YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

FINANCIAL STATEMENTS

DECEMBER 31, 2022

PBMares SM

ASSURANCE, TAX & ADVISORY SERVICES

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Young Men's Christian Association of the Virginia Peninsulas

Opinion

We have audited the financial statements of Young Men's Christian Association of the Virginia Peninsulas, a nonprofit organization, which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Young Men's Christian Association of the Virginia Peninsulas, as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young Men's Christian Association of the Virginia Peninsulas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Men's Christian Association of the Virginia Peninsulas' ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Young Men's Christian Association of the Virginia Peninsulas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Young Men's Christian Association of the Virginia Peninsulas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

PBMares, LLP

Newport News, Virginia
May 25, 2023

FINANCIAL STATEMENTS

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 2,541,306**	$ 3,234,032
Certificates of deposit	**217,402**	295,956
Investments	**6,961,683**	8,538,696
Unconditional promises to give, current portion	**542,874**	883,533
Prepaid expenses and other current assets	**40,189**	53,278
Refundable payroll tax credit	**1,141,991**	1,141,991
Total current assets	**11,445,445**	14,147,486
Unconditional promises to give, net, less current portion	**330,357**	487,631
Deferred rent asset	**-**	17,146
Investments, endowment	**3,920,302**	4,757,261
Property and equipment, net	**36,467,689**	36,813,724
Operating lease right-of-use assets	**535,015**	-
Financing lease right-of-use lease assets	**693,533**	-
Total assets	**$ 53,392,341**	$ 56,223,248

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF FINANCIAL POSITION (Continued)
December 31, 2022 and 2021

	2022	2021
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	**$ 366,702**	$ 554,797
Accrued expenses	**234,497**	164,674
Deferred revenues	**76,055**	84,016
Contract liabilities	**1,349,764**	284,760
Lines of credit	**1,514,200**	1,524,779
Current portion of long-term debt	**1,278,143**	1,402,253
Current portion of right-of-use leases payable	**457,142**	-
Total current liabilities	**5,276,503**	4,015,279
Long-Term Liabilities		
Long-term debt, net, less current portion	**2,179,734**	3,445,225
Right-of-use leases payable, less current portion	**705,847**	-
Charitable gift annuity obligation	**43,392**	45,929
Hedged interest rate swap	**121**	6,547
Deferred rent liability	**-**	21,570
Total long-term liabilities	**2,929,094**	3,519,271
Total liabilities	**8,205,597**	7,534,550
Net Assets		
Without donor restrictions:		
Board designated	**6,403,474**	1,909,915
Board designated, quasi endowment	**3,913,302**	4,750,261
Undesignated	**34,776,155**	41,910,794
Total without donor restrictions	**45,092,931**	48,570,970
With donor restrictions:		
Restricted by purpose	**50,597**	76,838
Restricted by time	**36,216**	33,890
Restricted in perpetuity	**7,000**	7,000
Total with donor restrictions	**93,813**	117,728
Total net assets	**45,186,744**	48,688,698
Total liabilities and net assets	**$ 53,392,341**	$ 56,223,248

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support:			
Public support:			
Contributions to center operations	$ 2,733,910	$ -	$ 2,733,910
United Way	37,789	36,216	74,005
In-kind contributions	174,384	-	174,384
Donated facilities	1,496,724	-	1,496,724
Net assets released from restrictions	2,272,834	(2,272,834)	-
Total public support for operations	6,715,641	(2,236,618)	4,479,023
Revenue:			
Program fees, net	4,728,663	-	4,728,663
Membership dues, net	10,918,064	-	10,918,064
Government grants	-	2,209,769	2,209,769
Building use fees	461,324	-	461,324
Sales to public	24,586	-	24,586
Miscellaneous income	50,893	-	50,893
Investment return - appropriated for spending	128,715	-	128,715
Total revenue for operations	16,312,245	2,209,769	18,522,014
Total operating revenues, gains and other support	23,027,886	(26,849)	23,001,037
Operating Expenses:			
Payments to the YMCA of the U.S.A.	216,106	-	216,106
Program services	20,069,462	-	20,069,462
Support services:			
Management and general	2,934,073	-	2,934,073
Fundraising	892,430	-	892,430
Total operating expenses	24,112,071	-	24,112,071

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES (Continued)
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Governing Board Actions from Operations:			
Revenue designated by board from contingency fund	$ 3,213,740	$ -	$ 3,213,740
Revenue designated by board to operating reserve	3,846	-	3,846
Revenue designated by board to capital projects	1,794,632	-	1,794,632
Contributions designated by board for quasi-endowment	(232,439)	-	(232,439)
Total governing board actions from operations	4,779,779	-	4,779,779
Operating revenues in excess (deficit) of operating expenses and governing board actions from operations	3,695,594	(26,849)	3,668,745
Other Changes:			
Investment return, net, in excess of amounts appropriated for spending	(2,368,035)	2,934	(2,365,101)
Governing board actions from operations	(4,779,779)	-	(4,779,779)
Change in split interest agreement	(25,819)	-	(25,819)
Change in net assets	(3,478,039)	(23,915)	(3,501,954)
Net Assets			
Beginning of year	48,570,970	117,728	48,688,698
End of year	$ 45,092,931	$ 93,813	$ 45,186,744

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support:			
Public support:			
Contributions to center operations	$ 2,064,915	$ -	$ 2,064,915
United Way	38,833	33,890	72,723
In-kind contributions	64,376	-	64,376
Donated facilities	1,412,881	-	1,412,881
Net assets released from restriction:			
Net assets released from purpose restriction	2,055,132	(2,055,132)	-
Total public support for operations	5,636,137	(2,021,242)	3,614,895
Revenue:			
Program fees, net	3,509,174	-	3,509,174
Membership dues, net	9,020,172	-	9,020,172
Government grants	-	1,815,399	1,815,399
Government grants - paycheck protection program	2,471,193	-	2,471,193
Government grants - employee retention tax credit	3,203,203	-	3,203,203
Building use fees	391,195	-	391,195
Sales to public	20,710	-	20,710
Miscellaneous income	41,294	-	41,294
Investment return - appropriated for spending	95,003	-	95,003
Total revenue for operations	18,751,944	1,815,399	20,567,343
Total operating revenues, gains and other support	24,388,081	(205,843)	24,182,238
Operating Expenses:			
Payments to the YMCA of the U.S.A.	224,920	-	224,920
Program services	17,027,069	-	17,027,069
Support services:			
Management and general	2,592,885	-	2,592,885
Fundraising	568,473	-	568,473
Total operating expenses	20,413,347	-	20,413,347

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF ACTIVITIES (Continued)
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Governing Board Actions from Operations:			
Revenue designated by board to contingency fund	$ 475,394	$ -	$ 475,394
Revenue designated by board for operating reserve	(43,823)	-	(43,823)
Revenue designated by board to capital projects	(644,509)	-	(644,509)
Contributions designated by board for quasi-endowment	(84,093)	-	(84,093)
Total governing board actions from operations	(297,031)	-	(297,031)
Operating revenues in deficit of operating expenses and governing board actions from operations	3,677,703	(205,843)	3,471,860
Other Changes:			
Investment return, net, in excess of amounts appropriated for spending	1,666,440	6,103	1,672,543
Governing board actions from operations	297,031	-	297,031
Change in split interest agreement	3,522	-	3,522
Change in fair value of hedged interest rate swap	14,384	-	14,384
Change in net assets	5,659,080	(199,740)	5,459,340
Net Assets			
Beginning of year	42,911,890	317,468	43,229,358
End of year	$ 48,570,970	$ 117,728	$ 48,688,698

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 9,551,446	$ 1,671,116	$ 305,984	$ 11,528,546
Employee Benefits	820,420	257,158	36,222	1,113,800
Payroll Taxes	776,967	134,040	25,432	936,439
Total salaries and related expenses	11,148,833	2,062,314	367,638	13,578,785
Occupancy	3,430,735	48,561	-	3,479,296
Contract Services	1,394,304	374,866	10,624	1,779,794
Supplies	726,853	9,899	496,390	1,233,142
Equipment	380,630	20,872	11	401,513
Interest	154,562	23,839	-	178,401
Bank, Finance, and Merchant Fees	268,986	-	-	268,986
Travel	172,429	65,311	795	238,535
Telephone	94,869	47,597	1,080	143,546
Printing and Public Relations	21,926	107,328	2,005	131,259
Miscellaneous	327,895	972	-	328,867
Conferences and Training	93,091	57,363	13,112	163,566
Dues	4,364	23,891	775	29,030
Postage	3,340	5,447	-	8,787
Total functional expenses before depreciation	18,222,817	2,848,260	892,430	21,963,507
Depreciation	1,846,645	85,813	-	1,932,458
Total functional expenses	$ 20,069,462	$ 2,934,073	$ 892,430	$ 23,895,965

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries and Wages	$ 7,475,189	$ 1,661,494	$ 235,538	$ 9,372,221
Employee Benefits	623,916	224,950	19,507	868,373
Payroll Taxes	621,346	132,999	20,165	774,510
Total salaries and related expenses	8,720,451	2,019,443	275,210	11,015,104
Occupancy	3,299,833	47,731	-	3,347,564
Contract Services	1,468,129	170,423	4,731	1,643,283
Supplies	480,842	36,081	283,643	800,566
Equipment	439,441	8,420	-	447,861
Interest	212,018	25,206	-	237,224
Bank, Finance, and Merchant Fees	199,636	-	-	199,636
Travel	118,992	28,704	292	147,988
Telephone	96,709	22,750	531	119,990
Printing and Public Relations	19,923	83,080	2,010	105,013
Miscellaneous	75,374	292	-	75,666
Conferences and Training	39,309	29,881	-	69,190
Dues	5,804	21,399	1,900	29,103
Postage	4,295	10,530	156	14,981
Total functional expenses before depreciation	15,180,756	2,503,940	568,473	18,253,169
Depreciation	1,846,313	88,945	-	1,935,258
Total functional expenses	$ 17,027,069	$ 2,592,885	$ 568,473	$ 20,188,427

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE VIRGINIA PENINSULAS

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (3,501,954)	$ 5,459,340
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,932,458	1,935,258
Amortization of debt issuance costs	12,657	12,333
Amortization of right-of-use lease assets	415,167	-
Reduction in the carrying amount of right-of-use lease assets	(80,591)	-
Operating lease payments	(224,485)	-
Realized and unrealized loss (gain) on investments	2,479,784	(489,204)
Change in split interest agreement	25,819	(3,522)
Change in fair value of hedged interest rate swap	(6,426)	(14,384)
Loss on disposal of assets	191,145	-
Change in:		
Unconditional promises to give	497,933	(24,914)
Prepaid expenses and other current assets	13,089	3,651
Refundable payroll tax credit	-	(752,174)
Deferred rent asset	17,146	12,850
Accounts payable	(188,095)	299,683
Accrued expenses	69,823	55,507
Deferred revenues	(7,961)	(10,020)
Contract liabilities	1,065,004	159,124
Deferred rent liability	(21,570)	(228,666)
Net cash provided by operating activities	2,688,943	6,414,862
Cash Flows from Investing Activities:		
Purchases of investments and certificates of deposit	(3,078,066)	(4,040,712)
Proceeds from sale of investments and certificates of deposit	3,064,989	3,100,450
Purchases of property and equipment	(1,777,568)	(2,160,695)
Net cash used in investing activities	(1,790,645)	(3,100,957)
Cash Flows from Financing Activities:		
Principal payments on long-term debt	(1,402,258)	(1,355,627)
Net proceeds (payments) on lines of credit	(10,579)	13,656
Financing lease payments	(175,650)	-
Charitable gift annuity obligation	(2,537)	(2,653)
Net cash used in financing activities	(1,591,024)	(1,344,624)
Net change in cash and cash equivalents	(692,726)	1,969,281
Cash and Cash Equivalents		
Beginning of year	3,234,032	1,264,751
End of year	$ 2,541,306	$ 3,234,032
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 167,101	$ 237,225

Note 1. Organization and Nature of Activities

Young Men's Christian Association of the Virginia Peninsulas (the "Y") is a volunteer-led public charity that includes men, women and children of all ages, abilities, incomes, races and relations in the Virginia Peninsula region. Its mission is to put Christian principles into practice through programs that build healthy spirit, mind and body for all. Its programs strengthen families and communities focusing on the values of caring, honesty, respect, responsibility and faith.

Every day, the Y works side by side with its neighbors in its community to make sure that everyone, regardless of age, income or background, has the opportunity to learn, grow and thrive.

Organization focus:

Youth Development: *Nurturing the potential of every child and teen*
The Y believes that all kids deserve the opportunity to discover who they are and what they can achieve. That's why, through the Y, hundreds of youth today are cultivating the values, skills and relationships that lead to positive behaviors, better health and educational achievement.

Healthy Living: *Improving health and well-being*
The Y is the leading voice on health and well-being. With a mission centered on balance, the Y brings families closer together, encourages good health, and fosters connections through fitness, sports, fun and shared interests. As a result, youth, adults and families are receiving the support, guidance and resources needed to achieve greater health and well-being for their spirit, mind and body.

Social Responsibility: *Giving back and providing support to our neighbors*
The Y has been listening and responding to our communities' most critical social needs for 126 years. Whether developing skills or emotional well-being through global services, or preventing chronic disease and building healthier communities through collaborations with policymakers, the Y fosters the care and respect all people need and deserve. Through volunteers, donors, leaders and partners, the Y is empowering people to be healthy, confident, connected and secure.

The Y has been making an impact in communities for over 126 years, and it is here for good.

In 2022, the Y accomplished the below:

- Provided over 785 children with clothing and school supplies;
- Helped over 2,779 youth gain confidence and learn discipline through Youth Sports;
- Kept youth active through Summer Camp and provided a safe place for them to go after school and;
- Helped over 1,079 Second Graders gain confidence around water through 2nd Grade Learn to Swim;
- Helped over 4,081 youth, teens, and adults participate in swim lessons;
- In the Second year of Youth and Government program for teens, had 10 participants;
- Aided over 99 teens to learn leadership skills and gain the confidence to be themselves in our Teen Leaders program;
- Assisted over 3,001 people begin their wellness journey with wellness orientations; and
- Supported over 2,498 people challenge their spirit, mind, and body with wellness challenges.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The accompanying financial statements of the Y have been prepared on the accrual basis of accounting as required by accounting principles, generally accepted in the United States of America.

Financial statement presentation: The Y reports its financial position and activities according to two classes of net assets as follows:

> **Net assets without donor restrictions** are net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve, contingency fund, capital projects and board-designated quasi-endowment.
>
> **Net assets with donor restrictions** are net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires or is otherwise met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Measure of operations: Operating activities reflect all transactions increasing or decreasing net assets except those items associated with long-term debt such as contributions for capital and endowment campaigns, amounts designated by board to operating reserve, investment returns in excess of amounts designated for current operations, changes in split interest agreement, and changes in the fair value of interest rate swap.

Cash and cash equivalents and certificates of deposit: The Y considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents included as part of an investment account are accounted for as investments in the statements of financial position. Certificates of deposit with original maturities over three months are classified as certificates of deposit in the statements of financial position. Cash equivalents and certificates of deposit are stated at cost because that approximates market value.

Investments: Investments are composed of bonds, mutual funds and securities and are carried at fair value. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

Credit risk:

> **Deposit Insurance Risk**: Financial instruments that potentially subject the Y to concentrations of investment risk consist principally of cash and certificates of deposit with various banks and various investment securities. For bank held instruments, the Y places its temporary cash and certificates of deposit with high credit quality financial institutions. Cash and certificates of deposit accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. From time to time, the Y could have cash deposits with financial institutions that exceed FDIC insured levels. Investment securities are not insured by the FDIC and are subject to investment risk.

Note 2. Summary of Significant Accounting Policies (Continued)

Contribution Risk: The Y solicits pledges from individuals, businesses and various agencies concentrated in the Virginia Peninsula region. Financial instruments that potentially subject the Y to credit risk include unconditional promises to give. To mitigate risk, management regularly reviews the individual accounts for delinquencies. Donors are then contacted and if necessary, the payment plan is revised. Volunteers lead the campaigns and usually solicit from a personal circle of family and friends, which has a positive impact on the collection rate.

***Unconditional promises to give*:** Unconditional promises to give are recognized by the Y when a donor makes a promise to give that is in substance, unconditional. Unconditional promises to give that are restricted by the donor or time restricted are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Unconditional promises to give due beyond twelve months of the date of the statements of financial position are reflected as long-term promises to give and are recorded at fair value, using risk-free interest rates applicable to the years in which the promises are to be received. Donor restricted unconditional promises to give are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Management has determined that unconditional promises to give are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Conditional promises to give: Conditional promises to give are recognized only when the barriers to entitlement are overcome. Intentions to give are not recognized as revenue unless they are legally enforceable. Conditional promises to give totaled $150,000 at December 31, 2022 and 2021.

Property and equipment: Property and equipment are carried at cost. The Y reports gifts of land, buildings and equipment at fair value at the date of donation. These gifts are recorded as support without donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Unless there are explicit donor stipulations about how long those long-lived assets must be maintained, the Y reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Repairs and maintenance are expensed as incurred.

Depreciation is calculated by the straight-line method over the following estimated useful lives:

Building and improvements	5 - 40 years
Furnishings and equipment	5 - 10 years
Leasehold improvements	15 - 39 years
Vehicles	5 years

Impairment of long-lived assets: The Y reviews long-lived assets to be held and used for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If an evaluation is required, the estimated future undiscounted cash flows associated with the assets are compared to the asset's carrying amount to determine if a write down to market or discounted cash flow value is required. The Y reports long-lived assets to be disposed of at the lower of carrying amount or fair value less costs to sell. Management has determined that there has been no impairment of long-lived assets.

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: The Y has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees, residence program and related services, and government grants.

Because the Y's performance obligations relate to contracts with a duration of less than one year, the Y has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Membership dues, program income contract liabilities and deferred revenue: Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time and may cancel with 30 days' notice. Members generally pay a onetime joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The Y offers a variety of programs including family, child care, day camp, teen, scholastic, fitness, aquatics, health, immigration, and international services. Fee-based programs are available to the public. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees. Membership dues and program fees are recognized ratably over the period the membership or program service is provided on a straight-line basis in an amount that reflects the consideration the Y expects to be entitled to in exchange for those services. Substantially all of the Y's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Membership joining fees are ratably recognized over a one-year period from the membership start date.

Membership dues and program fees paid to the Y in advance represent contract liabilities and are recorded as contract liabilities. Amounts billed but unpaid are contract assets and are recorded as accounts receivable. Membership vouchers and gift certificates are recorded as deferred revenue until earned.

Government grants: The Y receives grant and contract funding from various federal, state, and local governments to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, curriculum, staffing and other requirements. These program services range from child care after school programs, day camp, family programs, programs for seniors, and immigration and health and welfare related programs. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions.

Cash received on government grants and contracts prior to incurring allowable expenses are recorded as advances upon receipt. All contributions are recorded in promises to give. Management has determined that government grants and contracts are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Note 2. Summary of Significant Accounting Policies (Continued)

Derivative financial instrument - interest rate swap: The Y uses derivatives to manage risks related to interest rate movements. Interest rate swap contracts are reported at fair value. The unrealized gain or loss on the instrument is included in the statements of activities. The Y documents its risk management strategy and hedge effectiveness at the inception of, and during the term of, each hedge. The Y's interest rate risk management strategy is to stabilize cash flow requirements by maintaining interest rate swap contracts to convert variable-rate debt to a fixed rate.

Deferred rent income and expense: The Y has certain leases as either a lessor or a lessee that contain annual escalation clauses. Accounting principles generally accepted in the United States of America require rental payments and receipts to be recognized as rental expense or revenue on a straight-line basis over the lease term. The difference between the escalating payments or receipts and the straight-line basis is recorded as deferred rent income or expense on the statements of financial position.

Income taxes: The Y is classified as an exempt organization under Section 501(c)(3) of the Internal Revenue Code for federal income tax purposes. Contributions to the Y qualify as charitable contribution deductions to the extent provided by law.

FASB ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Y's management has evaluated the impact of the guidance to its financial statements. The Y's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date they were filed.

The Y's policy is to classify income tax related interest and penalties, if any, in general and administrative expenses.

Debt issuance costs: Debt issuance costs related to obtaining financing of $85,102 are amortized over the term of the note and included as a component of interest expense in the statements of activities. The unamortized portion is reported as a direct reduction of the obligation to which such costs relate. Amortization expense was $12,657 and $12,333, respectively, for 2022 and 2021.

Volunteer services and in-kind contributions: The Y recognizes in-kind contributions as revenues and expenses in the period in which they are received if such services: (a) create or enhance nonfinancial assets; (b) require specialized skills; (c) are provided by individuals possessing those skills; and (d) would typically need to be purchased if not contributed. Contributions of assets other than cash are recorded at estimated fair value on the date of the gift. The total value of these items was $113,033 and $64,376 for the years ended December 31, 2022 and 2021, respectively, and represent revenue from assets that were contributed and sold at special events.

The YMCA receives services from many volunteers who give significant amounts of their time to the programs of the YMCA. No amounts have been reflected for these types of donated services, as there is no objective basis available to measure the value of such services. In 2022 and 2021, 1,119 and 808 volunteers contributed a total of 12,850 and 4,856 hours in all aspects of the Y's operations.

The Y leases some facilities on an annual basis at rates below fair market value. See Note 15 for additional disclosure of these leases.

Note 2. Summary of Significant Accounting Policies (Continued)

Functional allocation of expenses: The Y recognizes its expenses on a functional basis among its various programs and supporting services. Expenses that relate to a specific program or supporting service are recorded directly to those programs and services. Expenses relating to more than one function are allocated to programs and supporting services on the basis of time and expenses incurred. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Y.

Advertising: Printing and public relation costs are expensed as incurred and were $131,259 and $105,012 in 2022 and 2021, respectively.

Estimates: The preparation of 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, liabilities, support and expenses and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates and assumptions.

Reclassification: Certain amounts on the statement of activities for the year ended December 31, 2021 have been reclassified with no effect on change in net assets to be consistent with the classifications presented for the year ended December 31, 2022.

Leases: In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Y adopted Topic 842 on January 1, 2022 using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements.

Under this transition provision, the Y has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Y's historical accounting treatment under ASC Topic 840, *Leases*.

The Y elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Y does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Y has elected to apply hindsight to the existing leases.

The Y determines if an arrangement is, or contains, a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is, or contains, a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Y obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Y also considers whether its service arrangements include the right to control the use of an asset.

Note 2. Summary of Significant Accounting Policies (Continued)

The Y has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for all asset classes. The non-lease components typically represent additional services transferred to the Y, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Y's operating leases of $848,368 and $690,441, respectively, at January 1, 2022. The adoption of the new lease standard did not materially impact the change is net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

The discount rate represents the risk-free rate using a period comparable with that of the individual lease term. The Y's lease terms for each of its leases represents the noncancelable period for which the Y has the right to use an underlying asset, together with all of the following: (i) periods covered by an option to extend the lease, if the Y is reasonably certain to exercise that option; (ii) periods covered by an option to terminate the lease if the Y is reasonably certain not to exercise that option; and (iii) periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the lessor. The Y recognizes lease expense on a straight-line basis over the lease term.

The Y's operating ROU assets are included in assets, and the Y's current and non-current operating lease liabilities are included in current liabilities and long-term liabilities, respectively, in the Y's statements of financial position.

See Note 15 for further detail on leases where the Y serves as the lessee.

The Y also leases space to multiple hospitals and various groups and organizations for use of the Y's facilities for events and meetings. These leases may contain extension and termination options that are predominantly at the sole discretion of the lessee, provided certain conditions are satisfied. Lease components are elements of an arrangement that provide the customer with the right to use an identified asset. Nonlease components are distinct elements of a contract that are not related to securing the use of the leased asset and revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers. There are no significant nonlease components relates to these agreements. An underlying asset is an asset that is the subject of a lease for which a right to use that asset has been conveyed to a lessee. The Y considers buildings as the class of underlying assets. The Y will account for its leases as operating leases. See Note 14 for further detail on leases where the Y serves as the lessor.

Adoption of accounting standard: During the year ended December 31, 2022, the Y adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The adoption of this guidance did not have a significant impact on the Y's financial statements.

Note 2. Summary of Significant Accounting Policies (Continued)

Subsequent events: In preparing these financial statements, the Y has evaluated events and transactions for potential recognition or disclosure through May 25, 2023, the date the financial statements were available to be issued. Management has determined that except as noted in Note 7 and 8, there are no subsequent events that require disclosure.

Note 3. Liquidity and Availability

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and Cash Equivalents	**$ 2,541,306**	$ 3,234,032
Certificates of Deposit	**217,402**	295,956
Operating Investments	**6,961,683**	8,538,696
Unconditional Promises to Give - without donor restrictions	**542,874**	883,533
	$ 10,263,265	$ 12,952,217

As part of the Y's liquidity management plan, management invests cash in excess of daily requirements in short-term investments, certificates of deposit and money market funds. The Board designates a portion of surplus to its contingency reserve. In 2019, the Board redefined and rebalanced the Y's reserve funds, to include a specified contingency reserve. The balance of the contingency reserve was $4,534,273 and $1,839,192 at December 31, 2022 and 2021, respectively.

Additionally, the Y had a quasi-endowment of approximately $4.0 and $4.8 million at December 31, 2022 and 2021, respectively. Although the Y does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its quasi-endowment could be made available if necessary.

To help manage unanticipated liquidity needs, the Y had available capacity on committed lines of credit in the amount of $2.3 million, approximately which it could draw upon at December 31, 2022 and 2021. See Note 18 regarding balances on the lines of credit.

Note 4. Investments and Fair Value Disclosures

Investments are summarized as follows:

	2022 Fair Value	2021 Fair Value
Corporate and government bonds	$ 1,336,116	$ 1,462,898
Mutual funds	3,933,085	7,939,596
Common stock and securities	5,021,522	3,461,040
	10,290,723	12,863,534
Cash and cash equivalents	476,735	432,423
Certificates of deposit	217,402	295,956
	10,984,860	13,591,913
Assets measured at net asset value or its equivalent	114,527	-
Total investments	$ 11,099,387	$ 13,591,913

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Measurements: Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted market prices for identical assets in active markets that the Y has the ability to access.

Level 2: Inputs to the valuation methodology include:

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

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

Note 4. Investments and Fair Value Disclosures (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2022 and 2021, and there are no assets or liabilities measured at fair value on a nonrecurring basis.

Corporate and government bond, common stock and securities: valued at prices obtained from an independent pricing service when such prices are available.

Mutual funds: valued at closing net asset value (or unit value) of the units held by the Y at year end based on information reported by brokers.

Unconditional promises to give: reported at net realizable value if at the time the promise is made payment is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value initially and in subsequent periods. Fair value is calculated as the present value of the expected future promise to be received using a discount rate.

The Y's financial instruments consist primarily of cash and cash equivalents, certificates of deposits and investments, accounts payable, long-term debt and interest rate swap agreements.

The carrying amount of cash and cash equivalents, certificates of deposit and accounts payable approximate their fair value due to the short-term nature of such instruments.

The carrying amount of the long-term debt approximates fair value, since interest rates are considered market-based and are generally adjusted periodically.

The Y uses a lending institution's proprietary models, which consider past, present and future assumptions regarding market conditions, to estimate the fair value of the liability for interest rate swap agreements.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Y believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 4. Investments and Fair Value Disclosures (Continued)

The following sets forth by level, within the fair value hierarchy, the Y's assets at fair value on a recurring basis:

	Assets (Liabilities) at Fair Value as of December 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	**$ 3,933,085**	**$ -**	**$ -**	**$ 3,933,085**
Corporate and government bonds	**781,583**	**554,533**	**-**	**1,336,116**
Common stock and securities	**5,021,522**	**-**	**-**	**5,021,522**
Unconditional promises to give	**-**	**-**	**873,231**	**873,231**
	$ 9,736,190	**$ 554,533**	**$ 873,231**	**$ 11,163,954**
Derivative financial instrument	**$ -**	**$ (121)**	**$ -**	**$ (121)**

	Assets (Liabilities) at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 7,939,596	$ -	$ -	$ 7,939,596
Corporate and government bonds	948,260	514,638	-	1,462,898
Common stock and securities	3,461,040	-	-	3,461,040
Unconditional promises to give	-	-	1,371,164	1,371,164
	$ 12,348,896	$ 514,638	$ 1,371,164	$ 14,234,698
Derivative financial instrument	$ -	$ (6,547)	$ -	$ (6,547)

The table below sets forth a summary of changes in the fair value of the Y's Level 3 unconditional promises to give:

	2022	2021
Balance, beginning of year	**$ 1,371,164**	$ 1,346,250
New Pledges	**35,412**	210,083
Pledge Collections	**(517,418)**	(182,791)
Adjustment to Fair Value	**(15,927)**	(2,378)
	$ 873,231	$ 1,371,164

Note 5. Unconditional Promises to Give

Unconditional promises to give are as follows:

		2022		2021
Receivables due in less than one year	$	**542,874**	$	883,533
Receivables due in one to five years		**342,840**		484,187
Receivables due in five years or more		**30,575**		30,575
Total unconditional promises to give		**916,289**		1,398,295
Discount to net present value		**(43,058)**		(27,131)
		873,231		1,371,164
Current portion		**(542,874)**		(883,533)
	$	**330,357**	$	487,631

Unconditional promises to give expected to be collected in more than one year are recorded at fair value using a discount rate of 3.88% and 1.52% for 2022 and 2021, respectively. These rates are based upon the ten year Treasury bond rate.

Note 6. Property and Equipment

Property and equipment consist of the following at December 31:

		2022		2021
Buildings and Improvements	$	**52,986,877**	$	52,150,964
Furnishings and Equipment		**4,550,999**		4,583,285
Leasehold Improvements		**3,719,333**		3,794,589
Land		**1,414,076**		1,414,076
Vehicles		**503,197**		559,875
Construction in Progress		**110,511**		-
		63,284,993		62,502,789
Accumulated Depreciation		**(26,817,304)**		(25,689,065)
	$	**36,467,689**	$	36,813,724

Note 7. Long-Term Debt

Long-term debt consists of the following at December 31:

		2022		2021
Revenue bond Series 2015 issued by the Middlesex County Economic Development Authority through Towne Bank. A principal amount of $73,333 plus interest is due monthly beginning December 1, 2015. The original bond was based on a 10 year amortization schedule maturing November 1, 2025; however, the maturity date changed to June 1, 2025 in fiscal year 2020 as a result of Towne Bank's response to the coronavirus for the benefit of the Y. Towne Bank allowed for interest only payments from April 1, 2020 to November 1, 2020. Interest is stated at a fixed interest rate per annum with a provision to adjust the stated rate in the event of a change in the maximum Federal corporate tax rate. The interest rate is 3.16%. The bond is unsecured, however, any assets of the Y not already encumbered must be maintained free and clear of all liens, encumbrances and pledges. The bond also contains several financial covenants.	**$**	**2,136,768**	$	3,016,764
Revenue bond Series 2001B issued by the Poquoson Industrial Development Authority through Bank of America. Interest only through March 1, 2013, payable monthly at a floating rate per annum equal to 65% of the 30-day London Interbank Offered Rate plus 93 basis points (1.07% at December 31, 2020). Effective March 1, 2021, the interest rate changed to a fixed rate of 0%. A fixed rate of 5.23% has been locked in on an original notional amount of $1,500,000 of the loan with an interest rate swap. Principal payments of $41,667 plus interest are due monthly beginning April 1, 2013, based on a 10-year amortization schedule, maturing March 1, 2023. Bank of America allowed for interest only payments from April 1, 2020 to August 1, 2020 in response to the coronavirus for the benefit of the Y. The bank reserves a right to demand repayment on the 12th and 15th anniversary date. The bond is unsecured. However, any assets of the Y not already encumbered must be maintained free of all liens, encumbrances and pledges. The bond also contains several financial covenants. The bond was paid off in full effective March 1, 2023.		**375,000**		875,000

Note 7. Long-Term Debt (Continued)

	2022	2021
Loan agreement issued by Chesapeake Bank (agreement dated August 15, 2019) in the amount of $1,000,000. Interest on the unpaid principal balance of this note accrues at a rate of 3.875%. The original note was based on a 6 year amortization schedule maturing on August 15, 2025; however, the maturity date changed to November 15, 2025 during 2020 as a result of Chesapeake Bank's response to the coronavirus for the benefit of the Y. Chesapeake Bank allowed for interest only payments from April 15, 2020 to February 15, 2021. The Y agrees to pay the note in 72 payments with 71 payments of $5,000 beginning on September 15, 2019 for principal and interest, and on the 15th day of each month thereafter. A single "balloon payment" of the entire unpaid balance of principal and interest will be due November 15, 2025. The loan is unsecured.	**$ 948,251**	$ 970,513
	3,460,019	4,862,277
Unamortized Debt Issuance Costs	**(2,142)**	(14,799)
Current Portion	**(1,278,143)**	(1,402,253)
	$ 2,179,734	$ 3,445,225

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of long-term debt. Accumulated amortization was $82,960 and $70,303 as of December 31, 2022 and 2021, respectively.

Future principal maturities are as follows:

Years Ending December 31,	Amount
2023	$ 1,278,143
2024	903,143
2025	1,278,733
	3,460,019
Unamortized debt issuance costs	(2,142)
	$ 3,457,877

Note 8. Hedged Interest Rate Swap

In 2001, the Y entered into an interest rate swap agreement that expired March 2023, with a bank covering the issued bond. Under the terms of the agreement, the parties, in effect, pay each other's interest cost on a notional amount of the underlying debt. The agreement has had the effect of increasing the average effective cost of the Y's borrowings on bonds in 2022 and 2021 from variable rates of approximately 1%, to a fixed rate of 5.23%. When the swap agreement expired in March 2023, the Y began paying the floating rate, which was 5.23% in March 2023.

As required by ASC Topic 815, *Derivative Instruments and Hedging*, the Y is required to record an asset or liability in conjunction with its derivative instruments based on its fair value.

The effective notional amount of the Y's interest rate swap was $48,395 and $235,488 at December 31, 2022 and 2021, respectively.

Note 9. Charitable Gift Annuity

During 2018, the Y received a charitable gift annuity which was recognized at fair value. Upon the donor's death, the remaining assets of the annuity are then available for use by the Y in accordance with the donor's intent. The liability to the beneficiary was $43,392 and $45,929 at December 31, 2022 and 2021, respectively. The discount rate used to calculate the liability was 2.6% for 2022 and 2021.

Note 10. Endowment

The Endowment Fund of Young Men's Christian Association of the Virginia Peninsulas (Endowment Fund) was established to support the Y's mission. The Endowment Fund builds long-term stability for the future of the Y by providing an additional source of income to meet an increasing demand for local programs and services.

The Endowment Fund includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Y is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions until the Board of Directors appropriates such amounts for expenditure and any other purpose restrictions have been met. The Board of Directors of the Y has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Y considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Y has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. There were no underwater endowment funds at December 31, 2022 and 2021.

Note 10. Endowment (Continued)

Additionally, in accordance with SPMIFA, the Y 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 Y 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 Y, and (7) the Y's investment policies.

Endowment Fund net asset composition and type of fund is as follows:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment funds	**$ 3,913,302**	**$ -**	**$ 3,913,302**
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	**-**	**7,000**	**7,000**
	$ 3,913,302	**$ 7,000**	**$ 3,920,302**

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board-designated endowment funds	$ 4,750,261	$ -	$ 4,750,261
Donor-restricted endowment funds:			
Original donor-restricted gift amounts and amounts required to be maintained in perpetuity by donor	-	7,000	7,000
	$ 4,750,261	$ 7,000	$ 4,757,261

Note 10. Endowment (Continued)

Changes in the Endowment Fund net assets were as follows:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Fund net assets, beginning of year	**$ 4,750,261**	**$ 7,000**	**$ 4,757,261**
Investment return, net	**(940,683)**	**-**	**(940,683)**
Appropriation of endowment assets for expenditure	**(128,715)**	**-**	**(128,715)**
Contributions	**232,439**	**-**	**232,439**
Endowment Fund net assets, end of year	**$ 3,913,302**	**$ 7,000**	**$ 3,920,302**

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment fund net assets, beginning of year	$ 4,262,000	$ 7,000	$ 4,269,000
Investment return, net	499,171	-	499,171
Appropriation of endowment assets for expenditure	(95,003)	-	(95,003)
Other changes			
Contributions	84,093	-	84,093
Endowment Fund net assets, end of year	$ 4,750,261	$ 7,000	$ 4,757,261

Return Objectives, Risk Parameters and Strategies. The Y has adopted investment and spending policies approved by the Board of Directors for endowment assets that attempt to promote fund growth over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. The Endowment Fund goal is to annually achieve a total rate of return of at least 3% in excess of the rate of inflation. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total Endowment Fund.

Note 10. Endowment (Continued)

Spending Policy. The Y's Board of Directors governs the use of the Endowment Fund and identifies the mission related programs and services for which the funds will be used. The amount appropriated for expenditure is at the Board of Directors' discretion and determined annually. Current mission related programs and services supported are:

- Second grade Learn to Swim programs;
- Annual land lease payment for the R.F. Wilkinson Center;
- Support of youth programming at the Northern Neck location;
- Support of operations at the Fort Monroe location;
- Nicole R. White Memorial Scholarship; and
- Various administrative and meeting costs related to the Endowment Fund

Note 11. Net Assets with Donor Restrictions

Net assets with donor restrictions available for the following purposes are as follows:

	2022	2021
Subject to expenditure for specific purpose:		
Capital purchases	**$ 44,261**	$ 70,502
Program activities	**6,336**	6,336
	50,597	76,838
Subject to the passage of time:		
Unconditional promises to give	**36,216**	33,890
Not subject to appropriation or expenditure:		
Investment in perpetuity, original gift amount	**7,000**	7,000
	$ 93,813	$ 117,728

Note 12. Net Assets without Donor Restrictions – Board Designated

The Y's Board of Directors has designated net assets without donor restrictions for operating shortfalls and emergency maintenance, capital improvements, and the quasi-endowment. In addition to operating surpluses, branches budget 5% of annual operations to support these purposes. The endowment assets are invested in a manner to provide a rate of return over inflation sufficient to support the mission of the Y. The balances were as follows:

	2022	2021
Contingency Fund	**$ 4,534,273**	$ 1,839,192
Operating Reserve	**74,569**	70,723
Capital Development Fund	**1,794,632**	-
Quasi-Endowment	**3,913,302**	4,750,261
	$ 10,316,776	$ 6,660,176

Note 13. Pension Plan

The Y participates in the YMCA Retirement Fund Retirement Plan which is a defined contribution, money purchase, church plan that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended and The YMCA Retirement Fund Tax-Deferred Savings Plan, which is a retirement income account plan as defined in section 403(b)(9) of the code. Both Plans are sponsored by the Young Men's Christian Association Retirement Fund (Fund). The Fund is a not-for-profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As a defined contribution plan, the Retirement Plan and Tax-Deferred Savings Plan have no unfunded benefit obligations.

In accordance with the Y's agreement, contributions for the Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the Y. For 2022 and 2021, contributions charged to retirement costs aggregated to $663,319 and $502,851, respectively, of which all contributions were paid in full.

Contributions to the YMCA Retirement Fund Tax-Deferred Savings Plan are withheld from employees' salaries and remitted to the Fund. There is no matching employer contribution in this plan.

Note 14. Building Use Fees

Building use fees consist of amounts received pursuant to strategic alliances the Y has with hospitals at five branches and fees paid by various groups and organizations to use the Y's facilities for events and meetings. The hospital leases expire at various times through 2027 with renewal options for additional periods and are leased under operating leases. As part of the leasing arrangement with the hospitals, the Y received $366,496 and $375,144 in 2022 and 2021, respectively and is included in the Y's statements of activities.

The Y's rental income is primarily composed of payments defined under each lease agreement and are subject to scheduled fixed increases. Future undiscounted cash flows to be received for each of the next five years and thereafter are as follows:

Years Ending December 31,	Amount
2023	$ 318,154
2024	294,330
2025	281,554
2026	235,506
2027	42,729
Thereafter	109,123
	$ 1,281,396

The Y's investment in assets held under operating leases in which the Y is the lessor by major class of asset are as follows as of December 31, 2022 and 2021, respectively:

	2022	2021
Buildings and Improvements	**$ 2,733,185**	$ 2,733,185
Less Accumulated Depreciation	**(1,078,240)**	(1,000,527)
	$ 1,654,945	$ 1,732,658

Note 15. Leases

The Y leases various facilities for $1 annually per location for recreational activities and administrative offices. The fair value of in-kind rentals recognized in the statements of activities for the years ended December 31, 2022 and 2021 was $1,496,724 and $1,412,881, respectively. The leases expire at various times.

The Y leases equipment and office and facility space under long-term noncancelable operating leases. The leases expire at various times through 2027 with renewal options for additional periods. In addition, certain leases contain termination options, where the rights to terminate are held by either the Y, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Y will exercise that option. The Y's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Note 15. Leases (Continued)

The Y also leases certain equipment under finance lease agreements with terms ranging from one to five years and interest rates ranging from 1% to 3%. The Y's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Lease expense during 2022 and 2021 was $555,694 and $728,370, respectively.

Operating lease cost income is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Lease expense		
Finance lease expense		
Amortization of ROU assets	$	**182,318**
Interest on lease liabilities		**11,038**
Operating lease expense		**246,126**
Short-term lease expense		**116,212**
Total	**$**	**555,694**

Other Supplemental Information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	**$**	**214,369**
Operating cash flows from finance leases (interest)		**10,116**
Financing cash flows from finance leases (principal)		**175,650**
Right-of-use assets obtained in exchange for new operating lease liabilities		**690,441**
Right-of-use assets obtained in exchange for new finance lease liabilities		**848,368**
Weighted-average remaining lease term in years for operating leases		**4.34**
Weighted-average remaining lease term in years for finance leases		**4.07**
Weighted-average discount rate for operating leases		**2.20%**
Weighted-average discount rate for finance leases		**1.75%**

Note 15. Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

Year(s) Ending December 31,	Finance Leases	Operating Leases	Total
2023	$ 233,062	$ 241,530	$ 474,592
2024	199,410	110,236	309,646
2025	182,906	18,649	201,555
2026	77,251	19,007	96,258
2027	-	18,907	18,907
Thereafter	-	101,391	101,391
Total lease payments	692,629	509,720	1,202,349
Less: imputed interest	(18,990)	(20,371)	(39,361)
Total present value of lease liabilities	$ 673,639	$ 489,349	$ 1,162,988

The Y leases land on which the Victory Family YMCA is located for $1 annually from York County. The lease expires in December 2034 with the option to renew for additional successive five year terms thereafter.

The Y also leases land on which the Camp Kekoka facility is located for $1 annually from the Alexandria Police Youth Camp. The lease expired in January 2022 with the option to renew for additional 15 year terms thereafter. The Y exercised its renewal option in 2021 for 15 years resulting in a new expiration date of January 2037.

No amounts have been recognized in the accompanying financial statements for the fair value of the two aforementioned leases, due to the lack of marketability of the land leased to the Y.

Note 16. Commitments and Contingencies

The Y has outstanding information technology commitments of approximately $362,500 covering services to be provided through May 31, 2025 payable as follows: $145,000 in 2023, $145,000 in 2024, and $72,500 in 2025. This technology houses the Y's CRM database and provides on-line access to membership enrollment, account maintenance, program registration, and contribution functionality.

The Y has outstanding Human Resource Information System (HRIS) commitments of approximately $175,000 covering services to be provided through December 2023. This technology provides recruitment, payroll, time and attendance, and human resource database services.

Note 17. Related Parties

The Y paid $216,106 and $224,920, respectively, in fees for 2022 and 2021 to the YMCA of the U.S.A. (approximately 1.00% of revenue after allowable deductions for certain types of revenue).

During 2022 and 2021, the Y paid approximately $120,568 and $122,200, respectively, to a company owned by a board member for architectural services, and this amount is included in property and equipment, net, on the statements of financial position.

Note 18. Lines of Credit

The Y has a line of credit agreement with Bank of America of $2,000,000. There were borrowings against the line at December 31, 2022 and 2021 of $750,000. Prior to November 2021, the line bore interest at the LIBOR daily floating rate plus 1.25%. As of November 2021, the line bears interest at the Bloomberg Short-Term Bank Yield rate plus 1.25% (5.62% at December 31, 2022). The line is reviewed annually and is due on demand. The line of credit is collateralized by all of the Y's assets held at Bank of America.

The Y has a line of credit agreement with Morgan Stanley of $1,798,000. There were borrowings against the line at December 31, 2022 and 2021 of $764,200 and $774,779, respectively. Prior to April 2021, the line bore interest at the weekly periodic rate plus 1.25%. The line was renewed April 9, 2021 with the following changes: a maturity date of April 8, 2024, fixed interest rate of 1.75% for the existing balance, interest of 3.11% for new borrowings, and interest only payments due each year starting April 8, 2022 of $13,601. The line is reviewed annually and is due on demand. The line of credit is collateralized by all of the Y's assets held at Morgan Stanley.

Note 19. Paycheck Protection Program (PPP)

The Y met the criteria to apply for a U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) loan and received a loan of approximately $2.5 million on March 23, 2021. A letter confirming all requirements for forgiveness were met was received from the SBA dated November 1, 2021. The YMCA is accounting for the loan as a contribution under ASC 958-605. The entire amount received was recognized as revenue in government grants in the statement of activities for the period ended December 31, 2021.

Note 20. Risks and Uncertainties

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. The Y qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. For the years ended December 31, 2022 and 2021, the Y recognized $1,141,991 as a refundable payroll tax credit asset. For the years ended December 31, 2022 and 2021, respectively, the Y recognized $0 and $3,203,203 as government grant revenue.