# YOUNG MEN'S CHRISTIAN ASSOCIATION
# OF METROPOLITAN ATLANTA, INC. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS
## YEAR ENDED DECEMBER 31, 2022
## AND
## INDEPENDENT AUDITORS' REPORT

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SMITH+HOWARD PC

# INDEPENDENT AUDITORS' REPORT

**The Board of Directors**
**Young Men's Christian Association of Metropolitan Atlanta, Inc., and Subsidiaries**

## Opinion

We have audited the accompanying consolidated financial statements of the Young Men's Christian Association of Metropolitan Atlanta, Inc., and Subsidiaries (collectively, the "Association"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Responsibilities of Management for the Consolidated 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 consolidated 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 of this report.

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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.

**Report on Summarized Comparative Information**

We have previously audited the Association's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Smith and Howard

June 29, 2023

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.**
**AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

| | December 31 | |
|---|---|---|
| | **2022** | **2021** |
| Assets | | |
| Cash and cash equivalents | **$ 21,280,638** | $ 23,149,716 |
| Restricted cash | **10,192,525** | 1,280,403 |
| Accounts receivable, net of allowance for doubtful accounts of $750,000 and $0, respectively | **3,195,713** | 2,774,274 |
| Investments, at fair value | **3,750,592** | 5,875,172 |
| Pledges receivable, net | **1,669,220** | 8,219,600 |
| Other assets | **1,531,973** | 2,041,255 |
| Notes receivable | **29,427,200** | 22,247,200 |
| Land, buildings and equipment, net | **241,596,195** | 250,104,378 |
| Right-of-use assets | **2,514,223** | – |
| Long term investments, at fair value | **32,177,274** | 40,617,803 |
| Total assets | **$ 347,335,553** | $ 356,309,801 |
| | | |
| Liabilities and net assets | | |
| Accounts payable | **$ 5,347,921** | $ 7,157,400 |
| Accrued expenses and other current liabilities | **5,073,732** | 2,218,408 |
| Deferred revenue | **7,643,133** | 5,123,021 |
| Custodial liability | **286,976** | 236,661 |
| Interest rate swap agreements | **576,595** | 736,911 |
| Financing lease obligations | **2,526,375** | – |
| Notes payable and debt obligations, net | **105,810,331** | 99,440,644 |
| Total liabilities | **127,265,063** | 114,913,045 |
| | | |
| Without donor restrictions | | |
| Undesignated | **132,881,602** | 138,438,791 |
| Designated by the Board for operating reserve | **3,750,592** | 5,875,172 |
| Designated by the Board for endowment | **8,392,830** | 10,602,155 |
| Total without donor restriction | **145,025,024** | 154,916,118 |
| | | |
| With donor restrictions | | |
| Perpetual in nature | **18,993,427** | 18,993,427 |
| Purpose restrictions | **30,270,301** | 41,178,835 |
| Time-restricted for future periods | **25,781,738** | 26,308,376 |
| Total with donor restriction | **75,045,466** | 86,480,638 |
| | | |
| Total net assets | **220,070,490** | 241,396,756 |
| | | |
| Total liabilities and net assets | **$ 347,335,553** | $ 356,309,801 |

*See accompanying notes.*

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.**
**AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF ACTIVITIES**
**YEAR ENDED DECEMBER 31, 2022, WITH SUMMARIZED FINANCIAL INFORMATION**
**FOR YEAR ENDED DECEMBER 31, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total 2022 | Total 2021 |
|---|---|---|---|---|
| Changes in net assets | | | | |
| Revenues, gains, and other support: | | | | |
| Direct support – Government agencies | $ 36,099,078 | $ – | $ 36,099,078 | $ 30,123,371 |
| Direct support – Public | 4,680,683 | 2,402,861 | 7,083,544 | 14,740,512 |
| Contributions of nonfinancial assets | 12,434,084 | – | 12,434,084 | 12,418,521 |
| Other government support (Note 13) | – | – | – | 15,722,103 |
| Total support | 53,213,845 | 2,402,861 | 55,616,706 | 73,004,507 |
| Membership dues | 32,475,780 | – | 32,475,780 | 23,476,025 |
| Program service fees | 22,861,767 | – | 22,861,767 | 15,853,386 |
| Interest and dividend income | 374,606 | 135,991 | 510,597 | 727,864 |
| Other revenue | 145,544 | – | 145,544 | 212,234 |
| Total revenues, gains, and other support | 109,071,542 | 2,538,852 | 111,610,394 | 113,274,016 |
| Net assets released from restrictions: | | | | |
| Expiration of time and purpose restrictions | 9,604,845 | (9,604,845) | – | – |
| Total revenues, gains, and other support | 118,676,387 | (7,065,993) | 111,610,394 | 113,274,016 |
| Expenses | | | | |
| Program services | 109,223,401 | – | 109,223,401 | 97,278,040 |
| Management and general | 17,353,554 | – | 17,353,554 | 12,963,247 |
| Fund raising | 1,106,011 | – | 1,106,011 | 1,660,122 |
| Total expenses | 127,682,966 | – | 127,682,966 | 111,901,409 |
| Excess (Deficit) of operating revenue over expenses | (9,006,579) | (7,065,993) | (16,072,572) | 1,372,607 |
| Nonoperating activities | | | | |
| Gain on sale of fixed assets | 683,459 | – | 683,459 | 1,238,324 |
| Unrealized gains on interest rate swap | 160,317 | – | 160,317 | 744,511 |
| Net unrealized and realized gains (losses) on investments | (1,728,291) | (4,369,179) | (6,097,470) | 6,118,338 |
| Total nonoperating activities | (884,515) | (4,369,179) | (5,253,694) | 8,101,173 |
| Change in net assets | (9,891,094) | (11,435,172) | (21,326,266) | 9,473,780 |
| Net assets at beginning of year | 154,916,118 | 86,480,638 | 241,396,756 | 231,922,976 |
| Net assets at end of year | $ 145,025,024 | $ 75,045,466 | $ 220,070,490 | $ 241,396,756 |

*See accompanying notes.*

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Year Ended December 31 2022 | 2021 |
|---|---|---|
| Operating activities | | |
| Change in net assets | **$ (21,326,266)** | $ 9,473,780 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | **11,600,886** | 11,861,637 |
| Amortization of debt issuance cost | **181,137** | 159,642 |
| Write off of debt issuance costs | **–** | 714,635 |
| Gain on disposal of land, buildings, and equipment | **(683,459)** | (1,238,324) |
| Contributions restricted for long-term investment | **–** | (4,530) |
| Contributions restricted for capital purposes | **(40,400)** | (3,990,088) |
| Net unrealized and realized gain (loss) on investments | **6,097,470** | (6,118,338) |
| Unrealized gain on interest rate swap | **(160,316)** | (744,511) |
| Bad debt expense | **750,000** | 218,246 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | **(1,171,439)** | (716,860) |
| Pledges receivable, net | **2,083,380** | 146,411 |
| Other assets | **509,282** | (1,618,541) |
| Accounts payable | **(1,809,479)** | (1,600,351) |
| Accrued expenses and other liabilities | **2,855,324** | (1,076,904) |
| Deferred revenue | **2,520,112** | (1,733,421) |
| Custodial liability | **50,315** | 77,204 |
| Net cash provided by operating activities | **1,456,547** | 3,809,687 |
| | | |
| Investing activities | | |
| Proceeds from sales of investments | **4,680,187** | 9,713,865 |
| Purchases of investments | **(212,548)** | (13,079,830) |
| Proceeds from sale of land, buildings, and equipment | **926,607** | 1,661,608 |
| Purchases of land, buildings, and equipment | **(5,850,074)** | (2,962,851) |
| Net cash provided by (used in) investing activities | **(455,828)** | (4,667,208) |
| | | |
| Financing activities | | |
| Cash restricted for long-term investment | **–** | 4,530 |
| Cash restricted for capital purposes | **4,507,400** | 6,500 |
| Issuance of note receivable | **(7,180,000)** | – |
| Payment of debt issuance costs | **(611,450)** | (288,960) |
| Principal payments on financing lease obligations | **(324,825)** | – |
| Proceeds from notes payable and debt obligations | **9,800,000** | 1,145,723 |
| Payments of notes payable and debt obligations | **(3,000,000)** | (2,208,262) |
| Net cash provided by (used in) financing activities | **3,191,125** | (1,340,469) |
| | | |
| Change in cash and cash equivalents and restricted cash | **4,191,844** | (2,197,990) |
| Cash and cash equivalents and restricted cash at beginning of year | **24,430,119** | 26,628,109 |
| Cash and cash equivalents and restricted cash at end of year | **$ 28,621,963** | $ 24,430,119 |
| | | |
| Cash paid for interest | **$ 2,875,468** | $ 2,657,331 |

Schedule of Non-Cash Investing and Financing Activities:

As further described in Note 11, the Association entered into a new term loan during 2021 which was used to pay off certain outstanding debt in the amount of approximately $64,694,000.

During 2022, the Association financed equipment purchases through financing leases in the amount of $2,227,656

*See accompanying notes.*

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.**
**AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**
**YEAR ENDED DECEMBER 31, 2022, WITH SUMMARIZED FINANCIAL INFORMATION**
**FOR YEAR ENDED DECEMBER 31, 2021**

| | Program Services | Management and General | Fund Raising | Total Expenses | |
|---|---|---|---|---|---|
| | | | | 2022 | 2021 |
| Salaries | **$ 34,822,448** | **$ 7,782,546** | **$ 716,076** | **$ 43,321,070** | $ 38,930,780 |
| Employee benefits | **4,604,315** | **1,453,880** | **99,784** | **6,157,979** | 4,744,422 |
| Payroll taxes | **3,110,606** | **1,942,694** | **52,952** | **5,106,252** | 3,763,210 |
| Total salaries and related expenses | **42,537,369** | **11,179,120** | **868,812** | **54,585,301** | 47,438,412 |
| | | | | | |
| Professional fees and contract services | **19,916,596** | **3,135,250** | **121,707** | **23,173,553** | 20,907,141 |
| Supplies | **7,342,661** | **170,580** | **12,172** | **7,525,413** | 5,038,826 |
| Telephone | **651,118** | **181,811** | **-** | **832,929** | 875,946 |
| Postage | **79,925** | **68,846** | **1,435** | **150,206** | 113,252 |
| Occupancy | **14,806,363** | **224,428** | **-** | **15,030,791** | 14,007,735 |
| Equipment expense and maintenance | **2,966,606** | **214,523** | **3,020** | **3,184,149** | 3,643,481 |
| Promotion and printing | **294,169** | **998,980** | **73,662** | **1,366,811** | 861,770 |
| Travel and transportation expense | **782,825** | **79,558** | **3,842** | **866,225** | 613,755 |
| Conferences, meetings, and training | **562,786** | **126,465** | **19,798** | **709,049** | 554,373 |
| Insurance | **1,976,981** | **18,816** | **-** | **1,995,797** | 985,748 |
| National support | **555,262** | **-** | **-** | **555,262** | 41,985 |
| Interest and fees | **4,351,363** | **68,838** | **-** | **4,420,201** | 3,737,082 |
| Depreciation and amortization | **11,437,372** | **257,572** | **-** | **11,694,944** | 11,861,637 |
| Write-off of bond issuance costs | **-** | **-** | **-** | **-** | 714,635 |
| Bad debt expense | **750,000** | **-** | **-** | **750,000** | 218,246 |
| Recruitment, retention and relocation | **155,817** | **267,988** | **1,164** | **424,969** | 209,878 |
| Miscellaneous | **56,188** | **360,779** | **399** | **417,366** | 77,507 |
| Total expenses | **$ 109,223,401** | **$ 17,353,554** | **$ 1,106,011** | **$ 127,682,966** | $ 111,901,409 |

*See accompanying notes.*

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.
AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

## Note 1 – Organization and Purpose

The Young Men's Christian Association of Metropolitan Atlanta, Inc. (the YMCA, and collectively, the Association), reflecting its Judeo-Christian heritage, is an association of volunteers, members and staff, open to and serving all, providing programs and services which develop spirit, mind and body. All programs are directed toward strengthening the foundations of community. Financial assistance is available based on need. The YMCA actively seeks to identify and involve those in need. The YMCA is comprised of the Metropolitan YMCA, 24 branches and two resident camps. The Association's program areas of focus are youth development, healthy living and social responsibility. The programs are funded primarily by charitable contributions, foundation and government grants, and membership and program fees.

The Early Childhood Development Co., LLC (the ECDC) was incorporated in 1999 to operate the Head Start program. Head Start is a federally funded program that provides services in both early childhood development and health. Parents play an integral part in the program by attending parent education classes, serving on committees, and providing transportation.

The YMCA Community Development Co., LLC (the CDC) was incorporated in 2002 to receive, hold, administer, and oversee grant funding for certain community oriented programs and projects in the metropolitan Atlanta area.

The YMCA East Lake Youth Center, LLC (the ELYC) was incorporated in 2011 to receive, hold, administer, and oversee the funding for the East Lake Youth Center.

YMCA East Lake Capital, LLC (East Lake Capital) was incorporated in 2011 to manage the funds related to the New Market Tax Credit (NMTC) program obtained for the East Lake Youth Center. The NMTC program for which these entities were incorporated expired during 2019 and were subsequently dissolved.

The Atlanta YMCA Westside QALICB, Inc. (QALICB), was incorporated in 2017 to enable the YMCA to efficiently finance (via NMTC and other mechanisms) projects in Atlanta's Westside.

The YMCA Woodson Park QALICB, Inc. (Woodson QALICB), was incorporated in 2019 to manage the funds related to the NMTC program obtained for the Woodson Park Early Learning Center.

The Atlanta YMCA Young QALICB, Inc. (Young QALICB) was incorporated in 2022 to enable the YMCA to finance renovations at the Andrew and Walter Young Family YMCA.

The ECDC, the CDC, and the ELYC are membership corporations with the YMCA as the only member of each entity. The QALICB, Woodson QALICB, and Young QALICB are designated as 501(c)(3) entities by the Internal Revenue Service and were established to operate exclusively for the benefit of and to carry out the purpose of the YMCA.

## Note 2 – Significant Accounting Policies and Other Matters

### Basis of Accounting and Principles of Consolidation

The accounting and reporting policies of the YMCA and its subsidiaries comply with accounting principles generally accepted in the United States of America (GAAP).

The consolidated financial statements include the accounts of the Young Men's Christian Association of Metropolitan Atlanta, Inc.; Early Childhood Development Co., LLC; YMCA Community Development Co., LLC; YMCA East Lake Youth Center, LLC; YMCA East Lake Capital, LLC; The Atlanta YMCA Westside QALICB, Inc., YMCA Woodson Park QALICB, Inc., and the Atlanta YMCA Young QALICB, Inc. (collectively, the Association). All significant inter-company accounts and transactions have been eliminated.

### Adoption of New Accounting Policies

Effective January 1, 2022, the Association adopted Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). The objective of this ASU is to increase transparency and comparability in financial reporting by requiring statement of financial position recognition of leases and note disclosure of certain information about lease arrangements. The Association adopted ASU 2016-02 using the modified retrospective method. This method allows the standard to be applied retrospectively through a cumulative catch-up adjustment to net assets recognized upon adoption, if necessary. Adoption of ASU 2016-02 did not result in changes to the Association's beginning net assets balance. Additionally, upon adoption, the Association elected to use risk-free discount rate, an option only available to private entities, when calculating the present value of future lease payments and has made an accounting policy election to not recognize lease assets and lease liabilities for leases with terms of 12 months or less. Adoption of this ASU did not have an impact on the Association's consolidated financial statements.

In addition, effective January 1, 2022, the Association adopted ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The ASU improves the transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The Association applied ASU 2020-07 on a retrospective basis. This ASU did not have a material impact on the accompanying consolidated financial statements.

**Note 2 – Summary Of Significant Accounting Policies (Continued)**

Net Assets

The Association's net assets and its support and revenues are classified based on the existence or absence of donor-imposed restrictions using the following net asset classifications:

- Net Assets Without Donor Restrictions – Net assets available for use in the general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Directors.

- Net Assets With Donor Restrictions – Net assets subject to donor imposed or legal restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met with the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

***Public Support***

Contributions

Contributions are recognized as revenue when an unconditional promise to give is made or when cash is received, if an unconditional promise does not exist. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restriction. Unconditional promises to give are classified as net assets without donor restrictions. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

A donor-imposed restriction is satisfied when a stipulated time restriction expires or when a purpose restriction is accomplished. Upon satisfaction, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions that are both received and released in the same year are recorded as net assets without donor restrictions.

Donor-imposed restrictions that require the principal be maintained in perpetuity reflect the principal amount of that contribution and is reported as net assets with donor restrictions. Investment income either permanently or temporarily restricted by the donor is classified as net assets with donor restriction.  If no donor-imposed restriction exists investment income is classified as net assets without donor restriction.

## Note 2 – Significant Accounting Policies and Other Matters (Continued)

### *Public Support (Continued)*

Contributions (Continued)

Contributions of long-lived assets are recorded at the estimated fair value at the date of receipt and are recorded as net assets without donor restriction unless the use of such contributed assets is subject to donor-imposed restrictions. Contributed long-lived assets with donor-imposed stipulations limiting their use are reported as net assets with donor restrictions. The Association does not imply time restrictions on contributions of long-lived assets (or of other assets restricted to the purchase of long-lived assets) received without donor stipulations about how long the contributed assets must be used. As a result, contributions of cash and other assets restricted to the acquisition of long-lived assets are reported as net assets with donor restrictions; those restrictions expire when the 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 immigration and health and welfare related programs. Such 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. Direct support is recognized as conditions are satisfied, primarily as expenses are incurred.

Certain direct and indirect support from government agencies is subject to independent audit under the Office of Management and Budget Uniform Guidance and review by grantor agencies. Such review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Management believes that costs ultimately disallowed, if any, would not materially affect the consolidated financial position of the Association.

Donations in Kind and Contributed Services

Donations in kind and contributed services are recorded at their estimated fair value at the date the contribution becomes an unconditional promise to give. Donated leases are reflected as net assets with donor restriction and as land, buildings, and equipment in the consolidated financial statements. Donated materials are recorded at the time the donated items are placed into service or distributed.

Contributed services are reported at their fair value if such services create or enhance non-financial assets. These services would have been purchased if not provided by contributions, and require specialized skills. A substantial number of volunteers have donated significant amounts of time and services in the Association's program operations and in its fund-raising campaigns. However, the Association does not record such contributed services as they do not meet the criteria for revenue recognition.

**Note 2 – Significant Accounting Policies and Other Matters (Continued)**

***Revenue Recognition***

The YMCA has multiple revenue streams that are accounted for as reciprocal exchange transactions including membership and program fees, and government contract revenues.

Because the YMCA's performance obligations relate to contracts with a duration of less than one year, the YMCA has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), Revenue from Contracts with Customers, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

<u>Membership dues and program fees</u>

Membership dues and program fees consist of amounts that families and individuals pay to participate in health, fitness, education and recreation activities and programs. Members join for varying lengths of time and may cancel at any time. Members generally pay a onetime joining fee plus monthly dues in advance. Memberships provide use of the recreation facilities, access to free classes, programs and activities, and discounts to fee-based programs. The YMCA offers a variety of programs including family, childcare, day camp, resident camp, teen, scholastic, fitness, aquatics, health, immigration, and international services. Fee-based programs are available to the public. Program fees for short duration programs of two months or less, such as aquatics classes, are typically paid in advance at the time of registration. Program fees for longer duration programs, such as fee-based childcare, are usually paid monthly in advance. Cancellation provisions vary by program, but most transactions are cancellable with 15 to 30 days' notice. Refunds may be available for services not provided. Financial assistance is available to members and program participants. Such financial assistance is reflected as a reduction of gross membership dues and program fees.

Membership dues and program fees are recognized once payment is received, over the period the membership or program service is provided, on a straight-line basis in an amount that reflects the consideration the YMCA expects to be entitled to in exchange for those services. All the YMCA's revenue from contracts with customers are from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. Membership joining fees are fully recognized at the membership start date.

Membership dues and program fees paid to the YMCA in advance represent contract liabilities and are recorded as deferred revenue. During 2022 and 2021, $4,531,102 and $2,891,155, respectively, included in deferred revenues relating to membership dues and program fees at December 31, 2021 and December 31, 2020, respectively, were recognized in income. Deferred revenues at December 31, 2022 of $6,068,346 relating to membership dues and program fees are expected to be recognized as revenue during 2023.

**Note 2 – Significant Accounting Policies and Other Matters (Continued)**

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents and restricted cash are short-term, highly liquid investments with original maturities of three months or less, with the exception of cash held for reinvestment which is included in investments and long-term investments. Cash and cash equivalents and restricted cash on hand consisted of the following at December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | **$ 21,280,638** | $ 23,149,716 |
| Restricted cash for capital projects | **10,192,525** | 1,280,403 |
| | **$ 31,473,163** | $ 24,430,119 |

Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges receivable that are expected to be collected within one year are recorded at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of the estimated future cash flows and are discounted at the rate applicable to the year in which the pledge was made. The discount rate is commensurate with the risk associated with the ultimate collection of the receivable, including collectability, at the date of the contribution. The discount is amortized using an effective yield over the expected collection period of the receivables and is recorded as contribution revenue.

Land, Buildings, and Equipment

Land, buildings, land and leasehold improvements, capital leases, and equipment are recorded at acquisition cost or, if donated, at fair value at the date of donation. Acquisition costs include costs necessary to get the asset ready for its intended use. Certain application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of land leases and capital leases is computed using the straight-line method over the shorter of the expected lease terms or useful lives. Useful lives of the respective assets follow:

| | |
|---|---|
| Buildings and improvements | 30-40 years |
| Land improvements | 20-30 years |
| Leasehold improvements | 3-10 years |
| Equipment, computer hardware and software, vehicles | 3-10 years |

Land, buildings, and equipment are periodically reviewed for impairment based on an assessment of future operations. The Association records impairment losses on land, buildings, and equipment used in operations when indicators of impairment are present and the estimated undiscounted cash flows expected to be generated by those assets are less than the assets' carrying amount. For the years ended December 31, 2022 and 2021, no impairment losses were recognized.

## Note 2 – Significant Accounting Policies and Other Matters (Continued)

### Endowment Investment Earnings

Investment income and net appreciation (depreciation) on investments of donor endowments are presented net of investment fees and are reported as net assets with donor restrictions.

### Deferred Revenue

Funds received by the YMCA for services related to childcare, membership, and other programs that are designated for or related to future years' activities are deferred and recognized as revenue in the period in which the revenue is earned. In certain instances, gains from the sale of properties are deferred and recognized as revenue in the period in which the revenue is earned.

### Custodial Liability

Custodial liabilities represent cash held for others in which the YMCA acts as a fiscal agent.

### Fair Value Measurements

The Association records certain assets and liabilities at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting Standards Codification (ASC) 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value.

This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

a. Quoted prices for similar assets or liabilities in active markets;
b. Quoted prices for identical or similar assets in markets that are not active;
c. Observable inputs other than quoted prices for the asset or liability;
d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Inputs that are unobservable and significant to the overall fair value measurement of the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed from sources independent of the reporting entity.

## Note 2 – Significant Accounting Policies and Other Matters (Continued)

Fair Value Measurements (Continued)

Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

- Money market funds are principally valued at the regular trading session closing price on the exchange or market in which such funds are principally traded on the last business day of each period presented using the market approach.
- United States government agency obligations and corporate bonds are valued on the basis of evaluated prices provided by independent pricing services when such processes are believed to reflect the fair market value of such securities using the income approach.
- Corporate stocks and mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such securities are principally traded on the last business day of each period presented using the market approach.
- Interest rate swaps consist of swap contracts and are valued primarily based on data readily observable in public markets presented using the income approach.

The preceding valuation methodologies 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 methodologies 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.

The Association has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. See Note 5.

## Note 2 – Significant Accounting Policies and Other Matters (Continued)

Fair Value Measurements (Continued)

Institutional commingled funds and non-marketable investments are valued using the net asset value (NAV) of the Association's ownership in each fund. Certain investments that are measured using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in Note 5 are intended to permit reconciliation of the fair value hierarchy to the carrying values.

The Association's financial instruments consist of cash and cash equivalents, investments, accounts receivable, pledges receivable, notes receivable, long-term investments, accounts payable, accrued expenses and other liabilities, notes payable and capital obligations, bonds payable, and interest rate swaps.

The carrying value of cash and cash equivalents, accounts receivable, pledges receivable, notes receivable, accounts payable, accrued expenses and other liabilities, notes payable and capital obligations and bonds payable approximate fair value. Investments, long-term investments, and interest rate swaps are recorded at fair value.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Association to concentrations of credit and market risk consist primarily of cash and cash equivalents, accounts and notes receivables, pledge receivables and investments. Cash and cash equivalents are maintained at large multistate financial institutions and credit exposure is limited to the amount of deposits at any one institution in excess of the federally insured limit. Accounts and notes receivable are due from a large number of government agencies, entities and individuals, therefore, diversifying the related concentration of credit risk. Pledge receivables are concentrated in a small number of entities located in Atlanta, Georgia. The Association's investments do not represent significant concentrations of market risk as the Association's investment portfolio is diversified among issuers.

Endowments

The Association's endowment consists of 37 individual funds established for a variety of purposes. Its endowment includes both donor-restricted and board-designated endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## Note 2 – Significant Accounting Policies and Other Matters (Continued)

Endowments (Continued)

*Interpretation of Relevant Law*

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in the state of Georgia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent 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. Donor restricted amounts not retained in perpetuity will continue to be classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation
(5) The expected total return from income and the appreciation and depreciation of investments
(6) Other resources of the Association
(7) The investment policies of the Association

*Spending Policy*

The Association has an endowment spending policy to spend the investment earnings from the endowment fund assets that is based on a total return formula and considers the long-term expected return. Such allocation of investment earnings for spending may equal up to 5% of the related investments' average market value for the prior 12 quarters less investment expenses for the current year calculated at June 30 of the prior year. During 2022, the Board approved a 7% distribution from the endowment. The Association's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## Note 2 – Significant Accounting Policies and Other Matters (Continued)

### Endowments (Continued)

*Return Objectives and Risk Parameters*

The Association's investment policy for endowment assets was monitored by the Finance and Audit Committee of its Board of Directors. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. In addition to the spending policy, the investment policy describes the objective for the fund and sets ranges for asset allocation. The objective is to earn the highest possible total return consistent with a level of risk suitable for these assets. At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund the spending policy. The desired minimum rate of return is equal to the Consumer Price Index (CPI) plus 500 basis points on an annualized basis. Actual returns in any given year may vary from this amount.

The portfolio is constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time. The endowment assets are invested for the long-term, and a higher short-term volatility in these assets is expected. The following is a summary of the asset allocation guidelines, with allowable ranges for each asset type.

| Asset Category | Minimum | Target | Maximum |
|---|---|---|---|
| Cash | – % | – % | 30% |
| Fixed income securities | 10% | 30% | 50% |
| Equity securities | 40% | 70% | 90% |
| Alternative assets | – % | – % | 15% |

### Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization which is allocated by direct cost, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

### Tax Status

The Young Men's Christian Association of Metropolitan Atlanta, Inc. is an organization exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Early Childhood Development Co., LLC; YMCA Community Development Co., LLC; YMCA East Lake Youth Center, LLC and YMCA East Lake Capital, LLC are single member organizations. The Atlanta YMCA Westside QALICB, Inc., YMCA Woodson Park QALICB, Inc., and YMCA Young QALICB, Inc. are 501(c)(3) organizations established with their sole purpose to carry out the purposes of the YMCA of Metro Atlanta.

## Note 2 – Significant Accounting Policies and Other Matters (Continued)

Tax Status (Continued)

The FASB guidance requires tax effects from uncertain tax positions to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined that there are no material uncertain positions that require recognition in the consolidated financial statements. Additionally, no provision for income taxes is reflected in these consolidated financial statements. Interest and penalties would be recognized as tax expense; however, there is no interest or penalties recognized in the consolidated statements of activities. In general, the Association is not subject to tax examinations for the tax years ending before December 31, 2019.

Use of Estimates

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

Presentation of Certain Prior Year Information

The consolidated financial statements include certain summarized comparative information from the prior year in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association’s consolidated financial statements for the year ended December 31, 2021, from which the summarized information was derived.

## Note 3 – Liquidity and Availability

Financial assets available for general expenditure that is without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date comprise the following at December 31:

| | 2022 | 2021 |
|---|---|---|
| Cash and Cash Equivalents | **$ 21,280,638** | $ 23,149,716 |
| Accounts Receivable | **3,195,713** | 2,774,274 |
| Operating Investments | **3,750,592** | 5,875,172 |
| Endowment Spending Rate Distributions and Appropriations | **2,230,233** | 114,008 |
| | **$ 30,457,176** | $ 31,913,170 |

## Note 3 – Liquidity and Availability (Continued)

Endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Income from the endowment is restricted for specific purposes, with the exception of the amounts available for general use. Donor restricted endowments are not available for general use.

The Association's board designated endowment of $8,392,830 is subject to an annual spending rate of up to 5.00% described in detail in Note 2. Although the Association does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure), these amounts could be made available if necessary.

A part of the Association's liquidity management plan includes cash reserves growth. To meet this objective, the Association invests excess cash in various short-term instruments. The value of the reserves was $3,750,592 and $5,875,172 as of December 31, 2022 and 2021, respectively.

As described in Note 11 below, the Association also has a line of credit in the amount of $5,000,000 of which it has $5,000,000 of available credit at December 31, 2022, which can be drawn upon in the event of an unanticipated liquidity need.

## Note 4 – Investments and Long Term Investments

Investments and long term investments consist of the following at December 31:

| | **2022** | 2021 |
|---|---|---|
| Money Market | **$ 24,455,238** | $ 171,800 |
| U.S. Government agency obligations and corporate bonds | **9,682,221** | 13,318,275 |
| Diversified institutional commingled funds | **-** | 31,393,149 |
| Non-Marketable Funds | **1,723,483** | 1,542,827 |
| Other | **66,924** | 66,924 |
| | **$ 35,927,866** | $ 46,492,975 |

The Association's diversified institutional commingled funds are not directly publicly traded but are valued using the net asset value of the Association's balance of the fund. Institutional commingled funds consist of investments in diversified U.S., international, and emerging markets equities and diversifying strategies. Depending on the underlying asset, the fair value is determined through the national exchange price for securities with a readily determinable value or valuations and estimates typically determined by the fund's management. The financial statements of these funds are audited annually (at June 30) by independent auditors.

**Note 4 – Investments and Long Term Investments (Continued)**

Because institutional commingled funds are not immediately marketable given the nature of the underlying strategies and the terms of the governing partnership agreements, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that may be received if a ready market for the investments had been in existence, and the difference could be material. The funds are diversified across strategies, managers and geography. At December 31, 2022, the Association's institutional commingled funds were liquidated and transferred to a new fund manager with the funds temporarily held in money market accounts.

Non-marketable funds consist of limited partnerships and involve an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. The expected liquidation date is unknown. There is not an active secondary market for these funds and the liquidity of these funds are determined by the general partner. These funds are valued using the net asset value of the Association's balance of the fund. The fair value is provided by the management of the partnership.

The Association's investments carried at net asset value are subject to varying redemption terms and notice periods as detailed below:

| As of December 31, 2022 | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Non-marketable funds | $ 1,723,483 | $ 302,250 | N/A | N/A |
| Total | $ 1,723,483 | $ 302,250 | | |

| As of December 31, 2021 | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Diversified institutional commingled funds | $ 31,393,149 | $ - | Monthly | 5 days |
| Non-marketable funds | 1,542,827 | 579,331 | N/A | N/A |
| Total | $ 32,935,976 | $ 579,331 | | |

Investment income is reflected net of investment management fees of $77,780 and $101,897 for the years ended December 31, 2022 and 2021 respectively.

The Association's marketable securities do not represent significant concentrations of market risk inasmuch as the Association's marketable securities portfolio is diversified among issuers. The fair value of these investments was $34,204,383 and $44,950,148 at December 31, 2022 and 2021, respectively.

## Note 5 – Fair Value Measurements

The following table summarizes the assets and liabilities measured at fair value on a recurring basis at December 31, 2022:

| | Total | Level 1 | Level 2 | Level 3 | NAV |
|---|---|---|---|---|---|
| **Investments, at fair value** | | | | | |
| Money market | $ 463,933 | $ 463,933 | $ - | $ - | $ - |
| Corporate Bonds | 3,286,659 | - | 3,286,659 | - | - |
| Total Investments at Fair Value | 3,750,592 | 463,933 | 3,286,659 | - | - |
| **Long term investments, at fair value** | | | | | |
| Money Market | 23,991,305 | 23,991,305 | - | - | - |
| Corporate bonds | 6,395,562 | - | 6,395,562 | - | - |
| Diversified institutional commingled funds | - | - | - | - | - |
| Non-Marketable Funds | 1,723,483 | - | - | - | 1,723,483 |
| Other | 66,924 | - | - | 66,924 | - |
| Total Investments at Fair Value | $ 32,177,274 | $ 23,991,305 | $ 6,395,562 | $ 66,924 | $ 1,723,483 |
| **Liabilities** | | | | | |
| Interest rate swaps | $ 576,595 | $ - | $ - | $ 576,595 | $ - |

## Note 5 – Fair Value Measurements (Continued)

The following table summarizes the assets and liabilities measured at fair value on a recurring basis at December 31, 2021:

| | Total | Level 1 | Level 2 | Level 3 | NAV |
|---|---|---|---|---|---|
| **Investments, at fair value** | | | | | |
| Money market | $ 120,088 | $ 120,088 | $ - | $ - | $ - |
| Corporate Bonds | 5,755,084 | - | 5,755,084 | - | - |
| Total Investments at Fair Value | $ 5,875,172 | $ 120,088 | $ 5,755,084 | $ - | $ - |
| **Long term investments, at fair value** | | | | | |
| Money Market | $ 51,711 | $ 51,711 | $ - | $ - | $ - |
| Corporate bonds | 7,563,192 | - | 7,563,192 | - | - |
| Diversified institutional commingled funds | 31,393,149 | - | - | - | 31,393,149 |
| Non-Marketable Funds | 1,542,827 | - | - | - | 1,542,827 |
| Other | 66,924 | - | - | 66,924 | - |
| Total Investments at Fair Value | $ 40,617,803 | $ 51,711 | $ 7,563,192 | $ 66,924 | $ 32,935,976 |
| **Liabilities** | | | | | |
| Interest rate swap | $ 736,911 | $ - | $ - | $ 736,911 | $ - |

## Note 6 – Pledges Receivable

Pledges receivable include the following at December 31:

| | **2022** | 2021 |
|---|---|---|
| Pledges receivable due in: | | |
| Less than one year | **$ 2,111,167** | $ 4,149,335 |
| One year to five years | **-** | 4,527,271 |
| | **2,111,167** | 8,676,606 |
| Allowance for uncollectible pledges | **(441,947)** | (441,947) |
| Allowance for discount to fair value | **-** | (15,059) |
| | **$ 1,669,220** | $ 8,219,600 |

At December 31, 2021, pledges receivable were discounted at rates ranging from 1.36% to 3.51%. At December 31, 2022, no discount was necessary. At December 31, 2022, two donors made up 78% of the pledges receivable balance. At December 31, 2021, three donors made up 91% of the pledges receivable balance.

## Note 6 – Pledges Receivable (Continued)

Conditional pledges are recorded when donor requirements are met. At December 31, 2022, there were no conditional pledges outstanding for which donor requirements had not been met.

## Note 7 – Notes Receivable

As part of the NMTC program (see Note 12), in December 2019, the YMCA entered into an agreement to lend $7,353,500 to the GP YMCA Atlanta Investment Fund. All principal on the note receivable is due and payable at the maturity date of June 1, 2048.

In October 2017, the YMCA entered into an agreement to lend $14,893,700 to the YMCA Investment Fund. All principal on the YMCA Investment Fund notes receivable is due and payable at the maturity date of October 5, 2044.

In October 2022, the YMCA entered into an agreement to lend $7,180,000 to the YFYMCA Atlanta Investment Fund, LLC. All principal on the YFYMCA Atlanta Investment Fund notes receivable is due and payable at the maturity date of December 1, 2052.

Management evaluated the financial condition of the borrowers and considered the notes receivable fully collectible. Accordingly, no allowance for doubtful accounts is recorded as of December 31, 2022.

## Note 8 – Land, Buildings, and Equipment

The components of land, buildings, and equipment recorded in the consolidated financial statements are as follows at December 31:

| | 2022 | 2021 |
|---|---|---|
| Land and land improvements | **$ 64,751,189** | $ 65,022,122 |
| Buildings and improvements | **246,689,320** | 247,349,689 |
| Leasehold improvements | **18,312,007** | 18,312,007 |
| Equipment | **61,807,927** | 56,277,701 |
| Capitalized lease assets | **8,417,142** | 8,417,142 |
| Donated land leases | **35,918,133** | 35,918,133 |
| | **435,895,718** | 431,296,794 |
| Accumulated amortization for assets related to capital leases | **(8,417,142)** | (7,818,306) |
| Accumulated depreciation and other amortization | **(187,566,859)** | (176,933,730) |
| | **239,911,717** | 246,544,758 |
| Construction in progress | **1,684,478** | 3,559,620 |
| | **$ 241,596,195** | $ 250,104,378 |

### Note 8 – Land, Buildings, and Equipment (Continued)

Amortization expense for capitalized computer software costs was $820,499 for the years ended December 31, 2022 and 2021. Unamortized computer software costs were $676,528 and $1,497,027 as of December 31, 2022 and 2021, respectively.

### Note 9 – Donated Property, Leases, Materials, and Services

The Association received the following donated property, leases, materials, and services as of December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| Donated services | $ 6,767,537 | $ 5,937,984 |
| Donated space | 3,391,010 | 3,517,010 |
| Other | 95,780 | 213,749 |
| Capitalized Donated leases | 2,179,757 | 2,749,778 |
| | $ 12,434,084 | $ 12,418,521 |

Donated services received include consulting and teaching services used in the Head Start program and are valued based current market rates for teaching services based on the valuation reports provided by either the school district or related organization providing the donation. Donated space relates to donation of space to operate the Head Start program. The fair value of donated space is determined by appraisal performed by a third party.

The fair value, lease term, and lease start date of donated land leases recorded in Land, Buildings, and Equipment at December 31, 2022 and at date of donation based on appraisal performed by a third party at the time of donation, are as follows:

| Donated Lease | Fair Value at Donation Date | Unamortized Value at December 31, 2022 | Year of Lease Start Date | Lease Term in Years |
|---|---|---|---|---|
| Facility use – City of Alpharetta | $ 2,100,000 | $ 1,747,779 | 1998 | 30 |
| Land use - East Lake Community | 595,000 | 558,498 | 2001 | 54 |
| Facility use - Atlanta Housing Authority | 3,650,000 | 1,334,320 | 1998 | 30 |
| Land use - City of Covington | 335,000 | 188,697 | 1999 | 30 |
| Land use - Atlanta Housing Authority | 1,250,000 | 1,220,646 | 2004 | 57 |
| Facility use - City of Canton | 17,588,133 | 16,773,339 | 2006 | 49 |
| Facility use - DeKalb County | 10,050,000 | 6,586,319 | 2012 | 30 |
| Land use – Bartow County | 350,000 | 152,279 | 2010 | 20 |
| | $ 35,918,133 | $ 28,561,877 | | |

## Note 10 – Deferred Revenue

Deferred revenue includes the following at December 31:

| | | **2022** | | 2021 |
|---|---|---|---|---|
| Membership fees | **$** | **3,204,821** | $ | 2,141,691 |
| Program fees | | **2,863,525** | | 956,389 |
| Deferred gain on sale of properties | | **690,709** | | 718,338 |
| Miscellaneous | | **884,078** | | 1,306,603 |
| | **$** | **7,643,133** | $ | 5,123,021 |

## Note 11 – Notes Payable and Debt Obligations

Notes payable and lease obligations include the following at December 31:

| | | **2022** | | 2021 |
|---|---|---|---|---|
| Amounts outstanding under line of credit (a) | **$** | **-** | $ | - |
| Bridge loans payable (b) | | **-** | | 3,000,000 |
| Term loan (c) | | **65,000,000** | | 65,000,000 |
| NMTC notes payable (See Note 12) | | **42,230,000** | | 32,430,000 |
| Less debt issuance costs | | **(1,419,669)** | | (989,356) |
| | **$** | **105,810,331** | $ | 99,440,644 |

(a) In 2020, the Association entered into a revolving line of credit in the amount of $5,000,000. Borrowings on the line of credit was $0 at December 31, 2022. Interest is based on the monthly LIBOR index rate plus 185 points, with a floor of 2.6%. At December 31, 2022, the interest rate was 5.85%. The line of credit is collateralized by the assets of the YMCA. In 2021, the outstanding balance of the line of credit was paid in full as part of a debt refinancing transaction (see note 21). After the refinancing, the Association has a line of credit in the amount of $5,000,000 of which it has $5,000,000 of available credit. The line of credit matures in March 2024.

(b) In 2019, the YMCA entered into a bridge loan for $8,000,000 with a bank to bridge capital campaign pledges and grant funds expected to be received for the Woodson Park Early Learning Center. These funds were invested in the GP YMCA Atlanta Investment Fund, LLC as part of the NMTC transaction. The loan matured March 2022 at which time the balance was paid in full.

**Note 11 – Notes Payable and Debt Obligations, (Continued)**

(c) In 2021, the YMCA entered into a two-year term loan agreement in the amount of $65,000,000. Interest accrued at LIBOR plus 2% (effective rate of 6% as of December 31, 2022). Subsequent to year end, the loan was amended and restated. At that time, the Association paid $3,000,000 on the loan and the interest rate was amended to the Secured Overnight Financing Date (“SOFR”) with a floor of 1.45% The YMCA is to make 4 principal payments of $500,000 each on March 31, June 30, September 30, and December 31 of 2023. The remaining principal is due at maturity. The term loan is collateralized by the assets of the YMCA and matures on January 7, 2024. Interest incurred on the term loan during 2022 and 2021 was $2,457,166 and $1,795,507.

The line of credit and term loan includes financial covenants to maintain minimum debt service coverage ratios, minimum consolidated net assets, and limits on capital expenditures. At December 31, 2022, the Association is in compliance with all covenants.

Rent expense for facilities, including donated leases in 2022 and 2021, was $6,434,986 and $9,141,441, respectively.

**Note 12 –New Market Tax Credit Financing Transactions**

The Association participates in New Market Tax Credit (NMTC) programs. NMTC financing allows organizations such as the Association to receive low-interest loans or investment capital from certified community development entities (CDEs), which will allow their investors to receive tax credits.

In 2022, AEMI Fund XXIX, LLC made NMTC enhanced loans totaling $9,800,000 (the QALICB NMTC Loan) to the Atlanta YMCA Young QALICB, Inc. (Young QALICB) a 501(c)(3) controlled by the Association to for renovations to the Andrew and Walter Young Family YMCA. The YFYMCA Atlanta Investment Fund, LLC (Young YMCA Investment Fund), a Georgia limited liability company, contributed capital totaling $10,000,000 to the CDE’s as a capital contribution. Truist Community Capital, LLC invested $3,120,000 in the Young YMCA Investment Fund and the YMCA made a loan (YMCA Investment Fund Leverage Loan) of $7,180,000 to the YMCA Investment Fund.

The Young QALICB NMTC Loan has an interest rate of 1.00% per annum and interest shall be paid quarterly on the outstanding principal balance until the end of the credit period which is December 1, 2056. The Young QALICB NMTC Loan is not eligible for prepayment and the entire principal amount outstanding is due and payable on the maturity date. At the NMTC Loan’s maturity date, Young QALICB will pay the Sub CDE’s the principal amounts due. The Sub-CDE’s will distribute the principal amounts to the Young YMCA Investment Fund and the Young YMCA Investment Fund will repay the YMCA the YMCA Investment Fund Leverage Loan. At the Young QALICB NMTC Loan’s maturity date, the YMCA is able to purchase the outstanding interests in the YMCA Investment Fund at a nominal amount.

**Note 12 –New Market Tax Credit Financing Transactions (Continued)**

In 2019, NFF New Markets Fund XXXVIII, LLC and ST CDE LXIV, LLC made NMTC enhanced loans totaling $10,730,000 (the QALICB NMTC Loan) to the YMCA Woodson Park QALICB, Inc. (Woodson QALICB) a 501(c)(3) controlled by the Association to develop the Woodson Park Early Learning Center. The GP YMCA Atlanta Investment Fund, LLC (GP YMCA Investment Fund), a Georgia limited liability company, contributed capital totaling $9,000,000 to the CDE's as a capital contribution. SunTrust Community Capital invested $4,290,000 in the GP YMCA Investment Fund and the YMCA made a loan (YMCA Investment Fund Leverage Loan) of $7,353,500 to the YMCA Investment Fund.

The Woodson QALICB NMTC Loan has an interest rate of 1.00% per annum and interest shall be paid quarterly on the outstanding principal balance until the end of the credit period which is December 1, 2025. The Woodson QALICB NMTC Loan is not eligible for prepayment and the entire principal amount outstanding is due and payable on the maturity date. At the NMTC Loan's maturity date, Woodson QALICB will pay the Sub CDE's the principal amounts due. The Sub-CDE's will distribute the principal amounts to the GP YMCA Investment Fund and the GP YMCA Investment Fund will repay the YMCA the YMCA Investment Fund Leverage Loan. At the Woodson QALICB NMTC Loan's maturity date, the YMCA is able to purchase the outstanding interests in the YMCA Investment Fund at a nominal amount.

In 2017, AEMI Fund XVI, LLC, ST CDE LXXXI, LLC, and MBS-UI Sub-CDE 37, LLC (Sub CDE's) made NMTC enhanced loans totaling $21,700,000 (the QALICB NMTC Loan) to the Atlanta YMCA Westside QALICB, Inc. (QALICB) a 501(c)(3) controlled by the Association to develop the Leadership and Learning Center. The YMCA of Metro Atlanta Investment Fund, LLC (YMCA Investment Fund), a Georgia limited liability company, contributed capital totaling $22,000,000 to the Sub CDE's as a capital contribution. SunTrust Community Capital invested $7,378,800 in the YMCA Investment Fund and the YMCA made a loan (YMCA Investment Fund Leverage Loan) of $14,893,700 to the YMCA Investment Fund.

The QALICB NMTC Loan has an interest rate of 1.25% per annum and interest shall be paid annually on the outstanding principal balance until the end of the credit period which is October 5, 2024. The QALICB NMTC Loan is not eligible for prepayment and the entire principal amount outstanding is due and payable on the maturity date. At the NMTC Loan's maturity date, QALICB will pay the Sub CDE's the principal amounts due. The Sub-CDE's will distribute the principal amounts to the YMCA Investment Fund and the YMCA Investment Funds will repay the YMCA the YMCA Investment Fund Leverage Loan. At the QALICB NMTC Loan's maturity date, the YMCA is able to purchase the outstanding interests in the YMCA Investment Fund at a nominal amount. The total of all Leverage Loans of $7,353,500 and $14,893,700 (QALICBs) are reflected as notes receivable in the consolidated financial statements as of December 31, 2021 (See Note 7).

## Note 13 – Paycheck Protection Program and Employee Retention Credit

In 2021, the YMCA received a loan in the amount of $8,637,036 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated March 29, 2021 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. Accordingly, the YMCA has recognized all PPP proceeds within other governmental support on the accompanying consolidated statement of activities as of December 31, 2021.

As part of the CARES Act, employers are provided the Employee Retention Tax Credit (“ERTC”). The ERTC is a benefit provided through payroll tax credits to encourage maintaining employee headcounts throughout the Coronavirus pandemic. The YMCA Is treating the ERTC as a conditional grant and revenue is recorded when the conditions are substantially met. During the year ended December 31, 2021, the YMCA met the conditions required by the ERTC and recognized grant revenue of $7,085,067 which is reflected as other governmental support on the accompanying consolidated statement of activities as of December 31, 2021.

## Note 14 – Interest Rate Swap Agreements

As part of an overall risk management strategy to minimize the effect of the fluctuations in the variable interest rate, the YMCA entered into two interest rate swap agreements. There is no exchange of the underlying principal amount. As of December 31, 2022 and 2021, the fair value of the swap agreements was a liability of $575,595 and $736,911 respectively, and the related unrealized gain (loss) on the value of the swap agreement was included in the consolidated statement of activities. The YMCA receives a variable rate based on a percentage of LIBOR plus a spread and averaged 2.8% at December 31, 2022. The YMCA pays interest at a fixed rate from 1.65% to 1.7%. These agreements consist of the following as of December 31, 2022:

| Swap Agreement | Nominal Amount | Effective Date | Maturity Date |
|---|---|---|---|
| Agreement #1 | $ 9,640,000 | 2016 | 2026 |
| Agreement #2 | 9,640,000 | 2016 | 2026 |
| | $ 19,280,000 | | |

## Note 15 – Retirement Plan

The YMCA participates in a defined contribution, individual account, money purchase, retirement plan which is administered by the Young Men’s Christian Association Retirement Fund (Retirement Fund), a separately incorporated entity. This plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements. The YMCA remits monthly contributions, which are based on a percentage of the participating employee’s salary, to the Retirement Fund. The YMCA incurred $1,353,418 and $912,253 of expenses under the plan for the years ended December 31, 2022 and 2021, respectively. The Young Men’s Christian Association Retirement Fund qualifies as a church pension plan and is a non-profit, tax-exempt New York State corporation. The Retirement Fund has no unfunded benefit obligations.

**Note 15 – Retirement Plan (Continued)**

The Early Childhood Development Co., LLC participates in a defined contribution plan administered by the Teachers Insurance and Annuity Association (TIAA), a separately organized association. The plan is for the benefit of all eligible employees of the Early Childhood Development Co., LLC. The YMCA remits monthly contributions, which are based on a percentage of the participating employee's salary, to the TIAA. The YMCA incurred $1,015,375 and $891,267 of expenses under the plan for the years ended December 31, 2022 and 2021, respectively. The TIAA retirement plan is operated under Section 403(b) of the Internal Revenue Code. The plan has no unfunded obligations.

**Note 16 – Net Assets With Donor Restrictions**

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

| | **2022** | 2021 |
|---|---|---|
| Subject to expenditure for the following specified purposes: | | |
| Construction or acquisition of land, buildings, and equipment | **$ 22,552,583** | $ 22,512,183 |
| Special purpose gifts | **2,926,701** | 7,690,725 |
| Subject to the passage of time: | | |
| Donated land leases | **25,781,738** | 26,308,376 |
| | **51,261,022** | 56,511,284 |
| Endowments: | | |
| Subject to YMCA endowment spending policy and appropriation for the following purposes: | | |
| General Use | **2,554,273** | 3,226,661 |
| Programs | **21,163,247** | 26,675,769 |
| Investment - restricted in perpetuity | **66,924** | 66,924 |
| | **23,784,444** | 29,969,354 |
| | **$ 75,045,466** | $ 86,480,638 |

### Note 16 – Net Assets With Donor Restrictions (Continued)

Net assets released from donor restrictions were for the following purposes at December 31:

| | 2022 | 2021 |
|---|---|---|
| Construction or acquisition of land, buildings, and equipment | $ - | $ 627,267 |
| Special purpose gifts | 7,130,322 | 5,771,254 |
| Expiration of time restrictions: | | |
| Donated land leases | 526,638 | 1,951,040 |
| | 7,656,960 | 8,349,561 |
| Restricted-purpose spending rate distributions and appropriations | | |
| General Use | 210,603 | 9,077 |
| Programs | 1,737,282 | 75,088 |
| | 1,947,885 | 84,165 |
| | $ 9,604,845 | $ 8,433,726 |

### Note 17 – Endowments

A summary of the endowment net asset composition by type of fund as of December 31, 2022, is as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| **Board-designated** | $ 8,392,830 | $ - | $ 8,392,830 |
| **Donor Restricted:** | | | |
| **Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor** | - | 18,993,427 | 18,993,427 |
| **Accumulated investment gains** | - | 4,791,017 | 4,791,017 |
| | $ 8,392,830 | $ 23,784,444 | $ 32,177,274 |

## Note 17 – Endowments (Continued)

A summary of the endowment net asset composition by type of fund as of December 31, 2021, is as follows:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Board-designated | $ 10,602,155 | $ - | $ 10,602,155 |
| Donor Restricted: | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | - | 18,993,427 | 18,993,427 |
| Accumulated investment gains | - | 10,975,927 | 10,975,927 |
| | $ 10,602,155 | $ 29,969,354 | $ 40,571,509 |

The changes in endowment assets for the year ended December 31, 2022, are as follows:

| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** |
|---|---|---|---|
| **Endowment net assets as of January 1, 2022** | **$ 10,602,157** | **$ 29,969,354** | **$ 40,571,511** |
| **Investment loss, net** | **(1,517,327)** | **(4,233,188)** | **(5,750,515)** |
| **Appropriations** | **(692,000)** | **(1,951,722)** | **(2,643,722)** |
| **Endowment net assets as of December 31, 2022** | **$ 8,392,830** | **$ 23,784,444** | **$ 32,177,274** |

The changes in endowment assets for the year ended December 31, 2021, are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets as of January 1, 2021 | $ 8,913,860 | $ 25,203,538 | $ 34,117,398 |
| Investment return, net | 1,718,140 | 4,845,451 | 6,563,591 |
| Contributions | - | 4,530 | 4,530 |
| Appropriations | (29,843) | (84,165) | (114,008) |
| Endowment net assets as of December 31, 2021 | $ 10,602,157 | $ 29,969,354 | $ 40,571,511 |

From time to time, certain donor restricted endowments funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Association's interpreted UPMIFA to permit spending from underwater endowments accordance with prudent measures required under law.

## Note 18 – Commitments and Contingencies

Contract commitments

Authorized commitments for construction projects totaled $7,329,000 and $458,850 as of December 31, 2022 and 2021, respectively.

Leases

The Association leases fitness equipment under long-term arrangements that are classified as finance leases maturing at various dates through October 2025. As described in Note 2, the Company adopted ASU 2016-02 *Leases,* on January 1, 2022 and has recorded ROU assets and liabilities which represents the present value of future lease payments using the risk-free discount rates corresponding to the lease term ranging from .11% to .51%.

The association has made a policy election not to separate lease and non-lease components for the financing leases. Therefore, the full amount of the lease payment is included in the recorded right-of-use asset and lease liability. The weighted-average remaining lease term for finance leases is 2.8 years and the weighted-average discount rate for finance leases are .41% percent.

Right-of-use assets comprised of equipment at December 31, 2022 were as follows:

| | | |
|---|---|---|
| Equipment | $ | 2,851,200 |
| Less: accumulated amortization | | (336,977) |
| | $ | 2,514,223 |

Expenses recognized under these leases for the year ended December 31, 2022 are recognized on the straight-line basis and consist of the following:

| | | |
|---|---|---|
| Finance lease expense: | | |
| Amortization of lease liability | $ | 324,824 |
| Interest on lease liability | | 36,684 |
| | $ | 361,508 |

The schedule below summarizes the future minimum annual lease payments for all financing leases for the years ending December 31:

| | | |
|---|---|---|
| 2023 | $ | 1,027,790 |
| 2024 | | 925,214 |
| 2025 | | 759,783 |
| | | 2,712,787 |
| Less imputed interest | | (186,412) |
| | $ | 2,526,375 |

**YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN ATLANTA, INC.**
**AND SUBSIDIARIES**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**DECEMBER 31, 2022**

## Note 19 – Related-Party Transactions

The Association transacts business with several companies that have officers or directors on the Association's Board of Directors. Fees paid to related parties totaled approximately $6,399,000 and $8,425,000 for the years ended December 31, 2022 and 2021, respectively, and relate primarily to financial, utility, and construction services.

## Note 20 – Subsidiary Financial Information

At December 31, 2022 the Association had three subsidiaries whose sole purpose was to allow the Association to efficiently finance (via New Markets Tax Credits and other financing mechanisms) specific capital projects in the Metropolitan Atlanta area (see note 12).

Financial information as of December 31, 2022 and the year then ended for those subsidiaries is as follows:

| | Woodson Park QALICB, Inc | Atlanta YMCA Westside QALICB, LLC | Atlanta YMCA Young QALICB, LLC |
|---|---|---|---|
| ASSETS | | | |
| Cash and Cash Equivalents | $ 785,449 | $ 212,170 | $ 9,188,246 |
| Due from Parent | 225,451 | - | 611,754 |
| Fixed Assets, Net | 9,719,100 | 24,470,952 | - |
| TOTAL ASSETS | **$ 10,730,000** | **$ 24,683,122** | **$ 9,800,000** |
| LIABILITIES | | | |
| Due to Parent | $ - | $ 2,983,122 | $ - |
| Note Payable - NMTC | 10,730,000 | 21,700,000 | 9,800,000 |
| TOTAL LIABILITIES | **$ 10,730,000** | **$ 24,683,122** | **$ 9,800,000** |
| REVENUE | | | |
| Program Fees (Use of Facility) | $ - | $ 240,000 | $ - |
| TOTAL REVENUE | **$ -** | **$ 240,000** | **$ -** |
| EXPENSES | | | |
| Interest Expense | (177,505) | (122,990) | (25,305) |
| Depreciation/Amortization | (303,240) | (918,480) | (6,827) |
| OPERATING EXPENSES | **$ (480,745)** | **$ (1,041,470)** | **$ (32,132)** |
| TOTAL OPERATING CONTRIBUTION | **$ (480,745)** | **$ (801,470)** | **$ (32,132)** |

Note that all amounts detailed above are reflected in the consolidated financial statements.

## Note 21 – Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2022, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2022. Management has performed their analysis through the date of this report, the date the consolidated financial statements were available to be issued.