Draft 5/3/23

The River Valley Regional Young Men's Christian Association

Financial Statements

December 31, 2022 and 2021

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December 31, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors
The River Valley Regional Young Men's Christian Association
Williamsport, Pennsylvania

Opinion

We have audited the financial statements of The River Valley Regional Young Men's Christian Association (the Association), which comprise the statement of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2022, the Association adopted new accounting guidance under Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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 for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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.

__________, 2023
York, Pennsylvania

The River Valley Regional Young Men's Christian Association

Statement of Financial Position

	December 31, 2022	December 31, 2021
Assets		
Current Assets		
Cash, operating	**$ 1,496,869**	$ 3,507,886
Accounts and grants receivable	**945,136**	949,900
Promises to give, net	**72,475**	104,840
Prepaid insurance	**60,360**	126,870
Total Current Assets	**2,574,840**	4,689,496
Other Assets		
Cash, restricted	**871,206**	765,205
Promises to give, net	**34,358**	250
Investments	**3,525,652**	1,937,376
Land, buildings, and equipment, net	**14,297,117**	14,491,255
Interest in net assets of a community foundation	**29,524**	36,388
Interest rate swap asset	**62,119**	-
Security deposits	**8,727**	8,727
Right-of-use asset, operating lease	**4,099,907**	-
Right-of-use assets, financing leases	**85,055**	-
Total Other Assets	**23,013,665**	17,239,201
Total Assets	**$ 25,588,505**	$ 21,928,697

See accompanying notes.

	December 31, 2022	December 31, 2021
Liabilities and Net Assets		
Current Liabilities		
Accounts payable		
Trade	$ 161,159	$ 171,002
Construction contracts, including retainage	-	75,000
Current portion of long-term debt	86,834	85,691
Current portion of obligation under operating lease	6,926	-
Current portion of obligations under finance/capital leases	14,421	28,326
Accrued expenses	255,107	215,809
Deferred revenue	179,826	650,207
Total Current Liabilities	704,273	1,226,035
Other Liabilities		
Deferred revenue	-	13,125
Interest rate swap liability	-	135,735
Long-term debt	2,197,180	2,281,883
Obligation under operating lease	4,126,616	-
Obligations under finance/capital leases	4,615	19,757
Total Other Liabilities	6,328,411	2,450,500
Total Liabilities	7,032,684	3,676,535
Net Assets		
Net assets without donor restrictions	16,198,812	15,655,831
Net assets with donor restrictions	2,357,009	2,596,331
Total Net Assets	18,555,821	18,252,162
Total Liabilities and Net Assets	$ 25,588,505	$ 21,928,697

The River Valley Regional Young Men's Christian Association

Statement of Activities

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support			
Other grants	$ 1,495,228	$ 150,000	$ 1,645,228
Contributions	364,849	319,095	683,944
Pennsylvania Department of Education grant	320,539	-	320,539
Special events	118,368	955	119,323
United Way allocations	42,508	-	42,508
Net assets released from restrictions	387,201	(387,201)	-
Total public support	2,728,693	82,849	2,811,542
Revenue			
Program service fees	3,952,034	-	3,952,034
Membership dues	2,281,160	-	2,281,160
Rental income	222,852	-	222,852
Miscellaneous	50,557	-	50,557
Sales to the public	13,389	-	13,389
Loss on disposal of equipment	(463)	-	(463)
Return on investments, net	(58,110)	(322,171)	(380,281)
Total revenue	6,461,419	(322,171)	6,139,248
Total Public Support and Revenue	9,190,112	(239,322)	8,950,790
Expenses			
Program services			
Youth development	4,351,906	-	4,351,906
Healthy living	2,868,902	-	2,868,902
Social responsibility	291,032	-	291,032
Total program services	7,511,840	-	7,511,840
Supporting services			
Management and general	1,232,846	-	1,232,846
Fundraising	93,435	-	93,435
Total supporting services	1,326,281	-	1,326,281
Total Expenses	8,838,121	-	8,838,121
Excess (Deficiency) of Public Support and Revenue over Expenses	351,991	(239,322)	112,669
Nonoperating Activities			
Change in fair value of interest rate swap	197,854	-	197,854
Change in interest in net assets of a community foundation	(6,864)	-	(6,864)
Total Nonoperating Activities	190,990	-	190,990
Change in Net Assets	542,981	(239,322)	303,659
Net Assets at Beginning of Year	15,655,831	2,596,331	18,252,162
Net Assets at End of Year	$ 16,198,812	$ 2,357,009	$ 18,555,821

See accompanying notes.

The River Valley Regional Young Men's Christian Association

Statement of Activities (continued)

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support			
Other grants	$ 2,565,814	$ -	$ 2,565,814
Contributions	389,208	284,028	673,236
Pennsylvania Department of Education grant	229,885	-	229,885
Special events	153,422	-	153,422
United Way allocations	62,236	-	62,236
Net assets released from restrictions	858,123	(858,123)	-
Total public support	4,258,688	(574,095)	3,684,593
Revenue			
Program service fees	3,589,950	-	3,589,950
Membership dues	1,956,675	-	1,956,675
Rental income	238,838	-	238,838
Miscellaneous	30,724	-	30,724
Sales to the public	15,537	-	15,537
Loss on disposal of equipment	(1,959)	-	(1,959)
Return on investments, net	22,071	175,096	197,167
Total revenue	5,851,836	175,096	6,026,932
Total Public Support and Revenue	10,110,524	(398,999)	9,711,525
Expenses			
Program services			
Youth development	3,939,532	-	3,939,532
Healthy living	2,725,398	-	2,725,398
Social responsibility	29,915	-	29,915
Total program services	6,694,845	-	6,694,845
Supporting services			
Management and general	1,267,289	-	1,267,289
Fundraising	133,813	-	133,813
Total supporting services	1,401,102	-	1,401,102
Total Expenses	8,095,947	-	8,095,947
Excess (Deficiency) of Public Support and Revenue over Expenses	2,014,577	(398,999)	1,615,578
Nonoperating Activities			
Change in fair value of interest rate swap	105,125	-	105,125
Change in interest in net assets of a community foundation	3,667	-	3,667
Total Nonoperating Activities	108,792	-	108,792
Change in Net Assets	2,123,369	(398,999)	1,724,370
Net Assets at Beginning of Year	13,532,462	2,995,330	16,527,792
Net Assets at End of Year	$ 15,655,831	$ 2,596,331	$ 18,252,162

The River Valley Regional Young Men's Christian Association

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2022							
	Program Services				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 2,662,550	$ 1,444,303	$ 91,361	$ 4,198,214	$ 587,051	$ 28,716	$ 615,767	$ 4,813,981
Employee benefits	254,671	110,286	9,057	374,014	85,428	2,530	87,958	461,972
Payroll taxes	200,363	109,424	6,808	316,595	35,863	2,197	38,060	354,655
	3,117,584	1,664,013	107,226	4,888,823	708,342	33,443	741,785	5,630,608
Occupancy	226,927	418,227	78,471	723,625	134,510	-	134,510	858,135
Depreciation and amortization	117,645	346,976	68,502	533,123	117,243	-	117,243	650,366
Supplies	341,458	94,701	19,839	455,998	95,230	1,120	96,350	552,348
Professional fees	133,600	72,472	4,584	210,656	34,289	1,441	35,730	246,386
Insurance	105,699	57,336	3,627	166,662	23,305	1,138	24,443	191,105
Credit card and bank fees	83,359	45,218	2,860	131,437	18,379	900	19,279	150,716
Payment to national organization	60,361	32,743	2,071	95,175	13,309	651	13,960	109,135
Interest	16,479	47,189	-	63,668	35,967	-	35,967	99,635
Equipment rental and maintenance	4,840	21,127	129	26,096	50,187	-	50,187	76,283
Program costs	50,746	20,824	1,068	72,638	-	-	-	72,638
Advertising	34,568	18,513	1,171	54,252	7,523	368	7,891	62,143
Fundraising	-	-	-	-	-	54,135	54,135	54,135
Telephone and internet	24,285	7,606	1,031	32,922	3,091	151	3,242	36,164
Travel and vehicle expense	7,430	6,560	29	14,019	7,675	-	7,675	21,694
Conference, dues, and subscriptions	6,036	4,617	210	10,863	8,695	-	8,695	19,558
Miscellaneous	2,565	853	96	3,514	15,536	-	15,536	19,050
Postage and shipping	-	2,334	-	2,334	7,618	88	7,706	10,040
Bad debt expense (recovery)	18,324	7,593	118	26,035	(48,053)	-	(48,053)	(22,018)
Total Expenses	$ 4,351,906	$ 2,868,902	$ 291,032	$ 7,511,840	$ 1,232,846	$ 93,435	$ 1,326,281	$ 8,838,121

See accompanying notes.

The River Valley Regional Young Men's Christian Association

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended December 31, 2021							
	Program Services				Supporting Services			
	Youth Development	Healthy Living	Social Responsibility	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salaries	$ 2,446,040	$ 1,361,652	$ 19,201	$ 3,826,893	$ 491,400	$ 43,712	$ 535,112	$ 4,362,005
Employee benefits	258,191	97,174	284	355,649	104,595	7,751	112,346	467,995
Payroll taxes	183,902	103,309	1,463	288,674	42,165	3,344	45,509	334,183
	2,888,133	1,562,135	20,948	4,471,216	638,160	54,807	692,967	5,164,183
Occupancy	160,045	397,268	-	557,313	110,378	1,425	111,803	669,116
Depreciation and amortization	89,860	387,654	-	477,514	226,021	-	226,021	703,535
Supplies	295,164	80,203	4,316	379,683	112,083	1,239	113,322	493,005
Professional fees	146,693	81,660	1,152	229,505	34,547	2,621	37,168	266,673
Insurance	89,824	50,004	705	140,533	18,045	1,605	19,650	160,183
Credit card and bank fees	43,247	24,075	339	67,661	8,688	773	9,461	77,122
Payment to national organization	50,840	28,301	399	79,540	10,214	909	11,123	90,663
Interest	17,881	51,204	-	69,085	38,826	-	38,826	107,911
Equipment rental and maintenance	7,288	7,015	-	14,303	28,080	-	28,080	42,383
Program costs	60,896	16,685	1,691	79,272	-	-	-	79,272
Advertising	31,747	17,673	249	49,669	6,378	567	6,945	56,614
Fundraising	-	-	-	-	-	69,527	69,527	69,527
Telephone and internet	24,445	8,299	116	32,860	2,979	265	3,244	36,104
Travel and vehicle expense	5,620	2,327	-	7,947	4,121	-	4,121	12,068
Conference, dues, and subscriptions	7,338	4,313	-	11,651	6,267	-	6,267	17,918
Miscellaneous	43	544	-	587	12,714	-	12,714	13,301
Postage and shipping	-	-	-	-	5,909	75	5,984	5,984
Bad debt expense	20,468	6,038	-	26,506	3,879	-	3,879	30,385
Total Expenses	$ 3,939,532	$ 2,725,398	$ 29,915	$ 6,694,845	$ 1,267,289	$ 133,813	$ 1,401,102	$ 8,095,947

The River Valley Regional Young Men's Christian Association

Statement of Cash Flows

	Years Ended December 31, 2022	2021
Cash Flows from Operating Activities		
Change in net assets	**$ 303,659**	$ 1,724,370
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	**650,366**	703,535
Contributions restricted for long-term purposes	**(364,318)**	(284,028)
Amortization of debt issuance costs	**2,370**	2,370
Bad debt expense	**27,982**	36,321
Change in fair value of interest rate swap	**(197,854)**	(105,125)
Change in interest in net assets of a community foundation	**6,864**	(3,667)
Realized and unrealized (gain) loss on investments	**465,426**	(170,829)
Amortization of right-of-use asset - operating lease included in rent expense	**40,423**	-
Loss on disposal of equipment	**463**	1,959
(Increase) decrease in assets		
Accounts and grants receivable	**(23,218)**	(820,104)
Promises to give	**(6,174)**	9,531
Prepaid insurance	**66,510**	1,733
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	**29,455**	72,473
Deferred revenue	**(483,506)**	401,355
Obligation under operating lease	**(6,788)**	-
Net Cash Provided by Operating Activities	**511,660**	1,569,894
Cash Flows from Investing Activities		
Purchase of land, buildings, and equipment	**(616,746)**	(175,779)
Purchase of investments	**(2,104,993)**	(59,883)
Proceeds from sale of investments	**51,291**	54,150
Net Cash Used in Investing Activities	**(2,670,448)**	(181,512)
Cash Flows from Financing Activities		
Principal payments on long-term debt	**(85,930)**	(868,284)
Repayment of obligations under finance/capital leases	**(29,047)**	(37,120)
Proceeds from contributions restricted for long-term use	**368,749**	462,310
Net Cash Provided by (Used in) Financing Activities	**253,772**	(443,094)

See accompanying notes.

	Years Ended December 31, 2022	2021
Net Increase (Decrease) in Cash	**$ (1,905,016)**	$ 945,288
Cash at Beginning of Year	**4,273,091**	3,327,803
Cash at End of Year	**$ 2,368,075**	$ 4,273,091
Cash Consists of the Following		
Cash, operating	**$ 1,496,869**	$ 3,507,886
Cash, restricted	**871,206**	765,205
	$ 2,368,075	$ 4,273,091
Supplemental Cash Flow Information		
Interest paid	**$ 97,265**	$ 105,541

Supplemental Disclosures of Noncash Investing and Financing Activities

In 2022

A right-of-use asset and corresponding operating lease liability of $4,140,330 was recorded for property leases in conjunction with the adoption of Accounting Standards Codification Topic 842, *Leases* . Also related to the adoption of this standard, assets of $85,055 were reclassified from land, buildings, and equipment, net, to right-of-use assets, financing leases.

In 2021

Accounts payable includes $75,000 of construction contracts, including retainage included in land, buildings, and equipment, net.

Equipment valued at $15,010 was financed by a finance/capital lease.

Note 1 - Nature of Operations

The River Valley Regional Young Men's Christian Association (the Association) was originally incorporated on July 30, 1871, under statute of the Commonwealth of Pennsylvania. The Association's purpose is to enable all persons, men, women, and children, to develop their physical and social well-being, and to promote the potential of their spirit, mind, and body through services related to individual and family, spiritual, mental, and physical fitness without regard to sex, level of income, race, or creed.

As a regional organization, the Association operates branches in Williamsport, Jersey Shore, Muncy (the Eastern Lycoming Branch), Towanda (the Bradford County Branch), and Mansfield (the Tioga County Branch), Pennsylvania. Effective July 1, 2019, the Lock Haven Young Men's Christian Association was acquired by the Association.

The programs provided by the Association are as follows:

Youth Development

The Association is the largest provider of pre-school and school-age childcare in the region, providing high-quality/affordable care to more than 1,500 children daily. The Association has 3 pre-school child care sites, 20 before/after school program sites, and 10 summer day care sites.

Healthy Living/Membership Services

The Association offers access to personal health and well-being through facility memberships, teen leadership programs, youth and adult sports leagues, swim lessons, and other activities.

Social Responsibility

The Association offers opportunities for individuals and families to grow in spirit, mind, and body at every life stage. The Association is for people of all faiths, races, ages, abilities, and incomes.

During the year ended December 31, 2021, the RVR Foundation, Inc. (the Foundation), which was a wholly controlled affiliate of the Association, was legally dissolved. Upon dissolution, any remaining assets and liabilities of the Foundation were transferred to the Association.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

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

Note 2 - Summary of Significant Accounting Policies (continued)

Restricted Cash

Restricted cash consists of cash accounts associated with branch capital campaigns restricted for construction projects and other building improvements.

Accounts and Grants Receivable

Accounts and grants receivable are reported at amounts management expects to collect on balances outstanding at year-end. Receivables are charged to bad debt expense when deemed uncollectible based upon a periodic review of individual accounts. At December 31, 2022 and 2021, no allowance for doubtful accounts was recorded because management believes realized losses on such receivables will be immaterial.

Promises to Give

Promises to give are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a donor's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due. Promises to give that are expected to be collected in more than one year are discounted to present value using risk-adjusted rates of return ranging from 1.62% to 4.22%.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value in the statement of financial position. Cash and cash equivalents (money market funds) are carried at cost, which approximates fair value. Contributed investments are valued at market value on the date contributed. Return on investments, net (including realized and unrealized gains and losses on investments, and dividends and interest, net) is included in changes in net assets without donor restrictions, unless the use is restricted by explicit donor stipulation or law. If donor-restrictions exist, return on investments, net, is reported as an increase or decrease in net assets with donor restrictions.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, in the case of donated assets, at market value at date received as a gift, less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful lives of the equipment. Such amortization is included in depreciation and amortization in the accompanying statement of functional expenses - by natural classification.

Expenditures for repairs and maintenance costs, which extend the useful lives of assets, are capitalized, and routine maintenance and repair costs are expensed as incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Land, Buildings, and Equipment (continued)

The Association's policy is to capitalize land, buildings, and equipment expenditures of $1,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended December 31, 2022 and 2021.

Right-of-Use Assets and Liabilities

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Association adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Association has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Association's historical accounting treatment under ASC Topic 840, *Leases.*

The Association elected the "Package of Practical Expedients" under the transition guidance within Topic 842, in which the Association does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Association has not elected to adopt the "hindsight" practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Association determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Association obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Association also considers whether its service arrangements include the right to control the use of an asset.

Note 2 - Summary of Significant Accounting Policies (continued)

Right-of-Use Assets and Liabilities (continued)

The Association made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022 for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Association made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of an additional ROU asset and lease liability related to the Association's operating leases of approximately $4,140,330 at January 1, 2022. The adoption of the new lease standard did have a material impact to the statement of financial position, but did not materially impact changes in the Association's net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets

Interest in Net Assets of a Community Foundation

Interest in net assets of a community foundation is reported at fair value as determined by the community foundation.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized to interest expense using the straight-line method over the term of the related debt agreements. Gross debt issuance costs amounted to $59,243 at both December 31, 2022 and 2021, and accumulated amortization amounted to $16,392 and $14,022 as of December 31, 2022 and 2021, respectively. Total amortization recognized in interest expense totaled $2,370 for each of the years ended December 31, 2022 and 2021.

Derivatives and Hedging Activity

The Association is a party to interest rate swap agreements to hedge the exposure to changing rates with respect to certain variable rate debt. In accordance with the accounting standard on accounting for derivative instruments and hedging activities, all derivatives, whether designated in hedging relationships or not, are required to be recorded on the statement of financial position at fair value. The Association's interest rate swap is recorded at fair value as determined by a third party. Changes in the fair value of the swap are recorded in the statement of activities as a component of changes in net assets as change in fair value of interest rate swap.

Note 2 - Summary of Significant Accounting Policies (continued)

Net Assets

The net assets of the Association and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions. From time to time the Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions - Some donor-imposed restrictions are temporary in nature, such as those that will be met by 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. 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.

Revenue Recognition

Contributions

The Association recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

All contributions are considered to be available for operations, unless specifically restricted by the donor. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as support with donor restrictions that increases that net asset class. When a restriction expires, that is, when a stipulated time restriction or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is satisfied in the same year the contribution is received, the support is reported as revenue with donor restrictions and is then reclassified through the release of restrictions.

Grants

Grant revenue deemed to be a contribution is classified as with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are nonreciprocal, unconditional, and voluntary.

The Association also receives grant revenue, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. Such grant revenue is not deemed to be a contribution since the proceeds thereof are used to pursue objectives of the grantor.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Program Service Fees

Program service fees include childcare, camp, and various fitness and youth activities offered by the Association. Program service fees are recognized at the time the service is provided. Any amounts collected, but unearned, would be classified as deferred revenue and recognized as income in the applicable period.

Membership Dues

Membership dues, which operate on a monthly basis, are recognized as revenue in the applicable period. Collected, but unearned, memberships are presented as deferred revenue and are fully recognized as revenue on a monthly basis. The Association offers members discounted or free services, such as fitness classes, that are available during each month of membership. There are no remaining performance obligations at the end of each membership period.

Special Events

Special events include some events with both an exchange element, in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received, and a contribution element for the Association. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. Special event fees collected by the Association in advance are initially recorded as liabilities (deferred revenue) and recognized as revenue after delivery of the event.

Rental Income

Rental income consists primarily of monthly rent charged to a local not-for-profit health system. Revenue is recognized when earned. Rental income is considered an exchange transaction as the lessee receives the benefit of the leased space. A long-term contract exists, and terms and conditions are agreed upon by both parties. Rental income also includes fees charged to third parties for use of the Association's facilities and locker rentals, which is recognized upon delivery of service. Any rental income amounts collected but unearned would be classified as deferred revenue and recognized as revenue in the applicable period.

Donated or Contributed Investments, Services, or Materials

Donated or contributed investments, services, or materials meeting the criteria for recognition, are reflected in the financial statements as in-kind contributions at their estimated value on the date of receipt. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at the fair value when received. Management has determined there were no significant in-kind contributions during the years ended December 31, 2022 and 2021.

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and in the statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses. Expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on time spent by Association employees working in such programs or on the basis of square footage.

Advertising

The Association expenses advertising costs as incurred.

Income Tax Status

The Association is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170 (I)(A) and has been classified as an organization that is not a private foundation under section 509 (A)(2).

The Association accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management has determined that there were no tax uncertainties that met the recognition threshold in 2022 and 2021.

The Association's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

With few exceptions, the Association is no longer subject to income tax examination by the U.S. Federal, state, or local tax authorities for years before December 31, 2019.

Note 3 - Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the statement of financial position, comprise the following as of December 31:

	2022	2021
Financial Assets		
Cash, operating	**$ 1,496,869**	$ 3,507,886
Accounts and grants receivable	**945,136**	949,900
Promises to give, net - current	**72,475**	104,840
Cash, restricted	**871,206**	765,205
Investments	**3,525,652**	1,937,376
Total Financial Assets	**6,911,338**	7,265,207
Amounts Not Available to be Used for General Expenditures Within One Year		
Donor-imposed restrictions		
Cash subject to donor restrictions	**(871,206)**	(765,205)
Promises to give subject to donor restrictions	**(55,648)**	(94,187)
Investments subject to donor restrictions	**(1,378,970)**	(1,726,366)
Internal designations		
Board designated cash	**(280,561)**	(404,467)
Board designated investments	**(2,146,345)**	(211,063)
Total Amounts Not Available to be Used for General Expenditures Within One Year	**(4,732,730)**	(3,201,288)
Financial Assets Available to Meet Grants and Other Expenditures within One Year	**$ 2,178,608**	$ 4,063,919

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The Association also has a line of credit available to meet short-term needs. See Note 11 for information about this arrangement.

Note 4 - Accounts and Grants Receivable

The Association's accounts and grants receivables consist of the following at December 31:

	2022	2021
Employee retention credit	**$ 791,587**	$ 791,587
Childcare	**97,165**	86,776
Membership and program income	**22,829**	21,574
Child and Adult Care Food Program	**17,752**	17,047
Other miscellaneous receivables	**11,303**	21,488
Grant receivable	**4,500**	11,428
	$ 945,136	$ 949,900

Note 5 - Promises to Give

Promises to give, net consist of the following at December 31:

	2022	2021
Promises to give - capital campaign	**$ 90,531**	$ 146,166
Promises to give - other	**16,827**	10,823
	107,358	156,989
Unamortized discount	**(525)**	(1,899)
Allowance for uncollectible promises to give	**-**	(50,000)
	$ 106,833	$ 105,090
Amounts due		
Less than one year	**$ 72,475**	$ 104,840
One to five years	**34,358**	250
	$ 106,833	$ 105,090

Note 6 - Investments

Investments are stated at fair value. The following is a summary of the Association's investments at December 31:

	2022	2021
Money market funds	**$ 491,442**	19,199
Certificates of deposit	**493,093**	-
Common stocks	**337**	277
Mutual funds, equity	**1,719,691**	1,216,922
Mutual funds, fixed income	**674,488**	408,647
Mutual funds, balanced	**146,601**	292,331
	$ 3,525,652	$ 1,937,376

The following tables summarize return on investments, net, as presented in the statement of activities for the years ended December 31:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest, net	**$ 42,868**	**$ 42,277**	**$ 85,145**
Realized and unrealized loss on investments	**(100,978)**	**(364,448)**	**(465,426)**
	$ (58,110)	**$ (322,171)**	**$ (380,281)**
2021			
Dividends and interest, net	$ 4,837	$ 21,501	$ 26,338
Realized and unrealized gain on investments	17,234	153,595	170,829
	$ 22,071	$ 175,096	$ 197,167

Note 7 - Fair Value of Financial Instruments

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

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

The following valuation techniques were used to measure fair value of assets in the tables below on a recurring basis:

Money market funds - The carrying amounts approximate fair value because of the short-term nature of these investments.

Certificates of deposit - Fair value of certificates of deposit was based on quoted market prices for the identical securities.

Common stock and mutual funds - Fair value of common stock and mutual funds was based on quoted market prices for the identical securities.

Interest in net assets of a community foundation - Fair value of interest in net assets of a community foundation is based on the Association's ownership interest of the fund as determined by the community foundation. The fund assets are valued based on the performance of underlying investments as well as an administrative fee.

Interest rate swap asset/liability - Fair value of the interest rate swap is based on quoted market prices when available, or externally developed valuation models using forward looking assumptions of interest rates and the resulting effect on the underlying cash flows of the interest rate swap. Adjustments are not made for nonperformance risk on behalf of either party.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note 7 - Fair Value of Financial Instruments (continued)

The tables below present the balances of assets measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31:

	Fair Value Measurements at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money Market Funds	$ 491,442	$ -	$ -	$ 491,442
Certificates of Deposit	493,093	-	-	493,093
Common Stock				
Financial Services	337	-	-	337
Mutual Funds, Equity				
Large Cap	1,188,070	-	-	1,188,070
International Developed	234,774	-	-	234,774
Mid Cap	132,770	-	-	132,770
Small Cap	69,350	-	-	69,350
International Emerging	62,971	-	-	62,971
Real Estate	31,756	-	-	31,756
Mutual Funds, Fixed Income				
U.S. Treasury and Government	493,168	-	-	493,168
General Domestic	175,727	-	-	175,727
Short/Intermediate Corporate	5,593	-	-	5,593
Mutual Funds, Balanced	146,601	-	-	146,601
	$ 3,525,652	$ -	$ -	$ 3,525,652
Interest in Net Assets of a Community Foundation	$ -	$ -	$ 29,524	$ 29,524
Interest Rate Swap Asset	$ -	$ 62,119	$ -	$ 62,119

Note 7 - Fair Value of Financial Instruments (continued)

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money Market Funds	$ 19,199	$ -	$ -	$ 19,199
Common Stock				
Financial Services	277	-	-	277
Mutual Funds, Equity				
Large Cap	619,874	-	-	619,874
International Developed	109,277	-	-	109,277
Mid Cap	167,697	-	-	167,697
Small Cap	57,517	-	-	57,517
International Emerging	94,025	-	-	94,025
Real Estate	127,424	-	-	127,424
Commodities Fund	41,108	-	-	41,108
Mutual Funds, Fixed Income				
U.S. Treasury and Government	45,851	-	-	45,851
General Domestic	250,299	-	-	250,299
Short/Intermediate Corporate	87,437	-	-	87,437
World Fixed	25,060	-	-	25,060
Mutual Funds, Balanced	292,331	-	-	292,331
	$ 1,937,376	$ -	$ -	$ 1,937,376
Interest in Net Assets of a Community Foundation	$ -	$ -	$ 36,388	$ 36,388
Interest Rate Swap Liability	$ -	$ (135,735)	$ -	$ (135,735)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another.

Management evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended December 31, 2022 and 2021, there were no transfers in or out of Level 3.

Note 8 - Land, Buildings, and Equipment, Net

Land, buildings, and equipment and accumulated depreciation and amortization consist of the following at December 31:

	2022	2021
Buildings and building improvements	**$ 16,895,223**	$ 16,849,724
Furniture and equipment	**2,452,658**	2,472,135
Leasehold improvements	**628,368**	625,615
Land improvements	**454,087**	446,838
Construction in progress*	**384,843**	13,161
Land*	**212,691**	212,691
Vehicles and buses	**16,584**	16,584
	21,044,454	20,636,748
Accumulated depreciation and amortization	**(6,747,337)**	(6,145,493)
	$ 14,297,117	$ 14,491,255

* Not depreciated.

Note 9 - Interest in Net Assets of a Community Foundation

The Association is the beneficiary of an endowment fund of the First Community Foundation Partnership of Pennsylvania (FCFP), a community foundation. As beneficiary, the Association is entitled to annual distributions from the fund, based upon the FCFP's spending policy. The FCFP maintains variance power only over distributions from the fund.

The organizational endowment fund created by the Association at the FCFP is reflected in the statement of financial position as interest in net assets of a community foundation. Through December 31, 2022, the Association has contributed $25,000 to the fund. Future contributions are at the discretion of the Board of Directors of the Association.

Note 10 - Deferred Revenue

Deferred revenue consists of the following at December 31:

	2022	2021
Memberships	**$ 59,603**	$ 55,749
Grants	**36,234**	493,287
Gift cards	**29,121**	27,140
Programs	**25,921**	27,356
Rents	**22,027**	44,602
Service agreements, municipalities	**3,621**	8,548
Other	**3,299**	6,650
	179,826	663,332
Current portion	**(179,826)**	(650,207)
	$ -	$ 13,125

Note 11 - Line of Credit

The Association has a line of credit arrangement with a bank for $500,000. Interest is payable at the bank's prime rate (7.50% and 3.25% at December 31, 2022 and 2021, respectively) and is secured by real estate. There were no borrowings under this arrangement at December 31, 2022 and 2021.

Note 12 - Long-Term Debt

Long-term debt consists of the following at December 31:

	2022	2021
Revenue Note, Series of 2016, monthly principal and interest payments; interest at a variable rate of 70% of one-month LIBOR plus 2.5% for $1,973,578, 70% of one-month LIBOR for $1,250,000, and 75% of one-month LIBOR for $1,500,000, which was 0.101% and 0.144%, respectively. Effective rate of 4.17% and 3.69% at December 31, 2022 and 2021, respectively. The note matures September 1, 2041. The note is secured by substantially all assets of the Association	**$ 2,326,865**	$ 2,412,795
Unamortized debt issuance costs	**(42,851)**	(45,221)
	2,284,014	2,367,574
Current portion	**(86,834)**	(85,691)
	$ 2,197,180	$ 2,281,883

Note 12 - Long-Term Debt (continued)

The Association is subject to certain financial covenants in connection with its outstanding Revenue Note, Series of 2016. As of December 31, 2022, the Association was in compliance with these financial covenants.

Assuming no changes in current terms, future maturities on long-term debt are as follows for the five years ending December 31 and thereafter:

	Principal Payments	Amortization of Debt Issuance Costs	Net
2023	$ 89,204	$ (2,370)	$ 86,834
2024	92,112	(2,370)	89,742
2025	95,725	(2,370)	93,355
2026	98,864	(2,370)	96,494
2027	102,008	(2,370)	99,638
Thereafter	1,848,952	(31,001)	1,817,951
	$ 2,326,865	$ (42,851)	$ 2,284,014

The Association entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its bridge loan, which was refinanced to its Revenue Note, Series of 2016, which bears interest at a variable rate based on LIBOR. At December 31, 2022 and 2021, this swap agreement had a total notional principal amount of $1,031,793 and $1,069,987, respectively. This agreement effectively changes the Association's interest exposure on the Revenue Note, Series of 2016, which matures in September 2041, to a fixed rate of 3.45%. The interest rate swap agreement matures at the time the related note matures.

The Association entered into a second interest rate swap agreement to further reduce the impact of changes in interest rates on its bridge loan, which was refinanced to its Revenue Note, Series of 2016, which bears interest at a variable rate based on LIBOR. At December 31, 2022 and 2021, this swap agreement had a total notional principal amount of $1,291,413 and $1,338,801, respectively. This agreement effectively changes the Association's interest exposure on the Revenue Note, Series of 2016, which matures in April 2028, to a fixed rate of 4.17%. The interest rate swap agreement matures at the time the related note matures.

The Association is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, the Association does not anticipate nonperformance by the counterparty.

Note 13 - Paycheck Protection Program

On January 6, 2021, the Small Business Administration (SBA) and the Department of the Treasury released interim final rules related to the expansion and extension of the Paycheck Protection Program (the Program) that was enacted on March 27, 2020 by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Association applied for a loan under this Program and received from its bank a loan in the amount of $998,665 on April 22, 2021. The loan was forgivable if the Association met certain criteria as established under the Program. On September 24, 2021, the Association was notified by their bank that the loan had been forgiven in full by the SBA. Forgiveness of the loan is included in other grants in the statement of activities for the year ended December 31, 2021.

Note 14 - Leases

The Association has a land lease agreement with local not-for-profit health system for the rental of the land associated with the Williamsport Branch facility. The lease commenced in December 2014 and has an initial term of seven years with the option to renew for 12 five-year renewal terms and a final three-year renewal term. The remaining lease term as of December 31, 2022 is sixty-two years and eleven months. Operating lease fixed payments totaled $89,796 for the year ended December 31, 2022. The Association uses the applicable risk free rate as the discount rate for its real estate type leases. The Association used a rate of 2.01% as the discount rate for this lease.

Additionally, the Association leases certain office and fitness equipment under finance lease agreements (prior to January 1, 2022, they were treated as capital leases in accordance with ASC Topic 840, *Leases*) with terms of three years and interest rates ranging from 3.62% to 10.60%. The weighted average remaining lease term is 1.08 years and the weighted-average discount rate is 4.27%.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	$ 123,431
Finance lease cost - amortization of right-of-use assets	13,650
Finance lease cost - interest on lease liabilities	841
Total Lease Cost	**$ 137,922**

Total rent expense for operating leases was $123,431 for the year ended December 31, 2022, which is included in occupancy on the statement of functional expenses - by natural classification.

Note 14 - Leases (continued)

Assuming no change in current terms, future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31:

	Operating Leases	Financing Leases
2023	$ 89,796	$ 15,096
2024	90,171	4,677
2025	94,296	-
2026	94,296	-
2027	94,296	-
Thereafter	7,213,214	-
Total Lease Payment	7,676,069	19,773
Imputed interest	(3,542,527)	(737)
Total Present Value of Lease Liabilities	$ 4,133,542	$ 19,036
Current portion of obligations under operating and capital/finances leases	$ 6,926	$ 14,421
Long-term portion of obligations under operating and capital/finance leases	4,126,616	4,615
	$ 4,133,542	$ 19,036

An analysis of leased property under finance/capital leases consists of the following as of and for the years ended December 31:

	2022	2021
Fitness equipment	$ 70,045	$ 70,045
Copiers	15,010	15,010
	85,055	85,055
Accumulated amortization	(30,844)	(17,194)
	$ 54,211	$ 67,861
Amortization expense	$ 13,650	$ 10,869

Note 15 - Employee Retention Tax Credit

The CARES Act established the Employee Retention Tax Credit (ERTC), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the U.S. Government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit was increased to be equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee was increased to $10,000 of qualified wages per quarter. During the year ended December 31, 2021, the Association determined that they qualified for ERTC and recognized related revenue of $791,587, which is included in other grants in the statement of activities. No ERTC revenue was recognized during the year ended December 31, 2022. As of December 31, 2022 and 2021c, the Association has accounts receivable related to ERTC of $791,587, which are included in accounts and grants receivable in the statement of financial position.

Note 16 - Retirement Plan

The Association maintains a qualified noncontributory, defined contribution retirement plan, which covers employees who meet certain eligibility requirements. For the years ended December 31, 2022 and 2021, the Association contributed 8% to the plan based on the participant's salary with the employee contributing 3%. Retirement expense was $216,369 and $199,711 for the years ended December 31, 2022 and 2021, respectively.

Note 17 - Net Assets Without Donor Restrictions

The Association's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes as of December 31:

	2022	2021
Undesignated	**$ 13,771,906**	$ 15,040,301
Board designated for operating reserve	**1,973,621**	-
Board designated for capital improvements	**280,561**	404,467
Board designated for endowment	**172,724**	211,063
	$ 16,198,812	$ 15,655,831

Note 18 - Net Assets With Donor Restrictions

The Association's net assets with donor restrictions are restricted for the following purposes as of December 31:

	2022	2021
General Funds		
Promises to give-time restriction	$ 16,827	$ 10,653
Subject to expenditure for specific purpose		
Cash, special projects	4,380	78,874
	21,207	89,527
Investment Fund		
Subject to expenditure for specific purpose		
Perpetual in nature investments, endowment	918,540	902,205
Special projects investments	460,430	823,831
Promises to give, endowment	-	170
Cash, perpetual in nature	-	160
	1,378,970	1,726,366
Capital Campaign Fund		
Subject to expenditure for specific purpose		
Cash, New YMCA	770,393	606,537
Cash, Bradford	32,688	10,192
Cash, Eastern Lycoming	30,000	25,000
Cash, Lock Haven	24,535	35,232
Cash, Jersey Shore	4,735	4,735
Cash, Tioga County	4,475	4,475
Subject to passage of time		
Promises to give, Williamsport	90,006	94,267
	956,832	780,438
	$ 2,357,009	$ 2,596,331

Note 19 - Endowment Funds

The Association's endowment consists of numerous individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Note 19 - Endowment Funds (continued)

The Board of Directors of the Association has interpreted Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted 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. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions.

The Association has adopted investment policies for its endowment assets that attempt to preserve the capital and achieve sufficient total return to fund the annual operating and capital expenditures in accordance with the donor restrictions. To achieve this overall goal, the primary objective of the investment policy is the long-term growth of capital. A real rate of return over capital is required to preserve the purchasing power of the endowment funds. The secondary objective of the investment policy is the preservation of capital, including the protection of capital in declining markets.

Spending Policy

The annual cash payout of all endowment funds, except those funds containing illiquid assets (such as certain real estate or other property), will be 3% of the average market value, using a five-year trailing average and net of financial management fees. This payout may be used to meet both capital and administrative needs. The payout rate is typically established by the Board of Directors at its July meeting, and may be adjusted to reflect special funding needs and/or financial market conditions.

To meet the payout level determined each year, the Association may utilize both traditional interest and dividends generated by its endowment funds (i.e. the yield), as well as capital appreciation. Where prudent and not inconsistent with the Association's bylaws, trust documents, and fund agreements, the Association may use a portion of the principal of endowment funds (such as new endowment funds with little or no capital appreciation) to meet the established payout or to fund special projects as determined by the Board of Directors or as designated by the donor of such funds. This spending strategy reflects the total return approach to investing and disbursing funds described above.

Investment Policy

Return and Risk Requirements

To fulfill the endowment fund's investment objective, the portfolio should achieve at least a 4% annualized return after inflation on a rolling basis.

Risk Tolerance

Risk is present in all types of securities and investment styles. Some risk is necessary to produce long-term investment results that are sufficient to meet the endowment fund objectives.

Note 19 - Endowment Funds (continued)

Investment Policy (continued)

Risk Tolerance (continued)

Due to the fact that the allocation of funds between asset classes may be the most important determinant of investment performance over the long term, investment managers are encouraged to diversify the endowment fund's investments among appropriate asset classes. However, reasonable sector allocations and diversification shall be maintained, with no more than 30% of the entire equity portfolio invested in the securities of any one sector, 25% of the fixed income portfolio invested in the securities of any one sector, and no more than 5% of the equity portfolio invested in any individual stock.

Asset Allocation

With the exception of predetermined liquidity needs, all investment assets are considered to be long term in nature. Due to the long-term horizon, the endowment fund's asset allocation plan considers expected return for equity, fixed income, alternative cash, and real asset classes in domestic and foreign markets. Consideration is also given to expected prevailing levels of inflation, correlation of assets, and expected volatility of returns. All of these considerations help to determine an asset allocation that provides diversification and sufficient expected return to satisfy the investment objectives of the endowment fund.

The Association's endowment fund assets are to be managed within a range of:

Asset Class	Target%	Minimum	Maximum
Equities	70	50	80
Fixed income	20	15	50
Alternative	5	-	15
Cash equivalents	5	-	15

The endowment fund recognizes the benefit of asset class diversification; therefore, the allocation within each asset class can be further defined.

Portfolio diversification - no more than 5% of the portfolio at cost, or 10% at market, should be in any one security, with the exception of mutual funds, U.S. Government securities and agencies, and exchange traded funds (ETF).

Fixed income diversification - no more than 5% of the portfolio at cost, or 10% at market, may be invested in any single issuer except (a) obligations guaranteed by the full faith and credit of the U.S. Government, (b) obligations issued by U.S. Government agencies, or (c) an open-ended bond fund.

Foreign individual bond diversification - no more than 5% of the portfolio may be invested in "Yankee Bonds" with "AAA" rating at purchase.

Convertible bonds will be considered as equity investments and must meet the same criteria that an equity investment would be required to meet.

Note 19 - Endowment Funds (continued)

Investment Policy (continued)

Asset Allocation (continued)

All investment grade fixed-income securities must be rated investment grade by at least two nationally recognized statistical rating agencies at the time of purchase. Investment managers shall notify the Board within five business days if a fixed-income security falls below investment grade after being purchased.

Below investment grade fixed income may be purchased or held within a mutual fund or ETF. The below investment grade allocation shall not be counted for calculation of meeting the minimum fixed income allocation. Total below investment grade fixed income should be no more than 5% of cost or 10% of market value.

All municipal bonds must be taxable insured municipal bonds with a long-term debt rating of Aa or better by Moody's Credit Service or the equivalent by Standard & Poor's.

Individual stocks of foreign companies must be purchased through American Depository Receipts.

Certificates of deposit must be issued by financial institutions with sound financial ratings that participate in the FDIC program for their deposits. No more than the applicable FDIC insured limit (including interest) can be placed with any single institution.

Commercial paper shall be limited to those issued rated A1P1 or better.

Endowment Funds

Endowment net asset composition consists of the following as of December 31:

2022	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Endowment net assets	**$ 172,724**	**$ 1,378,970**	**$ 1,551,694**
2021			
Endowment net assets	$ 211,063	$ 1,726,366	$ 1,937,429

Note 19 - Endowment Funds (continued)

Endowment Funds (continued)

Changes in endowment net assets consist of the following for the years ended December 31:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at Beginning of Year	**$ 211,063**	**$ 1,726,366**	**$ 1,937,429**
Investment return			
Dividends and interest, net	**7,568**	**42,277**	**49,845**
Net depreciation realized/unrealized	**(45,907)**	**(364,448)**	**(410,355)**
	(38,339)	**(322,171)**	**(360,510)**
Contributions	**-**	**16,005**	**16,005**
Appropriation for expenditures	**-**	**(41,230)**	**(41,230)**
	-	**(25,225)**	**(25,225)**
Endowment Net Assets at End of Year	**$ 172,724**	**$ 1,378,970**	**$ 1,551,694**
2021			
Endowment Net Assets at Beginning of Year	$ 191,552	$ 1,581,990	$ 1,773,542
Investment return			
Dividends and interest, net	2,281	21,501	23,782
Net appreciation realized/unrealized	17,230	153,595	170,825
	19,511	175,096	194,607
Contributions	-	20,463	20,463
Appropriation for expenditures	-	(51,183)	(51,183)
	-	(30,720)	(30,720)
Endowment Net Assets at End of Year	$ 211,063	$ 1,726,366	$ 1,937,429

Note 20 - Commitments

As of December 31, 2022, the Association has outstanding commitments related to pool improvements at its Eastern Lycoming Branch facility in the amount of $195,135.

Note 21 - Rental Income

The Association leases 5,000 square feet of its Eastern Lycoming Branch facility to a local not-for-profit health system under a noncancelable operating lease. As part of the lease agreement, the entity paid an initial upfront payment in the amount of $337,500 to the Association. The payment is being amortized on a straight-line basis over the initial 15-year term of the agreement to reduce the monthly payment amount. The amount of deferred revenue recognized was $22,500 for each of the years ended December 31, 2022 and 2021. The initial lease period is to expire in June 2023 with the option to renew for six additional five year renewal terms. Upon expiration of the lease in June 2023, the lessee intends to exercise the first five year renewal option.

The Association also leases 1,800 square feet of its Williamsport Branch facility to a local not-for-profit health system under a noncancelable operating lease. The initial lease period ended in December 2019 and the lessee exercised a five year renewal option. Additional five year renewal options are available.

Future minimum lease payments under operating leases, including the first renewal term of the Eastern Lycoming Branch facility lease and assuming no change in current terms, are as follows for the five years ending December 31 and thereafter:

2023	$ 122,850
2024	134,100
2025	90,000
2026	90,000
2027	90,000
Thereafter	45,000
	$ 571,950

Rental income related to these two agreements, including deferred revenue recognized, amounted to $134,000 for each of the years ended December 31, 2022 and 2021.

Note 22 - Related Party Transactions

The Association is affiliated with the YMCA of the United States of America. The Association purchases services from the National Office and is required to pay an administrative fee of 2% of general agency support to the National Office. Such payments amounted to $109,135 and $90,663 for the years ended December 31, 2022 and 2021, respectively.

Note 23 - Concentration of Credit Risk

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes the Association is not exposed to any significant credit risk related to their cash.

Note 24 - Reclassifications

Certain information in the 2021 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2022 financial statements. There was no change to total changes in net assets or total net assets.

Note 25 - Subsequent Events

The Association has evaluated subsequent events through _________, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2022 were noted.