Financial Statements

for

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Years Ended December 31, 2022 and 2021
with Report of Independent Auditors

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Report of Independent Auditors

To the Board of Directors
Young Men's Christian Association of Central Kentucky
Lexington, Kentucky

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Directors
Young Men's Christian Association of Central Kentucky
Report of Independent Auditors, continued

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Dean Dorton Allen Ford, PLLC

Lexington, Kentucky
May 2, 2023

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	**$ 2,023,368**	$ 2,241,218
Restricted cash	**1,423,636**	1,409,444
Accounts receivable, net	**205,166**	159,606
Pledges receivable, net	**324,134**	287,690
Prepaid expenses	**157,167**	213,303
Investments	**7,244,998**	8,580,694
Other assets	**31,652**	5,000
Property and equipment, net	**35,604,887**	36,526,738
Total assets	**$ 47,015,008**	$ 49,423,693
Liabilities and Net Assets		
Liabilities:		
Accounts payable	**$ 556,817**	$ 387,702
Accrued expenses	**564,137**	415,576
Other liabilities	**-**	115,888
Deferred income	**543,562**	417,690
Finance lease liabilities	**-**	265,225
Notes payable, net	**15,196,919**	15,587,613
Total liabilities	**16,861,435**	17,189,694
Net assets:		
Without donor restrictions:		
Undesignated	**20,168,996**	20,643,858
Designated by the Board of Directors for:		
Debt service	**992,085**	1,305,739
Capital maintenance	**1,255,192**	1,500,173
Endowment	**3,087,853**	3,696,525
	25,504,126	27,146,295
With donor restrictions:		
Restricted by purpose or time	**1,774,759**	1,673,479
Restricted in perpetuity	**2,874,688**	3,414,225
Total net assets	**30,153,573**	32,233,999
Total liabilities and net assets	**$ 47,015,008**	$ 49,423,693

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Public support contributions	$ 805,922	$ 243,635	$ 1,049,557
United Way allocations	66,000	-	66,000
Foundation grants	595,657	-	595,657
Government grants	-	1,246,212	1,246,212
Membership dues	7,582,318	-	7,582,318
Rental revenues	3,165	-	3,165
Program fees	5,840,727	-	5,840,727
Sale of supplies and services	4,363	-	4,363
Miscellaneous income	87,983	-	87,983
	14,986,135	1,489,847	16,475,982
Net assets released from restrictions	2,238,680	(2,238,680)	-
Total revenues and other support	17,224,815	(748,833)	16,475,982
Expenses:			
Program and membership services:			
Youth development	10,125,932	-	10,125,932
Healthy living	3,660,438	-	3,660,438
Social responsibility	675,836	-	675,836
Total program and membership services	14,462,206	-	14,462,206
Supporting services:			
Management and general	2,056,517	-	2,056,517
Fundraising	268,978	-	268,978
Total supporting services	2,325,495	-	2,325,495
Total expenses	16,787,701	-	16,787,701
Nonoperating expenses:			
Investment loss, net	(889,516)	-	(889,516)
Change in value of perpetual trusts	-	(539,537)	(539,537)
Loss on abandonment of property	(339,654)	-	(339,654)
Total nonoperating expenses	(1,229,170)	(539,537)	(1,768,707)
Change in net assets	(792,056)	(1,288,370)	(2,080,426)
Net assets, beginning of year	27,146,295	5,087,704	32,233,999
Net assets, end of year	$ 26,354,239	$ 3,799,334	$ 30,153,573

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Public support contributions	$ 236,624	$ 1,022,896	$ 1,259,520
United Way allocations	79,675	-	79,675
Foundation grants	265,079	-	265,079
Government grants	-	1,817,291	1,817,291
Membership dues	5,722,745	-	5,722,745
Rental revenues	7,505	-	7,505
Program fees	4,365,150	-	4,365,150
Contribution of non-financial asset	262,040	-	262,040
Sale of supplies and services	6,230	-	6,230
Miscellaneous income	96,208	-	96,208
	11,041,256	2,840,187	13,881,443
Net assets released from restrictions	2,415,693	(2,415,693)	-
Total revenues and other support	13,456,949	424,494	13,881,443
Expenses:			
Program and membership services:			
Youth development	8,092,092	-	8,092,092
Healthy living	3,787,186	-	3,787,186
Social responsibility	587,275	-	587,275
Total program and membership services	12,466,553	-	12,466,553
Supporting services:			
Management and general	1,701,756	-	1,701,756
Fundraising	283,238	-	283,238
Total supporting services	1,984,994	-	1,984,994
Total expenses	14,451,547	-	14,451,547
Nonoperating revenues:			
Investment income, net	661,851	-	661,851
Change in value of perpetual trusts	-	291,819	291,819
Employee Retention Credits	1,629,858	-	1,629,858
Gain on forgiveness of PPP loan	1,634,850	-	1,634,850
Total nonoperating revenues	3,926,559	291,819	4,218,378
Change in net assets	2,931,961	716,313	3,648,274
Net assets, beginning of year	24,214,334	4,371,391	28,585,725
Net assets, end of year	$ 27,146,295	$ 5,087,704	$ 32,233,999

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Statement of Functional Expenses

Year ended December 31, 2022

	Youth Development	Healthy Living	Social Responsibility	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 4,519,509	$ 1,830,727	$ 187,869	$ 866,975	$ 177,558	$ 7,582,638
Building occupancy	2,193,494	624,519	111,496	-	1,000	2,930,509
Depreciation and amortization	942,316	511,148	62,596	28,040	-	1,544,100
Employee benefits	506,852	103,007	26,304	151,358	26,669	814,190
Supplies/other program costs	481,633	27,333	160,861	5,763	16,239	691,829
Payroll taxes	409,534	167,864	17,160	74,459	16,011	685,028
Equipment expenses	162,573	95,884	16,983	213,080	1,614	490,134
Financing costs	-	4,374	-	456,892	-	461,266
Contracted labor and professional fees	127,397	23,765	34,857	213,235	7,028	406,282
Advertising and publicity	179,626	64,774	16,007	415	4,930	265,752
Association dues and memberships	176,804	39,689	10,364	5,979	1,624	234,460
Insurance expense	166,963	57,926	10,695	(4,658)	-	230,926
Credit card fees	113,974	32,593	6,018	6,300	795	159,680
Employee expenses	52,596	11,701	8,792	23,258	8,183	104,530
Miscellaneous expense	27,033	57,391	650	5,966	3,140	94,180
Telephone and communication	36,560	6,104	3,840	4,794	876	52,174
Conferences, conventions, and meetings	28,703	1,510	664	4,400	2,750	38,027
Postage and shipping	365	129	680	261	561	1,996
Total expenses	$ 10,125,932	$ 3,660,438	$ 675,836	$ 2,056,517	$ 268,978	$ 16,787,701

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Statement of Functional Expenses

Year ended December 31, 2021

	Youth Development	Healthy Living	Social Responsibility	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 3,727,600	$ 1,767,269	$ 173,020	$ 500,384	$ 179,641	$ 6,347,914
Building occupancy	1,710,069	634,192	96,500	-	500	2,441,261
Depreciation and amortization	836,369	754,964	60,400	43,820	-	1,695,553
Employee benefits	435,916	134,059	23,316	97,518	27,504	718,313
Financing costs	-	-	-	551,950	-	551,950
Supplies/other program costs	355,813	22,203	109,966	6,922	14,224	509,128
Payroll taxes	276,983	133,415	12,959	36,815	13,280	473,452
Equipment expenses	128,053	51,527	7,094	256,482	6,032	449,188
Contracted labor and professional fees	32,557	24,007	1,460	142,280	8,709	209,013
Association dues and memberships	145,264	39,861	8,515	10,530	1,450	205,620
Advertising and publicity	117,205	52,191	10,310	-	16,824	196,530
Insurance expense	129,284	57,698	8,947	-	-	195,929
Credit card fees	94,172	39,018	6,050	17,534	1,055	157,829
Bad debt expense	14,588	30,114	18,460	9,562	2,077	74,801
Miscellaneous expense	12,024	24,822	15,216	7,882	1,712	61,656
Telephone and communication	33,268	7,431	3,927	5,667	742	51,035
Employee expenses	26,379	9,917	1,177	10,936	154	48,563
Conferences, conventions, and meetings	16,548	4,498	1,840	1,325	8,336	32,547
Scholarships and awards	-	-	27,903	-	-	27,903
Postage and shipping	-	-	215	2,149	998	3,362
Total expenses	$ 8,092,092	$ 3,787,186	$ 587,275	$ 1,701,756	$ 283,238	$ 14,451,547

See accompanying notes.

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (2,080,426)**	$ 3,648,274
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,544,100**	1,695,553
Investment loss (income), net	**889,516**	(661,851)
Change in value of perpetual trusts	**539,537**	(291,819)
Loss on abandonment of property	**339,654**	-
Loss on disposal of property and equipment	**3,000**	453
Bad debts	**71,735**	74,801
Gift-in-kind contributions	**(152,078)**	(292,563)
Gain on forgiveness of PPP loan and accrued interest	**-**	(1,634,850)
Increase (decrease) in cash due to changes in:		
Accounts receivable	**(117,295)**	(94,903)
Pledges receivable	**(36,444)**	296,672
Prepaid expenses	**56,136**	(27,250)
Other assets	**(26,652)**	-
Accounts payable	**169,115**	9,342
Accrued expenses	**148,561**	154,539
Other current liabilities	**(115,888)**	(222,814)
Deferred income	**125,872**	140,308
Net cash provided by operating activities	**1,358,443**	2,793,892
Cash flows from investing activities:		
Purchases of investments	**(134,264)**	(97,654)
Proceeds from sales of investments	**192,985**	124,160
Purchases of property and equipment	**(534,448)**	(392,582)
Proceeds from sale of equipment	**-**	283
Net cash used in investing activities	**(475,727)**	(365,793)
Cash flows from financing activities:		
Principal payments on long-term debt	**(821,149)**	(788,610)
Principal payments on finance leases	**(265,225)**	(422,441)
Net cash used in financing activities	**(1,086,374)**	(1,211,051)
Net (decrease) increase in cash	**(203,658)**	1,217,048
Cash, cash equivalents, and restricted cash, beginning of year	**3,650,662**	2,433,614
Cash, cash equivalents, and restricted cash, end of year	**$ 3,447,004**	$ 3,650,662

YOUNG MEN'S CHRISTIAN ASSOCIATION OF CENTRAL KENTUCKY

Statements of Cash Flows, continued

Years ended December 31, 2022 and 2021

		2022		2021
Supplemental disclosures of cash flow information:				
Cash paid during the year for interest	**$**	**461,266**	$	551,948
Supplemental disclosure of non-cash financing transactions:				
Purchase of equipment through note payable	**$**	**420,000**	$	-

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

		2022		2021
Cash and cash equivalents	**$**	**2,023,368**	$	2,241,218
Restricted cash		**1,423,636**		1,409,444
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	**$**	**3,447,004**	$	3,650,662

Amounts included in restricted cash represent cash received with donor-imposed restrictions that limit the use of these funds by either purpose or time.

See accompanying notes.

1. Description of the Association

The Young Men's Christian Association of Central Kentucky, Inc. (the Association or YMCA) is organized as a nonprofit corporation under the laws of the Commonwealth of Kentucky.

YMCA is an organization whose goals are to put Christian principles into action through programs and membership services that build a healthy spirit, mind, and body for all people in the community. Financial assistance is available for those in need for both membership and programs. Programs which assist in meeting the Association's goals include:

Youth Development

Before and After School Child Care: This program offers before/after school childcare at public school sites within the community as well as at each branch location. This program fosters growth and development of children with their parents and family. Instruction and activities within this program help kids develop moral and ethical behavior, self-esteem, and leadership, while providing a safe and supportive environment for working parents.

Childcare Centers: The YMCA has the Crayon Club, a Frankfort, KY based center that provides full service daycare for children ages 6 weeks through 5 years old. The children are involved in learning activities, arts and crafts, games, motor skill development, and environmental education. The YMCA also manages a corporate childcare center in Lexington, KY where employees of various partners can bring their children, ages 6 weeks through Pre-K.

Youth-camps: Various programs are offered to participants including all-day camps for youth during the school year, all-day and summer camps, and sports camps. The Association also offers summer day camp activities in natural surroundings at its Bar-Y camp in Versailles, KY.

Youth/Teen Programs: Programs include youth instructional sports designed to enhance the skills of the respective sport and to promote the development of health and fitness, cooperation, safety, and respect for others. Such programs include basketball, T-ball, football, soccer, volleyball, and YMCA youth sports leagues that emphasize equal participation for all versus winning and losing. Teen focused programs include leadership coaching through the Black Achievers program.

The YMCA is also a partner with Fayette County Public Schools and the Building Educated Leaders for Life to provide the Power Scholars Academy program designed to help advance student's academic achievement through a full day summer experience that combines small group, rigorous literacy, and math instruction, with hands on enrichment activities, field trips and service projects.

Aquatics: Swim lessons are offered to all ages and include progressive learn-to-swim programs, water fitness activities, swim teams, and specialized aquatic activities such as scuba diving, CPR, and life guarding certification.

1. Description of the Association, continued

Healthy Living

Membership Services: The Association is primarily a membership organization offering memberships to youths, teens, adults, households, and seniors within its community. Memberships offer the opportunity to pursue health and well-being either individuals, or as a part of an organized group in areas of cardiovascular, muscle strengthening, aquatics, and socialization with others. Many activities included with membership, while many other fee-based programs are offered at a discount to members.

Health and Fitness Programs: The YMCA offers more then 300 classes across its locations each week as part of a general YMCA membership. These classes and programs enable members and non-members alike to improve physical fitness through a variety of interests including personal fitness programs, weight management programs, group participation yoga, cycling, and water aerobics, along with various other programs. Additionally, the YMCA offers an array of fee-based offerings including Pilates Reformer, personal training, and martial arts.

Social Responsibility

Community Services: The Association is committed to working with local and regional nonprofit agencies in support of stronger communities. Program and events such as arts and humanities, neighborhood events, back to school rallies, nonprofit use of YMCA facilities, city-wide events, and more emphasize the commitment to community partners.

The previously mentioned Black Achievers program provides students in the 7th through 12th grades exposure to present educational and future career opportunities. These students are connected with adult mentors who encourage students throughout their high school years and guide them on career development. Assistance is provided for students in applying for college and the association works with colleges and universities to secure scholarships for graduating seniors.

In addition, the YMCA offers diabetes prevention program to help people reduce their risk of developing type 2 diabetes. This small-group activity helps people with prediabetes eat healthier, increase their physical activity, and lose weight, which can delay or even prevent the onset of type 2 diabetes.

The YMCA has partnered with LIVESTRONG ® to provide a safe, supportive environment for cancer survivors to continue their healing and achieve their whole-person health goals.

The YMCA works with the Toyota Bluegrass Miracle League to provide opportunities for children and adults with disabilities to play baseball, regardless of their abilities.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), which require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The following is a summary of the significant accounting policies consistently followed by the Association in the preparation of its financial statements:

Basis of Accounting

The Association records and reports its assets, liabilities, net assets, revenues, gains and losses, and other support based on the existence or absence of donor-imposed restrictions. The Association reports information regarding its financial position and activities according to the following net asset classifications:

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 Association. These net assets may be used at the discretion of the Association's management and the board of directors. From time to time the Board designates a portion of these net assets for specific purposes which make them unavailable for use at management's discretion.

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 Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

The Association considers all cash and certificates of deposit with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Cash and cash equivalents that are externally restricted are classified as restricted assets. These assets are used to make debt service payments, maintain sinking or reserve funds, purchase or construct capital or noncurrent assets, or for other restricted purposes.

The Association maintains cash in bank accounts, which at times may exceed federally insured limits. The Association has not experienced any losses on such accounts. The Association believes that it is not exposed to any significant credit risk on cash, cash equivalents, or restricted cash accounts.

Accounts Receivable, net

2. Summary of Significant Accounting Policies, continued

Accounts receivable consists mainly of third-party billings related to memberships and grants.

Pledges Receivable, net

Pledges receivable due in subsequent years are recorded at the present value of net realizable value, using an applicable interest rate to discount the amount.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is an amount that management believes will be adequate to absorb possible losses based on prior year experience and knowledge of the donor or member's financial condition. Amounts are charged against the allowance when management determines that collection is doubtful. The allowance for doubtful accounts was $49,185 and $41,274 as of December 31, 2022 and 2021, respectively and relates to both pledges receivable and accounts receivable.

Investments

Investments are reported at fair value. Unrealized gains and losses are calculated as the difference between fair value and cost. Realized and unrealized gains and losses are reported in the statements of activities. Investments are exposed to various risks such as interest rate, market risk and credit risk. Due to the level of uncertainty related to changes in these factors, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments.

Property and Equipment

The Association reports gifts of land, buildings, and equipment as unrestricted support unless the donor specifies how the donated assets must be used. Gifts of long-lived assets with stipulations on use are reported as restricted support.

Property and equipment is stated at cost of fair-market value at date of receipt, if donated. The Association capitalizes all property and equipment with a useful life of more than one year and a cost greater than $3,000. Maintenance and repairs are expensed when occurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Building and land improvements	15 years
Furniture and equipment	7 years
Vehicles	10 years

Revenue Recognition

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the commitments are made. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

2. Summary of Significant Accounting Policies, continued

Revenue Recognition, continued

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions of Non-financial Assets

Contributions of materials and property and equipment which are received by the YMCA are valued at their estimated fair value at the date of the gift. Where the value of donated materials cannot be adequately substantiated, no donation is recorded. There were no such contributions for the year ended December 31, 2022. During the year ended December 31, 2021, the Association received a building. See Note 7.

Contributed Services

The amounts recorded as the value of donated services represents the compensation that would be paid if non-volunteers were to occupy these positions. Contributions are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing these skills. The services of those not meeting these criteria are not recognized in the financial statements. There were no contributed services during the years ended December 31, 2022 and 2021.

Revenue from contracts with customers, disaggregated by type, during the years ended December 31, 2022 and 2021 is depicted on the face of the statements of activities.

The majority of the Association's revenues are derived from membership dues, rental revenues, and program fees. The performance obligation for providing these services is satisfied over time because the customers are receiving and consuming the services as they are provided by the Association. Membership dues are recognized net of discounts. Progress is measured using the practical expedient under the output method resulting in the recognition of revenue in the amount for which the Association has a right to invoice. The Association also has sale of supplies and services. The performance obligations for providing these services are satisfied at a point in time because the customer receives benefit upon a certain event occurring. Interest income is recorded in the year in which it is earned. Membership dues, rental revenues, and program fees totaled $13,426,210 and $10,095,400 during the years ended December 31, 2022 and 2021, respectively.

The Association's contract liabilities are comprised of membership dues and program fees received in advance of the performance of services.

Functional Allocation of Expenses

Expenses are reported by functional area in the accompanying statements of functional expense. Expenses which directly and solely benefit a program are charged entirely to that program, while expenses benefiting multiple programs are allocated between program services and support services. Administrative costs like Association and branch management, advertising, insurance, and dues are allocated to each functional area based on the proportion of each program area's direct pre-allocated expenses to total direct program expenses. In a similar manner, facility expenses like

2. Summary of Significant Accounting Policies, continued

depreciation and other building occupancy costs are also allocated to each functional area based on the percentage of each program area's direct pre-allocated expenses to total direct program expenses.

Advertising

Advertising costs are expensed as incurred. Advertising expense amounts to $265,752 and $196,530 for the years ended December 31, 2022 and 2021, respectively.

Employee Retention Credits

Under the provisions of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the Association is eligible for a refundable employee retention credit (ERC) subject to certain criteria. In connection with the CARES Act, the Association adopted a policy to recognize the ERC when earned and to offset the credit against the related expenditure.

The ERC was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. It provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The ERC is available to both for-profit and not-for-profit (NFP) entities, but not every business is eligible. Two critical tests for eligibility exist — a partial or total government-ordered shutdown, or a decline in gross receipts. The decline in gross receipts test is based on a "significant" decline in gross receipts in quarters of 2020 (more than 50%) and 2021 (more than 20%) compared with the same quarters in 2019. Accordingly, the Association recorded $1,629,858 of income from employee retention credits during the year ended December 31, 2021 as nonoperating revenues.

Forgivable Loan

The Association received a Paycheck Protection Program loan (PPP loan) under the CARES Act in the amount of $1,614,800 on April 22, 2020. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all of a portion of the PPP loan, subject to limitations, based on the use of loan proceeds for payment of eligible expenses (payroll costs and payments of mortgage interest, rent and utilities).

On July 15, 2021, the Association received notification that the Small Business Administration approved its PPP loan forgiveness application and remitted the forgiveness amount of $1,634,850, including $1,614,800 of principal and $20,050 of interest, to the lender. As such, the amount forgiven during the year ended December 31, 2021 is included in gain on forgiveness of PPP loan on the 2021 statement of activities.

2. Summary of Significant Accounting Policies, continued

Income Taxes

The Association is exempt from income taxes under 501(c)(3) of the Internal Revenue Code and similar Kentucky provisions and is classified by the Internal Revenue Service as an organization that is not a private foundation. It has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors. The Association recognizes uncertain income tax positions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain tax positions have been recorded in the accompanying financial statements.

Subsequent Events

Management has evaluated subsequent events for accounting and disclosure requirements through May 2, 2023, the date the financial statements were available to be issued. Effective January 1, 2023, the Association increased its contribution from 8% to 10% to the YMCA Retirement Fund Tax-Deferred Savings Plan (Savings Plan).

Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, requiring all leases to be recognized on the Association's statement of financial position as a right-of-use asset and a lease liability, unless the lease is a short term lease (generally a lease with a term of twelve months or less). At the commencement date of the lease, the Association will recognize: 1) a lease liability for the Association's obligation to make payments under the lease agreement, measured on a discounted basis; and 2) a right-of-use asset that represents the Association's right to use, or control the use of, the specified asset for the lease term. The ASU originally required recognition and measurement of leases at the beginning of the earliest period presented using a modified retrospective transition method. In July 2018, the FASB issued ASU 2018-11, which provided an additional (and optional) transition method that permits application of the updated standard at the adoption date with recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In June 2020, the FASB issued ASU 2020-05, which deferred the effective date of ASU 2016-02. The Association has elected not to recognize a right-of-use asset nor operating lease liability on the statement of financial position given the immaterial nature of its operating and finance leases.

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements, continued

In September 2020, the FASB released ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires a not-for-profit organization to present, apart from contributions of cash or other financial assets, contributed nonfinancial assets as a separate line item within its statement of activities. The ASU also requires additional quantitative and qualitative disclosures. The ASU requires a not-for-profit to disaggregate the non-financial gift, presented in the statement of activities, by asset category and disclose the category type and corresponding asset value. The adoption of the standard in 2022 did not materially impact the financial statements.

Reclassifications

Certain reclassifications have been made to the 2021 financial statements to conform with the 2022 presentation. These reclassifications had no impact on the change in net assets or net assets.

3. Liquidity and Availability

The Association's endowment funds consist of donor-restricted endowments that are not available for general expenditure. The Association also has board designated net assets without donor restrictions that, while the Association does not intend to spend for purposes other than those identified, the amounts could be made available for current operations, if necessary.

The Association's assets available within one year of the statements of financial position date for general expenditures as of December 31, 2022 are as follows:

Cash	**$ 2,023,368**
Restricted cash	**1,423,636**
Accounts receivable	**205,166**
Pledges receivable, net	**324,134**
Investments	**7,244,998**
Total financial assets	**11,221,302**
Less amounts not available to be used within one year due to:	
Board designated funds for debt service	**992,085**
Board designated funds for capital maintenance	**1,255,192**
Board designated funds for endowment	**3,087,853**
Restricted by donors for use in future periods	**96,881**
Restricted by donors for use in perpetuity	**2,874,688**
Total financial assets not available to be used within one year	**8,306,699**
Total financial assets available to meet general expenditures within one year	**$ 2,914,603**

As part of the Association's liquidity management plan, the Association typically invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and money market accounts. As more fully described in Note 8, the Association has a $250,000 line of credit also available to meet liquidity needs.

4. Pledges Receivable

Pledges receivable, net, consisted of the following as of December 31:

	2022	2021
Receivable in less than one year	$ 284,926	$ 213,338
Receivable in one to five years	100,000	150,000
Total pledges receivable	384,926	363,338
Less allowance for doubtful accounts	(17,575)	(9,301)
Less discounts to net present value	(43,217)	(66,347)
Pledges receivable, net	$ 324,134	$ 287,690

The discount rate used on promises to give is 5%.

5. Investments

Investments as of December 31, 2022 are as follows:

	Cost	Market
Cash and cash equivalents	$ 65,691	$ 65,691
Equity securities	2,751,967	2,958,200
Fixed income	1,815,662	1,699,065
Alternative strategies	200,867	196,580
Perpetual trusts held by third parties	2,261,687	2,325,462
Total investments	$ 7,095,874	$ 7,244,998

Investments as of December 31, 2021 are as follows:

	Cost	Market
Cash and cash equivalents	$ 132,452	$ 132,452
Equity securities	2,525,060	3,438,082
Fixed income	1,937,434	1,965,270
Alternative strategies	367,505	233,035
Perpetual trusts held by third parties	2,356,997	2,811,855
Total investments	$ 7,319,448	$ 8,580,694

5. Investments, continued

Total investment return, including change in perpetual trust and investment income, net, for the years ended December 31, 2022 and 2021 is comprised of the following:

	2022	2021
Interest and dividends	**$ 190,577**	$ 159,046
Contributions	**152,078**	-
Realized (losses) gains on investments	**(74,243)**	815,443
Unrealized (losses) gains on investments	**(1,497,522)**	148,168
Distributions	**(143,630)**	(98,638)
Investment fees	**(56,313)**	(70,349)
	$ (1,429,053)	$ 953,670

6. Fair Value Measurements

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities valued using level 3 inputs are based on management's assumptions about the assumptions market participants would utilize in pricing the asset or liability.

Fair value measurements at December 31, 2022 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value in hierarchy:				
Cash equivalents	**$ 65,691**	**$ -**	**$ -**	**$ 65,691**
Equity securities	**2,958,200**	**-**	**-**	**2,958,200**
Fixed income	**-**	**1,699,065**	**-**	**1,699,065**
Alternative strategies	**-**	**196,580**	**-**	**196,580**
Total investments at fair value	**$ 3,023,891**	**$ 1,895,645**	**$ -**	**4,919,536**
Investments measured at net asset value (NAV):				
Perpetual trusts held by third parties				**2,325,462**
Total investments				**$ 7,244,998**

6. Fair Value Measurements, continued

Fair value measurements at December 31, 2021 are summarized as follows:

	Level 1	Level 2	Level 3	Total
Investments measured at fair value in hierarchy:				
Cash equivalents	$ 132,452	$ -	$ -	$ 132,452
Equity securities	3,438,082	-	-	3,438,082
Fixed income	-	1,965,270	-	1,965,270
Alternative strategies	-	233,035	-	233,035
Total investments at fair value	$ 3,570,534	$ 2,198,305	$ -	5,768,839
Investments measured at net asset value (NAV):				
Perpetual trusts held by third parties				2,811,855
Total investments				$ 8,580,694

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There were no changes in the methodologies used to measure fair value during the years ended December 31, 2022 and 2021.

Cash equivalents: Consists of cash and money market accounts which are valued at amortized cost, which approximates fair value.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Alternative strategies: Valued using pricing models maximizing the use of observable inputs for similar securities, primarily consisting of real estate investment trusts.

6. Fair Value Measurements, continued

Perpetual Trusts Held by Third Parties: Four donors have established trusts under which the Association receives benefits that are shared with other beneficiaries. Under the terms of these trusts, the Association has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but they never receive the assets held in trust. There are valued at the YMCA's share of the net asset value (NAV). The NAV of these trusts has been determined by taking the Association's share of the income received annually and multiplying that percentage by the market value of the trust assets. A brief description of the perpetual trusts held by third parties is as follows:

- Stoll Trust: The Association receives 1/3 of the income earned. The income can be used for general operations.
- Mitchell Trust: The Association receives 1/12 of the income earned. The income can be used for general operations.
- Coolidge Trust: The Association receives 100% of the income earned. The income can be used for the benefit of the Jessamine County branch.
- Cooper Trust: The Association receives 50% of the income earned. The income can be used for general operations.

The valuation methodology used by the Association may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation method is 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.

7. Property and Equipment

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

	2022	2021
Land and land improvements	**$ 9,789,392**	$ 9,784,072
Buildings and building improvements	**41,753,788**	41,815,217
Furniture and equipment	**4,555,563**	3,939,056
Vehicles	**4,000**	4,000
Construction in progress	**155,421**	140,340
	56,258,164	55,682,685
Less accumulated depreciation	**(20,653,277)**	(19,155,947)
Property and equipment, net	**$ 35,604,887**	$ 36,526,738

Depreciation expense was $1,533,645 and $1,685,098 for the years ended December 31, 2022 and 2021, respectively.

7. Property and Equipment, continued

On October 23, 2021, the Association received a building at Beaumont Center in Lexington, KY valued at $417,771 and recognized a contributed nonfinancial asset within public support contributions on the 2021 statement of activities. The contributed building will be used for general events and activities. The value of the contributed building was determined by an appraisal obtained by the donor. The Association assumed a commercial note of $155,731 in October of 2021 related to the contributed asset. See Note 9.

On October 31, 2022, the Association deemed the downtown Frankfort building to be fully impaired and recognized a loss on abandonment of $339,654 on the 2022 statement of activities.

8. Line of Credit

In 2013, the Association secured a $250,000 line of credit with a local bank. The line of credit beared interest at the bank's prime rate (3.25% at December 31, 2021) and matures on July 31, 2023. As of December 31, 2022 and 2021, there was no outstanding balance on the account.

9. Notes Payable, Net

Notes payable, net are comprised of the following as of December 31:

	2022	2021
Series 2015A bonds	**$ 12,658,587**	$ 13,358,018
Series 2015B bonds	**2,112,396**	2,220,488
Note payable to a bank entered into during December 2022 for equipment. The note is due in monthly principal payments of $11,924, maturing in December 2025. The note bears annual interest of 1.40%.	**420,000**	-
Note payable entered into during October 2021, payable to The Club at Beaumont Centre, LLC, due in monthly installments of $1,499, maturing in November 2031. This note is non-interest bearing.	**138,373**	151,999
	15,329,356	15,730,505
Less debt issuance costs, net of accumulated amortization of $59,228 and $48,773 for 2022 and 2021, respectively	**(132,437)**	(142,892)
Notes payable, net	**$ 15,196,919**	$ 15,587,613

9. Notes Payable, Net, continued

Future maturities of long-term debt, discussed above, are as follows:

2023	$ **994,132**
2024	**1,019,169**
2025	**1,036,018**
2026	**928,079**
2027	**956,466**
Thereafter	**10,395,492**
	$ 15,329,356

On August 31, 2015, Scott County, Kentucky (the Issuer) issued Cultural and Recreational Revenue and Revenue Refunding Bonds, Series 2015, in two series. The Series 2015B bonds were issued in the aggregate principal amount of $3,000,000. The bonds were issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. The proceeds were used to repay the Variable Rate Demand Industrial Development Revenue Bonds Series 1999 bonds. Interest on the bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the fixed rate of 2.95% until August 31, 2030 then at either a floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2035. These bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The outstanding balance at December 31, 2022 and 2021 was $2,112,396 and $2,220,488, respectively.

In addition to the 2015B series, a Series 2015A was also issued on August 31, 2015 in the aggregate principal amount of $16,000,000 to finance the costs of (i) the construction and equipping of a new facility to be located at 2681 Old Rosebud Road in Lexington, also known as the Whitaker Family YMCA and (ii) the expansion and renovation of the existing facility located at 381 West Louden Avenue in Lexington known as YMCA North. The bonds were also issued pursuant to a promissory note between the Association, the Issuer, and Whitaker Bank (the Holder) of the bonds. Interest on the bonds is payable quarterly, commencing on November 30, 2015, as follows: interest at the rate of 2.95% until August 31, 2030 and at either the floating interest rate equal to the prime rate minus 0.50% per annum subject to a floor of 2.95% and a ceiling of 7.5% or a new fixed interest rate offered by the Holder in writing to the Association not less than 30 days prior to August 31, 2030 until maturity on August 31, 2037. These bonds are secured by an open-end mortgage of real property, security agreement, and assignment of leases and rents. The outstanding balance as of December 31, 2022 and 2021 was $12,658,587 and $13,358,018, respectively. This bond began amortization on November 30, 2017.

10. Endowments

The Association's endowment consists of a fund established to support operations. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association's Board of Directors serve as stewards of the endowment funds in accordance with their interpretation of the Uniform Prudent Management of Institutional Funds Act and applicable laws, and within the provisions of the Association's constitution and by-laws. The Association's Board of Directors has interpreted the Commonwealth of Kentucky's relevant trust laws as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Association classifies as permanently restricted net assets (a) the original value of donor-restricted gifts to the permanent endowment, (b) the original value of subsequent donor-restricted gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Association has adopted investment and spending policies for endowment assets that attempt to optimize total return while retaining sufficient liquidity to meet projected cash requirements to allow for growth of capital and income, and to preserve the principal of the fund.

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The Association maintains an Investment Policy designed to safeguard its assets while maximizing total returns. The Association's Board, through its Finance Committee, selects and monitors an Investment Advisor who determines the appropriate asset allocation and selects investments within the guidelines of the Investment Policy.

The Association's practice is to appropriate a portion of the fund's income for distribution during the year to be made available for expenditure. The Board establishes the annual distribution amount to be consistent with the Association's objective to preserve the principal of endowment assets held in perpetuity.

10. Endowments, continued

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted in perpetuity	**$ -**	**$ 2,874,688**	**$ 2,874,688**
Board designated	**3,087,853**	**-**	**3,087,853**
Total funds	**$ 3,087,853**	**$ 2,874,688**	**$ 5,962,541**

Changes in endowment net assets as of December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$ 3,696,525**	**$ 3,414,225**	**$ 7,110,750**
Investment income, net	**55,534**	**51,114**	**106,648**
Net depreciation (realized and unrealized)	**(664,206)**	**(502,656)**	**(1,166,862)**
Distributions	**-**	**(87,995)**	**(87,995)**
Endowment net assets, end of year	**$ 3,087,853**	**$ 2,874,688**	**$ 5,962,541**

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted in perpetuity	$ -	$ 3,414,225	$ 3,414,225
Board designated	3,696,525	-	3,696,525
Total funds	$ 3,696,525	$ 3,414,225	$ 7,110,750

Changes in endowment net assets as of December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,203,248	$ 3,122,406	$ 6,325,654
Investment income, net	35,668	33,432	69,100
Net appreciation (realized and unrealized)	457,609	353,146	810,755
Contributions	-	5,000	5,000
Distributions	-	(99,759)	(99,759)
Endowment net assets, end of year	$ 3,696,525	$ 3,414,225	$ 7,110,750

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31 are as follows:

	2022	2021
Subject to expenditure for specified purpose:		
Grants	**$ 1,161,386**	$ 1,089,168
Capital campaign	**218,866**	246,955
Annual Giving campaign	**226,003**	152,219
Scholarship programs	**131,859**	148,492
Scott and Jessamine Counties	**36,645**	36,645
Total subject to expenditure for specified purpose	**1,774,759**	1,673,479
Endowments:		
Subject to endowment spending policy	**2,874,688**	3,414,225
Total net assets with donor restriction	**$ 4,649,447**	$ 5,087,704

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donor as follows for the years ended December 31:

	2022	2021
Grants	**$ 1,414,014**	$ 1,591,360
Annual Giving Campaign	**572,760**	566,279
Sponsorship and events	**157,823**	256,892
Scholarship programs	**57,338**	27,403
Investment loss (income), net	**36,745**	(26,241)
Total subject to expenditure for specified purpose	**$ 2,238,680**	$ 2,415,693

12. Defined Contribution Plans

The Association participates in two retirement plans. First is the YMCA Retirement Fund, which is a defined contribution, money purchase, church plan (the Retirement Plan) that is intended to satisfy the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended. The second is the YMCA Retirement Fund Tax-Deferred Savings Plan (the Savings Plan), which is a retirement income account plan as defined in section 403(b)(9) of the Code.

12. Defined Contribution Plans, continued

Both plans are sponsored by the Young Men's Christian Association Retirement Fund (the Fund). The Fund is a Not-for-Profit, tax-exempt pension fund incorporated in the State of New York (1922) organized and operated for the purpose of providing retirement and other benefits for employees of YMCAs throughout the United States. The plans are operated as church pension plans. Participation is available to all duly organized and reorganized YMCAs and their eligible employees. As defined contribution plans, the Retirement Plan and the Savings Plan have no unfunded benefit obligations.

Retirement Plan

The Retirement Plan calls for contributions made by the Association to the Fund at an amount equal to 4% of the participating employees' salary. Under a special annual agreement, the Association can increase the amount of its contribution rate, thereby reducing the required contribution rate from its eligible employees. Employee contributions, as well as any excess contribution rate paid by the Association on behalf of the employee contribution percentage, are vested immediately to the employee. Employees who are 21 years of age and over are eligible to participate in the Retirement Plan on the first day of the month after two years of service, defined as completion of 1,000 hours of compensated employment within a 12-month period. Both employee and employer contributions to the Retirement Plan become immediately vested to the employee upon entrance of the Retirement Plan.

Savings Plan

The Association elected to contribute 4% of employees' eligible compensation during the period of January 1, 2021 to July 16, 2021, then increased to 6% during the period of July 17, 2021 to December 31, 2021. Effective January 1, 2022, the Association increased its contribution from 6% to 8%. The Association contributed $313,248 and $170,886 for the years ended December 31, 2022 and 2021, respectively, of which none was unpaid as of year-end.

Contributions to the Savings Plan are withheld from employee's salaries and remitted directly to the Savings Plan. There is no matching contribution in this plan.

13. Related Party Transactions

For the years ended December 31, 2022 and 2021, $201,313 and $175,514, respectively, was paid to the YMCA of the U.S.A. for support services.

The Kentucky West Virginia Alliance of YMCAs (the Alliance), a 501(c)(4) organization, was created in November 2018 to support the growth and development of YMCAs in Kentucky and West Virginia. The purpose of the Alliance is to provide the following functions to the Alliance members: 1) Build organization capacity of Alliance Member YMCAs, 2) Build strong networks to provide opportunities for peer-to-peer learning and support, 3) Develop Alliance infrastructure, 4) Form collaborations to advance the strategic goals of the Alliance and 5) Advocate and advance the state alliance legislative priorities. The Alliance will provide services in the areas of board development, strategic planning, relationship building, facilitating management agreements, shared services and mergers and advocacy.

13. Related Party Transactions, continued

The YMCA of Central Kentucky provides accounting, payroll and office support for the Alliance and received $6,000 as an administrative fee for the director's office space, as well as administrative services during both years ended December 31, 2022 and 2021.