YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Young Men's Christian Association of the North
Minneapolis, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Young Men's Christian Association of the North (YMCA), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Young Men's Christian Association of the North 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 Auditors' 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 North 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 North's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 consolidated 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 North'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 consolidated 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 North's ability to continue as a going concern for a reasonable period of time.

Audit Committee
Young Men's Christian Association of the North

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 20, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	$ 2,570,994	$ 1,323,197
Accounts Receivable, Net	5,610,013	6,659,722
Contributions Receivable, Net	5,843,060	3,511,948
Right-of-Use Assets - Operating Leases	7,405,568	8,128,559
Right-of-Use Assets - Financing Leases	10,001,227	11,233,275
Right-of-Use Assets - Donated Space	7,630,608	8,557,786
Investments	112,177,347	149,592,269
Prepaid Expenses and Other Assets	1,243,154	1,999,807
Interest in Beneficiary Trusts	2,714,009	4,601,037
Funds Held in Escrow	1,241,418	1,449,348
Property Held For Sale	12,000,000	-
Land, Building, and Equipment, Net	175,683,256	197,474,678
Total Assets	$ 344,120,654	$ 394,531,626
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 6,994,747	$ 5,198,587
Accrued Expenses	5,143,865	5,841,250
Annuity Obligations	98,864	154,317
Bonds and Notes Payable	35,368,902	50,985,916
Operating Leases Liability	8,464,308	9,078,294
Financing Leases Liability	14,730,297	15,991,233
Assets Held for Others	2,412,047	2,975,630
Conditional Contribution	3,500,000	3,500,000
Deferred Revenue	9,962,329	9,728,228
Total Liabilities	86,675,359	103,453,455
NET ASSETS		
Without Donor Restrictions	170,489,150	192,615,468
With Donor Restrictions	86,956,145	98,462,703
Total Net Assets	257,445,295	291,078,171
Total Liabilities and Net Assets	$ 344,120,654	$ 394,531,626

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Public Support:			
Contributions	$ 5,247,380	$ 4,009,410	$ 9,256,790
Foundation and Corporate Grants	-	7,423,657	7,423,657
Government Grants	14,178,348	-	14,178,348
Total Public Support	19,425,728	11,433,067	30,858,795
Revenue:			
Youth Development	56,808,802	-	56,808,802
Less: Specific Assistance to Individuals	(3,186,172)	-	(3,186,172)
Healthy Living	48,587,913	-	48,587,913
Less: Specific Assistance to Individuals	(3,800,385)	-	(3,800,385)
Social Responsibility	1,180,503	-	1,180,503
Sale of Supplies	1,164,576	-	1,164,576
Investment Income	3,018,287	2,371,520	5,389,807
Other	14,034,399	-	14,034,399
Total Revenue	117,807,923	2,371,520	120,179,443
Net Assets Released from Restrictions - Program	10,896,350	(10,896,350)	-
Total Operating Support and Revenue	148,130,001	2,908,237	151,038,238
OPERATING EXPENSES			
Program Services:			
Youth Development	68,174,687	-	68,174,687
Healthy Living	44,235,161	-	44,235,161
Social Responsibility	8,465,064	-	8,465,064
Total Program Services	120,874,912	-	120,874,912
Support Services:			
Management and General	28,994,825	-	28,994,825
Fundraising	6,876,292	-	6,876,292
Total Support Services	35,871,117	-	35,871,117
Total Operating Expenses	156,746,029	-	156,746,029
EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	(8,616,028)	2,908,237	(5,707,791)
NONOPERATING REVENUES AND EXPENDITURES			
Investment Loss	(10,945,384)	(12,973,214)	(23,918,598)
Change in Value of Beneficiary Agreements	-	(163,536)	(163,536)
Gain on Asset Disposition	42,418	-	42,418
Impairment Loss	(3,907,569)	-	(3,907,569)
Rental and Rebate Income	331,265	-	331,265
Other Nonoperating Expenses	(309,065)	-	(309,065)
Net Assets Released from Restrictions - Capital	1,278,045	(1,278,045)	-
CHANGE IN NET ASSETS	(22,126,318)	(11,506,558)	(33,632,876)
Net Assets - Beginning of Year	192,615,468	98,462,703	291,078,171
NET ASSETS - END OF YEAR	$ 170,489,150	$ 86,956,145	$ 257,445,295

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE			
Public Support:			
Contributions	$ 23,932,890	$ 6,587,916	$ 30,520,806
Foundation and Corporate Grants	-	2,412,225	2,412,225
Government Grants	12,358,598	-	12,358,598
Total Public Support	36,291,488	9,000,141	45,291,629
Revenue:			
Youth Development	47,894,809	-	47,894,809
Less: Specific Assistance to Individuals	(2,891,945)	-	(2,891,945)
Healthy Living	41,687,451	-	41,687,451
Less: Specific Assistance to Individuals	(3,645,702)	-	(3,645,702)
Social Responsibility	1,003,929	-	1,003,929
Sale of Supplies	1,009,129	-	1,009,129
Investment Income	2,018,213	2,260,977	4,279,190
Other	1,348,274	-	1,348,274
Total Revenue	88,424,158	2,260,977	90,685,135
Net Assets Released from Restrictions - Program	9,219,020	(9,219,020)	-
Total Operating Support and Revenue	133,934,666	2,042,098	135,976,764
OPERATING EXPENSES			
Program Services:			
Youth Development	57,617,593	-	57,617,593
Healthy Living	39,378,125	-	39,378,125
Social Responsibility	8,641,426	-	8,641,426
Total Program Services	105,637,144	-	105,637,144
Support Services:			
Management and General	27,690,858	-	27,690,858
Fundraising	5,881,674	-	5,881,674
Total Support Services	33,572,532	-	33,572,532
Total Operating Expenses	139,209,676	-	139,209,676
EXCESS (DEFICIT) OF OPERATING SUPPORT AND REVENUE OVER OPERATING EXPENSES	(5,275,010)	2,042,098	(3,232,912)
NONOPERATING REVENUES AND EXPENDITURES			
Investment Income	5,960,436	10,674,675	16,635,111
Change in Value of Beneficiary Agreements	-	(18,792)	(18,792)
Loss on Asset Disposition	(7,160,944)	-	(7,160,944)
Rental and Rebate Income	47,508	-	47,508
Other Nonoperating Expenses	(305,246)	-	(305,246)
Net Assets Released from Restrictions - Capital	1,146,005	(1,146,005)	-
CHANGE IN NET ASSETS	(5,587,251)	11,551,976	5,964,725
Net Assets - Beginning of Year	198,202,719	86,910,727	285,113,446
NET ASSETS - END OF YEAR	$ 192,615,468	$ 98,462,703	$ 291,078,171

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Program Services				Support Services				
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Other Nonoperating Expenses	Total
OPERATING EXPENSES									
Salaries and Wages	$ 33,533,948	$ 18,879,959	$ 3,174,383	$ 55,588,290	$ 16,019,153	$ 3,937,421	$ 19,956,574	$ -	$ 75,544,864
Employee Benefits	2,279,739	1,941,982	524,408	4,746,129	2,159,615	516,719	2,676,334	-	7,422,463
Payroll Taxes	3,076,585	1,729,405	303,054	5,109,044	1,995,097	322,193	2,317,290	-	7,426,334
Total Salaries and Related Benefits	38,890,272	22,551,346	4,001,845	65,443,463	20,173,865	4,776,333	24,950,198	-	90,393,661
Professional Fees and Contract Services	1,797,844	867,728	820,619	3,486,191	5,750,060	1,218,994	6,969,054	-	10,455,245
Supplies	9,793,007	539,586	396,750	10,729,343	224,578	49,643	274,221	-	11,003,564
Telephone and Data	50,955	-	51,381	102,336	1,161,198	-	1,161,198	-	1,263,534
Postage and Shipping	53,473	51,348	2,975	107,796	5,951	28,524	34,475	-	142,271
Occupancy	7,422,084	7,839,383	-	15,261,467	20,298	-	20,298	-	15,281,765
Expendable Equipment	867,636	630,823	1,941	1,500,400	30,274	5,464	35,738	-	1,536,138
Printing, Publications, and Promotions	188,298	540,011	21,673	749,982	561,017	525,788	1,086,805	-	1,836,787
Travel and Employee Expense	315,433	273,632	189,390	778,455	396,141	81,068	477,209	-	1,255,664
Conferences and Meetings	-	-	7,997	7,997	11,697	85,882	97,579	-	105,576
Membership Dues	244,904	244,904	12,245	502,053	61,226	48,981	110,207	-	612,260
Awards and Grants	1,519,129	-	2,942,959	4,462,088	1,000	52,250	53,250	-	4,515,338
Financing	541,697	1,299,888	-	1,841,585	-	-	-	-	1,841,585
Other	39,865	25,102	5,651	70,618	138,491	3,365	141,856	-	212,474
Depreciation and Amortization	6,450,090	9,371,410	9,638	15,831,138	459,029	-	459,029	-	16,290,167
Other Nonoperating Expenses	-	-	-	-	-	-	-	309,065	309,065
Total	68,174,687	44,235,161	8,465,064	120,874,912	28,994,825	6,876,292	35,871,117	309,065	157,055,094
Less: Nonoperating Expenses Netted with Nonoperating Revenues and Expenditures on the Consolidated Statement of Activities:									
Other Nonoperating Expenses	-	-	-	-	-	-	-	(309,065)	(309,065)
Total Operating Expenses	$ 68,174,687	$ 44,235,161	$ 8,465,064	$ 120,874,912	$ 28,994,825	$ 6,876,292	$ 35,871,117	$ -	$ 156,746,029

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services				Support Services				
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Support Services	Other Nonoperating Expenses	Total
OPERATING EXPENSES									
Salaries and Wages	$ 28,618,412	$ 15,061,728	$ 3,385,943	$ 47,066,083	$ 15,404,996	$ 3,133,870	$ 18,538,866	$ -	$ 65,604,949
Employee Benefits	1,802,396	1,387,860	470,307	3,660,563	1,780,080	396,560	2,176,640	-	5,837,203
Payroll Taxes	2,531,001	1,322,596	293,483	4,147,080	1,240,467	249,223	1,489,690	-	5,636,770
Total Salaries and Related Benefits	32,951,809	17,772,184	4,149,733	54,873,726	18,425,543	3,779,653	22,205,196	-	77,078,922
Professional Fees and Contract Services	1,107,406	445,629	965,561	2,518,596	5,859,195	1,291,543	7,150,738	-	9,669,334
Supplies	6,881,041	453,726	285,418	7,620,185	381,786	71,246	453,032	-	8,073,217
Telephone and Data	44,220	-	55,160	99,380	1,474,963	-	1,474,963	-	1,574,343
Postage and Shipping	52,393	50,591	2,941	105,925	5,883	30,742	36,625	-	142,550
Occupancy	6,175,418	6,610,276	-	12,785,694	24,301	-	24,301	-	12,809,995
Expendable Equipment	728,450	1,820,683	5,508	2,554,641	85,931	10,939	96,870	-	2,651,511
Printing, Publications, and	-	-	-	-	-	471,755	471,755	-	471,755
Promotions	218,654	516,344	66,005	801,003	546,491	114,256	660,747	-	1,461,750
Travel and Employee Expense	246,150	191,006	173,753	610,909	168,546	40,616	209,162	-	820,071
Conferences and Meetings	-	-	1,523	1,523	8,732	43,879	52,611	-	54,134
Membership Dues	219,394	219,394	10,970	449,758	120,593	11,950	132,543	-	582,301
Awards and Grants	1,794,417	-	2,848,135	4,642,552	23,000	-	23,000	-	4,665,552
Financing	595,090	1,460,676	-	2,055,766	-		-	-	2,055,766
Other	211,585	145,279	68,562	425,426	79,197	15,095	94,292	-	519,718
Depreciation and Amortization	6,391,566	9,692,337	8,157	16,092,060	486,697	-	486,697	-	16,578,757
Other Nonoperating Expenses	-	-	-	-	-	-	-	305,246	305,246
Total	57,617,593	39,378,125	8,641,426	105,637,144	27,690,858	5,881,674	33,572,532	305,246	139,514,922
Less: Nonoperating Expenses Netted with Nonoperating Revenues and Expenditures on the Consolidated Statement of Activities:									
Other Nonoperating Expenses	-	-	-	-	-	-	-	(305,246)	(305,246)
Total Operating Expenses	$ 57,617,593	$ 39,378,125	$ 8,641,426	$ 105,637,144	$ 27,690,858	$ 5,881,674	$ 33,572,532	$ -	$ 139,209,676

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (33,632,876)	$ 5,964,725
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	14,346,734	16,578,757
Impairment Loss on Property Held for Sale	3,907,569	-
Amortization of Right-of-Use Assets - Finance Leases	1,943,433	2,290,054
Amortization of Bond Issuance Costs	45,541	100,668
Amortization of Bond Premium	(264,969)	(274,580)
Paycheck Protection Program Loan Forgiveness	(10,000,000)	-
New Market Tax Credit Gain	(2,623,337)	-
Bad Debt Expense	66,609	395,312
Contributions Restricted in Perpetuity	(2,309,586)	(1,993,514)
Net Realized and Unrealized Gains (Losses) on Investments	20,470,736	(18,590,689)
Change in Cash Surrender Value of Life Insurance Policies	10,076	(259)
(Gain) Loss on Asset Disposition	(42,418)	7,160,944
Change in Value of Beneficiary Agreements	1,831,575	(328,744)
(Increase) Decrease in Current Assets:		
Accounts Receivable	983,100	(3,290,166)
Contributions Receivable	(2,209,474)	(487,924)
Prepaid Expenses and Other Assets	746,577	211,650
Right-of-Use Asset	938,784	(4,216,621)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	1,796,160	1,017,323
Operating Lease Liability	(820,446)	(1,691,265)
Accrued Expenses	(697,385)	(85,709)
Assets Held for Others	(563,583)	422,608
Deferred Revenue	234,101	357,589
Net Cash Provided (Used) by Operating Activities	(5,843,079)	3,540,159
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(7,120,908)	(1,628,342)
Proceeds from Sale of Investments	62,272,840	57,903,457
Purchases of Investments	(45,328,654)	(70,829,450)
Proceeds from Sale-Leaseback Transaction	-	2,316,669
Proceeds from Sale of Land, Building, and Equipment	-	15,000
Net Cash Provided (Used) by Investing Activities	9,823,278	(12,222,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Purposes	-	75,728
Proceeds from Contributions Restricted in Perpetuity	2,187,948	1,867,363
Payments of Annuity Obligations	-	(51,834)
Payments on Financing Lease	(2,354,031)	(2,290,018)
Proceeds from Bonds and Notes Payable	6,800,000	10,000,000
Payments on Bonds and Notes Payable	(9,574,249)	(2,338,704)
Net Cash Provided (Used) by Financing Activities	(2,940,332)	7,262,535
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,039,867	(1,419,972)
Cash and Cash Equivalent - Beginning of Year	2,772,545	4,192,517
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,812,412	$ 2,772,545

See accompanying Notes to Consolidated Financial Statements.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF THE NORTH
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
RECONCILIATION TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
Cash and Equivalents	$ 2,570,994	$ 1,323,197
Funds Held in Escrow	1,241,418	1,449,348
Total Cash and Equivalents	$ 3,812,412	$ 2,772,545
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 1,842,154	$ 2,088,660
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equipment Acquired by Operating or Financing Lease	$ 1,293,996	$ 4,504,944
Construction-in-Progress Noncash Additions	$ -	$ 261,919

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Young Men's Christian Association of the North (YMCA) is a leading nonprofit dedicated to strengthening communities through youth development, healthy living and social responsibility. Established 166 years ago, the YMCA provides life-strengthening services across the greater Twin Cities metro region, southeastern Minnesota, and western Wisconsin communities. The 29 YMCA locations and program sites, eight overnight camps, 10 day camps, and more than 90 childcare sites engage more than 370,000 men, women, and children of all ages, incomes, and backgrounds. To learn more about the Y’s mission and work, visit ymcamn.org.

The consolidated financial statements include the activities of the YMCA; YMCA at the Marsh LLC; Open Y, LLC; and Twin Cities YMCA Partners, LLC. All significant intercompany transactions have been eliminated.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose which will be satisfied by actions of the YMCA or the passage of time; or b) require that they be maintained in perpetuity by the YMCA; generally, the donor of these assets permit the YMCA to use all or part of the income earned, including capital appreciation, or related investments for purposes with or without donor restrictions.

Measure of Operations

In its consolidated statements of activities, the YMCA includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Nonoperating activity consists primarily of investment returns above the amounts designated for operation, change in value of beneficiary agreements, gains and losses from asset dispositions, rental and rebate income, other nonoperating expenses and capital releases from restrictions.

Cash and Cash Equivalents

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Contract receivables at December 31, 2022, 2021, and 2020 were $5,610,013, $6,659,722, $6,081,538, respectively. These amounts were included in accounts receivable on the Statement of Financial Position. The YMCA provides an allowance for bad debts using the allowance method. Services are sold on an unsecured basis. Accounts past due more than 60 days are analyzed for collectibility. Accounts are written off after collection activities are exhausted. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. At December 31, 2022 and 2021, the allowance was $79,901 and $231,094, respectively.

Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met. There were $-0- conditional promises to give outstanding as of December 31, 2022 and 2021.

Leases

The YMCA determines if an arrangement is a lease at inception. ROU assets represent the YMCA’s right to use an underlying asset for the lease term and lease liabilities represent the YMCA’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the YMCA will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The YMCA has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the YMCA has elected to use their average borrowing rate for computing the present value of lease liabilities.

Receivable on Sale-Leaseback Transaction

During 2008, the YMCA, sold approximately 86 acres of land and simultaneously entered into a ground lease on the same property to continue to provide services to youth. The lease term was a minimum of 10 years and a maximum of 25 years at a rate of one dollar per year. The YMCA incurred a gain on sale of $11,341,893, which has been fully amortized with the exception of $3 million that is contingent upon the YMCA leaving the premises after the minimum lease term of 10 years. If the YMCA continues to lease the premises after the 10-year lease term, the contingent gain is reduced over the next 15-year period by $200,000 per year. At December 31, 2021, the YMCA had vacated the premises and received the final payment of $2,316,669 per the terms of the agreement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments, including alternative investments, are stated at fair value based either on quoted market prices, or for certain investments with no readily available quoted market prices, on fair values as determined by management based on review of inputs provided by the investment manager and evaluated by an independent reporting service on a monthly basis. The alternative investment may include derivative instruments embedded in the fund that could expose the YMCA to potential investment risk.

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

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

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

Interest in Beneficiary Trusts

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest in Beneficiary Trusts (Continued)

Beneficial Interest in Perpetual Trusts – The YMCA is the beneficiary of perpetual trusts held by a third party. Under the terms of the trusts, the YMCA has the irrevocable right to receive the income generated by the trust in perpetuity. The beneficial interest in the perpetual trusts is recorded at the fair value. Changes in net assets of the trusts are recorded as gain or losses (change in value of beneficiary agreements) on the consolidated statements of activities. Net assets and changes in the net assets are recorded with donor restrictions. Distributions received from these trusts are recorded as investment income without donor restrictions.

Funds Held in Escrow

Funds held in escrow represent cash held by others for security deposits, debt repayment and for future capital projects. Funds held in escrow consist of cash and cash equivalents.

Land, Building, and Equipment

Land, building, and equipment acquisitions of $5,000 or greater are recorded at cost. Donated items are recorded at fair value on the date of the contribution. Depreciation is computed using the straight-line method based upon the following estimated useful lives:

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

Deferred Revenue

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

An agreement with the city of Forest Lake was signed on October 20, 2014 in which the city agrees to provide land and $9,000,000 to build a facility. The YMCA was required to begin construction by July 31, 2015, opening the facility by July 31, 2016. The YMCA has agreed to utilize the facility as a full service YMCA for 30 years after completion. The YMCA has also agreed to provide various benefits to all residents of the city of Forest Lake for 30 years. The revenue relating to this agreement will be treated as deferred revenue for the estimated value of the benefits that the YMCA will provide to all residents of the city and recognized over the 30 years. This was estimated to be $5,712,000. The remaining $3,288,000 was recognized as contributed revenue in 2014. As of December 31, 2022 and 2021, $4,474,400 and $4,664,800 was included in deferred revenue, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Significant Accounting Policies under Accounting Standards Codification 606

Youth Development, Healthy Living, and Social Responsibility on the consolidated statements of activities are inclusive of the following categories:

Membership Dues

Membership dues are recognized ratably over the period of membership, which varies based on when members join or leave the YMCA. Unearned membership revenue is reflected as deferred revenue on the consolidated statements of financial position. Members are provided with monthly access to the YMCA locations and a variety of services, and revenue is recognized monthly as the services are provided. Management has adopted the practical expedient whereby costs to obtain membership contracts are not capitalized as the average length of a membership contract is less than one year. Dues revenue is allocated among the performance obligations and is recognized when each of the performance obligations are satisfied, as follows:

- Monthly access to the various YMCA locations and services included in the monthly membership — recognized monthly as service is provided.
- Discounted program service fees — recognized during the year in which the discount is actually taken and the program service provided.

Program Service Fees

Program Service Fees are reported at the amount that reflects the consideration to which the YMCA expects to be entitled in exchange for providing services to their program participants. Program fees include fitness classes, childcare, day camps, overnight camps, swim lessons, and various other programs operating at YMCA locations, program sites, camps, or schools. Performance obligations are determined based on the nature of the services provided by the YMCA. Performance obligations are generally providing a service at a point in time. Revenue is recognized at the time the program is held. Unearned program fees are reflected as Deferred Revenue on the consolidated statements of financial position.

Sale of Supplies

Sale of supplies includes one-time sales of various items at the YMCA locations. Revenue is recognized at the point in time of the sale as no subsequent performance obligations exist.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized as revenue in the period received or unconditionally promised, whichever is earlier. Conditional promises to give — that is, those with a measurable performance or other barrier and a right of return — are not recognized until the conditions on which they depend have been met. Contributions that are considered conditional but in which the cash has been received in advance are reflected on the consolidated statements of financial position as conditional contribution. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

In-Kind Contributions

Contributions of donated noncash assets are recognized at their fair values in the period received. Donated services are recognized as contributions if the services require specialized skills, are performed by persons with those skills, and would otherwise be purchased. Many individuals volunteer their time and perform a variety of tasks that assist the YMCA with their programs. The value of these volunteers is not included in the accompanying consolidated financial statements.

Assets Held for Others

The YMCA received a gift in which the assets are to be held for endowment purposes. The agreement indicates that 25% of the income from the endowed assets is to be distributed to benefit other organizations not related to the YMCA. As such, the YMCA has recognized the portion of those assets that are held for the benefit of others as a liability on the consolidated statements of financial position.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were $1,584,784 and $1,667,468 for the years ended December 31, 2022 and 2021, respectively.

Functional Expenses

The costs of providing the various programs and other activities of the YMCA have been summarized on a functional basis in the consolidated statements of functional expenses. Salary and other personnel costs that are not directly coded to a programmatic activity are allocated based on time certifications and the best estimate of employees. Building maintenance, and depreciation expenses are allocated among the programs and supporting services benefited. Other operating costs are allocated using various allocation methodologies including allocations based on personnel, square footage, or revenue generated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The YMCA is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar Minnesota Statutes. The YMCA is not considered a private foundation and contributions are considered tax deductible. Twin Cities YMCA Partners, LLC, YMCA at the Marsh, LLC and Open Y, LLC are wholly owned limited liability corporations of the YMCA and all activities are included in the filings of the YMCA.

The YMCA follows a policy that clarified the accounting for uncertainty in income taxes recognized in an organization’s consolidated financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The application of this policy has no impact on the YMCA’s consolidated financial statements.

Use of Estimates

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

Concentration of Credit Risk

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

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

Fair Value Measurements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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

Financial assets recorded on the consolidated statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the YMCA has the ability to access.

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in nonactive markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on net assets or the change in net assets.

Subsequent Events

In preparing these consolidated financial statements, the YMCA has evaluated events and transactions for potential recognition or disclosure in these consolidated financial statements through April 20, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 CONTRIBUTIONS RECEIVABLE

The YMCA's pledges represent contributions for facilities and equipment and to support the ongoing operations of the YMCA. Outstanding pledge contributions from various corporations, foundations, and individuals were discounted at rates between 2.50% and 3.50% based on imputed interest rates applicable to the year in which the promise was received and were as follows at December 31:

	2022			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 40,946	$ 2,266,234	$ 347,053	$ 2,654,233
In One to Five Years	32,000	3,452,143	104,800	3,588,943
In More Than Five Years	-	-	1,999	1,999
Total	$ 72,946	$ 5,718,377	$ 453,852	6,245,175
Less: Allowance for Uncollectible Pledges				(98,142)
Less: Unamortized Discount				(303,973)
Total Pledges Receivable, Net				$ 5,843,060

NOTE 2 CONTRIBUTIONS RECEIVABLE (CONTINUED)

	2021			
	Capital	Ongoing Operations	Endowment	Total
Pledges Due:				
In Less Than One Year	$ 169,642	$ 2,070,317	$ 520,465	$ 2,760,424
In One to Five Years	36,000	857,200	50,867	944,067
In More Than Five Years	-	-	-	-
Total	$ 205,642	$ 2,927,517	$ 571,332	3,704,491
Less: Allowance for Uncollectible Pledges				(130,225)
Less: Unamortized Discount				(62,318)
Total Pledges Receivable, Net				$ 3,511,948

NOTE 3 INVESTMENTS

The following is a summary of the YMCA's investments at December 31:

	2022	2021
Cash and Cash Equivalents	$ 3,822,884	$ 10,489,624
Certificates of Deposit	8,188,451	20,876,991
U.S. Government Securities	3,598,328	4,376,629
U.S. Corporate Bonds	8,779,739	9,985,790
Non-U.S. Corporate Bonds	1,847,254	2,389,993
U.S. Common and Preferred Stocks	36,403,490	45,042,301
Non-U.S. Common and Preferred Stocks	20,244,435	26,349,258
Global Real Estate Fund	4,221,874	5,459,618
Multi-Strategy Hedge Fund of Funds	10,333,044	10,546,126
Private Equity	14,737,848	14,075,939
Total Investments	$ 112,177,347	$ 149,592,269

NOTE 4 LAND, BUILDING, AND EQUIPMENT

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

	2022	2021
Land and Land Improvements	$ 27,162,460	$ 38,587,953
Buildings and Building Improvements	291,153,711	283,700,932
Equipment	30,231,139	29,634,850
Vehicles	2,429,439	2,175,373
Technology	14,203,145	13,343,342
Construction-in-Progress	490,514	8,098,779
Total Land, Building, and Equipment	365,670,408	375,541,229
Less: Accumulated Depreciation	(189,987,152)	(178,066,551)
Net Total Land, Building, and Equipment	$ 175,683,256	$ 197,474,678
Depreciation Expense	$ 16,290,167	$ 16,578,757

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

Construction-in-progress is not subject to depreciation.

NOTE 5 BONDS AND NOTES PAYABLE

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

Description	2022	2021
Sunrise New Markets Fund VII, LLC, and Capital City New Markets Fund VII, LLC, Construction Loan, interest fixed at 2.93%, monthly interest payments, principal payments monthly starting May 1, 2022 through April 27, 2045.	$ -	$ 9,372,586
City of Minneapolis, Minnesota Revenue Bonds, interest at 2-4%, interest payable semiannually beginning December 1, 2016, with principal due annually beginning June 1, 2017. Payments continue through June 1, 2031.	8,310,000	9,095,000

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

Description	2022	2021
City of White Bear Lake, Minnesota Revenue Refunding Bonds, interest at 5%, interest payable semiannually beginning June 1, 2019, with principal due annually beginning June 1, 2019. Payments continue through June 1, 2033.	$ 14,585,000	$ 15,565,000
City of Andover, Minnesota Recreational Facility Revenue Note, fixed interest at 2.35%, due in quarterly installments through December 1, 2029.	4,820,000	5,445,000
Revenue Note, fixed interest at 3.56%, due in quarterly installments through June 1, 2032.	6,365,000	-
Paycheck Protection Program Term Note, fixed interest at 1%. Forgiven June 30, 2022.	-	10,000,000
Subtotal	34,080,000	49,477,586
Plus: Bond Premium	1,660,298	1,925,267
Less: Debt Issuance Costs	(371,396)	(416,937)
Total	$ 35,368,902	$ 50,985,916

At December 31, 2022 and 2021, bonds and notes payable in the table above includes a bond premium on the city of Minneapolis, Minnesota revenue bonds in the amount of $423,591 and $491,515, respectively, which reduced the average stated rate of 3.6% to an effective interest rate of 2.7%. The table above also includes a premium on the city of White Bear Lake, Minnesota revenue bonds in the amount of $1,236,603 and $1,433,747, at December 2022 and 2021, respectively, which reduced the coupon interest rate of 5% to an effective interest rate of 3.38%.

The Paycheck Protection Program loan for $10,000,000 did not require payments to begin until 10 months after the end of the covered period. The YMCA was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and was fully guaranteed by the Federal government. The YMCA was notified of full forgiveness on June 30, 2022.

The U.S. Small Business Administration (SBA) may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the YMCA's financial position.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

The summary of annual future maturities of principal on bonds and notes payable as of December 31, 2022 are as follows:

Year Ending December 31,	Scheduled Payment Amount
2023	$ 3,070,000
2024	3,180,000
2025	3,290,000
2026	3,421,000
2027	3,540,000
Thereafter	17,579,000
Total	$ 34,080,000

New Market Tax Credit Financing

In 2015, Sunrise New Markets Fund VII, LLC, a Minnesota limited liability company and Capital City New Markets Fund VII, LLC, a Minnesota limited liability company (collectively, the CDEs), made new market tax credit enhanced mortgage loans totaling $9,372,586 to the YMCA, to finance project costs of the St. Paul Midway branch (the NMTC Loan). The CDEs received allocations of new market tax credit (NMTC) pursuant to Section 45D of the IRC in order to assist eligible businesses in making new investments in certain communities. The availability of the NMTC allowed PNC New Markets Investment Partners, LLC, a Delaware limited liability company, to make a net investment of $3,116,631 in Midway Investment Fund, LLC (the Investment Fund), a Delaware limited liability company. Sunrise Banks, National Association made a loan of $6,749,249 to the Investment Fund (the Leverage Loan). Sunrise Banks, National Association also made a $1,250,751 loan directly to YMCA (Direct Loan). This loan was funded in 2016 and has a balance of $-0- as of December 31, 2022 and 2021. The St. Paul Midway branch was security for both the Direct Loan and the NMTC Loan. YMCA also invested $5,690,378 in project equity. Effective April 28, 2022, the NMTC period expired and the YMCA no longer has collateral under this agreement.

The Investment Fund contributed the combined $9,865,880 to the CDEs as capital contributions, which in turn made the NMTC Loan to YMCA. The structure of this NMTC transaction is standard for the NMTC industry. The completion of this transaction provided a significant cash benefit to the YMCA.

NOTE 5 BONDS AND NOTES PAYABLE (CONTINUED)

New Market Tax Credit Financing (Continued)

NMTC – After the seven-year NMTC period expired, the CDEs liquidated and distributed their assets to the Investment Fund. Twin Cities YMCA Partners, LLC acquired the interests in the Investment Fund for a predetermined amount, and the Investment Fund was liquidated. After the "exit" transactions were completed, Twin Cities YMCA Partners, LLC is the holder of a portion of the NMTC Loan, and such loan was eliminated for reporting purposes because such loan was owed by the YMCA to its subsidiary. Effective April 28, 2022, the NMTC period expired and a portion of the loan was eliminated. A gain in the amount of $2,623,337 was recorded on the transaction. The remainder of the NMTC Loan was refinanced in 2022.

Loan Terms – The NMTC Loan, dated April 27, 2015, stipulates the YMCA pay interest at an annual rate of 2.93% per month payable in arrears beginning in May 2015 until April 22, 2022 for a portion of the NMTC Loan and April 27, 2045 with respect to the other portion of the NMTC Loan. Interest costs associated with the NMTC Loan amounted to $134,834 and $274,720 for the years ended December 31, 2022 and 2021, respectively. The NMTC Loan was not eligible for prepayment until April 27, 2022.

NOTE 6 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restrictions consist of the following as of December 31:

	2022	2021
Purpose or Time Restricted:		
Capital	$ 9,521,070	$ 10,909,315
Time and Program	13,664,039	12,981,511
Endowment	19,581,858	32,547,036
Beneficiary Agreements	179,867	267,497
Total Purpose- or Time-Restricted Net Assets	42,946,834	56,705,359
Perpetual in Nature:		
Endowment	43,715,160	40,213,136
Beneficiary Agreements	294,151	1,544,208
Total Perpetually Restricted Net Assets	44,009,311	41,757,344
Total Net Assets With Donor Restrictions	$ 86,956,145	$ 98,462,703

Net assets released from restriction for the years ended December 31 are as follows:

	2022	2021
Time - Annual Support	$ 172,310	$ 41,370
Purpose - Program and Capital	9,619,745	8,049,719
Spending Rate Release of Endowment Funds	2,382,340	2,273,936
Total Net Assets Released from Restrictions	$ 12,174,395	$ 10,365,025

NOTE 7 ENDOWMENT

Board-Designated and Donor-Restricted Endowments

The YMCA has board-designated and donor-restricted endowment funds established for the purpose of securing the YMCA's long-term financial viability and continuing to meet the needs of children and families in the community. As required by accounting principles generally accepted in the United States of America, net assets of the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions. The board of directors of the YMCA has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as maintaining the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the YMCA classifies the original value of the gifts to the endowment and the value of subsequent gifts to the endowment, as net assets with donor restrictions because those net assets are time restricted until the board appropriates such amounts for expenditure. Most of these net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the YMCA to retain as a fund of perpetual duration. As of December 31, 2022, funds with original gift values of $1,250,782 and fair values of $1,234,032, and the deficiencies of $16,751 were reported in net assets with donor restrictions. As of December 31, 2021, funds with original gift values of $256,646 and fair values of $254,358, and the deficiencies of $2,287 were reported in net assets with donor restrictions. These deficiencies, which the YMCA believes are temporary, resulted from unfavorable market fluctuations. The board of directors determined that continued appropriations during years ended December 31, 2022 and 2021 for certain programs was prudent.

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

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

NOTE 7 ENDOWMENT (CONTINUED)

Board-Designated and Donor-Restricted Endowments (Continued)

The YMCA has a policy of targeting for distribution each year an average of 4.5% of the endowment's market value calculated as of the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the YMCA considered the long-term expected return on its endowment. Accordingly, over the long-term, the YMCA expects the current spending policy to allow its endowment to grow to outpace the distribution. This is consistent with the YMCA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The endowment payout was $3,064,643 and $2,837,877 for the years ended December 31, 2022 and 2021, respectively.

The composition of endowment funds by type of fund as of December 31 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 60,648,207	$ 60,648,207
Board-Designated Endowment Funds	22,143,262	-	22,143,262
Total Endowment Funds	$ 22,143,262	$ 60,648,207	$ 82,791,468

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 71,809,236	$ 71,809,236
Board-Designated Endowment Funds	24,456,503	-	24,456,503
Total Endowment Funds	$ 24,456,503	$ 71,809,236	$ 96,265,738

The summary of changes in endowment net assets for the years ended December 31 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance - December 31, 2021	$ 24,456,503	$ 71,809,236	$ 96,265,738
Contributions	1,851,252	1,791,801	3,643,053
Earnings:			
Investment Income	387,133	1,101,306	1,488,439
Realized Gains	440,490	1,224,434	1,664,924
Unrealized Losses	(4,309,812)	(12,896,231)	(17,206,043)
Total Earnings and Expenses	(3,482,189)	(10,570,491)	(14,052,680)
Appropriations	(682,304)	(2,382,339)	(3,064,643)
Endowment Fund Balance - December 31, 2022	$ 22,143,262	$ 60,648,207	$ 82,791,468

NOTE 7 ENDOWMENT (CONTINUED)

Board-Designated and Donor-Restricted Endowments (Continued)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Fund Balance - December 31, 2020	$ 18,107,844	$ 59,247,769	$ 77,355,613
Contributions	2,856,843	1,887,580	4,744,423
Earnings:			
Investment Income	355,826	1,129,273	1,485,099
Realized Gains	881,271	2,780,650	3,661,921
Unrealized Gains	2,818,659	9,037,900	11,856,559
Total Earnings and Expenses	4,055,756	12,947,823	17,003,579
Appropriations	(563,940)	(2,273,936)	(2,837,877)
Endowment Fund Balance - December 31, 2021	$ 24,456,503	$ 71,809,236	$ 96,265,738

NOTE 8 LEASES

The YMCA has leasing arrangements where the YMCA is lessee. These arrangements create right-of-use assets and liabilities. These arrangements are described below. The YMCA’s policy is not to record a right-of-use asset and lease liabilities for leases with terms less than one year.

Finance Lease — YMCA as Lessee — Andover

In 2004, the YMCA entered into a long-term lease for a new facility. The lease has an initial term of 30 years with six optional renewal periods of 10 years each and a final renewal term of nine years. The lease is accounted for as a financing lease. The maximum lease payment in any year of the lease term is $635,000 including both principal and interest. As part of the lease agreement the city of Andover donated the use of the land for the project. The value of the land was valued at $317,643 and is amortized over the initial 30-year lease period and is presented as Right-of-Use Asset — Donated Land on the consolidated statements of financial position.

NOTE 8 LEASES (CONTINUED)

Finance Lease — YMCA as Lessee — Elk River

On August 20, 2007, the YMCA entered into a lease agreement with the Economic Development Authority for the City of Elk River, Minnesota (EDA). The EDA built an approximately 55,000 square foot facility and the YMCA will provide health, wellness, and youth programs in the facility. The initial lease term is 31 years with an evergreen provision up to a maximum of 99 years. The YMCA's lease payment is equal to one-third of the interest and principal on two separate debt issuances — a 25-year $10 million issuance on November 8, 2007 and a seven-year $2 million dollar issuance on February 20, 2008. The debt payments began August 1, 2008 and cease February 1, 2033. The agreement obligates the city to repay two-thirds of the debt and interest, while the YMCA is obligated for one-third of the debt and interest. On February 12, 2013, the EDA refinanced the $10 million issuance. The YMCA obligation remains one-third of the debt and interest under the new agreement.

Financing Leases — YMCA as Lessee — Other leases

The YMCA also leases various other fitness and office equipment under multiple leasing arrangements that qualify as financing leases. These leases have terms that continue through 2025. The leases generally require monthly or quarterly payments.

Operating Leases — YMCA as Lessee — Space

The YMCA leases multiple sites for their early childhood learning centers and for various programs such as day camps, administrative office space or childcare. Each lease contains a fixed monthly payment, no variable lease payments, for a term of 2 to 50 years. Certain early childhood learning center leases include extension options. The Rochester ECLC lease includes one extension option for five years. The Lakeville ECLC lease includes two extension options for five-year periods each. The Midway ECLC lease contains two extension options for five-year periods each. The lease for program space at Gaviidae Commons includes three options to extend the lease for additional periods of 10 years each. Lease liabilities and right-of-use assets have been calculated excluding these extension options as there was no historical basis for extension, except for the Midway ECLC lease which has been extended for an additional five years.

NOTE 8 LEASES (CONTINUED)

Operating Leases — YMCA as Lessee — Space (Continued)

The following table provides quantitative information concerning the YMCA's operating and finance leases for the years ended December 31:

	2022	2021
Lease Cost		
Finance Lease Cost:		
Amortization of Right-of-Use Assets	$ 1,943,433	$ 2,290,054
Interest on Lease Liabilities	504,632	578,551
Operating Lease Cost	820,446	1,691,264
Short-Term Lease Cost	712,579	591,839
Total Lease Cost	$ 3,981,090	$ 5,151,708
Other Information		
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	$ 1,093,095	$ -
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 200,901	$ 4,504,944
Weighted-Average Remaining Lease Terms - Finance Leases	9.57 Years	10.14 Years
Weighted-Average Remaining Lease Terms - Operating Leases	16.30 Years	16.10 Years
Weighted-Average Discount Rate - Finance Leases	3.33 %	3.33 %
Weighted-Average Discount Rate - Operating Leases	2.98 %	2.99 %

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

Year Ending December 31,	Financing Lease	Operating Lease
2023	$ 1,881,323	$ 626,400
2024	1,229,301	705,224
2025	1,266,941	759,527
2026	1,338,615	699,473
2027	1,065,588	685,338
Thereafter	7,948,529	4,988,346
Total	$ 14,730,297	$ 8,464,308

NOTE 9 RETIREMENT BENEFITS

The YMCA participates in a defined contribution, individual account, money purchase retirement plan, which is administered by the Young Men's Christian Association Retirement Fund (the Retirement Fund). This Plan is for the benefit of all eligible staff of the YMCA who qualify under applicable participation requirements. The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York state corporation. Participation is available to all duly organized or reorganized YMCAs in the United States. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

In accordance with the agreement with the Retirement Fund, contributions made by the YMCA are a percentage of the participating employees' salaries and are remitted to the Retirement Fund monthly. Effective January 1, 2021, the YMCA's retirement benefit contribution was 6% through December 31, 2021. Effective January 1, 2022, the YMCA increased its retirement contribution to 8%. Contribution expense was \$3,266,297 and \$2,363,195 in 2022 and 2021, respectively.

NOTE 10 CONTINGENCIES AND COMMITMENTS

Contracts

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

Litigation and Insurance

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

NOTE 11 FAIR VALUE MEASUREMENTS

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

Assets and liabilities measured at fair value on a recurring basis as of December 31 are as follows:

	2022			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ -	$ 8,188,451	$ -	$ 8,188,451
U.S. Government Securities	3,598,328	-	-	3,598,328
U.S. Corporate Bonds	8,779,739	-	-	8,779,739
Non-U.S. Corporate Bonds	1,847,254	-	-	1,847,254
U.S. Common and Preferred Stocks	36,403,490	-	-	36,403,490
Non-U.S. Common and Preferred Stocks	20,244,435	-	-	20,244,435
Global Real Estate Fund	4,221,874	-	-	4,221,874
Cash and Cash Equivalents	-	-	-	3,822,884
Investments Held at NAV or Equivalent	-	-	-	25,070,892
Total	75,095,120	8,188,451	-	112,177,347
Interest in Beneficiary Trusts	-	-	2,714,009	2,714,009
Total	$ 75,095,120	$ 8,188,451	$ 2,714,009	$ 114,891,356

	2021			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	$ -	$ 20,876,991	$ -	$ 20,876,991
U.S. Government Securities	4,376,629	-	-	4,376,629
U.S. Corporate Bonds	9,985,790	-	-	9,985,790
Non-U.S. Corporate Bonds	2,389,993	-	-	2,389,993
U.S. Common and Preferred Stocks	45,042,301	-	-	45,042,301
Non-U.S. Common and Preferred Stocks	26,349,258	-	-	26,349,258
Global Real Estate Fund	5,459,618	-	-	5,459,618
Cash and Cash Equivalents	-	-	-	10,489,624
Investments Held at NAV or Equivalent	-	-	-	24,622,065
Total	93,603,589	20,876,991	-	149,592,269
Interest in Beneficiary Trusts	-	-	4,601,037	4,601,037
Total	$ 93,603,589	$ 20,876,991	$ 4,601,037	$ 154,193,306

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2022 Interest in Beneficiary Trusts
Balances as of January 1, 2022	$ 4,601,037
Change in Value of Beneficiary Agreements	(1,887,028)
Balances as of December 31, 2022	$ 2,714,009

	2021 Interest in Beneficiary Trusts
Balances as of January 1, 2021	$ 4,309,628
Change in Value of Beneficial Agreements	291,409
Balances as of December 31, 2021	$ 4,601,037

Quantitative Information about Level 3 Fair Value Measurements

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

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

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

	2022			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 10,333,044	$ -	Investments Prior to April 1, 2006 - Quarterly; Subsequent Investments - Semi-Annually	95 Days Regardless of Date of Investment
Private Equity	14,737,848	7,282,190	N/A	N/A

	2021			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy Hedge Fund of Funds	$ 10,546,126	$ -	Investments Prior to April 1, 2006 - Quarterly; Subsequent Investments - Semi-Annually	95 Days Regardless of Date of Investment
Private Equity	14,075,939	7,441,830	N/A	N/A

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

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

NOTE 12 LIQUIDITY

The YMCA regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash requirements are invested in money market funds, certificates of deposits and other short-term investments.

The YMCA's governing board has designated a portion of its resources without donor restriction for endowment, capital investments, and other purposes. Those amounts are identified as board-designated in the table below. These funds are invested for long-term appreciation but remain available and may be spent at the discretion of the board.

The following table reflects the YMCA's financial assets as of the years ended December 31 that are available to meet cash needs for operating expenditures within one year.

	2022	2021
Cash, Cash Equivalents, and Invested Reserves	$ 10,139,036	$ 25,751,567
Accounts Receivable, Net	5,610,013	6,659,722
Contributions Receivable	2,266,234	2,070,317
Board-Designated Endowment Funds	22,143,262	24,456,503
Board-Designated Strategic Development Fund	19,616,889	26,331,149
Total	$ 59,775,434	$ 85,269,258

NOTE 13 REVENUE RECOGNITION AND CONTRACT LIABILITIES

The following table shows the YMCA's revenue disaggregated according to the timing of the transfer of goods or services for the years ended December 31:

	2022	2021
Revenue Recognized at a Point in Time:		
Program Service Fees	$ 58,483,472	$ 50,373,276
Sale of Supplies	1,164,576	1,009,129
Revenue Recognized Over Time:		
Memberships	41,107,189	33,675,266
Total Revenue Recognized	$ 100,755,237	$ 85,057,671

The YMCA's contract liabilities consist of the following as of December 31:

	2022	2021
Contract Liabilities:		
Program Service Fees	$ 3,962,367	$ 3,467,430
Cell Tower Lease	903,767	976,744
Forest Lake Operations	4,474,400	4,664,800
Memberships	621,795	619,254
Total Contract Liabilities	$ 9,962,329	$ 9,728,228

Contract liabilities represent payments received prior to the start of the requisite service being paid for. The following table depicts activities for contract liabilities.

	Balance at December 31, 2021	Refunds Issued	Revenue Recognized Included in December 31, 2021 Balance	Cash Received in Advance of Performance	Balance at December 31, 2022
Program Services Fees	$ 3,467,430	$ -	$ 3,467,430	$ 3,962,367	$ 3,962,367
Cell Tower Lease	976,744	-	72,977	-	903,767
Forest Lake Operations	4,664,800	-	190,400	-	4,474,400
Memberships	619,254	-	619,254	621,795	621,795
Total	$ 9,728,228	$ -	$ 4,350,061	$ 4,584,162	$ 9,962,329

	Balance at December 31, 2020	Refunds Issued	Revenue Recognized Included in December 31, 2020 Balance	Cash Received in Advance of Performance	Balance at December 31, 2021
Program Services Fees	$ 2,407,797	$ -	$ 2,407,797	$ 3,467,430	$ 3,467,430
Cell Tower Lease	1,049,721	-	72,977	-	976,744
Forest Lake Operations	4,855,200	-	190,400	-	4,664,800
Memberships	696,424	-	696,424	619,254	619,254
Total	$ 9,009,142	$ -	$ 3,367,598	$ 3,725,187	$ 9,728,228

NOTE 13 REVENUE RECOGNITION AND CONTRACT LIABILITIES (CONTINUED)

The balance of contract liabilities at December 31, 2022, less any refunds, will be recognized as revenue over the period services are rendered. The YMCA applies the practical expedient 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

NOTE 14 PROPERTY HELD FOR SALE

Two held for sale properties have been transferred net of depreciation, from land, building, and equipment and placed into property held for sale on the consolidated statements of financial position. All of these properties are expected to sell within one year of the audit report date.

On February 28, 2023, one property was sold for a purchase price of $4,275,000, with selling costs of $25,000.