Young Men's Christian Association of Greater Richmond

Financial Statements and Compliance Report

As of and for the Years Ended December 31, 2022 and 2021

And Reports of Independent Auditor

Contents

Report of Independent Auditor

To the Board of Directors of
Young Men's Christian Association
of Greater Richmond
Richmond, Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Young Men's Christian Association of Greater Richmond (the "Association"), which comprise the statements of financial position as of December 31, 2022 and 2021, and 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 financial statements referred to above present fairly, in all material respects, the financial position of the Association 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Association 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 misstatement, 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 the Association's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 the Association's 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 the Association's 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2023, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
June 23, 2023

Young Men's Christian Association of Greater Richmond

Statements of Financial Position
December 31, 2022 and 2021

		2022		2021
Assets				
Cash and cash equivalents	**$**	**12,540,196**	$	21,248,560
Prepaid expenses		**190,096**		270,247
Other receivables		**254,015**		69,930
Contributions receivable, net (Note 3)		**2,788,046**		3,418,922
Investments (Notes 4 and 5)		**21,554,004**		10,556,483
Assets held for sale		**3,699,140**		4,820,128
Land, buildings and equipment, net (Note 6)		**79,851,096**		78,518,293
Operating lease assets, net (Note 7)		**2,012,583**		-
Total assets	**$**	**122,889,176**	$	118,902,563
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**3,211,562**	$	3,228,171
Deferred contributions and grants		**2,241,773**		1,118,412
Deferred membership and program fees		**964,766**		877,701
Liabilities held for sale		**31,324**		31,324
Operating lease liabilities (Note 7)		**2,286,725**		-
Debt (Note 8)		**31,554,859**		33,569,309
Paycheck Protection Program loan (Note 9)		**-**		5,377,606
Total liabilities		**40,291,009**		44,202,523
Net assets (Notes 12, 13, and 14):				
Without donor restrictions:				
Board-designated		**16,831,306**		20,369,975
Undesignated		**52,215,805**		42,103,677
Total without donor restrictions		**69,047,111**		62,473,652
With donor restrictions:				
Subject to purpose restrictions		**6,773,789**		4,447,907
Subject to passage of time		**1,913,702**		1,953,189
Endowments		**4,863,565**		5,825,292
Total with donor restrictions		**13,551,056**		12,226,388
Total Net Assets		**82,598,167**		74,700,040
Total Liabilities and Net Assets	**$**	**122,889,176**	$	118,902,563

The accompanying notes to the financial statements are an integral part of these statements.

Young Men's Christian Association of Greater Richmond

Statements of Activities
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	**With Donor Restriction**	**Total**	Without Donor Restriction	With Donor Restriction	Total
Revenues and public support:						
United Way Services	**$ 154,280**	**$ -**	**$ 154,280**	$ 150,350	$ -	$ 150,350
Contributions	**3,606,173**	**2,285,877**	**5,892,050**	3,396,898	1,614,000	5,010,898
Contributed goods and services	**80,376**	**-**	**80,376**	74,434	-	74,434
Government grants	**-**	**4,094,137**	**4,094,137**	-	3,722,402	3,722,402
Paycheck Protection Loan Forgiveness Proceeds	**5,377,606**	**-**	**5,377,606**	-	-	-
Employee Retention Credit	**-**	**-**	**-**	4,951,410	-	4,951,410
Endowment contributions	**23,133**	**61,177**	**84,310**	30,282	68,273	98,555
Capital campaign contributions	**-**	**2,839,126**	**2,839,126**	-	2,456,674	2,456,674
Total public support	**9,241,568**	**9,280,317**	**18,521,885**	8,603,374	7,861,349	16,464,723
Membership fees	**23,145,336**	**-**	**23,145,336**	17,594,389	-	17,594,389
Program fees	**13,556,585**	**-**	**13,556,585**	8,827,571	-	8,827,571
Rental of facilities	**71,060**	**-**	**71,060**	61,641	-	61,641
Merchandise sales	**29,434**	**-**	**29,434**	11,775	-	11,775
Other income	**129,713**	**-**	**129,713**	72,781	-	72,781
Investment return, net (Note 4)	**(651,024)**	**(805,249)**	**(1,456,273)**	440,503	587,106	1,027,609
Net assets released from restrictions (Note 13)	**7,150,400**	**(7,150,400)**	**-**	5,725,112	(5,725,112)	-
Total revenues and public support	**52,673,072**	**1,324,668**	**53,997,740**	41,337,146	2,723,343	44,060,489

(Continued)

Young Men's Christian Association of Greater Richmond

Statements of Activities (Continued)
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restriction	**With Donor Restriction**	**Total**	Without Donor Restriction	With Donor Restriction	Total
Expenses:						
Program services:						
Healthy living	**$ 17,830,020**	**$ -**	**$ 17,830,020**	$ 16,181,100	$ -	$ 16,181,100
Youth development	**17,723,441**	**-**	**17,723,441**	14,226,360	-	14,226,360
Social responsibility	**7,896,493**	**-**	**7,896,493**	5,958,778	-	5,958,778
Total program services	**43,449,954**	**-**	**43,449,954**	36,366,238	-	36,366,238
Supporting services:						
General administration	**4,455,015**	**-**	**4,455,015**	4,160,571	-	4,160,571
Fundraising	**1,541,750**	**-**	**1,541,750**	1,459,794	-	1,459,794
Total supporting services	**5,996,765**	**-**	**5,996,765**	5,620,365	-	5,620,365
Total expenses	**49,446,719**	**-**	**49,446,719**	41,986,603	-	41,986,603
Gain (loss) on sale of fixed assets	**3,347,106**	**-**	**3,347,106**	55,387	-	55,387
Change in net assets before other change	**6,573,459**	**1,324,668**	**7,898,127**	(594,070)	2,723,343	2,129,273
Transfer amongst funds	**-**	**-**	**-**	(75,743)	75,743	-
Change in net assets	**6,573,459**	**1,324,668**	**7,898,127**	(669,813)	2,799,086	2,129,273
Net assets:						
Beginning	**62,473,652**	**12,226,388**	**74,700,040**	63,143,465	9,427,302	72,570,767
Ending	**$ 69,047,111**	**$ 13,551,056**	**$ 82,598,167**	$ 62,473,652	$ 12,226,388	$ 74,700,040

The accompanying notes to the financial statements are an integral part of these statements.

Young Men's Christian Association of Greater Richmond

Statements of Cash Flows
Years Ended December 31, 2022 and 2021

		2022		2021
Cash flows from operating activities:				
Change in net assets	$	7,898,127	$	2,129,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation and amortization		3,496,369		3,755,301
Discount for net present value of pledges and provision for uncollectible contributions receivable, net		145,621		66,732
Realized gain on sale of investments		45,002		(697,676)
(Gain) loss on disposal of equipment and other assets		(3,224,109)		(55,387)
Paycheck Protection loan forgiveness		(5,377,606)		-
Unrealized gain on investments		1,720,144		26,558
Contributions restricted for construction		(2,839,126)		(2,456,674)
Contributions restricted for long-term investments		(61,177)		(68,273)
Noncash lease expense		243,538		-
Changes in assets and liabilities:				
Prepaid expenses		80,150		(135,037)
Other receivables		(184,085)		(25,988)
Contributions receivable		359,270		(622,253)
Accounts payable and accrued expenses		(332,437)		(43,071)
Deferred contributions and grants		1,123,361		97,016
Deferred membership and program fees		87,065		451,735
Net cash provided by operating activities		3,180,107		2,422,256
Cash flows from investing activities:				
Proceeds from sales of investments		6,726,229		2,842,906
Proceeds from sales of equipment and other assets		4,347,725		68,431
Purchases of investments		(19,486,297)		(3,350,284)
Acquisition and construction of land, buildings and equipment		(4,472,624)		(4,811,183)
Net cash used in investing activities		(12,884,967)		(5,250,130)
Cash flows from financing activities:				
Proceeds from Paycheck Protection Loan		-		5,377,606
Principal payments on notes payable		(2,015,169)		(1,479,622)
Principal payments on finance lease obligations		(12,025)		(1,612)
Contributions restricted for construction		2,962,190		1,483,797
Contributions restricted for long-term investments		61,500		72,065
Net cash provided by financing activities		996,496		5,452,234
Net change in cash and cash equivalents		(8,708,364)		2,624,360
Cash and cash equivalents:				
Beginning		21,248,560		18,624,200
Ending	$	12,540,196	$	21,248,560
Supplemental disclosure of cash flow information:				
Cash payments for interest	$	840,749	$	888,761
Noncash investing and financing activities:				
Property and equipment included in accounts payable/accrued expenses	$	374,665	$	28,235
Property and equipment obtained in exchange for new finance lease obligations		-		52,356
Right-of-use assets obtained in exchange for new operating lease liabilities		221,990		-
Paycheck Protection loan forgiveness		5,377,606		-

The accompanying notes to the financial statements are an integral part of these statements.

Young Men's Christian Association of Greater Richmond

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total	General Administration	Fund Raising	Total	Total
Salaries and Wages	$ 9,406,515	$ 8,485,990	$ 3,171,160	$ 21,063,665	$ 2,229,994	$ 880,269	$ 3,110,263	$ 24,173,928
Employee Benefits	741,955	835,815	278,375	1,856,145	347,160	130,876	478,036	2,334,181
Payroll Taxes and Workers' Compensation	832,643	769,442	285,101	1,887,186	196,836	71,070	267,906	2,155,092
	10,981,113	10,091,247	3,734,636	24,806,996	2,773,990	1,082,215	3,856,205	28,663,201
Professional Fees and Contract Services	456,440	589,438	249,262	1,295,140	616,678	121,144	737,822	2,032,962
Supplies	468,850	991,533	420,475	1,880,858	26,228	135,981	162,209	2,043,067
Telephone	101,131	168,136	80,939	350,206	54,769	-	54,769	404,975
Postage and Shipping	11,113	9,857	4,317	25,287	22,545	1,645	24,190	49,477
Occupancy	3,809,336	3,083,535	1,378,800	8,271,671	87,122	9,670	96,792	8,368,463
Transportation and Travel	49,024	378,254	114,938	542,216	19,469	3,897	23,366	565,582
Conferences and Training	102,701	224,828	233,967	561,496	200,577	22,891	223,468	784,964
Printing, Promotion and Publicity	89,648	100,503	48,497	238,648	520,283	27,414	547,697	786,345
National Support	82,489	183,558	70,119	336,166	39,549	19,775	59,324	395,490
Specific Assistance	-	-	240,816	240,816	-	-	-	240,816
Bad debt	26,215	26,058	11,610	63,883	-	80,166	80,166	144,049
Miscellaneous	253,037	485,933	688,567	1,427,537	25,261	18,161	43,422	1,470,959
	16,431,097	16,332,880	7,276,943	40,040,920	4,386,471	1,522,959	5,909,430	45,950,350
Depreciation and Amortization	1,398,923	1,390,561	619,550	3,409,034	68,544	18,791	87,335	3,496,369
	$ 17,830,020	$ 17,723,441	$ 7,896,493	$ 43,449,954	$ 4,455,015	$ 1,541,750	$ 5,996,765	$ 49,446,719

The accompanying notes to the financial statements are an integral part of these statements.

Young Men's Christian Association of Greater Richmond

Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total	General Administration	Fund Raising	Total	Total
Salaries and Wages	$ 7,794,286	$ 6,627,748	$ 2,508,094	$ 16,930,128	$ 1,962,426	$ 911,525	$ 2,873,951	$ 19,804,079
Employee Benefits	782,493	714,968	241,416	1,738,877	320,110	146,441	466,551	2,205,428
Payroll Taxes and Workers' Compensation	686,341	572,642	217,649	1,476,632	159,499	73,084	232,583	1,709,215
	9,263,120	7,915,358	2,967,159	20,145,637	2,442,035	1,131,050	3,573,085	23,718,722
Professional Fees and Contract Services	468,787	688,312	129,789	1,286,888	531,528	93,100	624,628	1,911,516
Supplies	314,940	651,856	587,743	1,554,539	23,621	108,183	131,804	1,686,343
Telephone	109,509	143,719	72,640	325,868	55,498	-	55,498	381,366
Postage and Shipping	8,357	6,088	2,505	16,950	14,445	1,303	15,748	32,698
Occupancy	3,910,316	2,479,108	954,085	7,343,509	96,786	8,602	105,388	7,448,897
Transportation and Travel	14,124	200,625	61,702	276,451	11,709	1,886	13,595	290,046
Conferences and Training	70,927	148,105	76,104	295,136	96,375	5,523	101,898	397,034
Printing, Promotion and Publicity	98,138	93,598	42,414	234,150	711,257	20,679	731,936	966,086
National Support	102,722	175,759	65,687	344,168	40,490	20,245	60,735	404,903
Specific Assistance	-	-	288,348	288,348	-	-	-	288,348
Bad debt	10,238	9,001	3,770	23,009	-	32,269	32,269	55,278
Miscellaneous	183,620	284,992	107,937	576,549	56,743	16,773	73,516	650,065
	14,554,798	12,796,521	5,359,883	32,711,202	4,080,487	1,439,613	5,520,100	38,231,302
Depreciation and Amortization	1,626,302	1,429,839	598,895	3,655,036	80,084	20,181	100,265	3,755,301
	$ 16,181,100	$ 14,226,360	$ 5,958,778	$ 36,366,238	$ 4,160,571	$ 1,459,794	$ 5,620,365	$ 41,986,603

The accompanying notes to the financial statements are an integral part of these statements.

Note 1. Nature of Activities and Significant Accounting Policies

Mission and nature of activities: The mission of the Young Men's Christian Association of Greater Richmond (the Association) is to put Christian principles into practice through programs that build healthy spirit, mind, and body for all. The Association is a not-for-profit charitable organization, which promotes healthy living, youth development, and social responsibility throughout the Richmond, Virginia metropolitan area and Petersburg, Virginia.

The significant accounting policies followed by the Association are described below:

Basis of accounting: The accompanying financial statements are presented on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred. Unconditional public support is recognized when notification of the support is received by the Association.

Basis of presentation: The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Financial Accounting Standards Board ("FASB") has established the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles to be applied in the preparation of financial statements in accordance with GAAP. Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as follows:

> *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Association. These net assets may be used at the discretion of the Association's management and Board of Directors. The Association has chosen to provide further classification information about net assets without donor restrictions. The sub classifications are as follows:
>
> > *Board-Designated* – Comprised of funds set aside by the Board of Directors to be used for specific activities within general guidelines established by the Association.
> >
> > *Undesignated – Represents* the cumulative net assets without donor restrictions excluding those resources in board-designated.
>
> *Net Assets with Donor Restriction* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Contributions whose restrictions are satisfied in the same reporting period in which the contribution was received are reported as without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for operating or specific purposes, such as the Learn To Swim program and staff education.

Donor-imposed restrictions are released when restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions: Contributions and public support are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions receivable are carried at net present value less an estimate made for potentially uncollectible accounts based on a review of all outstanding amounts on a regular basis. Management determines the allowance by regularly evaluating individual donor receivables and considering a donor's payment history and current economic conditions. The allowance was $200,000 at December 31, 2022 and 2021. Contributions receivable are written off when deemed uncollectible. Recoveries of receivables are recorded when received.

The Association reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use or timing of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statements of activities. All contributions to be received within one year are considered to be available without restriction regarding use unless specifically restricted by the donor. Gifts of property and equipment are reported as without donor-imposed restrictions unless explicit donor stipulations specify how the donated assets must be used.

Government Grants: The Association receives grant 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, and health and welfare related programs. Such Association government grants are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions.

Cash received on government grants prior to incurring allowable expenses are recorded as advances upon receipt.

Government grants receivable are recorded in grants receivable. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Government grants receivable are written off when deemed uncollectible receivables. Recoveries of receivables are recorded when received.

At December 31, 2022 and 2021, the Association also had unexpended contributions and grants of approximately $2.2 million and $1.1 million, respectively, that have not been recognized pending fulfillment of conditions associated with the awards.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Employee Retention Credit: On March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which contained the Employee Retention Credit (ERC), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to COVID-19. The CARES Act was amended and expanded on December 27, 2020, by the Consolidated Appropriations Act, 2021 and on March 11, 2021, the Internal Revenue Code was amended by the American Rescue Plan Act of 2021 to provide new ERC provisions designed to promote employee retention and hiring. The Association was eligible for the ERC subject to certain criteria. Approximately $5.0 million was received during 2021 in a combination of unpaid employment taxes for the quarter ending June 30, 2021 and 2021 Form 941 Employer Quarterly Federal Tax Return refund payments, and advances requested on 2021 Form 7200 Advance Payment of Employer Credits Due to COVID-19 for the quarter ending March 31, 2021.

Accounting estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed goods and services: Contributed goods and services are recorded at their fair value if such goods and services create or enhance non-financial assets, would have been purchased if not provided by contribution, require specialty skills and are provided by individuals possessing such specialized skills. These contributed goods and services are recorded as contributions and as expense, based on the estimated fair values. A substantial number of volunteers contribute significant amounts of time and services to the Association's program operations, fund raising campaigns and boards and committees of the Association. Such contributed services do not meet the criteria for recognition of contributed services and are not reflected in the accompanying financial statements.

Membership and program fees: Membership and program fees are recognized as revenue over the membership or program period. Such fees received in advance are recorded as deferred membership and program fees. Annual maintenance fees are non-refundable and are recognized as revenue when received.

Cash and cash equivalents: For purposes of reporting cash flows, the Association considers all highly liquid debt instruments with maturity, when acquired, of three months or less, to be a cash equivalent. Cash and cash equivalents maintained in the investment account until suitable investments are purchased are considered investments.

Investments: Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Interest and dividends, realized gains and losses, and unrealized gains and losses are reported in the statement of activities as investment gain (loss). In calculating realized gains and losses, the cost of securities sold is determined by the specific-identification method. Investments received by gift are recorded at the fair value on the date received.

Financial risk: The Association places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers $250,000 for substantially all depository accounts. The Association from time to time may have amounts on deposit in excess of the insured limits. The Association had $12,528,642 and $21,037,427 in deposits that exceeded these insured amounts as of December 31, 2022 and 2021, respectively. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and temporary cash investments.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The Association invests in a professionally managed portfolio that contains various securities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments, and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Land, buildings, and equipment: Land, buildings, and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Parking lots	5 – 20
Buildings and land improvements	15 – 39
Other recreational facilities	10 – 20
Furniture, equipment, and vehicles	3 – 15

Total depreciation expense for the years ended December 31, 2022 and 2021 was $3,477,376 and $3,746,362, respectively.

Valuation of long-lived assets: Long-lived assets, such as buildings and equipment, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the accompanying statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell.

Functional expenses: The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by functions. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and Wages, Employee Benefits, Payroll Taxes and Workers' Compensation, Occupancy and Depreciation	Time and effort

Income taxes: The Association has been recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for charitable contribution deductions under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). As a nonprofit organization, the Association is subject to unrelated business income tax (UBIT), if applicable. The Association did not have any unrelated business income for the years ended December 31, 2022 and 2021.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Management evaluated the Association's positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the accounting standard on accounting for uncertainty in income taxes. The Association files an informational Form 990 in the U.S. federal jurisdiction.

Advertising: Advertising costs are expensed as incurred and totaled $671,413 and $902,208, respectively, for the years ended December 31, 2022 and 2021.

Assets Held for Sale: Property and equipment, consisting of land and buildings, have been classified as assets held for sale by the Association as of December 31, 2022 and 2021. As of December 31, 2021, the Association held land and 4 properties with an intention to sell each in 2022. During 2022, a portion of the land and 2 properties were sold. The Association intends to sell the remaining land and 2 properties in 2023. Assets classified as held for sale are recorded at the lower of carrying value and fair value less estimated costs to sell. Fair value was determined based on third party appraisals completed in 2021. All negotiations for the buildings and land are for sales prices in excess of the carrying amount.

For the year ended December 31, 2022, the Association recorded a gain on disposal of property of $3.2 million associated with assets that were previously classified as held for sale.

Recent accounting pronouncements: In February 2016, FASB issued Accounting Standards Updates ("ASU") 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. FASB also subsequently issued additional ASUs which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Association adopted these ASUs effective January 1, 2022 using the modified retrospective approach. As a result of adopting these ASUs, the Association recorded ROU assets and lease liabilities of approximately $2.6 million and $2.9 million, respectively. Adoption of the new standard did not materially impact the Association's net income and had no impact on cash flows.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. The Association adopted this standard effective during 2022. Adoption of this standard did not have a material impact on the financial statements.

Note 2. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 12,540,196	$ 21,248,560
Other receivables	254,015	69,930
Contributions receivable, net	2,788,046	3,418,922
Investments	21,554,004	10,556,483
Total financial assets at year-end	37,136,261	$35,293,895
Less amounts not available to be used for general expenditures within one year:		
Board-designated endowment, net of annual spending rate	2,026,047	2,462,604
Board-designated reserves for operating, bond repayment, and capital projects	14,727,000	17,839,035
Restricted by donors for capital projects	6,321,477	5,215,436
Operating pledges subject to timing restrictions	86,558	81,833
Cumulative earnings on endowment, net of annual spending rate	1,516,050	2,561,817
Portion of donor-restricted endowment to be retained in perpetuity	3,148,530	3,087,353
Financial assets not available to be used within one year	27,825,662	31,248,078
Financial assets available to meet general expenditures within one year	$ 9,310,599	$ 4,045,817

The Association has certain board-designated and donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year. The Association considers general expenditures to include program expenses, supporting services, and any commitments or liabilities to be paid in the subsequent year.

The Board has designated a portion of its net assets without donor restrictions for strategic opportunities, debt service, capital reinvestment, and contingencies. These remain available and may be spent at the discretion of the board. The board has also designated funds to be invested long-term as part of the Association's endowment. Although management does not intend to spend from this board-designated endowment, (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation) these amounts could be made available if necessary. These assets, limited to use, are more fully described in Notes 12 and 13.

Per its Fiscal Management Policy, the Association operates annually on a balanced budget, where donor contributions, membership and program fees, and investment income equal its operating expenses. The Association has established and maintains funds to adhere to its external debt covenants, support its capital needs, and provide for contingencies in support of its Mission. These funds and its operating performance are reviewed on a monthly basis by Association management and its Fiscal Management Committee.

Note 3. Contributions Receivable

Anticipated collections of contributions receivable at December 31, 2022 and 2021, are as follows:

	2022	2021
Within one year	$ 1,613,273	$ 1,960,562
One to five years	1,655,361	1,793,327
	3,268,634	3,753,889
Less		
Discounts for the time-value of money at 6.75% in 2022 and 2.5% in 2021	(280,588)	(134,967)
Allowance for uncollectible contributions receivable	(200,000)	(200,000)
	$ 2,788,046	$ 3,418,922

Included in the balances above are amounts of $569,554 and $731,518 at December 31, 2022 and 2021, respectively, which are due from members of the Board of Directors and members of management. For the years ended December 31, 2022 and 2021, there were approximately $124,311 and $982,915 in gift revenues from those directors and members, respectively.

Note 4. Investments

Investments are composed of the following at December 31, 2022 and 2021:

	2022	
	Cost	Fair Value
U.S. Treasury and Government Obligations	$ 12,525,221	$ 12,576,287
Common stocks	4,440,606	4,531,442
Corporate bonds	2,751,999	2,508,287
Other equity securities	742,854	749,087
Cash and cash equivalents	621,827	621,827
Cash surrender value of life insurance	335,583	567,074
	$ 21,418,090	$ 21,554,004

	2021	
	Cost	Fair Value
Common stocks	$ 4,592,335	$ 6,069,928
Corporate bonds	2,557,979	2,552,606
Other equity securities	828,345	882,108
Cash and cash equivalents	359,728	359,728
Cash surrender value of life insurance	322,583	692,113
	$ 8,660,970	$ 10,556,483

Note 4. Investments (Continued)

Components of return on investments for the years ended December 31, 2022 and 2021, consist of the following:

	2022	2021
Realized (loss) gain	$ (44,105)	$ 696,554
Unrealized loss	(1,809,269)	(26,558)
Investment income	450,309	412,987
Invesment fees	(53,208)	(55,374)
	$ (1,456,273)	$ 1,027,609

Note 5. Fair Value Measurements

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurement* Topic of the ASC, the fair value of a financial instrument 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and listed derivatives. As required, the Association does not adjust the quoted price for these investments, even in situations where the Association holds a large position and a sale could reasonably impact the quoted price.

Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include certain corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies and general and limited partnership interests in corporate private equity and real estate funds, debt funds, and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Association's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Note 5. Fair Value Measurements (Continued)

In determining the appropriate levels, the Association performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

Publicly traded securities, both equity and debt securities, and U.S. Treasury and government obligations and are classified as Level 1 instruments because they comprise assets traded on public exchanges with readily determinable fair values and observable market-based inputs.

Cash values of life insurance policies are presented at fair value based on the amount available in cash upon cancellation of the insurance policy before maturity as of the reporting period. The fair value is determined by the insurer and represents the exit price from the perspective of the Association. However, since the valuation is considered unobservable, the cash surrender value calculation is considered a Level 3 input.

The following tables summarize, by level within the fair value hierarchy, the assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021:

		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
Assets				
U.S. Treasury and Government Obligations	$ 12,576,287	$ 12,576,287	$ -	$ -
Common stocks	4,531,442	4,531,442	-	-
Corporate bonds	2,508,287	2,508,287	-	-
Other equity securities	749,087	749,087	-	-
Cash surrender value of life insurance	567,074	-	-	567,074
	$ 20,932,177	$ 20,365,103	$ -	$ 567,074
2021				
Assets				
Common stocks	$ 6,069,928	$ 6,069,928	$ -	$ -
Corporate bonds	2,552,606	2,552,606	-	-
Other equity securities	882,108	882,108	-	-
Cash surrender value of life insurance	692,113	-	-	692,113
	$ 10,196,755	$ 9,504,642	$ -	$ 692,113

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended December 31, 2022 and 2021:

	Cash Surrender Value of Life Insurance	
	2022	2021
Balance, January 1	$ 692,113	$ 597,943
Increase (decrease) in cash surrender value	(125,039)	94,170
Balance, December 31	$ 567,074	$ 692,113

Note 6. Land, Buildings, and Equipment

Land, buildings, and equipment as of December 31, 2022 and 2021 consist of the following:

	2022	2021
Land	$ 5,900,714	$ 5,900,714
Parking lots	2,146,382	2,146,382
Buildings and land improvements	111,473,533	105,070,821
Other recreational facilities	1,797,121	1,797,121
Furniture, equipment and vehicles	11,673,228	11,316,104
Construction in progress	2,549,996	4,624,014
	135,540,974	130,855,156
Less accumulated depreciation, including amortization	(55,689,878)	(52,336,863)
	$ 79,851,096	$ 78,518,293

Included in construction in progress above are amounts of $374,665 and $28,235 at December 31, 2022 and 2021, respectively, which are accrued in accounts payable and accrued expenses.

As more fully described in Note 1, certain assets have been classified as held for sale by the Association as of December 31, 2022 and 2021.

Note 7. Leases

The Association leases certain facilities and fitness and other equipment. The Association determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Association has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative stand-alone prices.

Right-of-use ("ROU") assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain these options would be exercised by the Association. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain of our lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Association uses the implicit rate when it is readily determinable. As most of the Association's leases do not provide an implicit rate, management uses the Association's incremental borrowing rate based on the information available at lease commencement to determine the present value of lease payments.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Association does not have leases where it is involved with the construction or design of an underlying asset. As of December 31, 2022, the Association has an additional operating lease that has not yet commenced of approximately $2,022,864. The Association does not have any material sublease activities.

Note 7. Leases (Continued)

Practical Expedients Elected

- The Association elected the three transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.

- The Association has elected the practical expedient not to recognize leases with terms of 12 months or less on the balance sheet and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, our short-term lease expense for the period does not reflect our ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended December 31, 2022.

- The Association has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.

Classification of right-of-use assets and lease liabilities as of December 31, 2022 is:

Leases	**Statement of Financial Position Classification**		**2022**
Assets:			
Operating right-of-use assets	Operating lease assets, net	$	2,012,583
Finance right-of-use assets	Land, buildings, and equipment, net		40,217
Total lease assets		$	2,052,800
Liabilities:			
Operating lease liabilities	Operating lease liabilities		2,286,725
Finance lease liabilities	Debt		41,537
Total lease liabilities		$	2,328,262

Note 7. Leases (Continued)

Future minimum lease payments as of December 31, 2022 is as follows:

Maturities of lease liabilities:

Year Ending December 31:	**Operating**	**Finance**
2023	$ 865,328	$ 10,935
2024	473,591	10,935
2025	323,424	10,935
2026	212,958	10,934
2027	219,417	-
Therafter	264,290	-
Total lease payments	2,359,008	43,739
Less: interest	(72,283)	(2,202)
Present value of lease liabilities	$ 2,286,725	$ 41,537

Required supplemental information relating to our leases for the years ended December 31, 2022 are as follows:

Year Ending December 31	**2022**
Operating:	
Operating leases, included in operating expenses	$ 826,427
Short-term leases, included in operating expenses	241,424
Finance:	
Amortization of assets, included in depreciation and amortization	10,054
Interest, included in interest expense	1,427
Operating and finance lease cost	$ 1,079,332
Cash flow information:	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	$ 878,089
Financing cash flows from finance leases	10,935
Lease assets obtained in exchange for lease liabilities:	
Operating leases	221,990
Lease Term and Discount Rate:	
(in years)	
Weighted average remaining lease term - operating leases	4.2
Weighted average remaining lease term - financing leases	4.0
Weighted average discount rate - operating leases	1.4%
Weighted average discount rate - financing leases	3.5%

Note 8. Debt

At December 31, 2022 and 2021, long-term debt consisted of the following:

	2022	2021
Note payable pursuant to loan agreement with the Economic Development Authority of the Town of Ashland, Virginia, dated May 2, 2016	$ 16,155,304	$ 17,116,724
Note payable pursuant to loan agreement with the Virginia Small Business Financing Authority dated December 1, 2019	15,189,703	15,954,368
Note payable to TowneBank	295,832	584,917
Finance lease obligations	43,484	51,703
	31,684,323	33,707,712
Less unamortized bond issuance costs	(129,464)	(138,403)
	$ 31,554,859	$ 33,569,309

Note payable pursuant to loan agreement with the Economic Development Authority of the Town of Ashland, Virginia, dated May 2, 2016: The Association entered into a transaction with TowneBank and the Economic Development Authority (EDA) of the Town of Ashland, Virginia in which the EDA issued its Health and Community Services Facilities Revenue and Refunding Bond (2016 Bond) in the amount of $20,726,690, to TowneBank (Bank). The Bank loaned the 2016 Bond proceeds to the EDA and the EDA in turn loaned the proceeds to the Association. The Association used the 2016 Bond proceeds to refund outstanding 2010 Bonds and to pay related bond issuance costs. The Association's obligations regarding the 2016 Bond are evidenced by a bond purchase and loan agreement between the Association, the EDA and the Bank and an unsecured note in the principal amount of the 2016 Bond.

The EDA assigned the unsecured note, and all principal and interest payments to be made pursuant thereto, to the Bank (except for certain fees and expenses of the EDA). Interest on the 2016 Bonds is excludable from gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

Proceeds of the 2016 Bonds were applied as follows:

Refund note payable pursuant to loan agreement with the Economic Development Authority of the Town of Ashland, Virginia, dated November 23, 2010	$ 20,628,000
Issuance costs	98,690
	$ 20,726,690

Note 8. Debt (Continued)

Special covenants of the 2016 Bonds provide for an adjustment to the stated interest rate of the Bond in the event of an increase or decrease in the current maximum Federal corporate tax rate. The Yield Protection Provisions establish that such an adjustment will be made in order for TowneBank to maintain the same after-tax yield on the Bond as provided on the date of issuance.

With the approval of the Tax Cuts and Jobs Act, the maximum Federal corporate tax rate decreased from 35% to 31%, effective January 1, 2018. As a result of such decrease and in accordance with the terms of the Bond, effective May 1, 2018, the interest on the Bond increased to 2.64% from 2.18% as of December 31, 2017. The interest rate otherwise borne by the Bond shall be adjusted automatically as of the effective date of each change in the maximum Federal corporate tax rate.

In response to the COVID pandemic, the Bank agreed to a deferral of one quarterly principal payment of $233,270 in 2021 and one quarterly principal and interest payment of $349,751, of which $120,251 of deferred interest was added to principal in 2020. Any remaining balance will be paid at the maturity of the note of December 1, 2036.

The Bank and the Association agreed to an amortization schedule that provides for quarterly principal payments.

Note payable pursuant to loan agreement with the Virginia Small Business Financing Authority, dated December 1, 2019: The Association entered into a transaction with TowneBank and the Virginia Small Business Financing Authority (VSBFA) in which the VSBFA issued its Health and Community Services Facilities Revenue and Refunding Bond (2019 Bond) in the amount of $17,400,000, to TowneBank (Bank). The Bank loaned the 2019 Bond proceeds to the VSBFA and the VSBFA in turn loaned the proceeds to the Association. The Association used the 2019 Bond proceeds to refund outstanding credit facilities and to pay related bond issuance costs. The remaining proceeds are being used to fund the renovation and expansion of Association facilities, including Manchester, Swift Creek and Petersburg. The Association's obligations regarding the 2019 Bond are evidenced by a bond purchase and loan agreement between the Association, the VSBFA and the Bank and an unsecured note in the principal amount of the 2019 Bond.

The VSBFA assigned the unsecured note, and all principal and interest payments to be made pursuant thereto, to the Bank. Interest on the 2019 Bonds is excludable from gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended.

Note 8. Debt (Continued)

Proceeds of the 2019 Bond were applied as follows:

Refund non-revolving note payable pursuant to pledge loan agreement with Capital One, dated December 19, 2017	$ 1,346,791
Refund non-revolving line of credit pursuant to loan agreement with Capital One, dated December 19, 2017	3,000,521
Refund non-revolving note payable pursuant to loan agreement with TowneBank dated December 19, 2018	1,450,550
Refund revolving line of credit pursuant to loan agreement with Capital One, dated July 23, 2018	749,574
Deposit to project fund to be used for facility development projects	10,764,184
Issuance costs	88,380
	$ 17,400,000

In response to the COVID pandemic, the Bank agreed to a deferral of one quarterly principal payment of $286,748 in 2021 and three-monthly interest payments totaling $106,140 in 2020. The 2020 deferred interest was added to principal.

The 2019 Bonds have a revised scheduled maturity of March 1, 2039 and bear a fixed interest rate of 2.44% through December 1, 2033. The interest rate will reset to an agreed upon variable rate or fixed rate for the remainder of the term. The Bank and the Association agreed to an amortization schedule that provides for quarterly principal payments beginning in 2021.

Notes payable to TowneBank: In 2016, the Association borrowed $1,748,747 to consolidate notes payable to Wells Fargo Bank used to finance capital improvements to a branch facility into a single note payable to TowneBank (Bank). The note payable is unsecured, bears a fixed interest rate of 3.19% and is payable in monthly installments through December 1, 2023. In the event of prepayment or acceleration of amounts due, the note provides for potential additional compensation to the lending institution.

In response to the COVID pandemic, the Bank agreed to a deferral of three-monthly principal payments totaling $70,341 in 2021 and three-monthly principal and interest payments of $75,885 in 2020. Also, in 2020, the $7,023 of deferred interest was added to principal.

Note 8. Debt (Continued)

The Association loan agreements contain various restrictive covenants, including limitations on additional indebtedness, the ability to encumber assets and revenues, and the maintenance of a minimum debt service coverage ratio. In addition, the loan agreements require the Association to deliver audited financial statements to the lending institutions within 180 days of the Association's year-end.

At December 31, 2022, long-term debt matures as follows:

Years Ending December 31:	
2023	$ 2,073,673
2024	1,817,136
2025	1,859,337
2026	1,902,518
2027	1,935,386
Thereafter	22,096,273
	31,684,323
Less unamortized bond issuance costs	(129,464)
	$ 31,554,859

Total interest expense incurred was $836,239 in 2022 and $865,458 in 2021. In 2022 and 2021, interest expense of $85,874 and $93,356, respectively, was capitalized.

Note 9. Paycheck Protection Program Loan

On March 29, 2021, the YMCA was granted a loan (the Loan) from TowneBank in the aggregate amount of $5,377,606, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated March 29, 2021, issued by TowneBank, was set to mature on March 29, 2026 and bared interest at a rate of 1.00% per annum. The Note could have been repaid by the YMCA at any time prior to maturity with no prepayment penalties. Funds from the Loan could have been used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, and utilities incurred before September 12, 2021. The YMCA used the entire Loan amount for qualifying expenses.

Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

As of December 31, 2021, the YMCA accounted for the Loan as a financial liability under ASC 470, *Debt*. In February 2022, the Small Business Administration formally provided full forgiveness of the PPP loan amount of $5,377,606. Once forgiveness of the loan was approved, the YMCA was legally released from being the primary obligor, at that point the YMCA recorded revenue in connection with the forgiven PPP loan. The loan program's expenditures and results were subject to review and acceptance by the Small Business Administration.

Note 10. Commitments and Contingencies

Construction Contracts: The Board of Directors approved the construction of the renovation of the Tuckahoe branch location in 2022. The Association has entered into contracts for construction services for this location. The estimated construction costs of the facilities are approximately $9.2M. The estimated construction costs currently under contract are $7,347,270 of which $1,069,053 has been paid as of December 31, 2022.

Pension plan: The Association 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 our agreement, contributions for the YMCA Retirement Fund Retirement Plan are a percentage of the participating employees' salary. These amounts are paid by the Association, and contributions to the Fund are historically 12% of covered employees' annual salaries. Contributions to the Fund were 12% in 2022. During the period January 1, 2021 to April 18, 2021, the contributions to the fund were 8%, from April 19, 2021 to September 18, 2021, the contributions to fund were 18%, and from September 19, 2021 to December 31, 2021, the contributions to the fund were 8%. This decision was to ensure a 12% overall contribution to the Fund for employees. The total expense to the Association was $1,370,169 and $1,352,735 in 2022 and 2021, respectively.

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

Note 11. Related Parties

The Association conducts business with financial institutions and other service providers throughout the Richmond and Petersburg areas. Certain members of the Association's Board of Directors, volunteers and donors are employed by such entities. See Note 3 for additional disclosure on contributions receivable from board members.

Note 12. Board-Designated Net Assets

Certain net assets without donor restrictions at December 31, 2022 and 2021 have been designated by the Board of Directors for the following purposes:

	2022	2021
Capital Reinvestment Fund	$ 2,471,000	$ 3,280,060
Debt Service Fund	4,698,000	6,097,967
Contingency Fund	4,000,000	4,000,000
Opportunity Fund	3,558,000	4,461,008
Endowment Funds	2,104,306	2,530,940
Total board-designated net assets	$ 16,831,306	$ 20,369,975

The purpose of the capital reinvestment fund is to provide funds for major repairs of the Association's facilities. The fund is utilized for individual expenditures exceeding $10,000, and maintains a minimum balance of $1 million.

The purpose of the debt service fund is to provide funds to service the Association's debt obligations, facility and equipment leases, and other related financing costs. The goal of the fund is to accumulate and maintain an amount commensurate with annual principal and interest payments as well as payments under facility and equipment leases.

The contingency fund was established by the Association to provide resources to fund major emergency or short-term cash flow needs for unanticipated events that would necessitate the use of reserves to continue the operations and mission of the Association. The goal of the fund is to maintain a balance of $1 million which approximates one payroll. In 2021, the Board approved the establishment of a $3 million Pandemic fund as it relates to the ongoing effects of the COVID-19 pandemic. As a result, the contingency fund balance is $4 million as of December 31, 2022 and 2021.

The opportunity fund was established by the Association to accumulate savings from operations to fund specifically identified purchases, and to provide the Association with flexibility to finance purchases of long-term assets to support branch operations. The fund does not maintain a minimum balance requirement.

The board-designated quasi endowment was established by the Board of Directors and its purpose and use are more fully explained in Note 14.

Note 13. Net Assets with Donor Restriction

	2022	2021
Subject to purpose restriction:		
Capital projects	$ 6,773,789	$ 4,447,907
Total subject to purpose restriction	6,773,789	4,447,907
Subject to time restriction:		
Operating contributions for future periods	1,913,702	1,953,189
Total subject to the passage of time	1,913,702	1,953,189
Endowments		
Cumulative earnings on endowment funds	1,715,035	2,737,939
Volunteer and employee training	60,508	59,508
Human Opportunity Program Endowment (H.O.P.E)	300,000	300,000
Art education program	3,000	3,000
Northside youth program	1,656,727	1,616,087
Learn To Swim program	66,980	66,980
Financial assistance	204,060	199,981
General purposes	638,282	638,282
Youth and Teen programs	218,973	203,515
Total endowments	4,863,565	5,825,292
Total net assets with donor restrictions	$ 13,551,056	$ 12,226,388

Net assets were released from donor restrictions by incurring expenses or the expiration of time satisfying restrictions specified by donors as follows for the years ending December 31:

	2022	2021
Satisfaction of purpose restriction	$ 5,880,505	$ 5,332,006
Satisfaction of time restriction	1,081,552	393,106
Appropriation for expenditure	188,343	-
Total net assets released from restrictions	$ 7,150,400	$ 5,725,112

Note 14. Endowment Funds

The Association's endowment consists of 35 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and board-designated endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Association has interpreted the Commonwealth of Virginia enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts, including promises to give at fair value) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purposes of the Association and the donor-restricted endowment fund
c. General economic conditions
d. The possible effects of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the Association
g. The investment policies of the Association

Return objective and risk parameters: The Association's objective is to earn a reasonable, long-term, risk-adjusted total rate of return to support the designated programs. The Association recognizes and accepts that pursuing a reasonable rate of return involves risk and potential volatility. The generation of current income is a secondary consideration. The Association 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 Association has established a policy portfolio, or normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns.

Spending policy: Spending is first governed by donor stipulations associated with specific gifts with respect to both purpose and amount. Otherwise, the Association will appropriate for expenditure in its annual budget a maximum of 4% of the rolling average of the market value of the endowment assets over the preceding 12 quarters. There may be times when the Association may opt not to take the maximum spending rate but rather to reinvest some of the annual return. No distribution is permitted if the distribution would decrease the contributed principal of the respective component of the endowment fund.

Note 14. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 was as follows:

	Without Donor Restriction	With Donor Restriction	Total
2022			
Board-designated endowment funds	$ 2,104,306	$ -	$ 2,104,306
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,148,530	3,148,530
Accumulated investment gains	-	1,715,035	1,715,035
Endowment net assets, December 31, 2022	$ 2,104,306	$ 4,863,565	$ 6,967,871
2021			
Board-designated endowment funds	$ 2,530,940	$ -	$ 2,530,940
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	3,087,353	3,087,353
Accumulated investment gains	-	2,737,939	2,737,939
Endowment net assets, December 31, 2021	$ 2,530,940	$ 5,825,292	$ 8,356,232

Note 14. Endowment Funds (Continued)

The Association had the following endowment-related activities for the years ended December 31, 2022 and 2021:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, December 31, 2020	$ 2,342,454	$ 5,124,526	$ 7,466,980
Investment return:			
Investment income (net of fees)	89,427	200,761	290,188
Net gain (realized and unrealized)	155,429	355,989	511,418
Total investment return	244,856	556,750	801,606
Additions	30,282	68,273	98,555
Appropriation of endowment assets for expenditure	(11,409)	-	(11,409)
Other changes:			
Reclassification of funds	(75,243)	75,743	500
Endowment net assets, December 31, 2021	2,530,940	5,825,292	8,356,232
Investment return:			
Investment income (net of fees)	78,465	178,276	256,741
Net loss (realized and unrealized)	(443,129)	(1,012,837)	(1,455,966)
Total investment return	(364,664)	(834,561)	(1,199,225)
Additions	23,018	61,177	84,195
Appropriation of endowment assets for expenditure	(84,988)	(188,343)	(273,331)
Endowment net assets, December 31, 2022	$ 2,104,306	$ 4,863,565	$ 6,967,871

Note 14. Endowment Funds (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Association has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022 and 2021, the Association had no underwater endowments.

Note 15. Subsequent Events

The Association has performed an analysis of the activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments to and/or disclosures with the audited financial statements for the year ended December 31, 2022. The Association has performed its analysis through June 23, 2023, the date the financial statements were available to be issued.

COMPLIANCE SECTION

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Young Men's Christian Association of Greater Richmond
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Young Men's Association of Greater Richmond (the "Association"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
June 23, 2023

Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Young Men's Christian Association of Greater Richmond
Richmond, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Young Men's Christian Association's (the "Association") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended December 31, 2022. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
June 23, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER RICHMOND

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number (if applicable)	Federal Expenditures
Federal Financial Awards:			
U.S. Department of Treasury:			
Passed through Commonwealth of Virginia			
Passed through City of Richmond, Virginia			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Applicable	$ 75,000
Passed through Commonwealth of Virginia Department of Education			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Applicable	2,546,206
Passed through Commonwealth of Virginia			
Passed through Town of Ashland, Virginia			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	Not Applicable	100,000
Total U.S. Department of Treasury			**2,721,206**
U.S. Department of Health and Human Services:			
Passed through Adminstration for Community Living			
Passed through Resources for Independent Living			
COVID-19 ACL Centers for Independent Living	93.432	Not Applicable	16,412
Passed through Commonwealth of Virginia			
Passed through County of Powhatan, Virginia			
Community Services Block Grant	93.569	Not Applicable	27,035
Passed through Center for Disease Control and Prevention			
Passed through YMCA of the USA			
Strengthening Public Healthy Systems and Services: Quality Improvement in Multisector Partnerships and Reach and Retention for Improved Health Outcomes for All	93.421	Not Applicable	5,550
Total U.S. Department of Health and Human Services			**48,997**
U.S. Department of Education			
Passed through Commonwealth of Virginia Department of Education			
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	Not Applicable	69,388
Total U.S. Department of Education			**69,388**
Total Federal Financial Awards			**$ 2,839,591**

Note 1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal assistance programs of the Young Men's Christian Association of Greater Richmond (the Association).

Note 2. Basis of Accounting

The accompanying Schedule is presented on the accrual basis of accounting, whereby government grants are recognized when earned and expenses are recognized when incurred, which is described in Note 1 to the Association's basic financial statements. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3. Use of Indirect Cost Rate

The Association did not elect to use the 10% de minimus cost rate.

Note 4. Subrecipients

The Association has not contracted or made awards to any subrecipients.

Section I – Summary of Auditor's Results

1. The type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified opinion**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **None reported**
3. Material weaknesses in internal control disclosed by the audit of the financial statements: **No**
4. Noncompliance, which is material to the financial statements: **No**
5. Significant deficiencies in internal control over major federal programs: **No**
6. Material weaknesses in internal control over major federal programs: **No**
7. The type of report issued on compliance for major federal programs: **Unmodified opinion**
8. Any audit findings which are required to be reported under the Uniform Guidance: **No**
9. The programs tested as major programs were:

Assistance Listing Number	Name of Federal Program and Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund

10. Dollar threshold used to distinguish between type A and type B programs: **$750,000**
11. The Association does not qualify as a low-risk auditee under Section 520 of Uniform Guidance.

Section II – Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported.

Section III – Findings and Questioned Costs Relating to Federal Awards

None reported.

Section IV – Status of Prior Year Findings

Not Applicable.