



**The River Valley Regional Young Men's
Christian Association**

Financial Statements

December 31, 2023 and 2022



The River Valley Regional Young Men's Christian Association

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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.

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.

RKH LLP

June 10, 2024
York, Pennsylvania

The River Valley Regional Young Men's Christian Association

Statement of Financial Position

	December 31,	
	2023	2022
Assets		
Current Assets		
Cash, operating	\$ 1,578,121	\$ 1,496,869
Accounts and grants receivable	142,869	945,136
Promises to give, net	35,182	72,475
Prepaid insurance	60,533	60,360
Total Current Assets	1,816,705	2,574,840
Other Assets		
Cash, restricted	228,133	871,206
Promises to give, net	11,287	34,358
Investments	5,369,377	3,525,652
Land, buildings, and equipment, net	14,263,212	14,327,961
Interest in net assets of a community foundation	34,456	29,524
Interest rate swap asset	43,388	62,119
Security deposits	7,727	8,727
Right-of-use asset, operating lease	4,059,346	4,099,907
Right-of-use assets, financing leases	21,445	54,211
Total Other Assets	24,038,371	23,013,665
Total Assets	\$ 25,855,076	\$ 25,588,505

The River Valley Regional Young Men's Christian Association

Statement of Financial Position (continued)

	December 31,	
	2023	2022
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Accounts payable	\$ 154,510	\$ 161,159
Current portion of long-term debt	89,742	86,834
Current portion of obligation under operating lease	7,442	6,926
Current portion of obligations under finance leases	8,944	14,421
Accrued expenses	244,841	255,107
Deferred revenue	137,588	179,826
Total Current Liabilities	643,067	704,273
Other Liabilities		
Long-term debt	2,114,654	2,197,180
Obligation under operating lease	4,119,174	4,126,616
Obligations under finance leases	10,066	4,615
Total Other Liabilities	6,243,894	6,328,411
Total Liabilities	6,886,961	7,032,684
Net Assets		
Net assets without donor restrictions	16,282,868	16,198,812
Net assets with donor restrictions	2,685,247	2,357,009
Total Net Assets	18,968,115	18,555,821
Total Liabilities and Net Assets	\$ 25,855,076	\$ 25,588,505

The River Valley Regional Young Men's Christian Association

Statement of Activities

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support			
Contributions	\$ 1,016,907	\$ 146,485	\$ 1,163,392
Pennsylvania Department of Education grant	535,760	-	535,760
Other grants	281,356	23,020	304,376
Special events	170,461	-	170,461
United Way allocations	42,057	-	42,057
Net assets released from restrictions	117,502	(117,502)	-
Total public support	<u>2,164,043</u>	<u>52,003</u>	<u>2,216,046</u>
Revenue			
Program service fees	4,248,611	-	4,248,611
Membership dues	2,693,224	-	2,693,224
Rental income	234,721	-	234,721
Miscellaneous	47,205	-	47,205
Sales to the public	28,026	-	28,026
Loss on disposal of equipment	(7,402)	-	(7,402)
Total revenue	<u>7,244,385</u>	<u>-</u>	<u>7,244,385</u>
Total Public Support and Revenue	<u>9,408,428</u>	<u>52,003</u>	<u>9,460,431</u>
Expenses			
Program services			
Youth development	4,594,806	-	4,594,806
Healthy living	3,183,147	-	3,183,147
Social responsibility	341,168	-	341,168
Total program services	<u>8,119,121</u>	<u>-</u>	<u>8,119,121</u>
Supporting services			
Management and general	1,306,645	-	1,306,645
Fundraising	125,603	-	125,603
Total supporting services	<u>1,432,248</u>	<u>-</u>	<u>1,432,248</u>
Total Expenses	<u>9,551,369</u>	<u>-</u>	<u>9,551,369</u>
Excess (Deficiency) of Public Support and Revenue over Expenses	<u>(142,941)</u>	<u>52,003</u>	<u>(90,938)</u>
Nonoperating Activities			
Return on investments, net	240,796	276,235	517,031
Change in interest in net assets of a community foundation	4,932	-	4,932
Change in fair value of interest rate swap	(18,731)	-	(18,731)
Total Nonoperating Activities	<u>226,997</u>	<u>276,235</u>	<u>503,232</u>
Changes in Net Assets	<u>84,056</u>	<u>328,238</u>	<u>412,294</u>
Net Assets at Beginning of Year	<u>16,198,812</u>	<u>2,357,009</u>	<u>18,555,821</u>
Net Assets at End of Year	<u>\$ 16,282,868</u>	<u>\$ 2,685,247</u>	<u>\$ 18,968,115</u>

See accompanying notes.

The River Valley Regional Young Men's Christian Association

Statement of Activities (continued)

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Public support			
Contributions	\$ 364,849	\$ 319,095	\$ 683,944
Pennsylvania Department of Education grant	320,539	-	320,539
Other grants	1,495,228	150,000	1,645,228
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)
Total revenue	6,519,529	-	6,519,529
Total Public Support and Revenue	9,248,222	82,849	9,331,071
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 of Public Support and Revenue over Expenses	410,101	82,849	492,950
Nonoperating Activities			
Return on investments, net	(58,110)	(322,171)	(380,281)
Change in interest in net assets of a community foundation	(6,864)	-	(6,864)
Change in fair value of interest rate swap	197,854	-	197,854
Total Nonoperating Activities	132,880	(322,171)	(189,291)
Changes 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 Functional Expenses - by Natural Classification

	Year Ended December 31, 2023							
	Program Services			Total Program Services	Supporting Services			Total Expenses
	Youth Development	Healthy Living	Social Responsibility		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 2,861,823	\$ 1,632,773	\$ 130,547	\$ 4,625,143	\$ 647,732	\$ 24,465	\$ 672,197	\$ 5,297,340
Employee benefits	248,986	136,456	8,066	393,508	74,388	1,957	76,345	469,853
Payroll taxes	217,246	123,358	9,864	350,468	46,556	1,872	48,428	398,896
	3,328,055	1,892,587	148,477	5,369,119	768,676	28,294	796,970	6,166,089
Occupancy	218,562	424,541	77,202	720,305	120,622	13,583	134,205	854,510
Depreciation and amortization	116,549	361,266	68,961	546,776	119,880	-	119,880	666,656
Supplies	370,019	112,472	23,245	505,736	91,549	1,697	93,246	598,982
Professional fees	132,681	75,699	6,052	214,432	30,030	1,134	31,164	245,596
Insurance	118,367	67,531	5,399	191,297	26,790	1,012	27,802	219,099
Payment to national organization	64,180	36,618	2,928	103,726	14,527	549	15,076	118,802
Credit card and bank fees	57,397	32,746	2,618	92,761	12,991	491	13,482	106,243
Other program costs	55,267	36,948	231	92,446	-	-	-	92,446
Interest	17,007	48,703	-	65,710	25,446	-	25,446	91,156
Equipment rental and maintenance	8,171	28,443	3,120	39,734	27,116	-	27,116	66,850
Advertising	35,393	19,775	1,581	56,749	7,845	296	8,141	64,890
Fundraising	-	-	-	-	-	62,363	62,363	62,363
Travel and vehicle expense	9,663	11,039	-	20,702	18,289	-	18,289	38,991
Telephone and internet	26,242	7,626	707	34,575	3,025	114	3,139	37,714
Conference, dues, and subscriptions	15,906	4,745	-	20,651	15,349	-	15,349	36,000
Provision for credit losses	17,553	14,832	200	32,585	1,212	15,912	17,124	49,709
Miscellaneous	3,794	4,773	447	9,014	14,750	-	14,750	23,764
Postage and shipping	-	2,803	-	2,803	8,548	158	8,706	11,509
Total Expenses	\$ 4,594,806	\$ 3,183,147	\$ 341,168	\$ 8,119,121	\$ 1,306,645	\$ 125,603	\$ 1,432,248	\$ 9,551,369

The River Valley Regional Young Men's Christian Association

Statement of Functional Expenses - by Natural Classification (continued)

	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
	<u>3,117,584</u>	<u>1,664,013</u>	<u>107,226</u>	<u>4,888,823</u>	<u>708,342</u>	<u>33,443</u>	<u>741,785</u>	<u>5,630,608</u>
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
Payment to national organization	60,361	32,743	2,071	95,175	13,309	651	13,960	109,135
Credit card and bank fees	83,359	45,218	2,860	131,437	18,379	900	19,279	150,716
Other program costs	50,746	20,824	1,068	72,638	-	-	-	72,638
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
Advertising	34,568	18,513	1,171	54,252	7,523	368	7,891	62,143
Fundraising	-	-	-	-	-	54,135	54,135	54,135
Travel and vehicle expense	7,430	6,560	29	14,019	7,675	-	7,675	21,694
Telephone and internet	24,285	7,606	1,031	32,922	3,091	151	3,242	36,164
Conference, dues, and subscriptions	6,036	4,617	210	10,863	8,695	-	8,695	19,558
Provision for credit losses (recovery)	18,324	7,593	118	26,035	(48,053)	-	(48,053)	(22,018)
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
Total Expenses	<u>\$ 4,351,906</u>	<u>\$ 2,868,902</u>	<u>\$ 291,032</u>	<u>\$ 7,511,840</u>	<u>\$ 1,232,846</u>	<u>\$ 93,435</u>	<u>\$ 1,326,281</u>	<u>\$ 8,838,121</u>

See accompanying notes.

The River Valley Regional Young Men's Christian Association

Statement of Cash Flows

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities		
Changes in net assets	\$ 412,294	\$ 303,659
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	666,656	650,366
Contributions restricted for long-term purposes	(82,320)	(364,318)
Amortization of debt issuance costs	2,370	2,370
Change in fair value of interest rate swap	18,731	(197,854)
Change in interest in net assets of a community foundation	(4,932)	6,864
Realized and unrealized (gain) loss on investments	(341,237)	465,426
Amortization of right-of-use asset, operating lease included in rent expense	40,561	40,423
Loss on disposal of equipment	7,402	463
(Increase) decrease in assets		
Accounts and grants receivable	802,267	4,764
Promises to give	7,861	(6,174)
Prepaid insurance	(173)	66,510
Security deposits	1,000	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(16,915)	29,455
Deferred revenue	(42,238)	(483,506)
Obligation under operating lease	(6,926)	(6,788)
Net Cash Provided by Operating Activities	1,464,401	511,660
Cash Flows from Investing Activities		
Purchase of land, buildings, and equipment	(560,635)	(616,746)
Purchase of investments	(1,555,537)	(2,104,993)
Proceeds from sale of investments	53,049	51,291
Net Cash Used in Investing Activities	(2,063,123)	(2,670,448)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(81,988)	(85,930)
Repayment of obligations under finance leases	(15,934)	(29,047)
Proceeds from contributions restricted for long-term use	134,823	368,749
Net Cash Provided by Financing Activities	36,901	253,772
Net Decrease in Cash	(561,821)	(1,905,016)
Cash at Beginning of Year	2,368,075	4,273,091
Cash at End of Year	\$ 1,806,254	\$ 2,368,075

See accompanying notes.

The River Valley Regional Young Men's Christian Association

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2023	2022
Cash Consists of the Following		
Cash, operating	\$ 1,578,121	\$ 1,496,869
Cash, restricted	228,133	871,206
	<u>\$ 1,806,254</u>	<u>\$ 2,368,075</u>
Supplemental Cash Flow Information		
Interest paid	<u>\$ 88,786</u>	<u>\$ 97,265</u>

Supplemental Disclosures of Noncash Investing and Financing Activities

In 2023

Equipment valued at \$15,908 was financed by a finance lease.

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 with a net book value of \$54,211 were reclassified from land, buildings, and equipment, net, to right-of-use assets, financing leases.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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), Lock Haven, and Mansfield (the Tioga County Branch), Pennsylvania.

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

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.

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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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. If collection becomes doubtful, an allowance for credit losses will be established, or the accounts will be charged to revenue when that determination is made by management. Management regularly evaluates individual accounts based on past experience, aging of the receivables, adverse situations that may affect a customer's ability to pay, current economic conditions, and other relevant factors. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts and grants receivable are recorded to revenue when received. At December 31, 2023 and 2022, the Association considers all accounts and grants receivable to be fully collectible and no credit losses are expected. As such, at December 31, 2023 and 2022, no allowance for credit losses was recorded.

Promises to Give

Promises to give are stated at outstanding balances. Promises to give are recognized when the Association is notified of the promises. The Association considers promises to give to be fully collectible. If collection becomes doubtful, an allowance for credit losses will be established or the accounts will be charged to revenue when that determination is made by management. Management regularly evaluates individual promises to give 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. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off promises to give are recorded to revenue when received. At December 31, 2023 and 2022, the Association considers all promises to give to be fully collectible and no credit losses are expected. As such, at December 31, 2023 and 2022, no allowance for credit losses was recorded. 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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, in the case of donated assets, at market value as of the 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 finance 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. Cost and accumulated depreciation of land, buildings, and equipment sold or retired are removed from the accounts, and any resulting gain or loss is included in operations.

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, 2023 and 2022.

Right-of-Use Assets and Liabilities

The Association records leases in accordance with Accounting Standards Codification (ASC) Topic 842, *Leases*, effective as of January 1, 2022, which requires that most leases be recognized on the 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.

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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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. 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.

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, 2023 and 2022, and accumulated amortization amounted to \$18,762 and \$16,392 as of December 31, 2023 and 2022, respectively. Total amortization recognized in interest expense totaled \$2,370 for each of the years ended December 31, 2023 and 2022.

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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023 and 2022.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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 (l)(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 2023 and 2022.

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, 2020.

Recent Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The Association adopted ASU 2016-13 as of January 1, 2023. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 are accounts and grants receivable and promises to give. The Association implemented the provisions of this standard. Management determined the ASU did not have a material impact on the Association's financial statements.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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:

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash, operating	\$ 1,578,121	\$ 1,496,869
Accounts and grants receivable	142,869	945,136
Promises to give, net - current	35,182	72,475
Cash, restricted	228,133	871,206
Investments	<u>5,369,377</u>	<u>3,525,652</u>
Total Financial Assets	<u>7,353,682</u>	<u>6,911,338</u>
Amounts Not Available to be Used for General Expenditures Within One Year		
Donor-imposed restrictions		
Cash subject to donor restrictions	(228,133)	(871,206)
Promises to give subject to donor restrictions	(26,216)	(55,648)
Investments subject to donor restrictions	(1,597,645)	(1,378,970)
Internal designations		
Board designated cash	(348,198)	(280,561)
Board designated investments	<u>(2,958,449)</u>	<u>(2,146,345)</u>
Total Amounts Not Available to be Used for General Expenditures Within One Year	<u>(5,158,641)</u>	<u>(4,732,730)</u>
Financial Assets Available to Meet Grants and Other Expenditures within One Year	<u>\$ 2,195,041</u>	<u>\$ 2,178,608</u>

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's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures. The endowment funds are subject to an annual spending rate (refer to Note 17). Although the Association does not intend to spend from the board-designated fund other than the approved annual distribution, if any, these funds could be made available if necessary.

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

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Accounts and Grants Receivable

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

	<u>2023</u>	<u>2022</u>
Childcare	\$ 71,854	\$ 97,165
Membership and program income	25,034	22,829
Other miscellaneous receivables	23,053	11,303
Child and Adult Care Food Program	11,594	17,752
Grant receivable	11,334	4,500
Employee retention credit	-	791,587
	<u>\$ 142,869</u>	<u>\$ 945,136</u>

Note 5 - Promises to Give

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

	<u>2023</u>	<u>2022</u>
Promises to give, capital campaign	\$ 38,924	\$ 90,531
Promises to give, other	8,966	16,827
	47,890	107,358
Unamortized discount	(1,421)	(525)
	<u>\$ 46,469</u>	<u>\$ 106,833</u>
Amounts due		
Less than one year	\$ 35,182	\$ 72,475
One to five years	11,287	34,358
	<u>\$ 46,469</u>	<u>\$ 106,833</u>

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 6 - Investments

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

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 499,749	\$ 491,442
Certificate of deposit	813,000	-
Brokered certificates of deposit	547,666	493,093
Common stocks	284	337
Mutual funds, equity	2,166,915	1,719,691
Mutual funds, fixed income	1,237,197	674,488
Mutual funds, balanced	104,566	146,601
	<u>\$ 5,369,377</u>	<u>\$ 3,525,652</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2023			
Dividends and interest, net	\$ 122,569	\$ 53,225	\$ 175,794
Realized and unrealized gain on investments	<u>118,227</u>	<u>223,010</u>	<u>341,237</u>
	<u>\$ 240,796</u>	<u>\$ 276,235</u>	<u>\$ 517,031</u>
2022			
Dividends and interest, net	\$ 42,868	\$ 42,277	\$ 85,145
Realized and unrealized loss on investments	<u>(100,978)</u>	<u>(364,448)</u>	<u>(465,426)</u>
	<u>\$ (58,110)</u>	<u>\$ (322,171)</u>	<u>\$ (380,281)</u>

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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 7 - Fair Value of Financial Instruments (continued)

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 and certificate of deposit - The carrying amounts approximate fair value because of the short-term nature of these investments.

Brokered 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 - 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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Money Market Funds	\$ 499,749	\$ -	\$ -	\$ 499,749
Certificate of Deposit	813,000	-	-	813,000
Brokered Certificates of Deposit	547,666	-	-	547,666
Common Stock				
Financial Services	284	-	-	284
Mutual Funds, Equity				
Large Cap	1,453,328	-	-	1,453,328
International				
Developed	198,673	-	-	198,673
Large growth	163,350	-	-	163,350
International Emerging	139,424	-	-	139,424
Small Cap	86,293	-	-	86,293
Mid Cap	84,031	-	-	84,031
Real Estate	41,816	-	-	41,816
Mutual Funds, Fixed Income				
General Domestic	570,777	-	-	570,777
U.S. Treasury and Government	300,697	-	-	300,697
Short/Intermediate Corporate	264,836	-	-	264,836
World Fixed	100,887	-	-	100,887
Mutual Funds, Balanced	104,566	-	-	104,566
	<u>\$ 5,369,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,369,377</u>
Interest in Net Assets of a Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,456</u>	<u>\$ 34,456</u>
Interest Rate Swap Asset	<u>\$ -</u>	<u>\$ 43,388</u>	<u>\$ -</u>	<u>\$ 43,388</u>

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 7 - Fair Value of Financial Instruments (continued)

	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
Brokered 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
International Emerging	62,971	-	-	62,971
Small Cap	69,350	-	-	69,350
Mid Cap	132,770	-	-	132,770
Real Estate	31,756	-	-	31,756
Mutual Funds, Fixed Income				
General Domestic	175,727	-	-	175,727
U.S. Treasury and Government	493,168	-	-	493,168
Short/Intermediate Corporate	5,593	-	-	5,593
Mutual Funds, Balanced	146,601	-	-	146,601
	<u>\$ 3,525,652</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,525,652</u>
Interest in Net Assets of a Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,524</u>	<u>\$ 29,524</u>
Interest Rate Swap Asset	<u>\$ -</u>	<u>\$ 62,119</u>	<u>\$ -</u>	<u>\$ 62,119</u>

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, 2023 and 2022, there were no transfers in or out of Level 3.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 8 - Land, Buildings, and Equipment, Net

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

	<u>2023</u>	<u>2022</u>
Buildings and building improvements	\$ 16,961,917	\$ 16,895,223
Furniture and equipment	3,286,427	2,452,658
Leasehold improvements	628,368	628,368
Land improvements	454,087	454,087
Land*	212,691	212,691
Vehicles and buses	16,584	16,584
Construction in progress*	9,244	384,843
	<u>21,569,318</u>	21,044,454
Accumulated depreciation and amortization	<u>(7,306,106)</u>	<u>(6,716,493)</u>
	<u>\$ 14,263,212</u>	<u>\$ 14,327,961</u>

* 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, 2023, the Association has contributed \$25,000 to the fund. Future contributions are at the discretion of the Board of Directors of the Association.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 10 - Deferred Revenue

Deferred revenue consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Memberships	\$ 51,713	\$ 59,603
Programs	36,573	25,921
Gift cards	28,468	29,121
Rents	15,164	22,027
Other	3,084	3,299
Service agreements, municipalities	2,015	3,621
Grants	571	36,234
	<u>\$ 137,588</u>	<u>\$ 179,826</u>

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 (8.50% and 7.50% at December 31, 2023 and 2022, respectively) and is secured by real estate. There were no borrowings under this arrangement at December 31, 2023 and 2022.

Note 12 - Long-Term Debt

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

	<u>2023</u>	<u>2022</u>
Revenue Note, Series of 2016, monthly principal and interest payments; interest at a variable rate of 70% of one-month SOFR plus 2.5% for \$1,973,578, 70% of one-month SOFR for \$1,250,000, and 75% of one-month SOFR for \$1,500,000. Effective interest rate of 3.95% and 4.17% at December 31, 2023 and 2022, respectively. The note matures September 1, 2041. The note is secured by substantially all assets of the Association	\$ 2,244,877	\$ 2,326,865
Unamortized debt issuance costs	(40,481)	(42,851)
	2,204,396	2,284,014
Current portion	(89,742)	(86,834)
	<u>\$ 2,114,654</u>	<u>\$ 2,197,180</u>

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

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, 2023, 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:

	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>	<u>Net</u>
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
2028	105,526	(2,370)	103,156
Thereafter	1,750,642	(28,631)	1,722,011
	<u>\$ 2,244,877</u>	<u>\$ (40,481)</u>	<u>\$ 2,204,396</u>

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 SOFR. At December 31, 2023 and 2022, this swap agreement had a total notional principal amount of \$992,090 and \$1,031,793, 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 SOFR. At December 31, 2023 and 2022, this swap agreement had a total notional principal amount of \$1,242,100 and \$1,291,413, 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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 13 - 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 options to extend the lease are included in the lease terms as management of the Association is reasonably certain that the options to renew will be exercised. The remaining lease term as of December 31, 2023 is sixty-one years and eleven months. Operating lease fixed payments totaled \$89,796 for each of the years ended December 31, 2023 and 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 with terms of three years and interest rates ranging from 10.60% to 13.84%. The weighted average remaining lease term is 2.32 years and the weighted-average discount rate is 12.07%.

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 years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 123,431	\$ 123,431
Finance lease cost, amortization of right-of-use assets	48,674	13,650
Finance lease cost, interest on lease liabilities	<u>1,145</u>	<u>841</u>
Total Lease Expense	<u>\$ 173,250</u>	<u>\$ 137,922</u>

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:

	<u>Operating Leases</u>	<u>Financing Leases</u>
2024	\$ 90,171	\$ 10,773
2025	94,296	6,509
2026	94,296	4,882
2027	94,296	-
2028	94,296	-
Thereafter	<u>7,118,918</u>	<u>-</u>
Total Lease Payment	7,586,273	22,164
Imputed interest	<u>(3,459,657)</u>	<u>(3,154)</u>
Total Present Value of Lease Liabilities	<u>\$ 4,126,616</u>	<u>\$ 19,010</u>

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 13 - Leases (continued)

	<u>Operating Leases</u>	<u>Financing Leases</u>
Current portion of obligations under operating and finances leases	\$ 7,442	\$ 8,944
Long-term portion of obligations under operating and finance leases	<u>4,119,174</u>	<u>10,066</u>
	<u>\$ 4,126,616</u>	<u>\$ 19,010</u>

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

	<u>2023</u>	<u>2022</u>
Copiers	\$ 30,918	\$ 15,010
Fitness equipment	-	70,045
	<u>30,918</u>	<u>85,055</u>
Accumulated amortization	<u>(9,473)</u>	<u>(30,844)</u>
	<u>\$ 21,445</u>	<u>\$ 54,211</u>
Amortization expense	<u>\$ 48,674</u>	<u>\$ 13,650</u>

Note 14 - 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, 2023 and 2022, the Association contributed 8% to the plan based on the participant's salary with the employee contributing 3%. Retirement expense was \$214,120 and \$216,369 for the years ended December 31, 2023 and 2022, respectively.

Note 15 - Net Assets Without Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Undesignated	\$ 12,976,221	\$ 13,771,906
Board designated for operating reserve	2,135,092	1,973,621
Board designated for endowment	823,357	172,724
Board designated for capital improvements	<u>348,198</u>	<u>280,561</u>
	<u>\$ 16,282,868</u>	<u>\$ 16,198,812</u>

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 16 - Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
General Funds		
Promises to give-time restriction	\$ 8,966	\$ 16,827
Subject to expenditure for specific purpose		
Cash, special projects	<u>4,316</u>	<u>4,380</u>
	<u>13,282</u>	<u>21,207</u>
Investment Fund		
Subject to expenditure for specific purpose		
Perpetual in nature investments, endowment	918,540	918,540
Special projects investments	<u>679,105</u>	<u>460,430</u>
	<u>1,597,645</u>	<u>1,378,970</u>
Capital Campaign Fund		
Subject to expenditure for specific purpose		
Investments, Williamsport	813,000	-
Cash, Eastern Lycoming	102,917	30,000
Cash, Williamsport	58,152	770,393
Cash, Bradford	43,855	32,688
Cash, Lock Haven	9,692	24,535
Cash, Jersey Shore	4,726	4,735
Cash, Tioga County	4,475	4,475
Subject to passage of time		
Promises to give, Williamsport	<u>37,503</u>	<u>90,006</u>
	<u>1,074,320</u>	<u>956,832</u>
	<u>\$ 2,685,247</u>	<u>\$ 2,357,009</u>

Note 17 - 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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 17 - 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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 17 - 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:

<u>Asset Class</u>	<u>Target%</u>	<u>Minimum</u>	<u>Maximum</u>
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.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 17 - 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 net asset composition consists of the following as of December 31:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
2023			
Endowment net assets	<u>\$ 823,357</u>	<u>\$ 1,597,645</u>	<u>\$ 2,421,002</u>
2022			
Endowment net assets	<u>\$ 172,724</u>	<u>\$ 1,378,970</u>	<u>\$ 1,551,694</u>

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 17 - Endowment Funds (continued)

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

2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets at Beginning of Year	\$ 172,724	\$ 1,378,970	\$ 1,551,694
Investment return			
Dividends and interest, net	4,841	37,115	41,956
Net appreciation realized/unrealized	23,194	223,010	246,204
	<u>28,035</u>	<u>260,125</u>	<u>288,160</u>
Contributions	622,598	-	622,598
Appropriation for expenditures	-	(41,450)	(41,450)
	<u>622,598</u>	<u>(41,450)</u>	<u>581,148</u>
Endowment Net Assets at End of Year	\$ 823,357	\$ 1,597,645	\$ 2,421,002
2022			
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)
	<u>(38,339)</u>	<u>(322,171)</u>	<u>(360,510)</u>
Contributions	-	16,005	16,005
Appropriation for expenditures	-	(41,230)	(41,230)
	<u>-</u>	<u>(25,225)</u>	<u>(25,225)</u>
Endowment Net Assets at End of Year	\$ 172,724	\$ 1,378,970	\$ 1,551,694

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 18 - 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 for the years ended December 31, 2023 and 2022 was \$13,125 and \$22,500, respectively. In June 2023, the initial 15-year term expired and the lessee exercised the first five-year renewal option, which extends the agreement through June 2028. Upon expiration of the current term, the lessee has the option to renew for five additional five-year renewal terms.

Additionally, the Association leases 5,000 square feet of its Eastern Lycoming Branch facility to a local not-for-profit under a noncancelable operating lease. The initial period ended in June 2023 and the lessee exercised a five year renewal option through June 2028. Additional five-year renewal options are available.

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 through December 2025. Additional five-year renewal options are available.

Assuming no change in current terms, future minimum lease payments related to the operating lease arrangements discussed above are as follows for the five remaining years ending December 31:

2024	\$	190,104
2025		190,104
2026		146,004
2027		146,004
2028		73,002
		<hr/>
	\$	745,218

Rental income related to the operating lease arrangements discussed above, including deferred revenue recognized, amounted to \$176,646 and \$134,000 for the years ended December 31, 2023 and 2022, respectively.

Note 19 - 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 \$118,802 and \$109,135 for the years ended December 31, 2023 and 2022, respectively.

The River Valley Regional Young Men's Christian Association

Notes to Financial Statements

December 31, 2023 and 2022

Note 20 - Contingencies

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.

Litigation

The Association is involved in a legal proceeding arising from activities in the ordinary course of business. Although it is not possible to presently determine the final outcome of this matter, management believes the aggregate liability, if any, will not have a material adverse effect on the Association's financial statements.

Note 21 - Reclassifications

Certain information in the 2022 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2023 financial statements. There was no change to total changes in net assets or total net assets.

Note 22 - Subsequent Events

The Association has evaluated subsequent events through June 10, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 were noted.