YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2023 and 2022

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Young Men's Christian Association of Middle Tennessee (the "YMCA") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, 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 present fairly, in all material respects, the financial position of the YMCA as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the YMCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the YMCA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the YMCA'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024, on our consideration of the YMCA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Young Men's Christian Association of Middle Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Young Men's Christian Association of Middle Tennessee's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
June 21, 2024

YOUNG MEN'S CHRISTIAN ASSOCIATION OF MIDDLE TENNESSEE
STATEMENTS OF FINANCIAL POSITION (IN THOUSANDS)

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 27,069	$ 43,197
Investments	15,039	12,947
Accounts and Grants Receivable:		
Membership and program fees, net	368	342
Grants and contracts	110	289
Contributions receivable, net	2,777	1,907
Other receivables	822	-
Prepaid expenses and other assets	1,102	1,393
Total Current Assets	47,287	60,075
Contributions receivable, less current portion, net	170	2,943
Investments	17,546	12,231
Interest rate swap asset	546	806
Cash restricted for investment in property and equipment	200	1,909
Property and equipment, net	123,393	120,302
Operating lease right-of-use assets	588	554
Total Assets	$ 189,730	$ 198,820
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 3,750	$ 6,476
Accrued expenses	4,778	5,118
Deferred membership and program revenues	2,281	1,888
Deferred grant revenue, ARPA Childcare Stabilization Grant	8,832	10,334
Promissory note payable	-	15,500
Current portion of bonds payable	2,027	1,956
Current portion of operating lease liability	170	366
Total Current Liabilities	21,838	41,638
Deferred lease revenue and other	201	976
Operating lease liability, less current portion	424	192
Long-term bonds payable, less current portion	30,087	32,114
Total Liabilities	52,550	74,920
Net Assets:		
Without Donor Restrictions:		
Undesignated	78,395	58,816
Board designated	52,798	57,411
Total Without Donor Restrictions	131,193	116,227
With Donor Restrictions	5,987	7,674
Total Net Assets	137,180	123,900
Total Liabilities and Net Assets	$ 189,730	$ 198,820

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 (IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2023
(WITH SUMMARIZED FINANCIAL DATA FOR YEAR ENDED DECEMBER 31, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Operating Activities:				
Public Support:				
Contributions	$ -	$ 2,596	$ 2,596	$ 2,700
Foundation and corporate grants	861	328	1,189	1,292
Special events, net	62	-	62	286
Release from restrictions	2,813	(2,813)	-	-
Total Public Support	3,736	111	3,847	4,278
Revenue:				
Membership fees, net	46,183	-	46,183	40,274
Program fees, net	21,749	-	21,749	20,263
Government grants and contracts	12,190	-	12,190	21,504
Sales to members	672	-	672	757
Other income	1,196	-	1,196	974
Total Revenue	81,990	-	81,990	83,772
Total Public Support and Revenue	85,726	111	85,837	88,050
Expenses:				
Program services	73,189	-	73,189	69,351
Administrative	10,168	-	10,168	9,182
Fundraising	1,525	-	1,525	1,299
Total Expenses	84,882	-	84,882	79,832
Change in Net Assets from Operations	844	111	955	8,218
Nonoperating Activities:				
Unrealized (loss) gain on interest rate swap	(260)	-	(260)	2,753
Interest income	1,705	-	1,705	77
Unrealized gain on investments	491	-	491	-
Gain on sale of property and equipment	8,342	-	8,342	25,105
Contributions for capital assets	-	2,047	2,047	3,374
Release from restrictions	3,844	(3,844)	-	-
Total Nonoperating Activities	14,122	(1,797)	12,325	31,309
Change in net assets	14,966	(1,686)	13,280	39,527
Net assets, beginning of year	116,226	7,674	123,900	84,373
Net assets, end of year	$ 131,192	$ 5,988	$ 137,180	$ 123,900

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 (IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Operating Activities:			
Public Support:			
Contributions	$ 622	$ 2,078	$ 2,700
Foundation and corporate grants	775	517	1,292
Special events, net	286	-	286
Release from restrictions	2,481	(2,481)	-
Total Public Support	4,164	114	4,278
Revenue:			
Membership fees, net	40,274	-	40,274
Program fees, net	20,263	-	20,263
Government grants and contracts	21,504	-	21,504
Sales to members	757	-	757
Other income	974	-	974
Total Revenue	83,772	-	83,772
Total Public Support and Revenue	87,936	114	88,050
Expenses:			
Program services	69,351	-	69,351
Administrative	9,182	-	9,182
Fundraising	1,299	-	1,299
Total Expenses	79,832	-	79,832
Change in Net Assets from Operations	8,104	114	8,218
Nonoperating Activities:			
Unrealized gain on interest rate swap	2,753	-	2,753
Interest income	77	-	77
Gain on sale of property and equipment	25,105	-	25,105
Contributions for capital assets	-	3,374	3,374
Release from restrictions	2,573	(2,573)	-
Total Nonoperating Activities	30,508	801	31,309
Change in net assets	38,612	915	39,527
Net assets, beginning of year	77,614	6,759	84,373
Net assets, end of year	$ 116,226	$ 7,674	$ 123,900

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 (IN THOUSANDS)

YEAR ENDED DECEMBER 31, 2023

	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	$ 20,590	$ 14,425	$ 328	$ 35,343	$ 4,916	$ 934	$ 5,850	$ 41,193
Employee benefits	1,874	1,710	60	3,644	858	164	1,022	4,666
Payroll taxes	1,735	1,164	24	2,923	271	65	336	3,259
Total Personnel Costs	24,199	17,299	412	41,910	6,045	1,163	7,208	49,118
Nonpersonnel Costs:								
Occupancy	7,820	1,468	-	9,288	238	-	238	9,526
Depreciation and amortization	4,161	2,593	68	6,822	77	-	77	6,899
Supplies	2,133	2,206	12	4,351	39	96	135	4,486
Equipment	1,964	384	6	2,354	476	2	478	2,832
Purchased services	971	784	32	1,787	671	63	734	2,521
Technology system and services	626	292	6	924	993	54	1,047	1,971
Conferences, meetings, and staff development	163	1,079	41	1,283	75	24	99	1,382
Financing costs	802	500	13	1,315	-	-	-	1,315
Promotion and publication	58	28	-	86	1,082	2	1,084	1,170
Liability and other insurance	624	240	28	892	147	-	147	1,039
Travel, meals, and entertainment	45	376	46	467	160	3	163	630
Awards, grants, and assistance	376	191	25	592	-	-	-	592
Membership and professional dues	340	152	-	492	16	3	19	511
Bad debt expense	347	1	-	348	-	100	100	448
Miscellaneous	91	145	34	270	112	15	127	397
Postage and shipping	7	1	-	8	37	-	37	45
Total Nonpersonnel Costs	20,528	10,440	311	31,279	4,123	362	4,485	35,764
Total Expenses	$ 44,727	$ 27,739	$ 723	$ 73,189	$ 10,168	$ 1,525	$ 11,693	$ 84,882

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 (IN THOUSANDS)

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	$ 13,213	$ 245	$ 32,932	$ 4,841	$ 910	$ 5,751	$ 38,683
Employee benefits	1,779	1,551	46	3,376	933	175	1,108	4,484
Payroll taxes	1,677	1,090	18	2,785	385	63	448	3,233
Total Personnel Costs	22,930	15,854	309	39,093	6,159	1,148	7,307	46,400
Nonpersonnel Costs:								
Occupancy	8,705	1,581	-	10,286	267	-	267	10,553
Depreciation and amortization	4,292	2,582	54	6,928	51	-	51	6,979
Supplies	1,749	1,851	-	3,600	28	22	50	3,650
Purchased services	777	832	69	1,678	400	31	431	2,109
Equipment	1,437	319	-	1,756	224	2	226	1,982
Technology system and services	525	215	4	744	868	50	918	1,662
Financing costs	839	505	11	1,355	-	-	-	1,355
Conferences, meetings, and staff development	139	977	21	1,137	27	22	49	1,186
Awards, grants, and assistance	656	355	29	1,040	-	-	-	1,040
Promotion and publication	56	44	-	100	786	5	791	891
Membership and professional dues	372	138	-	510	26	3	29	539
Travel, meals, and entertainment	28	276	23	327	145	6	151	478
Liability and other insurance	209	106	1	316	99	-	99	415
Bad debt expense	287	-	-	287	-	-	-	287
Miscellaneous	86	77	22	185	65	9	74	259
Postage and shipping	7	2	-	9	37	1	38	47
Total Nonpersonnel Costs	20,164	9,860	234	30,258	3,023	151	3,174	33,432
Total Expenses	$ 43,094	$ 25,714	$ 543	$ 69,351	$ 9,182	$ 1,299	$ 10,481	$ 79,832

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 (IN THOUSANDS)

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 13,280	$ 39,527
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	6,899	6,979
Gain on disposal of property and equipment	(8,359)	(25,105)
Realized and unrealized gain on investments	(492)	-
Loss (gain) on interest rate swap agreement	260	(2,753)
Net change in lease right-of-use assets and liabilities	1	4
Changes in:		
Accounts and grants receivable	153	(191)
Contributions receivable	247	(3,298)
Prepaid expenses and other	291	(475)
Accounts payable and accrued liabilities	(28)	1,434
Deferred membership	393	(279)
Deferred grant revenue	(1,502)	1,367
Deferred lease revenue and other	(774)	(74)
Other receivables	(822)	-
Net cash flows from operating activities	9,547	17,136
Cash flows from investing activities:		
Purchases of property and equipment	(20,670)	(26,946)
Proceeds from sale of property and equipment	16,000	25,966
Purchases of investments	(6,915)	(25,179)
Net cash flows from investing activities	(11,585)	(26,159)
Cash flows from financing activities:		
Proceeds received from contributions for property and equipment	1,656	4,132
Proceeds from note payable	-	15,500
Principal payments on note payable	(15,500)	-
Principal payments on bonds payable	(1,955)	(3,886)
Net cash flows from financing activities	(15,799)	15,746
Change in cash and cash equivalents	(17,837)	6,723
Cash and cash equivalents, beginning of year	45,106	38,383
Cash and cash equivalents, end of year	$ 27,269	$ 45,106
Reconciliation to statements of financial position:		
Cash and cash equivalents, unrestricted	$ 27,069	$ 43,197
Cash restricted for investment in property and equipment	200	1,909
	$ 27,269	$ 45,106
Supplemental cash flow disclosures:		
Cash paid for interest	$ 1,315	$ 1,373

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 12 family wellness centers and over 80 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.

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.

Government Grants and Contracts – The YMCA receives grant and contract funding from various federal, state, and local governments to provide a variety of program services to the public based on specific requirements included in the agreement, including eligibility, procurement, reimbursement, curriculum, staffing, and other requirements. These program services range from childcare after school programs, day camp, family programs, programs for seniors, and health and welfare related programs. The YMCA's government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as conditions are satisfied, primarily as expenses are incurred.

Cash received on government grants and contracts prior to incurring allowable expenses are recorded as deferred revenue.

Government grants and contracts receivable are recorded in grants receivable. All other contributions are recorded in contributions receivable. The allowance for doubtful accounts is determined by the age of the balance, historical collection rates, and specific identification of uncollectible accounts. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted. At December 31, 2023 and 2022, all such grant and contracts receivable are deemed to be fully collectible.

Donated Services – Many individuals volunteer their time and perform a variety of tasks for or on behalf of the YMCA. During 2023 and 2022, 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 Receivable – Accounts receivable related to membership and programmatic fees 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 receivable at December 31, 2023 and 2022 (in thousands) is $195 and $153, respectively.

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

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. The allowance for doubtful accounts for contributions receivable at December 31, 2023 and 2022 (in thousands) is $315 and $432, respectively.

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 $1,170 and $952 (in thousands) for the years ended December 31, 2023 and 2022, respectively, and are included in promotions and publications on the statements of functional expense.

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 (in thousands) of $5 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.

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.

Right of Use Assets and Lease Liabilities – Right of use ("ROU") assets represent the YMCA's right to use the underlying assets for the lease term and lease liabilities represent the net present value of the YMCA's obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the YMCA's incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the renewal option is considered in the lease term if it is reasonably certain the YMCA will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. Finance lease expense is recognized as amortization of the right to use asset and interest expense. As permitted by ASC 842, leases with an initial term of 12 months or less ("short-term leases") are not recorded on the accompanying statements of financial position.

The YMCA has lease agreements with lease and non-lease components, which are accounted for as a single lease component under the practical expedient provisions of the standard. For the qualifying short-term leases, the YMCA elected the short-term lease recognition exemption in which the YMCA will not recognize ROU assets or lease liabilities, including the ROU assets or lease liabilities for existing short-term leases of those assets upon adoption.

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

Variable lease payments consist primarily of common area maintenance, utilities, and taxes, which are not included in the recognition of ROU assets and related lease liabilities. Variable lease payments and short-term lease expenses were immaterial to the YMCA's financial statements for the years ended December 31, 2023, and 2022. The YMCA lease agreements do not contain material restrictive covenants.

Impairment of Long-lived Assets – The carrying value of the YMCA's long-lived assets is reviewed to determine if facts or circumstances suggest the assets may be impaired or the remaining useful, depreciable life may need to be changed. The YMCA considers internal and external factors related to each asset, including future asset utilization and business climate. If these factors and the projected undiscounted cash flows of the asset over the remaining life indicate the asset will not be recoverable, the carrying value will be adjusted down to the estimated fair value, if less than book 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 2023 and 2022.

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, 2023 or 2022.

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 (in thousands) $129 and $113 for the years ended December 31, 2023 and 2022, 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 are descriptions 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. At December 31, 2023 and 2022, the YMCA had unrealized gain on investments (in thousands) of $491 and $-0-, respectively, included in the unrealized gain on investments on the statements of activities.

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. At December 31, 2023 and 2022, the YMCA had unrealized (loss) gain on interest rate swap (in thousands) of $(260) and $2,753, respectively, on the statements of activities.

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 2023 or 2022.

Reclassifications – Certain 2022 amounts have been reclassified to conform with 2023 presentation. These reclassifications had no effect on the reported results of operations.

Adoption of New Accounting Pronouncements in June 2016, FASB issued Accounting Standards Update ("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 replaced the incurred loss impairment guidance and established 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 is effective for the year ended December 31, 2023.The YMCA adopted this standard effective January 1, 2023, using the modified retrospective approach. Since the YMCA does not have material receivables subject to ASC Topic 326 as of December 31, 2023, adoption of the new standard did not materially impact the Organization's financial statements.

Subsequent Events – The YMCA has evaluated subsequent events through June 21, 2024, which is the date on which these financial statements are available to be issued.

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, 2023 and 2022, 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 (in thousands) $2,281 and $1,888 as of December 31, 2023 and 2022, respectively. Deferred revenue represents income from membership dues and program fees. Deferred lease revenue represents income from a third party contract described in Note 8. These are deferred when received and amortized over the terms of the membership or contract period.

Note 2—Revenue (continued)

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2023 and 2022 (in thousands):

	2023	2022
Deferred membership and program revenue, beginning of year	$ 1,888	$ 2,167
Revenue recognized that was included in deferred revenue at the beginning of year	(1,888)	(2,167)
Increase in deferred revenue due to cash received during the year	2,281	1,888
Deferred membership and program revenue, end of year	$ 2,281	$ 1,888

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 primarily to finance fixed asset purchases and also to manage cash flow, if needed.

The following table represents the YMCA's financial assets (in thousands) as of December 31, 2023 and 2022, 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 reserve or donors have restricted certain donations. 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:

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 27,069	$ 43,197
Investments	15,039	12,947
Accounts and grants receivable, net	478	631
Contributions receivable, net	2,777	1,907
Cash restricted for investment in property and equipment	200	1,909
Financial assets, at year-end	45,563	60,591
Less those unavailable for general expenditure within one year, due to:		
Board-designated reserves	(35,253)	(45,179)
Net assets restricted for capital improvements	(3,462)	(5,259)
Net assets restricted for specific programs	(540)	(636)
Net assets restricted for future year operations	(1,985)	(1,779)
Financial assets available to meet general expenditures within one year	$ 4,323	$ 7,738

Note 4—Contributions receivable

Contributions receivable consisted of the following as of December 31 (in thousands):

	2023	2022
Less than one year	$ 2,777	$ 1,907
One year to five years	577	3,454
	3,354	5,361
Less allowance for uncollectible contributions	(315)	(432)
Less discount to net present value	(92)	(79)
	$ 2,947	$ 4,850

Contributions receivable are discounted at rates ranging from 0.36% to 4.89%.

Note 5—Fair value measurements

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 (in thousands):

	2023			
	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	$ 32,585	$ -	$ -	$ 32,585
Interest rate swap	-	546	-	546
	$ 32,585	$ 546	$ -	$ 33,131

	2022			
	Level 1	Level 2	Level 3	Total
U.S. Treasury securities	$ 25,178	$ -	$ -	$ 25,178
Interest rate swap	-	806	-	806
	$ 25,178	$ 806	$ -	$ 25,984

Note 6—Property and equipment

Property and equipment consisted of the following as of December 31 (in thousands):

	2023	2022
Land and land improvements	$ 16,559	$ 18,215
Buildings and improvements	156,812	136,289
Equipment and furniture	41,643	44,901
Software	2,446	2,556
Construction in progress	7,894	26,407
	225,354	228,368
Less accumulated depreciation	(101,961)	(108,066)
	$ 123,393	$ 120,302

Construction in progress includes architectural plans, renovations and additions that were underway at several YMCA centers at December 31, 2023 and 2022. The majority of construction in progress at December 31, 2023 relates to the Downtown location.

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 million, 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.

In March 2021, the YMCA entered into an agreement to sell the Maryland Farms Property at 5101 Maryland Way, Brentwood, Tennessee. The purchase and sale agreement closed on May 25, 2023 and the YMCA recognized a gain on that sale of approximately $9 million which is reflected in the statements of activities for the year ended December 31, 2023.

Note 7—Deferred revenue—government grants and funding arrangements

During the years ended December 31, 2023 and 2022, the YMCA was awarded (in thousands) $8,880 and $20,207, respectively, in funding under the COVID-19 ARPA Child Care and Development Block Grant. The YMCA has recognized (in thousands) $10,382 and $9,872, respectively, under this grant as eligible costs have been incurred, as of December 31, 2023 and 2022. Such amounts are included in government grants and contracts in the statements of activities for the years ended December 31, 2023 and 2022. The remaining $8,832 and $10,334 (in thousands) is reflected as deferred revenue at December 31, 2023 and 2022, respectively. The YMCA has until September 30, 2023 to expend and recognize the funds related to rounds one and two and until September 30, 2024 to expend and recognize the funds related to round 3. Management anticipates refunding a portion of the amounts reflected in deferred revenue to the grantor.

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 (in thousands) of $8,967, 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 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 (in thousands) of $8,966, 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 lease revenue and 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 (in thousands) of $2,000, of which $1,486 was prepaid rent for the entire initial lease term, and $513 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 (in thousands) $201 and $276 at December 31, 2023 and 2022, respectively, as reflected as deferred lease revenue on the statements of financial position.

Also included in deferred lease revenue and other at December 31, 2022, is $700 (in thousands) the YMCA received from a healthcare provider in connection with a collaboration and facility development agreement that, among other things, was to allow the healthcare provider rights to be the exclusive healthcare partner in selected facilities for an initial term of 10 years. During 2023, this agreement was terminated and the deferred revenue was recognized as a contribution from the third party.

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% (6.61% and 5.60% at December 31, 2023 and 2022, respectively) in addition to a fee of 0.25% of the unused principal balance.

Outstanding borrowings on the line of credit totaled $-0- for each of the years ended at December 31, 2023 and 2022. 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.

Notes and bonds payable consisted of the following at December 31 (in thousands):

	2023	2022
Bonds Payable[1]		
2012 Industrial Revenue bonds, face value $57,000 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, 2023 and 2022 were 6.61% and 4.67%, respectively.	$ 32,114	$ 34,070
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 at, December 31, 2022. The loan provided for maximum borrowings of $16,000 to finance construction renovations at YMCA wellness centers. The loan provided 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
Total notes and bonds payable	$ 32,114	$ 49,570

[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. 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 ($32,113 and $35,138 at December 31, 2023 and 2022, respectively), 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 (3.06% and 3.17% at December 31, 2023 and 2022, respectively).

Note 10—Promissory note and bonds payable (continued)

Annual principal maturities and required reimbursement payments of note and bonds payable as of December 31, 2023 are as follows:

Years Ending December 31,		
2024	$	2,027
2025		1,999
2026		2,079
2027		2,159
2028		2,242
Thereafter		21,608
	$	32,114

Note 11—Net assets

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

	2023		2022	
Capital improvements	$	3,462	$	5,259
Grants restricted for specific programs		540		636
Contributions restricted for future year operations		1,985		1,779
	$	5,987	$	7,674

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors.

Net assets with board designations for specific purposes are as follows at December 31 (in thousands):

	2023		2022	
Earmarked funds	$	310	$	5,014
Facility capital reinvestment reserve		4,769		2,257
Debt service reserve		12,547		7,009
Investments and cash set aside for specific purposes		35,172		43,131
	$	52,798	$	57,411

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. During 2023, 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 (in thousands), making such eligible for FDIC insurance. As of December 31, 2023 and 2022, the YMCA's depositor accounts exceeded FDIC insurance limits by approximately (in thousands) $-0- and $45,531, respectively.

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.

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, 2023 and 2022. Total contributions to the plan by the YMCA, which are included in employee benefits in the accompanying statements of functional expenses amounted to (in thousands) $2,160 and $2,194 for the years ended December 31, 2023 and 2022, 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 (in thousands) $322 and $342 in 2023 and 2022, respectively.

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, 2023, the YMCA Foundation paid out total grants (in thousands) of $674 ($496 in 2022), of which $673 ($495 in 2022) was paid to the YMCA and included in grant revenues.

Note 15—Related party transactions and related entities (continued)

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

	2023		2022	
Total assets	$	15,016	$	12,451
Total liabilities		523		502
Net assets	$	14,493	$	11,949
Net assets:				
Without donor restrictions	$	12,370	$	10,878
With donor restrictions		2,123		1,071
Total net assets	$	14,493	$	11,949
Total support and revenue, including realized and unrealized gains (losses) on investments of $1,700 in 2023 and $(1,626) in 2022, respectively	$	3,358	$	(778)
Total expenses	$	815	$	609
Resources held for the benefit of the YMCA	$	14,485	$	11,943

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 YMCA's 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, 2023. The YMCA does not have any material sublease activities.

Note 16—Leases (continued)

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 statement of financial position 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 reflects the YMCA's ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the years ended December 31, 2023 and 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.

Classification of right-of-use assets and lease liabilities as of December 31 are as follows (in thousands):

Leases	Balance Sheet Classification	2023	2022
Assets:			
Operating right-of-use assets	Operating lease assets, net	$ 588	$ 554
Total lease assets		$ 588	$ 554
Liabilities:			
Current:			
Operating lease liabilities	Current portion of operating lease liability	$ 170	$ 366
Noncurrent:			
Operating lease liabilities	Operating lease liability, net of current portion	424	192
Total lease liabilities		$ 594	$ 558

Note 16—Leases (continued)

Future minimum lease payments as of December 31, 2023 is as follows (in thousands):

Maturity Analysis	Operating
2024	$ 188
2025	139
2026	119
2027	116
2028	80
Total undiscounted cash flows	642
Less present value discount	(48)
Total lease liabilities	$ 594

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

	2023	2022
Lease expense:		
Operating lease expense	$ 402	$ 352
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 395	$ 346
Lease assets obtained in exchange for lease liabilities:		
Operating leases	416	897
Lease term (in years) and discount rate:		
Weighted-average remaining lease term in years for operating leases	4.07	2.21
Weighted-average discount rate for operating leases	3.57%	2.32%