YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

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

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

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Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Young Men's Christian Association of Middle Tennessee
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of the Young Men's Christian Association of Middle Tennessee (a nonprofit organization),, 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 Young Men's Christian Association of Middle Tennessee as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Young Men's Christian Association of Middle Tennessee 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 Young Men's Christian Association of Middle Tennessee'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 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, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Young Men's Christian Association of Middle Tennessee'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 Young Men's Christian Association of Middle Tennessee'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.

Cherry Bekaert LLP

Nashville, Tennessee
June 16, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 43,196,765	$ 38,033,330
Investments	12,947,305	-
Accounts and Grants Receivable:		
Membership and program fees, net	341,961	263,581
Grants and contracts	288,724	176,571
Contributions receivable, net	1,906,968	1,949,617
Prepaid expenses and other assets	1,393,307	918,265
Total Current Assets	60,075,030	41,341,364
Contributions receivable, less current portion, net	2,943,136	3,734,587
Investments	12,231,481	-
Interest rate swap asset	805,706	-
Cash restricted for investment in property and equipment	1,909,444	349,944
Property and equipment, net	120,301,782	98,134,183
Operating lease right-of-use assets	554,139	-
Total Assets	$ 198,820,718	$ 143,560,078
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 6,476,906	$ 1,923,328
Accrued expenses	5,117,823	5,175,351
Deferred membership and other revenues	1,888,468	2,167,402
Deferred grant revenue, ARPA Childcare Stabilization Grant	10,334,133	-
Deferred grant revenue, Paycheck Protection Program loan	-	8,966,919
Promissory note payable	15,500,000	-
Current portion of bonds payable	1,955,767	1,886,730
Current portion of operating lease liability	366,175	-
Total Current Liabilities	41,639,272	20,119,730
Line of credit	-	2,000,000
Deferred revenue, other	975,645	1,049,977
Interest rate swap liability	-	1,947,352
Operating lease liability, less current portion	191,590	-
Long-term bonds payable, less current portion	32,114,001	34,069,774
Total Liabilities	74,920,508	59,186,833
Net Assets:		
Without Donor Restrictions:		
Undesignated	58,815,634	56,382,187
Board designated	57,410,805	21,231,958
Total Without Donor Restrictions	116,226,439	77,614,145
With Donor Restrictions	7,673,771	6,759,100
Total Net Assets	123,900,210	84,373,245
Total Liabilities and Net Assets	$ 198,820,718	$ 143,560,078

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022
(WITH SUMMARIZED FINANCIAL DATA FOR YEAR ENDED DECEMBER 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Operating Activities:				
Public Support:				
Contributions	$ 622,180	$ 2,077,857	$ 2,700,037	$ 3,808,300
Foundation and corporate grants	774,755	517,388	1,292,143	18,861,320
Special events, net	286,397	-	286,397	332,163
Release from restrictions	2,481,086	(2,481,086)	-	-
Total Public Support	4,164,418	114,159	4,278,577	23,001,783
Revenue:				
Membership fees, net	40,274,295	-	40,274,295	31,714,930
Program fees, net	20,263,180	-	20,263,180	12,837,737
Government grants and contracts	21,504,317	-	21,504,317	10,508,524
Sales to members	757,409	-	757,409	601,147
Other income	974,248	-	974,248	663,310
Interest income	75,183	-	75,183	4,655
Total Revenue	83,848,632	-	83,848,632	56,330,303
Total Public Support and Revenue	88,013,050	114,159	88,127,209	79,332,086
Expenses:				
Program services	69,350,550	-	69,350,550	59,857,230
Administrative	9,181,659	-	9,181,659	8,504,562
Fundraising	1,299,817	-	1,299,817	1,903,622
Total Expenses	79,832,026	-	79,832,026	70,265,414
Change in Net Assets from Operations	8,181,024	114,159	8,295,183	9,066,672
Nonoperating Activities:				
Unrealized gain on interest rate swap	2,753,057	-	2,753,057	1,615,253
Gain on sale of property and equipment	25,105,449	-	25,105,449	7,683
Contributions for capital assets	-	3,373,276	3,373,276	6,036,112
Release from restrictions	2,572,764	(2,572,764)	-	-
Total Nonoperating Activities	30,431,270	800,512	31,231,782	7,659,048
Change in net assets	38,612,294	914,671	39,526,965	16,725,720
Net assets, beginning of year	77,614,145	6,759,100	84,373,245	67,647,525
Net assets, end of year	$ 116,226,439	$ 7,673,771	$ 123,900,210	$ 84,373,245

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
Operating Activities:			
Public Support:			
Contributions	$ 1,874,790	$ 1,933,510	$ 3,808,300
Foundation and corporate grants	18,494,380	366,940	18,861,320
Special events, net	332,163	-	332,163
Release from restrictions	658,159	(658,159)	-
Total Public Support	21,359,492	1,642,291	23,001,783
Revenue:			
Membership fees, net	31,714,930	-	31,714,930
Program fees, net	12,837,737	-	12,837,737
Government grants and contracts	10,508,524	-	10,508,524
Sales to members	601,147	-	601,147
Other income	663,310	-	663,310
Interest Income	4,655	-	4,655
Total Revenue	56,330,303	-	56,330,303
Total Public Support and Revenue	77,689,795	1,642,291	79,332,086
Expenses:			
Program services	59,857,230	-	59,857,230
Administrative	8,504,562	-	8,504,562
Fundraising	1,903,622	-	1,903,622
Total Expenses	70,265,414	-	70,265,414
Change in Net Assets from Operations	7,424,381	1,642,291	9,066,672
Nonoperating Activities:			
Unrealized gain on interest rate swap	1,615,253	-	1,615,253
Gain on sale of property and equipment	7,683	-	7,683
Contributions for capital assets	-	6,036,112	6,036,112
Release from restrictions	4,030,497	(4,030,497)	-
Total Nonoperating Activities	5,653,433	2,005,615	7,659,048
Change in net assets	13,077,814	3,647,906	16,725,720
Net assets, beginning of year	64,536,331	3,111,194	67,647,525
Net assets, end of year	$ 77,614,145	$ 6,759,100	$ 84,373,245

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total Program Services	Administrative	Fundraising	Total Supporting Services	Total Expenses
Personnel Costs:								
Salaries and wages	$ 19,474,281	$ 13,212,562	$ 244,837	$ 32,931,680	$ 4,841,104	$ 910,004	$ 5,751,108	$ 38,682,788
Employee benefits	1,779,373	1,550,861	46,169	3,376,403	933,058	175,217	1,108,275	4,484,678
Payroll taxes	1,676,945	1,089,958	17,787	2,784,690	384,642	62,778	447,420	3,232,110
Total Personnel Costs	22,930,599	15,853,381	308,793	39,092,773	6,158,804	1,147,999	7,306,803	46,399,576
Nonpersonnel Costs:								
Occupancy	8,706,073	1,581,387	-	10,287,460	266,951	-	266,951	10,554,411
Depreciation and amortization	4,292,210	2,582,092	53,954	6,928,256	51,204	-	51,204	6,979,460
Supplies	1,748,781	1,850,833	245	3,599,859	27,537	22,331	49,868	3,649,727
Purchased services	776,607	832,303	69,124	1,678,034	399,875	31,367	431,242	2,109,276
Equipment	1,437,292	319,073	42	1,756,407	223,903	2,353	226,256	1,982,663
Technology system and services	525,020	214,778	3,597	743,395	869,287	50,048	919,335	1,662,730
Financing costs	838,808	504,607	10,544	1,353,959	141	-	141	1,354,100
Conferences, meetings, and staff development	138,529	976,608	21,082	1,136,219	26,751	21,884	48,635	1,184,854
Awards, grants, and assistance	655,524	355,062	29,143	1,039,729	-	-	-	1,039,729
Promotion and publication	55,756	44,045	237	100,038	785,622	4,910	790,532	890,570
Membership and professional dues	371,776	137,681	257	509,714	26,095	3,248	29,343	539,057
Travel, meals, and entertainment	27,801	276,336	23,239	327,376	144,940	5,721	150,661	478,037
Liability and other insurance	209,079	106,417	861	316,357	98,646	-	98,646	415,003
Bad debt expense	287,006	.	-	287,006	-	-	-	287,006
Miscellaneous	85,976	77,392	22,098	185,466	65,294	8,969	74,263	259,729
Postage and shipping	6,812	1,688	2	8,502	36,609	987	37,596	46,098
Total Nonpersonnel Costs	20,163,050	9,860,302	234,425	30,257,777	3,022,855	151,818	3,174,673	33,432,450
Total Expenses	$ 43,093,649	$ 25,713,683	$ 543,218	$ 69,350,550	$ 9,181,659	$ 1,299,817	$ 10,481,476	$ 79,832,026

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services			Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Healthy Living	Youth Development	Social Responsibility		Administrative	Fundraising		
Personnel Costs:								
Salaries and wages	$ 17,253,132	$ 10,869,322	$ 261,140	$ 28,383,594	$ 4,805,326	$ 923,358	$ 5,728,684	$ 34,112,278
Employee benefits	1,815,746	1,406,969	45,053	3,267,768	822,886	176,353	999,239	4,267,007
Payroll taxes	1,481,348	887,488	18,957	2,387,793	332,251	64,336	396,587	2,784,380
Total Personnel Costs	20,550,226	13,163,779	325,150	34,039,155	5,960,463	1,164,047	7,124,510	41,163,665
Nonpersonnel Costs:								
Occupancy	7,376,267	1,048,691	-	8,424,958	187,838	-	187,838	8,612,796
Depreciation and amortization	4,421,184	2,529,765	112,967	7,063,916	78,537	-	78,537	7,142,453
Supplies	1,212,423	1,129,836	6,425	2,348,684	39,351	14,807	54,158	2,402,842
Purchased services	782,436	509,925	39,364	1,331,725	275,279	47,679	322,958	1,654,683
Technology system and services	515,591	201,782	4,710	722,083	733,295	44,197	777,492	1,499,575
Financing costs	914,350	523,183	23,363	1,460,896	-	-	-	1,460,896
Awards, grants, and assistance	364,437	1,062,224	5,104	1,431,765	-	87	87	1,431,852
Bad debt expense	372,231	-	-	372,231	-	606,399	606,399	978,630
Equipment	329,448	216,264	36	545,748	240,914	2,422	243,336	789,084
Promotion and publication	25,419	33,077	8	58,504	623,557	3,195	626,752	685,256
Miscellaneous	53,308	82,190	424,097	559,595	92,981	7,579	100,560	660,155
Membership and professional dues	358,336	123,578	238	482,152	31,439	3,406	34,845	516,997
Conferences, meetings, and staff development	81,747	332,653	1,626	416,026	26,237	7,406	33,643	449,669
Travel, meals, and entertainment	20,522	237,579	7,554	265,655	124,975	1,691	126,666	392,321
Liability and other insurance	215,746	111,082	1,020	327,848	55,551	-	55,551	383,399
Postage and shipping	1,015	5,271	3	6,289	34,145	707	34,852	41,141
Total Nonpersonnel Costs	17,044,460	8,147,100	626,515	25,818,075	2,544,099	739,575	3,283,674	29,101,749
Total Expenses	$ 37,594,686	$ 21,310,879	$ 951,665	$ 59,857,230	$ 8,504,562	$ 1,903,622	$ 10,408,184	$ 70,265,414

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

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Cash received from program activities	$ 62,116,420	$ 56,482,938
Cash received from contributions and grants	26,834,133	33,675,442
Cash payments to employees and vendors	(67,454,491)	(61,583,874)
Cash payments for interest	(1,373,442)	(1,466,474)
Cash received from interest-bearing deposits and investments	75,183	4,655
Net cash flows from operating activities	20,197,803	27,112,687
Cash flows from investing activities:		
Purchases of property and equipment	(30,007,913)	(4,595,387)
Proceeds from sale of property and equipment	25,966,303	3,036
Purchases of investments	(25,178,786)	-
Net cash flows from investing activities	(29,220,396)	(4,592,351)
Cash flows from financing activities:		
Proceeds received from contributions for property and equipment	4,132,264	3,063,082
Proceeds from debt obligations	15,500,000	2,000,000
Principal payments on debt obligations	(3,886,736)	(9,334,441)
Net cash flows from financing activities	15,745,528	(4,271,359)
Change in cash and cash equivalents	6,722,935	18,248,977
Cash and cash equivalents, beginning of year	38,383,274	20,134,297
Cash and cash equivalents, end of year	$ 45,106,209	$ 38,383,274
Reconciliation to statements of financial position:		
Cash and cash equivalents, unrestricted	$ 43,196,765	$ 38,033,330
Cash restricted for investment in property and equipment	1,909,444	349,944
	$ 45,106,209	$ 38,383,274

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

Note 1—General and summary of significant accounting policies

General – The Young Men's Christian Association of Middle Tennessee (the "YMCA") is a worldwide charitable fellowship united by a common loyalty to Jesus Christ for the purpose of helping people grow in spirit, mind, and body. As the region's leading nonprofit dedicated to strengthening community, the YMCA works side by side with neighbors to make sure everyone, regardless of age, income, or background, has the opportunity to learn, grow, and thrive. With 14 family wellness centers and over 102 program locations, the YMCA exists to nurture the potential of children and teens, improve the region's health and well-being, and to provide opportunities to give back and support neighbors.

Program Activities – The accompanying financial statements include the following program activities:

Healthy Living – The YMCA is a leading voice on health and well-being. We bring families closer together, encourage good health and foster connections through fitness, sports, fun, and shared interests. As a result, people in our community are receiving the support, guidance, and resources they need to achieve greater health in spirit, mind, and body. This is particularly important as our nation struggles with an obesity crisis, families struggle with work/life balance, and individuals search for personal fulfillment.

Youth Development – The YMCA is committed to nurturing the potential of every child and teen. We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That is why we help young people cultivate the values, skills and relationships that lead to positive behaviors, better health, and educational achievement. Our YMCA programs offer a range of experiences that enrich cognitive, social, physical and emotional growth.

Social Responsibility – The YMCA believes in giving back and supporting our neighbors. We have been listening and responding to our community's most critical social needs. YMCA programs are examples of how we deliver training, resources and support that empower our neighbors to effect change, bridge gaps and overcome obstacles. We engage YMCA members, participants, and volunteers in activities that strengthen our community and pave the way for future generations to thrive.

Basis of Presentation – The accompanying financial statements present the financial position and operations of the corporate office and all YMCA centers on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All significant transactions and balances between and among the corporate office and the centers have been eliminated in combination.

Resources are classified as with or without donor restrictions based on the existence or absence of donor-imposed restrictions 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 objectives of the YMCA. These net assets may be used at the discretion of YMCA's management and the Board of Directors.

Net Assets With Donor Restrictions – 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 YMCA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions and Support – Contributions received are recorded as increases in net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions received 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.

Note 1—General and summary of significant accounting policies (continued)

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions.

The YMCA also receives grant revenue from various federal and state agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Contributions of assets other than cash are recorded at their estimated fair value. Any gifts of equipment or materials are reported as increases to net assets without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as increases to net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Donated Services – Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2022 and 2021, contributed services meeting the requirements for recognition in the financial statements was not significant.

Cash and Cash Equivalents – For the purposes of the statements of cash flows, the YMCA considers all cash funds, cash bank accounts, and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Accounts and Grants Receivable – Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. The allowance for doubtful accounts for accounts and grants receivable at December 31, 2022 and 2021 is $152,934 and $100,624, respectively.

Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded as pledges receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an appropriate discount rate commensurate with the rate on U.S. government bonds whose maturities correspond to the maturities of the contributions and management's estimate of credit risk for each contribution. Amortization of the discount is recognized using the interest method over the term of the gift and is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The allowance for uncollectible contributions is provided based on management's estimate of uncollectible contributions receivable and historical trends.

Prepaid Expenses and Other Assets – Prepaid expenses includes insurance, certain marketing and promotional costs pertaining to future campaigns and are paid in advance and charged to operating expense when the campaign occurs.

Advertising, marketing, and promotional costs incurred totaled $952,480 and $754,308 for the years ended December 31, 2022 and 2021, respectively.

Note 1—General and summary of significant accounting policies (continued)

Property and Equipment – Land, building, equipment, furniture, and software are reported at cost at the date of purchase or at estimated fair value at date of gift to the YMCA. The YMCA's policy is to capitalize purchases with a cost of $5,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets ranging from 2 to 20 years for equipment and furniture; 5 to 7 years for software; 15 to 20 years for land improvements; and 40 years for buildings and building improvements.

The accounting policies for operating lease right-of-use assets are described in detail in Note 16.

Interest costs are capitalized in connection with construction of qualifying assets. Capitalization begins when expenditures for qualifying assets are made, activities necessary to prepare the asset for its intended use are in progress, and interest cost is being incurred. Capitalization ends when the asset is ready for its intended use. Capitalized interest cost is depreciated the same as the associated qualifying asset.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The YMCA assesses recoverability of the carrying value of the asset by estimating future net cash flows expected to result from the assets, including eventual disposition. If the future cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and its estimated fair value.

Derivatives – The YMCA utilizes derivative financial instruments to manage its interest rate exposure by reducing the impact of fluctuating interest rates on its debt service requirements. Derivatives are recognized as either assets or liabilities in the statements of financial position at fair value. Changes in the fair value of derivatives are recognized currently in the statements of activities.

Deferred Revenues – Deferred revenue consists of membership dues, unearned revenue from a lease, and advance operational and maintenance costs received from a lessee.

Income from membership dues is deferred initially and recognized over the periods to which dues relate.

Deferred lease revenue is recognized into income on the straight-line method over the term of the lease.

Grant funds received prior to expenditure are recorded initially as deferred revenue. Revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant.

Income Taxes – The YMCA qualifies as a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The YMCA files U.S. federal Form 990 for organizations exempt from income tax and Form 990-T, an exempt organization business income tax return. In addition, the YMCA files a Tennessee franchise and excise tax return. The YMCA pays tax on unrelated business income from certain activities. These activities and the related tax were insignificant in 2022 and 2021.

The YMCA follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The YMCA has no tax penalties or interest reported in the accompanying financial statements. There is no accrual for uncertain tax positions at December 31, 2022 and 2021.

Note 1—General and summary of significant accounting policies (continued)

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

> *Program Services* – Includes activities carried out to fulfill the YMCA's mission to provide nurturing and healthy development of children, teens, adults, seniors, families, and communities, and to provide opportunities to give back and support neighbors.
>
> *Supporting Services* – Administrative expenses relate to the overall direction of an organization. These expenses are not identifiable with a particular program or event or with fundraising but are indispensable to the conduct of those activities and are essential to an organization. Fundraising expenses include the costs of activities directed toward appeals for financial support including annual giving campaigns and grants. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

As part of its fundraising efforts, the YMCA holds periodic special events. Direct expenses related to special events are included within special event revenue in the accompanying statements of activities and totaled $113,406 and $116,141 for the years ended December 31, 2022 and 2021, respectively.

Allocation of Functional Expenses – The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, interest, occupancy, salaries and wages, and conferences, meetings, and staff development, which are allocated on a basis of estimated usage, time and effort.

Use of Estimates – The preparation of financial statements in conformity with U.S. 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.

Fair Value Measurements – The YMCA classifies its financial assets and liabilities based on a hierarchy consisting of: Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market but for which observable market inputs are readily available; inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies), and Level 3 (securities valued based on significant unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for financial assets and liabilities:

> U.S. Treasury securities are measured at fair value on a recurring basis utilizing Level 1 inputs. Independent third party pricing sources are used to price all security positions for which a readily determinable market price is available.
>
> Interest rate swaps are measured at fair value on a recurring basis utilizing Level 2 inputs. The YMCA obtains bank quotations to value its interest rate swaps. For purposes of potential valuation adjustments to its derivative positions, the YMCA evaluates the credit risk of its counterparties as well as that of the YMCA.

Note 1—General and summary of significant accounting policies (continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the YMCA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the valuation methodologies during 2022 or 2021.

Reclassifications – Certain reclassifications have been made to 2021 balances to conform with 2022 presentation.

Adoption of New Accounting Pronouncements – In February 2016, FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842), w*hich 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 (see Note 16). The YMCA adopted this ASU effective January 1, 2022 using the modified retrospective approach. As a result of adopting this ASU, the YMCA recorded ROU assets and lease liabilities of $897,187. Adoption of the new standard did not materially impact the YMCA's change in net assets and had no impact on cash flows. The YMCA considers a lease term to be the noncancelable period that it has the right to use the underlying asset. Lease expense is recognized on a straight-line basis over the expected lease term.

In March 2020, FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848)*, as amended by ASU 2021-01 in January 2021, directly addressing the effects of reference rate reform on financial reporting as a result of the cessation of the publication of certain London Interbank Offered Rates ("LIBOR") beginning December 31, 2021, with complete elimination of the publication of the LIBOR by June 30, 2023. The guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or other reference rates expected to be discontinued. The YMCA adopted the ASU as of January 1, 2022 and its adoption did not have a significant impact on the YMCA's financial statements.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ended December 31, 2022 and had an immaterial effect on the YMCA's financial statements upon adoption. When received, such items have been recorded at market value and are used for operations. There have been no donor restrictions placed on such contributions.

Forthcoming Accounting Pronouncement – In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11, and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. This ASU will be effective for the year ended December 31, 2023. The YMCA is currently evaluating the effect the adoption of this ASU will have on the financial statements.

Subsequent Events – The YMCA has evaluated subsequent events through June 16, 2023, which is the date on which these financial statements are available to be issued. See Note 10 for sale of property and resolution of related promissory note and Note 13 for description of change in cash management which occurred subsequent to December 31, 2022.

Note 2—Revenue

The YMCA follows ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which requires an entity to recognize revenue when the YMCA transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Member Fees and Program Fees – The YMCA receives revenue from member fees, which are based on the number of people in the household. Membership in the YMCA entitles members to enjoy the use of YMCA facilities and to participate in YMCA programs at reduced fees. Program fees are charged for both members and non-members to participate in various programming including camping, aquatics, childcare, fitness and wellness, sports, and special events. Members and program participants may apply to pay reduced rates, which are offered on a sliding scale based on household income. Membership and program fees are recognized when the performance obligation is met. Such fees received in advance are recorded as deferred membership and other revenues.

Disaggregation of revenue – The statements of activities depict the disaggregation of revenues by revenue stream for the years ended December 31, 2022 and 2021, and are consistent with how the YMCA evaluates financial performance.

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. Contract liabilities on the accompanying statements of financial position totaled $1,888,468 and $2,167,402 as of December 31, 2022 and 2021, respectively. Deferred revenue represents income from membership dues, and program fees. These are deferred when received and amortized over the terms of the membership or contract period.

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2022 and 2021:

	2022	2021
Deferred membership and other revenue, beginning of year	$ 2,167,402	$ 1,113,974
Revenue recognized that was included in deferred revenue at the beginning of year	(2,167,402)	(1,113,974)
Increase in deferred revenue due to cash received during the year	1,888,468	2,167,402
Deferred membership and other revenue, end of year	$ 1,888,468	$ 2,167,402

Note 3—Liquidity and availability of resources

The YMCA has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The YMCA maintains a line of credit with maximum borrowings of $15 million (see Note 9) with a financial institution that is drawn upon as needed during the year primarily to finance fixed asset purchases, and also to manage cash flow, if needed.

Note 3—Liquidity and availability of resources (continued)

The following table represents the YMCA's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or because the governing board has set aside the funds for a specific contingency reserve. These board designations could be drawn upon if the board approves that action. The YMCA considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission of helping people grow in spirit, mind, and body:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 43,196,765	$ 38,033,330
Investments	12,947,305	-
Accounts and grants receivable, net	630,685	440,152
Contributions receivable, net	1,906,968	1,949,617
Cash restricted for investment in property and equipment	1,909,444	349,944
Financial assets, at year-end	60,591,167	40,773,043
Less those unavailable for general expenditure within one year, due to:		
Board-designated reserves	(45,179,324)	(21,231,958)
Net assets restricted for capital improvements	(5,259,162)	(4,458,650)
Net assets restricted for specific programs	(635,595)	(366,940)
Net assets restricted for future year operations	(1,779,014)	(1,933,510)
Financial assets available to meet general expenditures within one year	$ 7,738,072	$ 12,781,985

Note 4—Contributions receivable

Contributions receivable consisted of the following as of December 31:

	2022	2021
Less than one year	$ 1,906,968	$ 1,949,617
One year to five years	3,453,662	4,488,522
	5,360,630	6,438,139
Less allowance for uncollectible contributions	(432,167)	(631,162)
Less discount to net present value	(78,359)	(122,773)
	$ 4,850,104	$ 5,684,204

Contributions receivable are discounted at rates ranging from 0.36% to 4.20%.

Note 5—Investments

The following table summarizes the YMCA's major categories of assets measured at fair value on a recurring basis in the statement of financial position, by the ASC 820 valuation hierarchy (as described in Note 1), as of December 31, 2022:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
U.S. Treasury securities	$ 25,178,786	$ -	$ -	$ 25,178,786
	$ 25,178,786	$ -	$ -	$ 25,178,786

Note 6—Property and equipment

Property and equipment consisted of the following as of December 31:

	2022	**2021**
Land and land improvements	$ 18,214,590	$ 18,448,673
Buildings and improvements	136,288,833	136,112,399
Equipment and furniture	44,901,354	44,651,320
Software	2,556,209	2,436,042
Construction in progress	26,406,481	4,259,806
	228,367,467	205,908,240
Less accumulated depreciation	(108,065,685)	(107,774,057)
	$ 120,301,782	$ 98,134,183

Construction in progress includes architectural plans, renovations and additions that were underway at several YMCA centers at December 31, 2022 and 2021. The majority of construction in progress at December 31, 2022 relates to the Brentwood, Downtown, and Green Hills locations.

In December 2021, the YMCA entered into an agreement to sell and redevelop a portion of the Downtown YMCA property at 1010 Church Street, Nashville, Tennessee. The purchase and sale agreement closed on November 30, 2022 and the YMCA recognized a gain on that sale of approximately $25,100,000, which is reflected in the statements of activities for the year ended December 31, 2022. In connection with the sale transaction, the YMCA has entered into a development agreement with the purchaser to construct a new 53,000 square foot family wellness facility that will be integrated into its existing portion of the facility constructed in 2008.

Note 7—Deferred revenue—government grants and funding arrangements

During the year ended December 31, 2022, the YMCA was awarded $20,206,996 in funding under the COVID-19 ARPA Child Care and Development Block Grant. The YMCA has recognized $9,872,863 under this grant as eligible costs have been incurred. Such amounts are included in government grants and contracts in the statements of activities for the year ended December 31, 2022. The remaining $10,334,133 is reflected as deferred revenue at December 31, 2022. The YMCA has until September 30, 2023 to expend and recognize these funds.

Note 7—Deferred revenue— government grants and funding arrangements (continued)

During the year ended December 31, 2021, the YMCA received a Paycheck Protection Program ("PPP") loan in the amount of $8,966,919, which was established under the Coronavirus Aid, Relief, and Economic Security Act and administered by the Small Business Administration ("SBA"). The application for the PPP loan requires the YMCA to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations in a manner that is not significantly detrimental to the business. The receipt of the funds from the PPP loan and the forgiveness of the PPP loan are dependent on the YMCA having initially qualified for the PPP loan and qualifying for the forgiveness of such PPP loan based on funds being used for certain expenditures such as payroll costs and rent, as required by the terms of the PPP loan. In February 2022, the PPP loan of $8,966,919, plus accrued interest, was fully forgiven by the SBA and was recognized in grant revenue within the statement of activities for the year ended December 31, 2022.

Note 8—Deferred revenue, other

The YMCA maintains a joint occupancy agreement with a nonprofit organization for facility use and maintenance. Under the terms of the joint occupancy agreement, the nonprofit organization has the right to occupy certain space at the Bellevue Family YMCA and J.L. Turner Center for Lifelong Learning until February 28, 2026. The initial agreement required an advance payment of $2,000,000, of which $1,486,636 was prepaid rent for the entire initial lease term, and $513,364 was a prepayment for estimated operational costs and maintenance for approximately 15 years. The remaining unamortized balance of deferred lease revenue for the Bellevue facility totaled $275,645 and $349,977 at December 31, 2022 and 2021, respectively.

Also included in deferred revenue, other is $700,000 the YMCA received from a healthcare provider in connection with a collaboration and facility development agreement that, among other things, allows the healthcare provider rights to be the exclusive healthcare partner in selected facilities for an initial term of 10 years.

Note 9—Line of credit

The YMCA maintains a line of credit with a financial institution. The line of credit provides for maximum borrowings of $15 million through February 26, 2026. The agreement requires monthly interest payments calculated at the greater of the daily SOFR rate plus 1.30% per annum or 2.30% (5.60% and 2.30% at December 31, 2022 and 2021, respectively) in addition to a fee of 0.25% of the unused principal balance.

Outstanding borrowings on the line of credit totaled $-0- and $2,000,000 at December 31, 2022 and 2021, respectively. The line of credit contains restrictive covenants and is collateralized by a security interest in two YMCA center facilities and a negative pledge of the YMCA's assets.

Note 10—Promissory note and bonds payable

On July 1, 2012, the YMCA entered into an agreement with a financial institution to provide up to $57 million in financing through a guaranty and credit qualified tax-exempt loan and up to $15 million in financing (see line of credit discussed in Note 9) through a taxable debt facility. These debt instruments served to refinance substantially all existing debt and provide additional borrowing capacity. The industrial development bond associated with the tax-exempt loan was approved by the Davidson County Industrial Development Board on May 8, 2012. The guaranty and credit agreement contains restrictive covenants and is secured by a negative pledge of the YMCA's real property. The agreement contains a provision to adjust the monthly payment requirement and provide the financial institution the option to call the bonds, with a 90-day notice, on October 1, 2025, October 1, 2030, and October 1, 2035. On April 30, 2020, the guaranty and credit agreement was amended to defer principal payments previously due in May through July 2020. Such deferred payments will be repaid during the years 2022 through 2024.

Note 10—Promissory note and bonds payable (continued)

Notes and bonds payable consisted of the following at December 31:

	2022	2021
Bonds Payable[(1)]		
2012 Industrial Revenue bonds, face value $57,000,000, final maturity date of June 1, 2037. Payments toward principal repayment are due monthly. Interest is determined monthly based on SOFR plus a margin. Rates at December 31, 2022 and 2021 were 4.67% and 1.46%, respectively.	$ 34,069,768	$ 35,956,504
Promissory Note Payable		
In March 2021, the YMCA entered into an agreement that provides a promissory loan secured by a first lien deed of trust on certain YMCA property with a depreciated value of approximately $6,464,000 at, December 31, 2022. The loan provides for maximum borrowings of $16,000,000 to finance construction renovations at YMCA wellness centers. The loan provides for interest at 3% per annum, payable at maturity. The loan matured on May 27, 2023. The YMCA property securing the loan was purchased by the lender at the loan maturity date, with outstanding borrowings applied against the purchase price.	15,500,000	-
Total notes and bonds payable	$ 49,569,768	$ 35,956,504

(1) Effective November 1, 2015, the YMCA entered into a fixed-for-floating interest rate swap agreement with a financial institution in order to lessen exposure to fluctuating interest rates on the bonds. The agreement provides for a 10-year term (maturity of November 1, 2025) and an original notional amount of $46,426,417. The agreement requires the YMCA to make a monthly interest payment equal to a per annum rate of 2.32% times the current notional amount ($35,138,861 at December 31, 2022), and the financial institution adjusts monthly interest due from (or payable) to the YMCA based on the difference between the fixed rate and the floating rate for the period (3.17% at December 31, 2022).

Annual principal maturities and required reimbursement payments of note and bonds payable as of December 31, 2022 are as follows:

Years Ending December 31,		
2023	(*)	$ 17,455,767
2024		2,027,472
2025		1,998,943
2026		2,079,089
2027		2,159,196
Thereafter		23,849,301
		$ 49,569,768

(*) Includes $15,500,000 which was netted with sales proceeds from sale of property subsequent to December 31, 2022.

Note 11—Net assets

Net assets with donor restrictions consist principally of contributions restricted for the following at December 31:

	2022	2021
Capital improvements	$ 5,259,162	$ 4,458,650
Grants restricted for specific programs	635,595	366,940
Contributions restricted for future year operations	1,779,014	1,933,510
	$ 7,673,771	$ 6,759,100

Net assets with board designations for specific purposes are as follows at December 31:

	2022	2021
Earmarked funds	$ 5,013,523	$ 5,347,918
Facility capital reinvestment reserve	2,257,103	4,884,040
Debt service reserve	7,008,527	7,000,000
Investments set aside for specific purposes	43,131,652	4,000,000
	$ 57,410,805	$ 21,231,958

Note 12—Commitments and contingencies

The YMCA has received certain federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantors.

Periodically, the YMCA is involved in legal proceedings, claims, and litigation arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the outcome of such legal proceedings, claims, and litigation should not have a material effect on the financial statements.

Note 13—Concentrations

Concentrations of Credit Risk – The YMCA maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. As of December 31, 2022 and 2021, the YMCA's depositor accounts exceeded FDIC insurance limits by approximately $45,531,000 and $20,418,000, respectively. Subsequent to December 31, 2022, the YMCA began utilizing IntraFi Cash Services provided by its primary financial institution in order to divide deposits into depository accounts in amounts under $250,000, making such eligible for FDIC insurance.

The YMCA utilizes various investment instruments. 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 such changes could materially affect the amounts reported in the statements of financial position.

Concentrations of Revenue – A significant amount of the support and revenue included in the accompanying financial statements was given from one donor during the year ended December 31, 2021. The contribution accounted for approximately 23% of the YMCA's total support and revenues for fiscal 2021. There were no similar contributions in 2022.

Note 14—Employee benefit plans

The YMCA participates in a defined contribution, individual account, and money purchase retirement plan which is administered by the Young Men's Christian Association Retirement Fund (a separate corporation) (the "Retirement Fund"). This plan is for the benefit of all eligible professional and nonprofessional staff of duly organized and reorganized YMCAs throughout the United States.

Contributions to the plan by employees and employer YMCAs are based on a percentage of the participating employees' salaries. Employer contribution rates were 10% for the years ended December 31, 2022 and 2021. Total contributions to the plan by the YMCA, which are included in employee benefits in the accompanying statements of functional expenses amounted to $2,193,973 and $2,102,646 for the years ended December 31, 2022 and 2021, respectively.

The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt New York State corporation. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligations.

Note 15—Related party transactions and related entities

The YMCA purchases insurance, contracts for marketing services, law services, construction services, and architectural services from entities in which certain board members are affiliated. The total of such expenditures approximated $342,260 in 2022 and $799,611 in 2021.

The YMCA Foundation of Middle Tennessee (the "YMCA Foundation") was formed to establish a sustaining means of support, using its income primarily for the benefit of the YMCA. The YMCA has representation on the YMCA Foundation's Board of Directors but does not have a majority voting interest. The YMCA Foundation receives donor-designated funds and also makes grants to other nonprofit organizations. For the year ended December 31, 2022, the YMCA Foundation paid out total grants of $496,696 ($474,208 in 2021), of which $495,696 ($473,596 in 2021) was paid to the YMCA and included in grant revenues.

A condensed summary of financial information of the YMCA Foundation as of and for the years ended December 31 follows:

	2022	2021
Total assets	$ 12,450,739	$ 13,815,392
Total liabilities	501,543	479,410
Net assets	$ 11,949,196	$ 13,335,982
Net assets:		
Without donor restrictions	$ 10,878,490	$ 12,282,265
With donor restrictions	1,070,706	1,053,717
Total net assets	$ 11,949,196	$ 13,335,982
Total support and revenue, including realized and unrealized (losses) gains on investments of $(1,626,387) in 2022 and $2,123,340 in 2021	$ (777,820)	$ 2,548,888
Total expenses	$ 608,966	$ 560,004
Resources held for the benefit of the YMCA	$ 11,942,605	$ 13,328,388

Note 16—Leases

The YMCA is obligated under several noncancelable operating leases for office space, equipment, and vehicles that expire at various dates through 2028. The YMCA determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. The YMCA 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.

The 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 are factored into the determination of the lease term if it is reasonably certain these options would be exercised by the YMCA. 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 common area 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 YMCA uses the implicit rate when it is readily determinable. As most of the YMCA's leases do not provide an implicit rate, management uses the risk-free discount rate based on the information available at lease commencement to determine the present value of lease payments.

The YMCA's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The YMCA does not have leases where it is involved with the construction or design of an underlying asset. The YMCA has no material obligation for leases signed but not yet commenced as of December 31, 2022. The YMCA does not have any material sublease activities.

Practical Expedients Elected:

- The YMCA 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 YMCA 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, the YMCA's short-term lease expense for the period does not reflect the YMCA's ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended December 31, 2022.

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

- The YMCA has elected to account for lease and non-lease components as a single component.

Note 16—Leases (continued)

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

Leases	Balance Sheet Classification		
Assets:			
Operating right-of-use assets	Operating lease assets, net	$	554,139
Total lease assets		$	554,139
Liabilities:			
Current:			
Operating lease liabilities	Current portion of operating lease liability	$	366,175
Noncurrent:			
Operating lease liabilities	Operating lease liability, net of current portion		191,590
Total lease liabilities		$	557,765

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

Maturity Analysis		Operating
2023	$	374,463
2024		98,471
2025		47,751
2026		25,052
2027		19,730
Thereafter		9,000
Total undiscounted cash flows		574,467
Less present value discount		(16,702)
Total lease liabilities	$	557,765

Required supplemental information relating to the YMCA's leases for the year ended December 31, 2022 is as follows:

Lease expense:		
Operating lease expense	$	351,791
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$	346,250
Lease assets obtained in exchange for lease liabilities:		
Operating leases		897,187
Lease term (in years) and discount rate:		
Weighted-average remaining lease term in years for operating leases		2.21
Weighted-average discount rate for operating leases		2.32%