVENUES AND EXPENDITURES				
Investment Income	1,991,548	3,399,433	44,140	5,435,121
Change in Value of Beneficiary Agreements	-	(22,542)	267,163	244,621
Change in Value of Deferred Swap Rate Liability	455,270	-	-	455,270
Merger Expenses	-	-	-	-
Gain on Asset Disposition	2,278,751	-	-	2,278,751
Capital Lease Refinancing	(460,000)	306,667	-	(153,333)
Net Assets Released from Restrictions - Capital	3,516,315	(3,516,315)	-	-
CHANGE IN NET ASSETS	8,609,657	3,789,831	2,078,219	14,477,707
Net Assets - Beginning of Year	118,059,617	26,482,876	24,623,379	169,165,872
NET ASSETS - END OF YEAR	$ 126,669,274	$ 30,272,707	$ 26,701,598	$ 183,643,579

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING SUPPORT AND REVENUE				
Public Support:				
Contributions	$ 4,366,291	$ 1,779,767	$ 725,874	$ 6,871,932
United Way	-	1,761,443	-	1,761,443
Grants	123,142	1,178,342	-	1,301,484
Total Public Support	4,489,433	4,719,552	725,874	9,934,859
Revenue:				
Youth Development	43,995,830	-	-	43,995,830
Less: Specific Assistance to Individuals	(2,871,311)	-	-	(2,871,311)
Healthy Living	57,983,934	-	-	57,983,934
Less: Specific Assistance to Individuals	(4,714,872)	-	-	(4,714,872)
Social Responsibility	2,035,466	-	-	2,035,466
Sale of Supplies	2,297,973	-	-	2,297,973
Investment Income	1,701,865	752,317	-	2,454,182
Other	1,995,768	-	-	1,995,768
Total Revenue	102,424,653	752,317	-	103,176,970
Net Assets Released from Restrictions - Program	6,102,514	(6,102,514)	-	-
Total Operating Support and Revenue	113,016,600	(630,645)	725,874	113,111,829
OPERATING EXPENSES				
Program Services:				
Youth Development	47,743,948	-	-	47,743,948
Healthy Living	37,458,765	-	-	37,458,765
Social Responsibility	2,120,811	-	-	2,120,811
Total Program Services	87,323,524	-	-	87,323,524
Support Services:				
Management and General	20,810,464	-	-	20,810,464
Fundraising	4,920,717	-	-	4,920,717
Total Support Services	25,731,181	-	-	25,731,181
Total Operating Expenses	113,054,705	-	-	113,054,705
EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	(38,105)	(630,645)	725,874	57,124
NONOPERATING REVENUES AND EXPENDITURES				
Investment Income	1,654,601	3,026,353	35,693	4,716,647
Change in Value of Beneficiary Agreements	-	(47,603)	95,614	48,011
Change in Value of Deferred Swap Rate Liability	(80,698)	-	-	(80,698)
Merger Expenses	(676,836)	-	-	(676,836)
Gain on Asset Disposition	907,087	-	-	907,087
Capital Lease Refinancing	-	-	-	-
Net Assets Released from Restrictions - Capital	9,859,410	(9,859,410)	-	-
CHANGE IN NET ASSETS	11,625,459	(7,511,305)	857,181	4,971,335
Net Assets - Beginning of Year	106,434,158	33,994,181	23,766,198	164,194,537
NET ASSETS - END OF YEAR	$ 118,059,617	$ 26,482,876	$ 24,623,379	$ 169,165,872

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services				Support Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Total
OPERATING EXPENSES								
Salaries and Wages	$ 25,964,507	$ 17,116,891	$ 1,293,989	$ 44,375,387	$ 11,849,780	$ 2,579,967	$ 14,429,747	$ 58,805,134
Employee Benefits	2,235,207	1,907,320	214,176	4,356,703	1,889,071	489,246	2,378,317	6,735,020
Payroll Taxes	2,669,083	1,632,660	127,435	4,429,178	1,284,129	210,214	1,494,343	5,923,521
Total Salaries and Related Benefits	30,868,797	20,656,871	1,635,600	53,161,268	15,022,980	3,279,427	18,302,407	71,463,675
Professional Fees and Contract Services	1,564,628	1,119,557	87,246	2,771,431	2,796,431	329,566	3,125,997	5,897,428
Supplies	6,400,204	912,751	193,469	7,506,424	481,177	52,228	533,405	8,039,829
Telephone	110,970	68,738	36,306	216,014	802,989	6,816	809,805	1,025,819
Postage and Shipping	144,105	138,363	8,135	290,603	16,069	37,895	53,964	344,567
Occupancy	4,036,393	5,545,241	-	9,581,634	34,999	-	34,999	9,616,633
Expendable Equipment	673,734	2,943,691	6,518	3,623,943	66,331	6,803	73,134	3,697,077
Printing, Publications and Promotions	308,557	845,597	10,012	1,164,166	801,789	628,869	1,430,658	2,594,824
Travel and Employee Expense	291,652	303,932	130,242	725,826	682,003	43,572	725,575	1,451,401
Conferences and Meetings	7,586	5,863	1,054	14,503	43,156	91,697	134,853	149,356
Membership Dues	124,547	123,289	8,889	256,725	97,838	25,581	123,419	380,144
Awards and Grants	731,048	35,739	231,492	998,279	44,127	104,589	148,716	1,146,995
Financing	639,102	1,491,239	-	2,130,341	-	-	-	2,130,341
Other	869	952	63	1,884	408,370	182,275	590,645	592,529
Depreciation	3,975,702	6,121,203	-	10,096,905	243,547	-	243,547	10,340,452
Total Operating Expenses	49,877,894	40,313,026	2,349,026	92,539,946	21,541,806	4,789,318	26,331,124	118,871,070
NONOPERATING EXPENSES								
Merger Expenses	-	-	-	-	-	-	-	-
Total Nonoperating Expenses	-	-	-	-	-	-	-	-
Total Expenses	$ 49,877,894	$ 40,313,026	$ 2,349,026	$ 92,539,946	$ 21,541,806	$ 4,789,318	$ 26,331,124	$ 118,871,070

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services				Support Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Total
OPERATING EXPENSES								
Salaries and Wages	$ 25,168,985	$ 16,037,227	$ 1,209,898	$ 42,416,110	$ 10,909,518	$ 2,572,908	$ 13,482,426	$ 55,898,536
Employee Benefits	2,178,226	1,829,311	186,966	4,194,503	1,780,547	495,626	2,276,173	6,470,676
Payroll Taxes	2,535,060	1,518,655	115,974	4,169,689	1,246,180	210,628	1,456,808	5,626,497
Total Salaries and Related Benefits	29,882,271	19,385,193	1,512,838	50,780,302	13,936,245	3,279,162	17,215,407	67,995,709
Professional Fees and Contract Services	1,911,355	1,047,208	65,567	3,024,130	2,243,875	527,085	2,770,960	5,795,090
Supplies	6,141,292	880,373	132,725	7,154,390	421,307	52,771	474,078	7,628,468
Telephone	107,889	56,948	34,886	199,723	790,163	6,546	796,709	996,432
Postage and Shipping	177,851	170,570	10,064	358,485	19,833	55,544	75,377	433,862
Occupancy	3,946,069	5,233,413	-	9,179,482	36,412	-	36,412	9,215,894
Expendable Equipment	623,217	2,814,575	5,542	3,443,334	61,265	6,284	67,549	3,510,883
Printing, Publications and Promotions	351,600	788,919	9,770	1,150,289	748,267	628,849	1,377,116	2,527,405
Travel and Employee Expense	247,130	273,482	127,909	648,521	688,147	39,927	728,074	1,376,595
Conferences and Meetings	714	278	2,702	3,694	22,041	70,855	92,896	96,590
Membership Dues	124,460	123,002	8,586	256,048	94,926	27,703	122,629	378,677
Awards and Grants	88,436	2,590	209,210	300,236	20,296	50,494	70,790	371,026
Financing	626,992	1,462,980	-	2,089,972	-	-	-	2,089,972
Other	38	721	1,012	1,771	705,169	175,497	880,666	882,437
Depreciation	3,514,634	5,218,513	-	8,733,147	1,022,518	-	1,022,518	9,755,665
Total Operating Expenses	47,743,948	37,458,765	2,120,811	87,323,524	20,810,464	4,920,717	25,731,181	113,054,705
NONOPERATING EXPENSES								
Merger Expenses	-	30,656	-	30,656	492,901	153,279	646,180	676,836
Total Nonoperating Expenses	-	30,656	-	30,656	492,901	153,279	646,180	676,836
Total Expenses	$ 47,743,948	$ 37,489,421	$ 2,120,811	$ 87,354,180	$ 21,303,365	$ 5,073,996	$ 26,377,361	$ 113,731,541

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE GREATER TWIN CITIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 14,477,707	$ 4,971,335
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	10,340,452	9,755,665
Bad Debt Expense	475,471	873,720
Permanently Restricted Contributions	(1,766,916)	(725,874)
Gain on Asset Disposition	(2,278,751)	(907,087)
Net Realized and Unrealized (Gains) Losses on Investments	(6,421,637)	(5,759,534)
Change in Cash Surrender Value of Life Insurance Policies	12,946	(11,033)
Change in Value of Beneficiary Agreements	(244,621)	(48,011)
Change in Value of Deferred Swap Rate Liability	(455,270)	80,698
(Increase) Decrease in Current Assets:		
Accounts Receivable	(689,233)	427,398
Contributions Receivable	(3,724,079)	317,991
Prepaid Expenses and Other Assets	(252,022)	94,546
Interest in Beneficiary Trusts	-	(17,780)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(178,749)	(1,308,319)
Accrued Expenses	157,028	53,094
Deferred Revenue	(68,085)	(647,382)
Net Cash Provided by Operating Activities	9,384,241	7,149,427
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(7,533,590)	(8,640,063)
Decrease in Funds Held in Escrow	(40,000)	2,376,530
Proceeds from Sale of Investments	53,616,150	69,675,677
Purchases of Investments	(51,685,479)	(72,226,761)
Proceeds from Sale of Land, Building and Equipment	1,171,956	6,497
Net Cash Used by Investing Activities	(4,470,963)	(8,808,120)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Purposes	1,583,069	1,712,824
Proceeds from Permanently Restricted Contributions	206,261	508,627
Payments of Annuity Obligations	(215,529)	(113,658)
Payments on Capital Lease	(618,368)	(515,588)
Payments on Bonds and Notes Payable	(2,640,423)	(3,709,096)
Net Cash Used by Financing Activities	(1,684,990)	(2,116,891)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,228,288	(3,775,584)
Cash and Cash Equivalent - Beginning of Year	3,245,093	7,020,677
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,473,381	$ 3,245,093
SUPPLEMENTAL DATA		
Interest Paid	$ 2,117,562	$ 2,012,147
NON-CASH ITEMS		
Refinancing of Debt Non-Cash Payoff	$ 3,067,219	$ -
Refinancing of Capital Lease	$ 460,000	$ -
Equipment Acquired by Capital Lease	$ 758,186	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Young Men's Christian Association of the Greater Twin Cities (YMCA) is a Minnesota not-for-profit, charitable association committed to nurturing the potential of kids, promoting healthy living and fostering a sense of social responsibility. At the YMCA, strengthening community is our cause and we work side-by-side with our neighbors to make sure that everyone, regardless of age, income or background, has the opportunity to learn, grow and thrive. In all we do, the YMCA is guided by four core values: caring, honesty, respect, and responsibility.

The YMCA serves residents of Minnesota and Western Wisconsin in the greater Twin Cities metro area and beyond. We nurture the potential of every child and teen through providing child care, transformational camping experiences, athletic activities and leadership development opportunities. We provide a wide variety of healthy living programs and community outreach support to families. The YMCA derives its revenues from participant fees, membership dues, foundation grants, government contracts and grants, contributions and other sources.

The consolidated financial statements include the activities of the YMCA, Twin Cities YMCA Partners, LLC and Urban YMCA, LLC. All significant intercompany transactions have been eliminated.

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 the 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.

Measure of Operations

In its consolidated statement of activities, 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 investment returns above the amounts designated for operation, change in value of beneficiary agreements, change in deferred swap rate liability, merger expenses, gains and losses from asset dispositions, capital lease refinancing and capital releases from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The YMCA's financial instruments are cash and cash equivalents, accounts receivable, contributions receivable, investments, interest in beneficiary trusts, accounts payable, notes payable and the deferred swap rate liability. The recorded values of cash and cash equivalents, accounts receivable, 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 current interest rates and the risks at the time of gift, approximates the carrying value at December 31, 2013 and 2012. Fair values of investments, interest in beneficiary trusts, and the deferred swap rate liability are based on quoted market prices as of December 31, 2013 and 2012. The fair value of the YMCA's bonds, notes payable, and capital leases are 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 approximately $645,000 less and $313,000 more than the carrying value at December 31, 2013 and 2012. The fair value of the YMCA's bonds, notes payable, and capital leases is estimated using Level 3 inputs.

Cash and Cash Equivalents

Cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less with the exception of cash designated for investment purposes.

Accounts Receivable

The YMCA provides an allowance for bad debts using the allowance method. Services are sold on an unsecured basis. Accounts past due more than 60 days are analyzed for collectability. Accounts are written off after collection activities are exhausted. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. At December 31, 2013 and 2012, the allowance was $245,947 and $321,594, 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, including alternative investments, are stated at fair value based either on quoted market prices, or for certain investments with no readily available quoted market prices, on fair values as determined by management based on review of inputs provided by the investment manager and evaluated by an independent reporting service on a monthly basis. The alternative investment may include derivative instruments embedded in the fund that could expose the YMCA to potential investment risk.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

The YMCA invests in a variety of investment vehicles, including U.S. government securities, corporate bonds, common and preferred stocks, commodity index funds, real estate funds, hedge fund of funds and private equity.

Realized and unrealized gains and losses are recorded in the period in which they occur. A majority of the restricted and unrestricted investments are invested in a combined investment pool. Interest income and realized and unrealized gains and losses are allocated using the market value method.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in future consolidated statement of activities.

Interest in Beneficiary Trusts

Interest in beneficiary trusts consist of assets held in charitable remainder trusts, charitable gift annuities and perpetual trusts.

Beneficial Interests in Charitable Remainder Trusts – Donors established and funded trusts under which specified distributions are made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the YMCA receives the assets remaining in the trusts. Beneficial interests in charitable remainder trusts are recorded at the fair value of the trusts' assets net of the present value of the estimated future payments to be made under the specific terms of the trusts. Changes in net assets of the trusts are recorded as gains or losses (change in value of beneficiary agreements) in the consolidated statement of activities.

Beneficial Interests in Charitable Gift Annuities –The annuity agreements specify that an annuity is to be paid to a donor-identified annuitant until such annuitant's death. The annuity obligation is measured at the present value of the expected future payments to be made to the beneficiary. The investments held in the annuities are carried at market value. The changes in the market values of the investments and the annuity obligation are reflected in the consolidated statement of activities as a change in value of beneficiary agreements. The trusts and annuity obligation are classified based upon the donor's stipulation as to the use of the funds after the death of the donor/annuitant.

Beneficial Interest in Perpetual Trusts – The YMCA is the beneficiary of perpetual trusts held by a third party. Under the terms of the trusts, the YMCA has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interest in the perpetual trusts is recorded at the fair value. Changes in net assets of the trusts are recorded as gain or losses (change in value of beneficiary agreements) on the consolidated statement of activities. Net assets and changes in the net assets are recorded as permanently restricted. Distributions received from these trusts are recorded as unrestricted investment income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds Held in Escrow

Funds held in escrow represent cash held by others to guarantee the timely completion of capital improvements and for future capital projects. Funds held in escrow consist of cash and cash equivalents valued using Level 1 inputs.

Land, Building and Equipment

Land, building and equipment acquisitions are recorded at cost. Donated items are recorded at fair value on the date of the contribution. 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. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

Buildings	30 Years
Building and Land Improvements	15-20 Years
Equipment	5 Years
Vehicles	5 Years
Technology	3 Years

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.

The YMCA, during 2008, sold approximately 86 acres of land and simultaneously entered into a ground lease on the same property to continue to provide services to youth. The lease term is a minimum of 10 years and a maximum of 25 years at a rate of one dollar per year. The YMCA incurred a gain on sale of $11,341,893, which is being amortized over the minimum lease term. $3 million of the $11,341,893 gain is contingent upon the YMCA leaving the premises after the minimum lease term of 10 years. At December 31, 2013 and 2012, the unamortized portion of the gain was $4,536,767 and $5,670,947, respectively.

An agreement with the City of White Bear Lake was signed on December 2, 2009 in which the City agrees to provide $2,725,000 to renovate the facility in exchange for services to be provided to its residents over the five years beginning the day of the Grand Re-Opening of the White Bear Area YMCA. The revenue relating to this agreement will be treated as deferred revenue and recognized as services are provided. As of December 31, 2013 and 2012, $1,725,833 and $1,180,833 of revenue has been recognized, respectively.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were $1,442,410 and $1,440,876 for the years ended December 31, 2013 and 2012, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The costs of providing the various programs and other activities of the YMCA have been summarized on a functional basis in the consolidated statements of functional expenses. Building maintenance and depreciation expenses are allocated among the programs and supporting services benefited.

Tax Status

Young Men's Christian Association of the Greater Twin Cities is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota Statutes. The entity is not considered a private foundation and contributions are considered tax deductible. Twin Cities YMCA Partners, LLC and Urban YMCA, LLC are wholly owned limited liability corporations of the YMCA and all activities are included in the filings of the YMCA.

The YMCA follows a policy that clarified the accounting for uncertainty in income taxes recognized in an organization’s consolidated financial statements. The policy 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. The application of this policy has no impact on the YMCA’s consolidated financial statements.

The YMCA files as a tax exempt organization. The YMCA’s 2010, 2011, and 2012 tax years are open for examination by the Internal Revenue Service.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The vast majority of contributions and receivables are located in the greater Twin Cities area and its surrounding suburbs as well as those in which the YMCA has a camp presence.

The YMCA holds cash at several institutions. The amounts on hand may at times exceed federally insured limits.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The YMCA measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The YMCA may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

Financial assets recorded on the consolidated statement of financial position 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;
- 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).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (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 and interests in beneficial trusts).

Derivatives and Hedging Activities

The YMCA uses derivative instruments principally to minimize the risks associated with outstanding bonds payable due to market rate fluctuations. The following is a summary of the YMCA's risk management strategy and the effect on the consolidated financial statements.

The YMCA accounts for its derivative and hedging activities by requiring that every derivative instrument, including those embedded in other contracts, be recorded in the consolidated statement of financial position as either an asset or liability measured at its fair value. Changes in the derivative instrument's fair value are recognized currently in the consolidated statement of activities unless specific hedge accounting criteria are met. The interest rate swap agreement does not qualify as a cash flow hedge.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effects on the change in net assets or total net assets as previously reported.

Subsequent Events

In preparing these consolidated financial statements, the YMCA has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through April 30, 2014, the date the consolidated financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

The YMCA's pledges represent contributions for facilities and equipment and to support the ongoing operations of the YMCA. Outstanding pledge contributions from various corporations, foundations, and individuals were discounted at rates between 1% and 5% based on imputed interest rates applicable to the year in which the promise was received and were as follows at December 31:

	2013			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 1,219,748	$ 1,769,973	$ 577,985	$ 3,567,706
In One to Five Years	2,252,840	1,688,145	1,377,742	5,318,727
In More Than Five Years	6,128,979	3,466,430	200	9,595,609
Total	$ 9,601,567	$ 6,924,548	$ 1,955,927	18,482,042
Less: Allowance for Uncollectible Pledges				(792,535)
Less: Unamortized Discount				(145,820)
Total Pledges Receivable, Net				$ 17,543,687

At December 31, 2013 11% of the YMCA's receivables was from one donor. Total contributions and grants during 2013 consist of 28% from two donors. As of December 31, 2012, there were no significant concentrations.

	2012			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 1,176,843	$ 1,410,709	$ 122,178	$ 2,709,730
In One to Five Years	1,662,398	75,522	198,562	1,936,482
In More Than Five Years	6,159,352	3,918,367	-	10,077,719
Total	$ 8,998,593	$ 5,404,598	$ 320,740	14,723,931
Less: Allowance for Uncollectible Pledges				(775,904)
Less: Unamortized Discount				(106,005)
Total Pledges Receivable, Net				$ 13,842,022

Contributions receivable includes property that is to be received in future years in the amount of $10,920,705 and $11,267,975 as of December 31, 2013 and 2012, respectively. This amount is not discounted.

NOTE 3 INVESTMENTS

The following is a summary of the YMCA's investments at December 31, 2013 and 2012:

	2013	2012
Cash and Cash Equivalents	$ 10,163,976	$ 14,762,644
U.S. Government Securities	3,153,345	3,468,916
U.S. Corporate Bonds	7,874,421	7,553,838
Non-U.S. Corporate Bonds	2,583,116	2,665,742
U.S. Common and Preferred Stocks	25,879,367	19,060,180
Non-U.S. Common and Preferred Stocks	14,038,022	12,654,089
Commodity Index Fund	2,763,135	2,095,076
Global Real Estate Fund	2,897,534	2,734,476
Multi-Strategy Hedge Fund of Funds	6,206,723	6,350,741
Private Equity	277,029	-
Total Investments	$ 75,836,668	$ 71,345,702

The following schedule summarizes the investment return at December 31, 2013 and 2012:

	2013	2012
Investment Income:		
Interest and Dividends	$ 1,488,578	$ 1,527,638
Realized Gains (Losses)	1,285,158	(463,406)
Unrealized Gains (Losses)	5,136,479	6,222,940
Investment Fees	(44,235)	(116,343)
Total Investment Income	$ 7,865,980	$ 7,170,829
Investment Return Designated for Current Operations	$ 2,430,859	$ 2,454,182
Investment Return Less Amounts Designated for Current Operations	5,435,121	4,716,647
Total Investment Income	$ 7,865,980	$ 7,170,829

As of December 31, 2013, the YMCA has made a commitment to an investment partnership in the amount of $3.7 million.

NOTE 4 LAND, BUILDING AND EQUIPMENT

A summary of land, building and equipment at December 31, 2013 and 2012 are as follows:

	2013	2012
Land and Land Improvements	$ 16,804,515	$ 16,253,241
Buildings and Building Improvements	226,519,717	219,523,678
Property Held for Future Use	454,000	454,000
Equipment	22,925,407	21,240,734
Vehicles	1,421,217	1,306,326
Technology	5,533,204	4,763,585
Construction-in-Progress	249,237	1,666,172
Total Land, Building, and Equipment	273,907,297	265,207,736
Less: Accumulated Depreciation	(127,612,883)	(117,297,252)
Net Total Land, Building, and Equipment	$ 146,294,414	$ 147,910,484
Depreciation Expense	$ 10,340,452	$ 9,755,665

Property held for future use consists of an intangible asset for airspace rights at a branch location, allowing the YMCA to expand the branch in the future if necessary.

Construction-in-progress consists of building modifications and improvements currently in progress, which are being financed through operations, debt financing or capital leases.

Property held for future use and construction-in-progress are not subject to depreciation.

NOTE 5 BONDS AND NOTES PAYABLE

A summary of bonds and notes payable at December 31, 2013 and 2012 are as follows:

Description	2013	2012
City of Minneapolis, Minnesota Revenue Note, interest fixed at 5.76%, principal and interest due in semi-annual installments of $54,939 through May 22, 2013	$ -	$ 53,401
City of Minneapolis, Minnesota Revenue Note, interest fixed at 4.412%, principal and interest due in semi-annual installments of $87,331 through May 22, 2013	-	86,125
Minneapolis Community Development Agency, Minnesota Revenue Note, interest fixed at 4.15%, principal and interest due in semi-annual installments of $307,827 through October 1, 2015. Refinanced in October 2012 to fixed interest rate of 1.9%, principal and interest due in semi-annual installments of $296,120 through October 1, 2015	1,156,874	1,719,918
MMCDC New Markets Fund X, LLC, Construction and Term Loan, interest fixed at 1.46%, quarterly interest payments, principal payments quarterly starting April 1, 2015 through February 28, 2038	11,400,000	11,400,000
City of Burnsville, Variable Rate Revenue Bond, interest at 0.06% at December 31, 2013, with principal payments due annually through August 1, 2016	2,255,000	2,950,000
Minnesota Agriculture and Development Board, Bank Qualified Debt, interest at 1.22% at December 31, 2013, with principal payments due annually starting December 1, 2013 through December 1, 2033	18,000,000	18,000,000
City of Andover, non-interest bearing, principal balance due in 2034	1,302,698	1,302,698
City of White Bear Lake, interest only payable quarterly through September 2011 with principal and interest due in monthly installments beginning December 2011 of $143,439 through 2019. Secured by related property. Refinanced in September 2013 to fixed rate of 2.6%. Principal and interest paid quarterly	2,961,813	3,375,755

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

Description	2013	2012
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.	-	77,059
City of Woodbury, Minnesota Revenue Note, interest at 2.44%, payable monthly through January 1, 2021. Interest was reset on January 1, 2011 to 2.44% and will be reset on January 1, 2016 to 75% of the current prime rate. Secured by building and equipment.	2,054,048	2,406,890
Housing and Redevelopment Authority of City of St. Paul, Commercial Development Revenue Note, interest at 5.8%, due in monthly installments of $3,768 through September 2011. Note can be extended through June 21, 2021. Interest was reset at June 21, 2011 to 2.46% and will be reset June 21, 2016 to 1.5% above the LIBOR swap rate.	270,750	301,854
City of Lino Lakes, Revenue Note, interest at 4.63%, interest only through June 2007 then monthly principal and interest through January 2021. Interest was reset on June 28, 2011 to 2.28% and will be reset June 28, 2016 to 70% of the current prime rate. Secured by building.	2,078,196	2,332,191
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 2019. Interest was reset in December 2012 to 2.075% and will be reset in December 2017 at .125% above 60% of the current prime rate.	803,908	917,819
Total	$ 42,283,287	$ 44,923,710

The summary of annual future maturities of principal on bonds and notes payable as of December 31, 2013 are as follows:

Year Ending December 31,	Scheduled Payment Amount	Contractual Payment Amount
2014	$ 3,113,431	$ 4,643,431
2015	3,639,208	2,884,208
2016	3,086,201	2,311,201
2017	2,460,926	2,460,926
2018	2,512,378	2,512,378
Thereafter	27,471,143	27,471,143
Total	$ 42,283,287	$ 42,283,287

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

The contractual payment amount reflects the full value of the YMCA's $2,255,000 revenue bond to the City of Burnsville. 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.

Revenue Bond

During 1996, the City of Burnsville issued $10,300,000 of Variable Rate Demand Revenue Bonds, Series 1996, on behalf of the YMCA. The interest rate of the bonds at December 31, 2013 and 2012 was .06% and .15%. The bonds are the sole responsibility of the YMCA and are secured through a $2,989,398 letter of credit. On April 25, 2014, the letter of credit was extended to expire on August 1, 2015 and can be extended for one-year terms. However, it is subject to non-renewal with a 90-day advance written notice from the bank.

Upon certain circumstances, the interest rate may be converted to a fixed rate. As long as the bonds carry a variable interest rate, they can be redeemed at the option of the bondholders. The YMCA has entered into an agreement that provides for the remarketing, to the extent possible, of the bonds in the event of redemption. The bonds are remarketed every seven days. In the event remarketing is unsuccessful, the letter of credit will be drawn upon to pay the trustee. The letter of credit is due the earlier of its expiration date or 366 days from the date of draw.

The YMCA has entered into a reimbursement agreement that provides for payments to the bank for draws, if any, that may be made upon the letter of credit. The reimbursement agreement contains covenants that restrict the YMCA's ability, among other things, to issue additional debt; the YMCA must also maintain a market value of the board-designated endowment investments of at least $3,600,000 and meet certain other financial ratios. The YMCA is in compliance with these financial covenants as of December 31, 2013. The YMCA had board-designated endowment investments of $13,333,388 at December 31, 2013. Additionally, the YMCA has pledged land, buildings and equipment with a book value of $5,204,884 and $5,567,725 at December 31, 2013 and 2012, respectively, as collateral for the debt.

Bank Qualified Debt

During 2008, the Minnesota Agriculture and Development Board issued $35 million of variable rate demand revenue bonds, series 2008 on behalf of the YMCA. The interest rate at December 31, 2013 and 2012 was 1.22% and 1.25%, respectively. The bonds are the sole responsibility of the YMCA and were originally secured through a letter of credit until December 28, 2010. On December 28, 2010, the YMCA refinanced the existing $35 million of variable rate demand revenue bonds and entered into an $18 million bank qualified debt. The agreement contains covenants that restrict the YMCA's ability, among other things, to issue additional debt; the YMCA must also meet certain financial ratios. The YMCA is in compliance with these financial covenants as of December 31, 2013. Additionally, the YMCA has pledged land, buildings and equipment with a book value of $46,496,026 and $47,832,209 at December 31, 2013 and 2012, respectively, as collateral for the debt.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

New Market Tax Credit Financing

In 2008, MMCDC New Market Tax Credit Fund X, LLC, a Delaware limited liability company (the CDE), made a new market tax credit enhanced mortgage loan of $11,400,000 to Urban YMCA LLC, a Minnesota limited liability company and wholly owned subsidiary of The YMCA, to finance project costs of the North Community and Blaisdell branches (the NMTC Loan). The CDE received an allocation of new market tax credit (NMTC) pursuant to Section 45D of the Code in order to assist eligible businesses in making new investments in certain communities. The availability of the NMTC allowed U.S. Bancorp Community Development Corporation, a Missouri limited liability company, to invest $3,603,600 in Minneapolis Y Investment Fund, LLC (the Investment Fund), a Missouri limited liability company. The YMCA committed $8,396,400 to its subsidiary Twin Cities YMCA Partners, LLC, in order for it to make a loan of $8,396,400 to the Investment Fund (the Leverage Loan). Additionally, the YMCA has pledged land and buildings with a book value of $11,529,522 and $12,122,088 at December 31, 2013 and 2012, respectively, as collateral for the debt.

The Investment Fund contributed the combined $12,000,000 to the CDE as a capital contribution, which in turn made the NMTC Loan to Urban YMCA LLC, a Minnesota limited liability company. The structure of this NMTC transaction is standard for the NMTC industry. The completion of this transaction provided a significant cash benefit to the YMCA.

<u>Future Transactions:</u> After the seven-year NMTC period expires, it is anticipated the CDE will liquidate and distribute its assets to the Investment Fund. It is also anticipated that Twin Cities YMCA Partners, LLC will acquire all the interests in the Investment Fund for a predetermined amount, and that the Investment Fund will be liquidated. After the “exit” transactions are completed, Twin Cities YMCA Partners, LLC will be the holder of the NMTC Loan, and such loan will be eliminated for reporting purposes because such loan will be owed by the YMCA to its subsidiary. One other effect of the “exit” transactions is that the Twin Cities YMCA Partners, LLC would be both lender and borrower of Leverage Loan and, therefore, such debt will be eliminated.

<u>Loan Terms:</u> The NMTC Loan, dated February 29, 2008, stipulates the Urban YMCA LLC pay interest at an annual rate of 1.46% per quarter payable in arrears on the first day of April, July, October and January until April 1, 2038 (Maturity Date). Interest costs associated with the loan amounted to $194,800 and $195,263 for the years ended December 31, 2013 and 2012, respectively. The Note calls for a principal payment of $240,000 on February 28, 2015, with outstanding balance due and payable on the Maturity Date. The Loan is not eligible for prepayment until February 28, 2015.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

Interest Rate Swap Agreement

The YMCA follows the *Accounting for Certain Derivative Instruments and Certain Hedging Activities*, which establishes 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.

On December 28, 2010, in conjunction with the Minnesota Agriculture and Development Board, Variable Rate Revenue Bond, the YMCA entered into two interest rate swap agreements with Wells Fargo Bank, N.A. (the Swap Provider) with the objective to minimize the risks associated with market rate fluctuations. One agreement is a 5-year term and the other is a 10-year term each at $6 million. Pursuant to the terms of the swap agreement (Interest Rate Swap), the YMCA pays the Swap Provider interest at a fixed rate of 1.732% on the 5-year term swap agreement, and a fixed rate of 2.53% on the 10-year term agreement. The Swap Provider will pay the YMCA interest at a variable rate equal to the product of the BQ Multiplier (67.01%) and the monthly LIBOR Rate. The 5-year and 10-year term swap agreements will expire January 1, 2016, and January 1, 2021, respectively. The fair value of the swap agreement liability was $565,675 and $1,020,945 at December 31, 2013 and 2012, respectively.

NOTE 6 NET ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2013 and 2012:

	2013	2012
Capital	$ 10,305,762	$ 12,693,420
Time and Program	11,507,122	7,675,150
Endowment	8,106,888	5,797,869
Beneficiary Agreements	352,935	316,437
Total Temporarily Restricted Net Assets	$ 30,272,707	$ 26,482,876

Net assets released from restriction for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Time - Annual Support	$ 1,701,571	$ 1,713,629
Purpose - Program and Capital	7,834,681	13,904,976
Spending Rate Release of Endowment Funds	1,041,472	343,319
Total Releases from Restriction	$ 10,577,724	$ 15,961,924

NOTE 6 NET ASSETS (CONTINUED)

Permanently restricted net assets are restricted for the following purposes as of December 31, 2013 and 2012:

	2013	2012
Endowment	$ 23,802,843	$ 22,035,932
Beneficiary Agreements	2,898,755	2,587,447
Total Permanently Restricted Net Assets	$ 26,701,598	$ 24,623,379

NOTE 7 ENDOWMENT

Board Designated and Donor Restricted Endowments

The YMCA has board designated and donor restricted endowment funds established for the purpose of securing the YMCA's long-term financial viability and continuing to meet the needs of children and families in the community. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the YMCA has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as maintaining 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 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 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 YMCA in a manner consistent with the standard of prudence prescribed by UPMIFA.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level the donor or UPMIFA requires the YMCA to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were $193,229 and $418,305 as of December 31, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations in the endowment fund's investments and continued appropriations that were deemed prudent by the board of directors.

NOTE 7 ENDOWMENT (CONTINUED)

Board Designated and Donor Restricted Endowments (Continued)

The YMCA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the YMCA must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a portfolio containing diverse asset classes without concentration in any particular class or holding while assuming a moderate level of investment risk. The YMCA expects its endowment funds, over time, to provide an average rate of return of approximately 5% more than the consumer price index. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the YMCA 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 YMCA 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.

The YMCA has a policy of targeting for distribution each year an average of 4.5% of the endowment's market value calculated as of the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the YMCA considered the long-term expected return on its endowment. Accordingly, over the long term, the YMCA expects the current spending policy to allow its endowment to grow to outpace the distribution. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The endowment payout was $1,537,636 and $1,529,767 for the years ended December 31, 2013 and 2012, respectively.

The composition of endowment funds by type of fund as of December 31, 2013 and 2012 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (193,229)	$ 8,106,888	$ 24,363,107	$ 32,276,766
Board Designated Endowment Funds	13,333,388	-	-	13,333,388
Total Endowment Funds	$ 13,140,159	$ 8,106,888	$ 24,363,107	$ 45,610,154

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (418,305)	$ 5,797,869	$ 23,930,119	$ 29,309,683
Board Designated Endowment Funds	12,247,230	-	-	12,247,230
Total Endowment Funds	$ 11,828,925	$ 5,797,869	$ 23,930,119	$ 41,556,913

NOTE 7 ENDOWMENT (CONTINUED)

Board Designated and Donor Restricted Endowments (Continued)

The summary of changes in endowment net assets for the years ended December 31, 2013 and 2012 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, December 31, 2012	$ 11,828,925	$ 5,797,869	$ 23,930,119	$ 41,556,913
Change in Value of Perpetual Trusts	-	-	272,163	272,163
Contributions	50,171	-	160,825	210,996
Earnings and Expenses:				
Investment Income	245,369	572,382	-	817,751
Investment Expenses	(9,527)	(22,216)	-	(31,743)
Realized Gains (Losses)	253,367	591,674	-	845,041
Unrealized Gains (Losses)	1,042,942	2,433,727	-	3,476,669
Total Earnings (Losses) and Expenses	1,532,151	3,575,567	-	5,107,718
Transfer of Temporary Restricted Earnings and Expenses to Unrestricted	225,076	(225,076)	-	-
Appropriations	(496,164)	(1,041,472)	-	(1,537,636)
Endowment Fund Balance, December 31, 2013	$ 13,140,159	$ 8,106,888	$ 24,363,107	$ 45,610,154

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, December 31, 2011	$ 10,663,996	$ 3,851,853	$ 23,116,625	$ 37,632,474
Change in Value of Perpetual Trusts	-	-	112,066	112,066
Contributions	85,057	-	701,428	786,485
Earnings and Expenses:				
Investment Income	189,253	511,056	-	700,309
Investment Expenses	(57,117)	(110,917)	-	(168,034)
Realized Gains (Losses)	(186,537)	(519,640)	-	(706,177)
Unrealized Gains (Losses)	1,440,638	3,288,919	-	4,729,557
Total Earnings (Losses) and Expenses	1,386,237	3,169,418	-	4,555,655
Transfer of Temporary Restricted Earnings and Expenses to Unrestricted	182,740	(182,740)	-	-
Appropriations	(489,105)	(1,040,662)	-	(1,529,767)
Endowment Fund Balance, December 31, 2012	$ 11,828,925	$ 5,797,869	$ 23,930,119	$ 41,556,913

NOTE 8 DONOR ADVISED FUNDS

The Orange County Community Foundation holds and administers a donor advised fund from an individual for the benefit of the YMCA. Total contributions received from the Orange County Community Foundation for the years ended December 31, 2013 and 2012 were $35,000 and $25,000, respectively. As of December 31, 2013 and 2012, the value of the trust assets was $1,678,614 and $1,590,042, respectively. The YMCA does not have "variance powers" over these funds and, therefore, the assets are not recorded by the YMCA until received.

NOTE 9 LEASES

The YMCA leases various pieces of equipment and facilities under operating lease agreements which expire on various dates. Rent expense totaled $2,413,673 and $2,433,746 for the years ended December 31, 2013 and 2012, respectively.

The future minimum operating lease payments are as follows:

Year Ending December 31,	Amount
2014	$ 2,281,206
2015	1,251,614
2016	611,322
2017	157,033
2018	120,412
Thereafter	796,683
Total	$ 5,218,270

In 2004, the YMCA entered into a long-term lease for a new facility. The lease has an initial term of 30 years with 6 optional renewal periods of 10 years each and a final renewal term of 9 years. The lease is accounted for as a capital lease. The maximum lease payment in any year of the lease term is $635,000 including both principal and interest. Interest expense was $411,013 and $410,917 for the years ended December 31, 2013 and 2012, respectively. The cost of the building recorded under the capital lease was $9,672,643. Accumulated depreciation was $2,726,226 and $2,404,511 at December 31, 2013 and 2012, respectively. As part of the lease agreement the City of Andover donated the use of the land for the project. The value of the land was valued at $317,643 and is amortized over the initial 30-year lease period. Accumulated amortization was $105,881 and $95,239 as of December 31, 2013 and 2012, respectively. The amortization is included with depreciation expense.

NOTE 9 LEASES (CONTINUED)

On August 20, 2007, the YMCA entered into a lease agreement with the Economic Development Authority for the City of Elk River, Minnesota (EDA). The EDA built an approximately 55,000 square foot facility and the YMCA will provide health, wellness and youth programs in the facility. The initial lease term is 31 years with an evergreen provision up to a maximum of 99 years. The YMCA's lease payment is equal to one-third of the interest and principal on two separate debt issuances – a 25-year $10 million issuance on November 8, 2007 and a 7-year $2 million dollar issuance on February 20, 2008. The debt payments began August 1, 2008 and cease February 1, 2033. The agreement obligates the city to re-pay two-thirds of the debt and interest, while the YMCA is obligated for one-third of the debt and interest.

On February 12, 2013, the EDA refinanced the $10 million issuance. The YMCA obligation remains one-third of the debt and interest under the new agreement.

Interest expense and principal payments for the years ended December 31, 2013 and 2012 were as follows:

	2013		
	YMCA	City of Elk River	Total
Interest	$ 144,390	$ 288,780	$ 433,170
Principal	100,000	200,000	300,000
	$ 244,390	$ 488,780	$ 733,170

	2012		
	YMCA	City of Elk River	Total
Interest	$ 147,703	$ 295,405	$ 443,108
Principal	96,667	193,333	290,000
	$ 244,370	$ 488,738	$ 733,108

The cost of the facility under the capital lease was $12,906,013. Accumulated depreciation was $3,619,815 and $3,012,778 in 2013 and 2012, respectively.

On January 22, 2013, the YMCA entered into a capital lease agreement for office equipment. The lease term is 63 months with lease payments of $26,999 per month. The cost of the equipment recorded under the capital lease was $758,186. Interest expense was $97,874 for the year ended December 31, 2013. Accumulated depreciation was $120,347 at December 31, 2013.

NOTE 9 LEASES (CONTINUED)

Future minimum capital lease payments are as follows:

Year Ending December 31,	Andover	Elk River	Office Equipment	Total
2014	$ 635,000	$ 247,284	$ 222,784	$ 1,105,068
2015	635,000	248,656	222,784	1,106,440
2016	635,000	261,060	222,784	1,118,844
2017	633,399	235,266	222,784	1,091,449
2018	634,774	241,863	92,827	969,464
Thereafter	9,755,037	3,680,156	-	13,435,193
Total Capital Lease Payments	12,928,210	4,914,285	983,963	18,826,458
Less: Interest Expense	(4,391,448)	(1,212,618)	(313,557)	(5,917,623)
Non-Cash Donation of Long-Term Facility Use	-	7,403,333	-	7,403,333
Total Minimum Capital Lease Payments	$ 8,536,762	$ 11,105,000	$ 670,406	$ 20,312,168

NOTE 10 RETIREMENT BENEFITS

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 (the Retirement Fund). This plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements. The Retirement fund is operated as a church pension plan and is a not-for-profit, tax-exempt New York state corporation. 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.

In accordance with the agreement with the Retirement Fund, contributions made by the YMCA are a percentage of the participating employees' salaries and are remitted to the Retirement Fund monthly. Contribution expense was $3,837,214 and $3,661,038 in 2013 and 2012, respectively.

NOTE 11 CONTINGENCIES AND COMMITMENTS

Contracts

The YMCA receives fees and grants from various federal, state and city government agencies for services performed under contracts. Such contracts are subject to governmental compliance audits and may, from time to time, result in adjustments to fees and grants received. In the opinion of the YMCA's management, the disposition of all such matters should not have a material adverse effect on the YMCA's financial position or changes in net assets.

NOTE 11 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Program Services

A rent agreement with White Bear Lake Area Schools was signed on October 12, 2009, in which the school district will pay $163,000 annually for 10 years beginning in 2010 for use of the aquatics facility at the White Bear Area YMCA.

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.

NOTE 12 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 as of December 31, 2013 and 2012 are as follows:

	2013			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government Securities	$ 3,153,345	$ -	$ -	$ 3,153,345
U.S. Corporate Bonds	7,874,421	-	-	7,874,421
Non-U.S. Corporate Bonds	2,583,116	-	-	2,583,116
U.S. Common and Preferred Stocks	25,879,367	-	-	25,879,367
Non-U.S. Common and Preferred Stocks	14,038,022	-	-	14,038,022
Commodity Index Fund	2,763,135	-	-	2,763,135
Global Real Estate Fund	2,897,534	-	-	2,897,534
Multi-Strategy Hedge Fund of Funds	-	6,206,723	-	6,206,723
Private Equity	-	-	277,029	277,029
Total	59,188,940	6,206,723	277,029	65,672,692
Funds Held in Escrow	343,075	-	-	343,075
Interest in Beneficiary Trusts	-	-	2,869,721	2,869,721
Deferred Swap Rate Liability	-	565,675	-	565,675
Total	$ 59,532,015	$ 6,772,398	$ 3,146,750	$ 69,451,163

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	2012			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Government Securities	$ 3,468,916	$ -	$ -	$ 3,468,916
U.S. Corporate Bonds	7,553,838	-	-	7,553,838
Non-U.S. Corporate Bonds	2,665,742	-	-	2,665,742
U.S. Common and Preferred Stocks	19,060,180	-	-	19,060,180
Non-U.S. Common and Preferred Stocks	12,654,089	-	-	12,654,089
Commodity Index Fund	2,095,076	-	-	2,095,076
Global Real Estate Fund	2,734,476	-	-	2,734,476
Multi-Strategy Hedge Fund of Funds	-	6,350,741	-	6,350,741
Private Equity	-	-	-	-
Total	50,232,317	6,350,741	-	56,583,058
Funds Held in Escrow	303,075	-	-	303,075
Interest in Beneficiary Trusts	-	-	2,562,225	2,562,225
Deferred Swap Rate Liability	-	1,020,945	-	1,020,945
Total	$ 50,535,392	$ 7,371,686	$ 2,562,225	$ 60,469,303

Level 3 Assets

Level 3 assets are valued based on the traded values of the underlying securities in the investment pool. The changes in value attributable to gains and losses of Level 3 investments are reflected under investment income on the statement of activities.

The following table provides a summary of changes in fair value of the YMCA's Level 3 financial assets for the years ended December 31, 2013 and 2012:

	2013			
	Investment in CIG	Private Equity	Interest in Beneficiary Trusts	Total
Balances as of January 1, 2013	$ -	$ -	$ 2,562,225	$ 2,562,225
Change in Value of Beneficiary Agreements	-	-	307,496	307,496
Net Realized and Unrealized Gains on Investments	-	-	-	-
Proceeds from Sale of Investments	-	-	-	-
Purchases of Investments	-	277,029	-	277,029
Balances as of December 31, 2013	$ -	$ 277,029	$ 2,869,721	$ 3,146,750

	2012			
	Investment in CIG	Private Equity	Interest in Beneficiary Trusts	Total
Balances as of January 1, 2012	$ 11,638,560	$ -	$ 2,417,200	$ 14,055,760
Change in Value of Beneficial Agreements	-	-	145,025	145,025
Net Realized and Unrealized Gains on Investments	1,240,503	-	-	1,240,503
Proceeds from Sale of Investments	(13,036,851)	-	-	(13,036,851)
Purchases of Investments	157,788	-	-	157,788
Balances as of December 31, 2012	$ -	$ -	$ 2,562,225	$ 2,562,225

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Quantitative Information about Level 3 Fair Value Measurements

The unobservable inputs used to determine the fair value of the investment in CIG are the underlying assets of the partnership, which consist of fixed income securities, mutual funds, stocks, futures, private capital investments, real estate and absolute return investments.

The unobservable inputs used to determine the fair value of fund of private equity funds has been estimated based on the capital account balances reported by underlying partnerships subject to the private equity fund of funds management review and judgment.

The unobservable inputs used to determine the fair value of the interest in beneficiary trusts are the underlying assets controlled by the trustee. The underlying assets consist of marketable securities that are either classified as Level 1 or Level 2 assets and the YMCA's fair value is determined by taking the trust's total value multiplied by their interest in the trust, as stated in the trust document.

Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of December 31, 2013 and 2012:

	2013			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 6,206,723	$ -	Investments prior to April 1, 2006 - quarterly; subsequent investments - semi-annually	95 days regardless of date of investment
Private Equity	277,029	3,760,000	N/A	N/A

	2012			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 6,350,741	$ -	Investments prior to April 1, 2006 - quarterly; subsequent investments - semi-annually	95 days regardless of date of investment
Private Equity	-	-	N/A	N/A

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent) (Continued)

Multi-Strategy Hedge Fund of Funds focus on building and maintaining low volatility, multi-manager portfolios which have little or no correlation to the broader debt and equity markets. Investments are primarily with institutional quality hedge fund managers who invest in a diversified historically uncorrelated strategy such as relative value, event-driven investing, equity market neutral, credit opportunities and distressed. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Private Equity includes venture capital, buyouts, mezzanine and special situation funds. The unobservable inputs used to determine the fair value of the fund of private equity funds has been estimated based on the capital account balances reported by underlying partnerships subject to the private equity fund of funds management review and judgment.

NOTE 13 MERGER

The Young Men's Christian Association of Metropolitan Minneapolis and the YMCA of Greater Saint Paul agreed to merge the two YMCA's and form a new corporation, the YMCA of the Greater Twin Cities at the end of business on December 31, 2011. The new YMCA of the Greater Twin Cities was a result of many years of collaboration and sharing of services. The merger created a more seamless delivery and management of services to the combined service area. The consolidated statements beginning January 1, 2012 reflect a merger of equals and were accounted for as a merger with no revaluation of assets and liabilities of either entity. The total costs to merge the two entities totaled $-0- and $676,836 for the years ended December 31, 2013 and 2012.