Financial Statements and Independent Auditor's Report

YOUNG MEN'S CHRISTIAN ASSOCIATION OF METROPOLITAN LOS ANGELES

For the years ended December 31, 2022 and 2021

Contents

Independent Auditor's Report

To the Board of Directors
Young Men's Christian Association of Metropolitan Los Angeles

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Young Men's Christian Association of Metropolitan Los Angeles 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") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Young Men's Christian Association of Metropolitan Los Angeles, 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 Young Men's Christian Association of Metropolitan Los Angeles' ability to continue as a going concern for one year after the date that the financial statements are 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 Young Men's Christian Association of Metropolitan Los Angeles' 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 Young Men's Christian Association of Metropolitan Los Angeles' 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.

CohnReznick LLP

Los Angeles, California
May 12, 2023

Young Men's Christian Association of Metropolitan Los Angeles

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	$ 9,637,000	$ 5,741,000
Accounts receivable, net (Note 2)	4,117,000	5,793,000
Investments (Notes 4 and 5)	91,633,000	108,710,000
Investments whose use is limited (Notes 4 and 5)	1,060,000	1,335,000
Pledges receivable, net (Note 6)	11,890,000	10,144,000
Benefit from interest rate swap agreement (Notes 12 and 13)	890,000	-
Beneficial interest in trusts	2,715,000	3,002,000
Prepaid expenses and other assets	6,334,000	6,063,000
Operating leases right of use assets	63,000	-
Property and equipment, net (Note 8)	129,709,000	132,212,000
Total assets	$ 258,048,000	$ 273,000,000
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 2,884,000	$ 2,296,000
Accrued expenses and other liabilities	6,225,000	6,033,000
Deferred membership fees and other deferred revenue	3,511,000	2,504,000
Claims payable (Note 11)	3,974,000	4,408,000
Obligations under operating leases (Note 16)	64,000	-
Obligations under finance leases (Note 16)	352,000	942,000
PPP loan payable (Note 14)	-	5,000,000
Term loan payable (Note 12)	8,002,000	8,220,000
Bonds payable (Note 13)	18,601,000	20,185,000
Obligations under interest rate swap agreement (Notes 12 & 13)	-	1,923,000
Obligations under split-interest agreements	555,000	756,000
Obligations under service repayment agreements (Note 15)	3,400,000	3,700,000
Total liabilities	47,568,000	55,967,000
Net assets (Note 18)		
Without Donor Restrictions	125,825,000	129,525,000
With Donor Restrictions	84,655,000	87,508,000
Total net assets	210,480,000	217,033,000
Total liabilities and net assets	$ 258,048,000	$ 273,000,000

See Notes to Financial Statements.

Young Men's Christian Association of Metropolitan Los Angeles

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	$ 7,983,000	$ 13,936,000	$ 21,919,000	$ 9,504,000	$ 9,106,000	$ 18,610,000
In-kind contributions	38,000	-	38,000	1,493,000	-	1,493,000
Government contracts and grants	10,592,000	-	10,592,000	12,631,000	-	12,631,000
Special events	2,521,000	-	2,521,000	2,007,000	-	2,007,000
Direct donor benefits	(862,000)	-	(862,000)	(588,000)	-	(588,000)
Net special events	1,659,000	-	1,659,000	1,419,000	-	1,419,000
Membership fees	18,440,000	-	18,440,000	13,053,000	-	13,053,000
Program service fees	19,268,000	-	19,268,000	10,223,000	-	10,223,000
Net realized and unrealized (losses) gains on investments	(3,426,000)	(12,436,000)	(15,862,000)	1,395,000	7,065,000	8,460,000
Interest and dividend income	542,000	1,137,000	1,679,000	351,000	961,000	1,312,000
Gain on extinguishment of PPP loan	5,000,000	-	5,000,000	-	-	-
Gain on disposal of property	272,000	-	272,000	55,000	-	55,000
Employee retention credit	1,554,000	-	1,554,000	1,350,000	-	1,350,000
Other revenue	810,000	-	810,000	1,185,000	-	1,185,000
Total revenues and other support	62,732,000	2,637,000	65,369,000	52,659,000	17,132,000	69,791,000
Net assets released from restrictions (Note 18)	5,205,000	(5,205,000)	-	3,734,000	(3,734,000)	-
Total revenues, other support, and net assets released from restrictions	$ 67,937,000	$ (2,568,000)	$ 65,369,000	$ 56,393,000	$ 13,398,000	$ 69,791,000

See Notes to Financial Statements.

Young Men's Christian Association of Metropolitan Los Angeles

STATEMENTS OF ACTIVITIES - CONTINUED

For the years ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
EXPENSES						
Program services						
Healthy living	$ 26,532,000	$ -	$ 26,532,000	$ 17,173,000	$ -	$ 17,173,000
Youth development	21,571,000	-	21,571,000	18,309,000	-	18,309,000
Social responsibility	17,831,000	-	17,831,000	14,220,000	-	14,220,000
Total program services	65,934,000	-	65,934,000	49,702,000	-	49,702,000
Supporting services						
General and administrative	6,309,000	-	6,309,000	5,552,000	-	5,552,000
Fundraising	2,221,000	-	2,221,000	2,116,000	-	2,116,000
Total supporting services	8,530,000	-	8,530,000	7,668,000	-	7,668,000
Total expenses	74,464,000	-	74,464,000	57,370,000	-	57,370,000
Change in net assets before other changes in net assets	(6,527,000)	(2,568,000)	(9,095,000)	(977,000)	13,398,000	12,421,000
Postretirement health plan related changes other than net periodic cost (Note 17)	14,000	-	14,000	(41,000)	-	(41,000)
Unrealized gain on interest rate swap agreement	2,813,000	-	2,813,000	1,359,000	-	1,359,000
Change in value of beneficial interest in trusts	-	(209,000)	(209,000)	-	607,000	607,000
Change in value of split-interest agreements	-	(76,000)	(76,000)	-	101,000	101,000
Change in net assets	(3,700,000)	(2,853,000)	(6,553,000)	341,000	14,106,000	14,447,000
Net assets, beginning of year	129,525,000	87,508,000	217,033,000	129,184,000	73,402,000	202,586,000
Net assets, end of year	$ 125,825,000	$ 84,655,000	$ 210,480,000	$ 129,525,000	$ 87,508,000	$ 217,033,000

See Notes to Financial Statements.

Young Men's Christian Association of Metropolitan Los Angeles

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2022 and 2021

2022

	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total	General and Administrative	Fundraising	Total	Total Expenses
Salaries and benefits	$ 13,457,000	$ 10,668,000	$ 7,862,000	$ 31,987,000	$ 4,107,000	$ 1,366,000	$ 5,473,000	$ 37,460,000
Professional fees and contract services	1,084,000	1,268,000	1,781,000	4,133,000	994,000	336,000	1,330,000	5,463,000
Supplies	526,000	864,000	1,990,000	3,380,000	54,000	117,000	171,000	3,551,000
Occupancy expenses	5,026,000	4,475,000	2,965,000	12,466,000	15,000	182,000	197,000	12,663,000
Insurance, licenses, and fees	1,110,000	967,000	747,000	2,824,000	241,000	1,000	242,000	3,066,000
Interest expense	480,000	326,000	194,000	1,000,000	9,000	-	9,000	1,009,000
Depreciation and amortization	3,975,000	2,705,000	1,606,000	8,286,000	74,000	-	74,000	8,360,000
Other expenses	874,000	298,000	686,000	1,858,000	815,000	219,000	1,034,000	2,892,000
Total expenses	$ 26,532,000	$ 21,571,000	$ 17,831,000	$ 65,934,000	$ 6,309,000	$ 2,221,000	$ 8,530,000	$ 74,464,000

2021

	Program Services				Supporting Services			
	Healthy Living	Youth Development	Social Responsibility	Total	General and Administrative	Fundraising	Total	Total Expenses
Salaries and benefits	$ 6,825,000	$ 9,117,000	$ 5,532,000	$ 21,474,000	$ 3,721,000	$ 1,332,000	$ 5,053,000	$ 26,527,000
Professional fees and contract services	545,000	701,000	851,000	2,097,000	782,000	308,000	1,090,000	3,187,000
Supplies	292,000	518,000	1,271,000	2,081,000	26,000	135,000	161,000	2,242,000
Occupancy expenses	3,838,000	3,980,000	3,302,000	11,120,000	13,000	117,000	130,000	11,250,000
Insurance, licenses, and fees	842,000	904,000	652,000	2,398,000	197,000	-	197,000	2,595,000
Interest expense	482,000	344,000	281,000	1,107,000	15,000	-	15,000	1,122,000
Depreciation and amortization	3,622,000	2,586,000	2,115,000	8,323,000	72,000	-	72,000	8,395,000
Other expenses	727,000	159,000	216,000	1,102,000	726,000	224,000	950,000	2,052,000
Total expenses	$ 17,173,000	$ 18,309,000	$ 14,220,000	$ 49,702,000	$ 5,552,000	$ 2,116,000	$ 7,668,000	$ 57,370,000

See Notes to Financial Statements.

Young Men's Christian Association of Metropolitan Los Angeles

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (6,553,000)	$ 14,447,000
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities from continuing operations:		
Depreciation and amortization	8,360,000	8,395,000
Realized and unrealized losses (gains) on investments, net	15,862,000	(8,460,000)
Unrealized (gain) on interest rate swap agreement	(2,813,000)	(1,359,000)
Gain on PPP Loan extinguishment	(5,000,000)	-
Operating lease right of use assets, net	(63,000)	-
Change in discount of pledges receivable	215,000	1,735,000
Gain on disposal of property	(272,000)	(55,000)
Contributions revenue from donated assets	(140,000)	(2,124,000)
Contributions restricted for long-term investment	(8,177,000)	(7,056,000)
Contributions restricted in perpetuity	(482,000)	(720,000)
Change in value of beneficial interest in trusts	209,000	(607,000)
Change in value of obligations under split-interest agreements	76,000	(101,000)
Forgiveness of debt service repayment agreement obligation	(300,000)	(300,000)
Amortization deferred financing costs	21,000	21,000
Changes in operating assets and liabilities:		
Accounts receivable	1,676,000	(4,316,000)
Pledges receivable	(1,519,000)	(1,563,000)
Beneficial interest in trusts	78,000	64,000
Prepaid expenses and other assets	(272,000)	(600,000)
Accounts payable	3,000	886,000
Accrued expenses and other liabilities	486,000	(2,000,000)
Deferred membership fees and other deferred revenue	1,007,000	1,164,000
Obligations under operating leases	64,000	-
Claims payable	(434,000)	(761,000)
Net cash provided by (used in) operating activities	2,032,000	(3,310,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments and maturities	49,847,000	99,185,000
Purchases of investments	(48,119,000)	(98,789,000)
Proceeds from sales of property and equipment	36,000	32,000
Purchases of property and equipment	(5,422,000)	(4,714,000)
Net cash used in investing activities	(3,658,000)	(4,286,000)

See Notes to Financial Statements.

Young Men's Christian Association of Metropolitan Los Angeles

STATEMENTS OF CASH FLOWS - CONTINUED

For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted to investment in property and equipment	7,834,000	3,886,000
Proceeds from contributions restricted for investment in endowment	378,000	776,000
Proceeds from issuance of PPP loan payable	-	5,000,000
Principal payments on bonds payable	(1,605,000)	(1,560,000)
Principal payments on term loan payable	(218,000)	(208,000)
Principal payments on capital leases	(590,000)	(877,000)
Payment of distributions under split-interest agreements	(94,000)	(107,000)
Reinvestment of interest, dividends, and gains restricted for split-interest agreement investment	(183,000)	103,000
Net cash provided by financing activities	5,522,000	7,013,000
Net increase (decrease) in cash	3,896,000	(583,000)
Cash, beginning of year	5,741,000	6,324,000
Cash, end of year	$ 9,637,000	$ 5,741,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	$ 1,105,000	$ 1,096,000
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Donated investments for pledges receivable	$ 5,000	$ -
Donated property and equipment	$ 38,000	$ 1,493,000
Capital expenditures incurred but not paid	$ 738,000	$ 282,000

See Notes to Financial Statements.

NOTE 1 - ORGANIZATION

Young Men's Christian Association of Metropolitan Los Angeles (the "YMCA" or "Association") is an association of persons of all ages, ethnic groups, and religious affiliations who are united in a common effort to put Judeo-Christian principles into practice to enrich the quality of the spiritual, mental, physical, and social lives of individuals, families, and communities. The YMCA's program areas include youth development, healthy living, and social responsibility.

The financial statements of the YMCA include the accounts of the corporate office and facilities located throughout Los Angeles County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The statements of financial position are presented in order of liquidity.

The Association classifies revenue, other support, and expenses into two net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve through a board-designated endowment.

- *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, purpose 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash Concentration

The Association maintains cash in two financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Association noninterest-bearing accounts are insured at $250,000 for each financial institution. The Association held $9,766,000 and $5,869,000 in cash balances in excess of the FDIC insured level as of December 31, 2022 and 2021, respectively.

Accounts Receivable

The Association extends credit to third party payers of childcare and other programs in the normal course of operations, which are due within 60 days of the date of service. The Association also extends credit to its members enrolling in certain programs, such as summer and day camps, which are due in full prior to the start of the programs. Receivables are recorded at estimated fair value at the time of origination, and are reflected in the statements of financial position net of allowances for doubtful accounts. The allowance for doubtful accounts is determined by a monthly and annual review of account balances, including the age of the balance and historical collection experience. Uncollectible receivables are charged to the allowance. An expense is recorded at the time the allowance is adjusted. The Association had $162,000 and $64,000 in allowance for doubtful accounts as of December 31, 2022 and 2021, respectively.

Pledges Receivable

The Association records pledges receivable, net of allowances for estimated uncollectible amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. The Association discounts multi-year pledges that are expected to be collected after one year using rates ranging from 5% to 10%. Multi-year pledges are recorded at fair value at the date of the pledge. Allowances for uncollectible amounts are calculated based on historical collection rates and specific identification of uncollectible accounts. Uncollectible pledges are charged to the allowance. An expense is recorded at the time the allowance is adjusted. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Two donors accounted for 44% of the Association's pledges receivable and one donor accounted for 35% of the Association's pledges receivable as of December 31, 2022 and 2021, respectively. The Association had $377,000 and $385,000 in allowance for doubtful accounts as of December 31, 2022 and 2021, respectively.

Investments

The Association's investment policy is to adhere to high standards of quality in the selection of all types of investments, with reasonable diversification to be maintained at all times. Marketable securities are primarily managed by independent investment managers and are held by an independent custodian bank.

The fair values of investments in securities traded on national securities exchanges are valued at the closing price on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investments - Continued

Investments which are not publicly traded consist primarily of several offshore investment hedge funds and private equity investments and are recorded at fair value using the Net Asset Value ("NAV"). The Association uses the NAV to determine the fair value of the underlying investments which (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Depending on the underlying asset, the NAV is determined by the underlying asset's manager through national exchange price for securities with a readily determinable value or valuations and estimates. The financial statements of these investments are audited annually (typically December 31) by independent auditors. Securities transactions are recorded on a trade-date basis. Dividend income is recorded as of the ex-dividend date, and interest income is recorded as earned using the accrual basis. Net realized and unrealized gains and losses on investments include realized and unrealized gains and losses on investments held or sold during the year. Investment income is recognized as a component of net assets without donor restrictions, unless its use is restricted by donors, due to time or purpose, or in perpetuity. Investment income earned on contributions with restrictions due to time or purpose, whose restrictions are met within the same year as received, is reported as investment income without donor restrictions.

Property and Equipment

Property and equipment are recorded at cost if purchased, or if donated, at fair value at date of donation. Asset retirement obligations related to property and equipment are capitalized. Property and equipment acquired with government grant funds are considered to be owned by the Association while used in the program or in future authorized programs. However, the granting agency has a reversionary interest in the property, as well as the right to determine the use of any proceeds from the sale of the assets. Management expects to have continuous use of such property and equipment throughout their useful lives.

Depreciation of buildings, improvements, and equipment is provided using the straight-line method over the estimated useful lives of the assets. Land is not depreciated.

	Useful life
Building improvements	5-20 years
Fitness equipment, furniture and fixtures	3-7 years
Leasehold improvements	Lesser of lease life or 10 years
Land improvements	5-25 years
Buildings	40 years

Property and equipment under capital lease obligations and leasehold improvements are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment - Continued

Gains and losses are recognized in the statements of activities and changes in net assets upon disposal of property and equipment.

Deferred Financing Costs

Deferred financing costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the debt to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Accounting for the Impairment of Long-Lived Assets and for the Disposal of Long-Lived Assets

The Association reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. During the years ended December 31, 2022 and 2021, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Asset Retirement Obligations

A conditional asset retirement obligation is a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the Association. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of the liability. The obligation to perform the asset retirement activity is unconditional, and accordingly, a liability should be recognized. The fair value of a liability for an asset retirement obligation is recorded by the Association as an asset and a liability when there is a legal obligation associated with the retirement of a long-lived asset and the amount can be reasonably estimated.

There were $390,000 and $629,000 of net capitalized asset retirement costs in property and equipment as of December 31, 2022 and 2021, respectively, and $1,034,000 and $1,330,000 of conditional retirement obligations included in accrued expenses and other liabilities as of December 31, 2022 and 2021, respectively. For the years ended December 31, 2022 and 2021, accretion expenses totaled approximately $6,000 and $13,000, respectively, and are included in depreciation and amortization expense.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting for Leases

The Association recognizes right of use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Right of use assets and liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using the incremental borrowing rate because the leases do not have a readily determinable implicit discount rate. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Lease expense is recognized on a straight-line basis over the term of the lease. The option to extend the lease term are not included in the right of use assets and liabilities recorded, when applicable as the Association is not reasonably certain to exercise the option to extend the lease. The Association has elected the practical expedient of not separating lease components from nonlease components.

The Association adopted Accounting Standards Update 2016-02 (as amended), Leases ("Topic 842") on January 1, 2022 (the "adoption date"). Topic 842 requires lessees to recognize a right of use asset and a corresponding lease liability for leases over one year. The Association elected and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the financial statements.

- The package of practical expedients permitting the Association to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Association recognized the following adjustments as of the adoption date in connection with transitioning to Topic 842:

	As of January 1, 2022
Right of use assets	$ 143,000
Lease liabilities	$ 143,000

The Association recognized no change to opening net assets upon adoption of the new accounting standard. The adoption of Topic 842 did not have a material impact on the Association's change in net assets for the year ended December 31, 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Split-Interest Agreements

The Association has been designated as the trustee for irrevocable split-interest agreements, consisting primarily of charitable remainder trusts and charitable gift annuities. The charitable remainder trust agreements generally require the Association to make annual payments to the trust beneficiaries based on stipulated payment rates ranging from 7% to 11%, applied to the fair value of the trust assets, as determined annually. The charitable gift annuities require the Association to pay an annuity to the trust beneficiary, determined upon execution of each annuity, based on stipulated payment rates issued by the American Council on Gift Annuities and adopted and filed with the California Department of Insurance. Upon the death of the beneficiaries, or other termination of the trusts as may be defined in the individual agreements, the remaining trust assets will be distributed by the Association to itself and to other beneficiaries, as stipulated in the trust agreements.

The fair value of the trust assets has been included in the Association's statements of financial position as investments whose use is limited, and a corresponding liability has been recorded to reflect the present value of required lifetime payments and remaining obligation to the named beneficiaries using discount rates ranging from 5% to 6% for the years ended December 31, 2022 and 2021. The difference between the fair value of the assets received and the present value of the obligation to named beneficiaries under the agreements is recognized as contributions revenue. Realized and unrealized gains and losses, interest and dividend income from the investments and payments of the obligations are reflected as adjustments to obligations under split-interest agreements in the accompanying statements of financial position. Amortization of discounts and changes in actuarial assumptions are reflected in the statements of activities as a change in value of split-interest agreements.

Beneficial Interest in Trusts

The Association is also a beneficiary of irrevocable split-interest agreements, consisting primarily of charitable remainder trusts and charitable lead trusts administered by other trustees. A receivable is recorded at the estimated fair value of the amount held by the trustee that is due to the Association. The Association uses an interest rate commensurate with the risks involved to discount the contribution receivable. The discount rates used were between 1% and 9% for the year ended December 31, 2022 and between 1% and 14% for the year ended December 31, 2021. The investment yield rates used were between 0% and 8% for the year ended December 31, 2022 and between 0% and 13% for the year ended December 31, 2021. The amortization of this discount and changes in actuarial assumptions are reflected in the statements of activities as a change in value of split-interest agreements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

Revenue is recognized when control of the promised service is transferred to the Association's customers, in an amount that depicts the consideration the Association expects to be entitled to in exchange for those services. Revenue is not recognized unless collectability under the contract is considered probable, the contract has commercial substance and the contract has been approved. Additionally, the contract must contain payment terms, as well as the rights and commitments of both parties.

The Association generates revenue from services based on the consideration specified in contracts with customers. The Association recognizes revenue when a performance obligation is satisfied by transferring control of the promised services to a customer, in an amount that reflects the consideration that the Association expects to receive in exchange for those services. A performance obligation is a promise in a contract to transfer a distinct service to the customer. At contract inception, the Association assesses the services promised in the contract and identifies each distinct performance obligation.

To identify the performance obligations, the Association considers the services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. The transaction price of a contract is allocated to each distinct performance obligation using the relative stand-alone selling price and recognized as revenue when, or as, control of the service is passed to the customer. Revenue is recognized over time because control of the service is transferred continuously to the Association's customers.

Membership dues and program fees

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

Membership dues and program fees are recognized over the period the membership or program service is provided. Membership dues and program fees paid to the Association in advance are recorded as other deferred revenue. Amounts billed but unpaid are recorded as other receivables.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Grants and contracts revenue

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Association, the revenue from the grant or contract is accounted for as an exchange transaction.

For purposes of determining whether a transfer of asset is a contribution or an exchange, the Association deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied.

The Association has contracts with city, state and federal agencies to provide a variety of program services to the public based on contract requirements, including eligibility, procurement, reimbursement, curriculum, staffing and other requirements. These program services range from child care programs, programs for seniors, and immigration and health and welfare related programs. These contracts from government agencies are considered conditional contributions and are recorded as revenue when the condition is overcome, which is generally when the related qualifying expenditures are incurred over the period the service is provided.

Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

Contributions

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Association has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Association fails to overcome the barrier. The Association recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Unconditional promises to give (pledges receivable) are recognized as contributions when received at their estimated fair value. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributions - Continued

Amounts received that are restricted for future periods or by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class.

Unconditional contributions are recorded as either with donor restriction or without donor restriction. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contributions without donor restrictions. Capital campaign contributions are considered net assets with donor restrictions until the asset is placed into service.

Employee Retention Credit

The Association has elected to follow the guidance regarding contributions found in Financial Accounting Standards Board Accounting Standards Codification ("ASC") 958-605, Not-for-Profit Entities - Revenue Recognition – Contributions, to account for its income from the Employee Retention Credit ("ERC").

Practical Expedients

As the Association's performance obligations have an original expected duration of one year or less, the Association applied the practical expedient (as provided in ASC 606-10-50-14) to not disclose the information in ASC 606-10-50-13, which requires disclosure of the amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and when the entity expects to recognize this amount as revenue. All consideration from contracts with customers is included in the transaction price.

Contributed Services

A substantial number of volunteers have donated significant amounts of time and services to the Association's program operations and to its fundraising campaigns. Contributed services are recognized by the Association if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The services donated are not reflected in the accompanying financial statements as an expense or as income from donations; such services do not meet the above criteria for recording under U.S. GAAP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In-Kind Contributions

During the years ended December 31, 2022 and 2021, the value of in-kind contributions or noncash assets recorded by the Association was $38,000 and $1,493,000, respectively. The value of in-kind donations is based on either donor-stated value, face value or replacement value had the Association needed to purchase from an outside source. During the year ended December 31, 2022, the Association received donated property and equipment. During the year ended December 31, 2021, the Association received in-kind contributions of facility renovation and donated property and equipment. The fair market value is determined through active markets of identical or similar items.

Derivatives

The Association has elected to execute a derivative instrument for purposes of elimination of interest rate risk on its long-term debt. The Association uses an interest rate swap agreement to eliminate its exposure resulting from variable rate debt. The derivative instrument is recognized in the statements of financial position at fair value.

Fair value for the Association's derivative instrument is based on quoted market prices of comparable instruments or, if none are available, on pricing models or formulas using current assumptions. The derivative has not been designated as a hedge under ASC Topic 815, Derivatives and Hedging. Accordingly, the Association records changes in the fair value of its derivative instrument as a mark-to-market gain or loss on financial instruments on the statements of activities. Should the counterparty to the contract fail to meet its obligation, the Association would be exposed to fluctuations in interest rates. The Association manages exposure to counterparty credit risk by entering into the derivative financial instrument with a highly rated financial institution that can be expected to perform fully under the terms of the agreement.

Income Taxes

The Association was organized pursuant to the General Nonprofit Corporation Law of the State of California. The Association has been recognized by the Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Association has also been recognized by the California Franchise Tax Board as exempt from California franchise taxes and certain general county real and personal property taxes under Section 23701d of the California Revenue and Taxation Code. However, the Association is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole. If applicable, the Association would recognize interest and penalties associated with tax matters as operating expenses and would include accrued interest and penalties with accrued expenses in the statements of financial position.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes - Continued

Tax positions taken related to the Association's tax exempt status, unrelated business activities taxable income, and deductibility of expenses, and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken by the Association would, more likely than not, be sustained by examination. Accordingly, the Association has not recorded an income tax liability for uncertain tax benefits as of December 31, 2022 and 2021 and no material change is anticipated in the 12 months following December 31, 2022. As of December 31, 2022, the Association's tax years ended December 31, 2019 through December 31, 2022 remain subject to examination.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and detailed in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates, which is based on the prorated share of direct program expenses incurred by the branches for operating expenses and percentage of program revenues for capital expenditures.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-02, *Leases* ("Topic 842"), which establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. This guidance results in a more faithful representation of the rights and obligations arising from operating and capital leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions, such as information about variable lease payments and options to renew and terminate leases. The Association has elected to apply the deferrals provided by ASU 2020-05, and therefore adopted Topic 842 for fiscal years beginning after December 15, 2021 on a modified retrospective basis with a cumulative effect transition adjustment as of the beginning of the period that includes initial adoption of the standard.

For the year ended December 31, 2022, the Association adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the Association and will not change existing recognition and measurement requirements.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Association has various sources of liquidity at its disposal, including cash and cash equivalents, receivables, marketable debt and equity securities and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing mission related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of December 31, 2022 and 2021, the Association had the following financial assets and liquidity resources available over the next 12 months:

	2022	2021
Financial assets:		
Cash	$ 9,637,000	$ 5,741,000
Accounts receivable, net	4,117,000	5,793,000
Pledges receivables due in one year or less, net	3,844,000	3,064,000
Fiscal 2023 (2022) payout on donor-restricted endowments	2,584,000	2,421,000
Fiscal 2023 (2022) payout on board-designated endowments	660,000	640,000
Total financial assets available within one year	20,842,000	17,659,000
Liquidity resources:		
Available bank line of credit	6,500,000	6,500,000
Total financial assets and liquidity resources available within one year	$ 27,342,000	$ 24,159,000

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Additionally, as of December 31, 2022 and 2021, the Association has $18,058,000 and $24,062,000, respectively, of board-designated net assets without donor restrictions, that while the Association does not intend to spend those for purposes other than those identified, the amounts could be made available for current operations with Board approval, if necessary.

NOTE 4 - FAIR VALUE

The Association measures the fair value of its financial assets and liabilities in accordance with accounting guidance that requires the Association to base fair value on exit price, maximize the use of observable inputs, and minimize the use of unobservable inputs to determine the exit price. The Association categorizes the financial assets and liabilities, based on the priority of inputs to the valuation technique, into a three-tiered hierarchy as described below.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Level 1 investments include listed equities, listed fixed income securities, certain mutual funds and money market accounts. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Observable inputs, other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable for the asset or liability either directly or indirectly. Investments in this category include corporate and government bonds, and certain money market funds. Interest rate swaps are also included in this category. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Unobservable inputs that are supportable by little or no market activity, which requires the Association to develop its own assumptions. Contributions receivable from beneficial interest in trusts are included in this category. The fair value hierarchy gives the lowest priority to Level 3 inputs.

The Association is required to measure and report investments, investments whose use is limited, interest rate swaps and beneficial interest in split-interest agreements on a recurring basis at fair value. Investments are measured using the market approach. Beneficial interest in split-interest agreements are valued using the income approach based on the life expectancy of the beneficiaries and the net present value of the expected cash flows using a discounted rate. Interest rate swaps are valued using the forward interest rate estimates and present value techniques, adjusted to reflect nonperformance risk of both counterparties and the Association.

NOTE 4 - FAIR VALUE – Continued

The Association's policy is to recognize transfers in and out of Levels 1, 2, and 3 as of the end of the year of the change in circumstances that caused the transfer. The following table summarizes the valuation of the Association's investments and beneficial interest under split-interest agreements by fair value hierarchy levels as of December 31, 2022:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Investments and investments whose use is limited					
Equity securities					
Consumer goods and services	$ 2,647,000	$ -	$ -	$ -	$ 2,647,000
Financial services	3,730,000	-	-	-	3,730,000
Healthcare	2,833,000	-	-	-	2,833,000
Industrials	3,458,000	-	-	-	3,458,000
Oil and gas	1,533,000	-	-	-	1,533,000
Technology	4,020,000	-	-	-	4,020,000
Telecommunications	798,000	-	-	-	798,000
Other	4,064,000	-	-	-	4,064,000
Total equity securities	23,083,000	-	-	-	23,083,000
Mutual funds					
Domestic equity	11,523,000	-	-	-	11,523,000
International equity	8,929,000	-	-	-	8,929,000
Domestic fixed income	3,767,000	-	-	-	3,767,000
International fixed income	3,691,000	-	-	-	3,691,000
Total mutual funds	27,910,000	-	-	-	27,910,000
Money market accounts/funds	-	1,921,000	-	-	1,921,000
US government and agency bonds	-	20,448,000 #	-	-	20,448,000
Private equity funds	-	-	-	4,256,000	4,256,000
Bond fund	-	-	-	7,251,000	7,251,000
Hedge funds/other					
Multi-strategy credit driven	-	-	-	2,222,000	2,222,000
Multi-strategy event driven	-	-	-	1,841,000	1,841,000
Fund of hedge funds	-	-	-	2,229,000	2,229,000
Long/short equity	-	-	-	1,532,000	1,532,000
Total hedge funds	-	-	-	7,824,000	7,824,000
Total investments	50,993,000	22,369,000	-	19,331,000	92,693,000
Beneficial interest in trusts	-	-	2,715,000	-	2,715,000
	$ 50,993,000	$ 22,369,000	$ 2,715,000	$ 19,331,000	$ 95,408,000
Benefit from interest rate swap	$ -	$ 890,000	$ -	$ -	$ 890,000

NOTE 4 - FAIR VALUE – Continued

The following table summarizes the valuation of the Association's investments and beneficial interest under split-interest agreements by fair value hierarchy levels as of December 31, 2021:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Investments and investments whose use is limited					
Equity securities					
Consumer goods and services	$ 2,759,000	$ -	$ -	$ -	$ 2,759,000
Financial services	4,211,000	-	-	-	4,211,000
Healthcare	2,573,000	-	-	-	2,573,000
Industrials	4,531,000	-	-	-	4,531,000
Oil and gas	893,000	-	-	-	893,000
Technology	4,693,000	-	-	-	4,693,000
Telecommunications	482,000	-	-	-	482,000
Other	4,124,000	-	-	-	4,124,000
Total equity securities	24,266,000	-	-	-	24,266,000
Mutual funds					
Domestic equity	19,586,000	-	-	-	19,586,000
International equity	11,835,000	-	-	-	11,835,000
Domestic fixed income	27,280,000	-	-	-	27,280,000
International fixed income	4,220,000	-	-	-	4,220,000
Total mutual funds	62,921,000	-	-	-	62,921,000
Money market accounts/funds	400,000	1,100,000	-	-	1,500,000
US government and agency bonds	-	16,000 #	-	-	16,000
Private equity funds	-	-	-	3,520,000	3,520,000
Bond fund	-	-	-	8,417,000	8,417,000
Hedge funds/other					
Multi-strategy credit driven	-	-	-	2,196,000	2,196,000
Multi-strategy event driven	-	-	-	2,979,000	2,979,000
Fund of hedge funds	-	-	-	2,172,000	2,172,000
Long/short equity	-	-	-	2,058,000	2,058,000
Total hedge funds	-	-	-	9,405,000	9,405,000
Total investments	87,587,000	1,116,000	-	21,342,000	110,045,000
Beneficial interest in trusts	-	-	3,002,000	-	3,002,000
	$ 87,587,000	$ 1,116,000	$ 3,002,000	$ 21,342,000	$ 113,047,000
Liabilities					
Obligation under interest rate swap	$ -	$ 1,923,000	$ -	$ -	$ 1,923,000

Accounting standards permit the measure of fair value of investments that do not have a quoted market price but NAV per unit. The NAV is calculated based on the valuation of the funds' underlying assets owned by the fund at fair value at the end of the year. The alternative investments invest in a variety of funds including hedge funds and private equity funds. The fair value of the investments have been estimated using NAV of the fund shares.

NOTE 4 - FAIR VALUE – Continued

The following table represents the Association's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs:

Instrument	Fair value	Principal valuation technique	Unobservable inputs	Significant input variables	Weighted average
Beneficial interest in trusts	$ 2,715,000	Present value of expected cash flows	Investment yield Discount rate	0% - 8% 1% - 9%	N/A

The following table lists investments in investment companies that are valued at NAV by major category as of December 31, 2022:

	Strategy	NAV In Funds	# of Funds	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge funds - multi strategies - credit driven fund	Multiple Strategies - credit driven fund primarily in North America and Europe	$ 2,222,000	1	Quarterly redemption with 90 days notice.	1 year lock-up provision. Side pocket.	None
Hedge funds - multi strategies - event driven fund	Invest in securities and instruments of companies undergoing extraordinary corporate events	1,841,000	2	Monthly, quarterly and annual redemption options with notice.	Up to 25%. 5% holdback.	None
Fund of hedge funds	Multi-strategy fund of hedge funds which invests across equity long/short, credit and multi-strategy hedge funds	2,229,000	2	Quarterly redemption with notice.	1 year lock-up provision.	None
Long/short equity	Multiple strategies - utilizing fundamental an operational perspectives	1,532,000	2	Quarterly redemption with 30-60 days notice.	1 year lock-up provision. 10% holdback.	None
Bond fund	U.S. total-return, core-plus bond strategy	7,251,000	1	Weekly redemption with 10 days notice.	No lock-up.	None
Private equity funds	Investments in real estate, private real estate, private equity - secondaries and buyouts	4,256,000	9	Partners may not withdraw from the Fund prior to its termination		
		$19,331,000	17			

None of these funds have predetermined remaining life expectancies. The Association has $3,241,000 of unfunded commitments related to these investments as of December 31, 2022.

NOTE 4 - FAIR VALUE – Continued

The following table lists investments in investment companies that are valued at NAV by major category as of December 31, 2021:

	Strategy	NAV In Funds	# of Funds	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge funds - multi strategies - credit driven fund	Multiple Strategies - credit driven fund primarily in North America and Europe	$ 2,196,000	1	Quarterly redemption with 90 days notice.	1 year lock-up provision. Side pocket.	None
Hedge funds - multi strategies - event driven fund	Invest in securities and instruments of companies undergoing extraordinary corporate events	2,979,000	2	Monthly, quarterly and annual redemption options with notice.	Up to 25%. 5% holdback.	None
Fund of hedge funds	Multi-strategy fund of hedge funds which invests across equity long/short, credit and multi-strategy hedge funds	2,172,000	2	Quarterly redemption with notice.	1 year lock-up provision.	None
Long/short equity	Multiple strategies - utilizing fundamental an operational perspectives	2,058,000	2	Quarterly redemption with 30-60 days notice.	1 year lock-up provision. 10% holdback.	None
Bond fund	U.S. total-return, core-plus bond strategy	8,417,000	1	Weekly redemption with 10 days notice.	No lock-up.	None
Private equity funds	Investments in real estate, private real estate, private equity - secondaries and buyouts	3,520,000	9	Partners may not withdraw from the Fund prior to its termination		
		$21,342,000	17			

None of these funds have predetermined remaining life expectancies. The Association has $2,240,000 of unfunded commitments related to these investments as of December 31, 2021.

The fair value of cash, accounts receivable, pledges receivable, payables, and accrued expenses is equal to their carrying value because of their liquidity and short-term maturity. Capital lease obligations to unrelated parties do not differ materially from their aggregate carrying values in that the obligations bear interest rates that are based on market differences. The fair value of bonds payable approximates $18,795,000 and $20,399,000 using a market approach at December 31, 2022 and 2021, respectively.

NOTE 5 - INVESTMENTS

The Association's investments as of December 31, 2022 and 2021 are as follows:

	2022	2021
Investments	$ 91,633,000	$ 108,710,000
Investments whose use is limited	1,060,000	1,335,000
Total investments and investments whose use is limited	$ 92,693,000	$ 110,045,000

Investments whose use is limited are restricted for the following long-term purposes as of December 31, 2022 and 2021:

	2022	2021
Restricted under grant agreements	$ 237,000	$ 235,000
Held in trust under split-interest agreements	823,000	1,100,000
	$ 1,060,000	$ 1,335,000

California state law mandates the Association invest predetermined amounts held in trust under charitable gift annuities in direct obligations of the United States government, certain other quasi-government obligations, and money market funds or cash and cash equivalents. The Association was in compliance with these requirements for the years ended December 31, 2022 and 2021.

NOTE 6 - PLEDGES RECEIVABLE

Pledges receivable are expected to be received as follows as of December 31, 2022 and 2021:

	2022	2021
Within one year	$ 5,018,000	$ 4,060,000
Within two to five years	2,647,000	1,642,000
Greater than five years	8,410,000	8,420,000
	16,075,000	14,122,000
Less discount to reflect pledges receivable at fair value	(3,808,000)	(3,593,000)
Less allowance for uncollectible pledges receivable	(377,000)	(385,000)
Pledges receivable, net	$ 11,890,000	$ 10,144,000

NOTE 7 - CONDITIONAL PROMISES TO GIVE

As of December 31, 2022 and 2021, the Association did not have any conditional promises to give.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022 and 2021:

	2022	2021
Land	$ 20,023,000	$ 20,023,000
Buildings and improvements	227,201,000	226,654,000
Equipment	13,879,000	13,295,000
Equipment under finance leases	1,338,000	2,302,000
Construction in progress	7,001,000	2,869,000
Total	269,442,000	265,143,000
Less accumulated depreciation, including $1,087,000 and $1,310,000 for equipment under finance leases at December 31, 2022 and December 31, 2021, respectively	(139,733,000)	(132,931,000)
	$ 129,709,000	$ 132,212,000

Depreciation and amortization of property and equipment totaled $8,360,000 and $8,395,000 for the years ended December 31, 2022 and 2021, respectively. Depreciation on construction in progress commences when the assets are placed in service.

Buildings and improvements include occupancy rights acquired at a cost of $4,500,000, which is being amortized over the 26-year life of the occupancy rights.

Land and buildings with a carrying value of $21,086,000 and $22,152,000 serve as collateral for certain long-term liabilities at December 31, 2022 and 2021, respectively. Depreciation expense totaled $1,416,000 and $1,393,000 on these buildings and improvements for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - ENDOWMENT

The Association's endowment consists of approximately 800 individual funds established for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) the fair value of the Association's interest in split-interest agreements at the time of termination of the trust as stipulated by the trust agreement with the permanent endowment, and (d) 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.

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

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

The following tables present the Association's endowment composition, changes, and net asset classifications as of and for the indicated year:

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Donor restricted endowment funds	$ -	$ 11,816,000	$ 44,095,000	$ 55,911,000
Funds functioning as endowments	11,895,000	-	-	11,895,000
	$ 11,895,000	$ 11,816,000	$ 44,095,000	$ 67,806,000

NOTE 9 - ENDOWMENT – Continued

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

		With Donor Restrictions		
	Unrestricted	Time or Purpose	Perpetual	Total
Donor restricted endowment funds	$ -	$ 25,521,000	$ 43,727,000	$ 69,248,000
Funds functioning as endowments	16,759,000	-	-	16,759,000
	$ 16,759,000	$ 25,521,000	$ 43,727,000	$ 86,007,000

Changes in endowment net assets for the year ended December 31, 2022 were as follows:

	Without Donor	With Donor Restrictions		
	Restrictions	Time or Purpose	Perpetual	Total
Endowment net assets, beginning of year	$ 16,759,000	$ 25,521,000	$ 43,727,000	$ 86,007,000
Investment return, net				
Investment income	264,000	1,137,000	-	1,401,000
Net realized and unrealized losses	(2,891,000)	(12,436,000)	-	(15,327,000)
Investment counsel fees	(122,000)	-	-	(122,000)
Total investment return, net	(2,749,000)	(11,299,000)	-	(14,048,000)
Contributions	39,000	50,000	368,000	457,000
Appropriation of endowment assets for expenditure	(641,000)	(2,420,000)	-	(3,061,000)
Appropriation of endowment assets for capital projects	(1,661,000)	-	-	(1,661,000)
Release from donor restrictions	36,000	(36,000)	-	-
Funds functioning as endowments	112,000	-	-	112,000
Endowment net assets, end of year	$ 11,895,000	$ 11,816,000	$ 44,095,000	$ 67,806,000

NOTE 9 - ENDOWMENT – Continued

Changes in endowment net assets for the year ended December 31, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions: Time or Purpose	With Donor Restrictions: Perpetual	Total
Endowment net assets, beginning of year	$ 13,680,000	$ 19,929,000	$ 42,871,000	$ 76,480,000
Investment return, net				
Investment income	234,000	961,000	-	1,195,000
Net appreciation (realized and unrealized)	1,721,000	7,065,000	151,000	8,937,000
Investment counsel fees	(210,000)	-	-	(210,000)
Total investment return, net	1,745,000	8,026,000	151,000	9,922,000
Contributions	1,787,000	156,000	705,000	2,648,000
Appropriation of endowment assets for expenditure	(602,000)	(2,122,000)	-	(2,724,000)
Appropriation of endowment assets for capital projects	(412,000)	-	-	(412,000)
Release from donor restrictions	468,000	(468,000)	-	-
Funds functioning as endowments	93,000	-	-	93,000
Endowment net assets, end of year	$ 16,759,000	$ 25,521,000	$ 43,727,000	$ 86,007,000

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Association to retain as funds of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. Deficits of this nature reported in net assets with donor restrictions were $0 at December 31, 2022 and 2021. These deficiencies resulted from unfavorable market fluctuations that occurred during prior years and continued appropriation for expenditures that were deemed prudent by the Association.

The Association has adopted investment and distribution policies for endowment assets that attempt to provide sufficient income to sustain funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as funds functioning as endowment. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment fund's target allocation applied to the appropriate individual benchmarks, and to provide an average rate of return of approximately 5% annually in excess of the inflation rate. Actual returns in any given year may vary from this amount.

NOTE 9 - ENDOWMENT – Continued

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Association has a policy of appropriating for distribution each year a percentage of the endowment fund's average fair value over the prior 12 quarters through June 30 preceding the fiscal year in which the distribution is planned. The distribution rate used was 4.5% for both years ended December 31, 2022 and 2021. The distribution rate is reviewed annually to ensure it is consistent with the long-term investment objectives to maintain the purchasing power of the endowment and provide a satisfactory level of income to sustain programming dependent on endowment income. Accordingly, over the long term, the Association expects the current distribution policy to allow its endowment to grow at an average of 2% annually, consistent with its intention to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts.

NOTE 10 - LINE OF CREDIT

The Association has a line of credit agreement with a bank with a maximum borrowing limit of $6,500,000. Borrowings on the line bear interest at LIBOR plus 1.75% (5.89% and 1.84% at December 31, 2022 and 2021, respectively) with a maturity date of May 1, 2023. In May 2023, the Association amended the line of credit agreement extending the maturity date to May 1, 2025 and amending the interest rate to the Secured Overnight Financing Rate ("SOFR") plus 1.75%. As of December 31, 2022 and 2021, the Association had $0 outstanding on the line of credit.

NOTE 11 - SELF-INSURANCE PROGRAM

The Association maintains a self-insurance program for general liability, automobiles, workers' compensation, and floods. Claims payable represent claims accrued in connection with the Association's self-insurance program and are based on the estimated cost of settlements, including an amount determined from reports of individual cases and an additional amount for losses incurred but not yet reported, based on estimates made by management using an independent actuarial report. Reinsurance is maintained to limit the Association's exposure to losses and claims above specified per incident and per year amounts.

NOTE 11 - SELF-INSURANCE PROGRAM – Continued

The estimated claims payable and changes in the claims payable amount for the years ended December 31, 2022 and 2021 are listed below:

	2022	2021
Claims payable at beginning of year	$4,408,000	$5,169,000
Claims incurred/changes in estimate	748,000	267,000
Claim payments	(1,182,000)	(1,028,000)
Claims payable at end of year	$3,974,000	$4,408,000

NOTE 12 - TERM LOAN PAYABLE

In January 2019, the Association executed a 10-year term loan agreement for $8,800,000 secured by certain real property owned or leased by the Association. The loan has an interest rate of LIBOR plus 1.75% and is payable in monthly installments of principal and interest. Effective June 2023, the interest rate on the term loan will be amended to SOFR plus 1.75%. The proceeds were used to term out drawings on the current line of credit and cover other funds spent on the construction of a new facility.

Concurrent with the term loan execution, the Association also entered into an interest rate swap agreement with the bank. The term of the swap agreement coincides with that of the term loan and thereby fixes the interest rate on the term loan at 4.68% for the full 10-year term of the loan. The interest rate swap agreement had a recorded benefit of $322,000 and a recorded liability of $852,000 as of December 31, 2022 and 2021, respectively, as reported in the statements of financial position.

Under the provisions of the term loan agreement, the Association is required to meet certain covenants during the term of the note, including maintaining a debt service coverage ratio of selected revenues less expenses to the following year's debt service as defined, of 1.1-to-1; and maintain a liquid cash and investments without perpetual restrictions balance ratio to outstanding debt principal of greater than 0.35-to-1. The agreement also places limits on the incurrence of additional borrowings such that the Association meet certain criteria prior to incurring additional debt. The Association was in compliance with the provisions of the term loan agreement for the years ended December 31, 2022 and 2021.

NOTE 12 - TERM LOAN PAYABLE – Continued

Future principal payments on the term loan payable at December 31, 2022 are as follows:

Fiscal year		
2023	$	228,000
2024		239,000
2025		250,000
2026		262,000
2027		275,000
Thereafter		6,748,000
	$	8,002,000

NOTE 13 - BONDS PAYABLE

In 2012, the Association issued California Infrastructure and Economic Development Bank Revenue Bonds, Series 2012 ("2012 Revenue Bonds") totaling $33,000,000. The 2012 Revenue Bonds carry a 20-year term requiring annual principal payments in varying installments prior to maturity and are secured by certain real property owned by the Association. The 2012 Revenue Bonds have an interest rate of 65.01% of LIBOR plus 1.05%. In April 2023, the Association amended the bond agreement, amending the interest rate to 79% of SOFR plus 1.05%. Interest on the 2012 Revenue Bonds is payable monthly.

Concurrent with the issuance of the 2012 Revenue Bonds, the Association also entered into an interest rate swap agreement with a bank. The term of the swap agreement coincides with that of the 2012 Revenue Bonds and has an interest rate of 1.78% less 65.01% of LIBOR. The execution of the interest rate swap agreement thereby fixes the interest rate on the 2012 Revenue Bonds at 2.83% for the full 20-year term of the bonds. In April 2023, the Association amended the swap agreement, amending the interest rate to 2.27% less 79% of SOFR, fixing the interest rate of the 2012 Revenue Bonds at 3.32% for the remaining term of the bonds. The interest rate swap agreement had a recorded benefit of $568,000 and a recorded liability of $1,071,000 as of December 31, 2022 and 2021, respectively, as reported in the statements of financial position.

Costs of issuance totaled approximately $415,000 for the 2012 Revenue Bonds, of which $21,000 was amortized and included in interest expense for each of the years ended December 31, 2022 and 2021, using a method that approximates the effective interest rate method over the life of the bonds.

The proceeds of the 2012 Revenue Bonds were used to (i) defease and refund its 2001 Revenue Bonds and (ii) fund a portion of the Association's costs of the acquisition, construction, refurbishment, installation, and equipping of certain of its facilities.

NOTE 13 - BONDS PAYABLE – Continued

Under the provisions of the 2012 Revenue Bonds loan agreement, the Association is required to meet certain covenants during the term of the bonds, including maintaining a debt service coverage ratio of selected revenues less expenses to the following year's debt service, as defined, of 1.1-to-1; and maintain a liquid unrestricted and temporarily restricted cash and investments balances ratio to outstanding debt principal of greater than 0.35-to-1. The agreement also places limits on the incurrence of additional borrowings such that the Association meet certain criteria prior to incurring additional debt. The Association was in compliance with the provisions of the 2012 Revenue Bonds loan agreement for the years ended December 31, 2022 and 2021.

Future principal payments on the bonds payable at December 31, 2022 are as follows:

Fiscal year	
2023	$ 1,650,000
2024	1,700,000
2025	1,745,000
2026	1,795,000
2027	1,850,000
Thereafter	10,055,000
	18,795,000
Bond issuance costs	(194,000)
	$ 18,601,000

NOTE 14 - PPP LOAN PAYABLE

In March 2021, the Association obtained a Small Business Administration ("SBA") loan in the amount of $5,000,000. The loan has a five-year maturity and includes a fixed interest rate of 1.00% per year until the maturity date. Under the Coronavirus Aid, Relief, and Economic Security ("CARES Act"), Paycheck Protection Program ("PPP") Loan recipients meeting certain criteria set by the SBA may be eligible for full or partial forgiveness of such loans. The YMCA submitted its application for loan forgiveness on the PPP loan and received notice from the SBA in September 2022 that the SBA approved forgiveness of the full amount of the PPP loan and the related interest thereon. For the year ended December 31, 2022, the YMCA derecognized $5,000,000 of the PPP loan and recognized a corresponding gain on loan forgiveness.

NOTE 15 - OBLIGATION UNDER SERVICE REPAYMENT AGREEMENT

In 2010, the Association entered into an agreement with the Community Redevelopment Agency of the City of Los Angeles ("CRA") whereby the Association was granted $6,000,000 to assist with the construction of the Anderson Munger YMCA facility. The grant advance balance was $6,000,000 as of December 31, 2022 and 2021. The grant is to be incrementally forgiven by CRA upon the performance of community benefit programs for 20 years from the opening date of the new facility. In May 2014, the new facility opened to the public. The Association recognized $300,000 in debt service repayment forgiveness which is included in the statements of activities for each of the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, the Association's obligation in the event that it fails to perform under the service agreement is $3,400,000 and $3,700,000, respectively.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Leases

The Association has entered into various operating leases for office facilities, parking facilities, and automotive and other equipment. Additionally, the Association has entered into various other lease arrangements that are recorded as finance leases and, accordingly, are reflected in property and equipment and obligations under finance leases in the accompanying statements of financial position.

As of December 31, 2022, the estimated future present value of minimum lease payments under these finance and operating leases are as follows:

Finance leases	$	352,000
Operating leases		64,000
Total	$	416,000

As of December 31, 2021, the estimated future present value of minimum lease and rental payments under capital and operating leases are as follows:

Capital leases	$	942,000
Operating leases		178,000
Total	$	1,120,000

NOTE 16 - COMMITMENTS AND CONTINGENCIES – Continued

A summary of the estimated future minimum lease payments as of December 31, 2022 is as follows:

Fiscal year	Finance Leases	Operating Leases	Total
2023	$ 361,000	$ 65,000	$ 426,000
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
Thereafter	-	-	-
Total minimum payments	361,000	65,000	426,000
Less amount representing interest	(9,000)	(1,000)	(10,000)
Present value of minimum lease payments	$ 352,000	$ 64,000	$ 416,000

As of December 31, 2022, the weighted average remaining lease term and weighted average discount rate were as follows as:

	2022
Weighted average remaining lease term	
Finance leases	0.7 year
Operating leases	0.8 year
Weighted average discount rate	
Finance leases	5.36%
Operating leases	5.25%

Rental expense, including amounts paid on month-to-month leases, totaled approximately $1,603,000 and $709,000 for the years ended December 31, 2022 and 2021, respectively.

Litigation

The Association is subject to certain claims that arise out of the normal course of operations of the Association. In the opinion of management, the Association has sufficient liability insurance to cover any such claims, and these matters will not have a material effect on the financial position of the Association if disposed of unfavorably.

Employee Retention Credit

Under the provisions of the CARES Act, the Employee Retention Credit ("ERC") provides eligible employers with less than 500 employees a refundable tax credit against the employer's share of social security taxes. The ERC is equal to 70% of qualified wages paid to employees during calendar year 2021 for a maximum credit of $7,000 per employee for each calendar quarter through December 31, 2021. The Association recognized $1,554,000 and $1,350,000 related to the ERC on the statement of activities during the years ended December 31, 2022 and 2021, respectively.

NOTE 17 - RETIREMENT PLANS

Defined Contribution Pension Plan

The Association participates in a defined contribution, individual account, and money purchase retirement plan that is administered by the Young Men's Christian Association Retirement Fund (the "Retirement Fund"), a separate corporation. The Retirement Fund is operated as a church pension plan and is a nonprofit, tax-exempt, New York State corporation founded in 1922. Participation is available to all duly organized and reorganized YMCAs in the United States of America. As a defined contribution plan, the Retirement Fund has no unfunded benefit obligation.

This plan is for the benefit of all eligible employees of the Association who qualify under the participation requirements. In accordance with the agreement with the Retirement Fund, employee and employer contributions are based on a percentage of the participating employee's salary; the employer's contributions are remitted to the Retirement Fund on a monthly basis. The Association's contributions to the plan for the years ended December 31, 2022 and 2021 totaled $2,010,000 and $1,714,000, respectively.

Postretirement Benefits Other than Pensions

The Association provides health care benefits to certain of its retired employees and eligible dependents subject to minimum age and service requirements. Substantially all benefits terminate at the age of Medicare eligibility. The following is a summary of the obligations and funded status of the plan and the amounts recognized in accrued expenses and other liabilities in the statements of financial position for the years ended December 31, 2022 and 2021:

	2022	2021
Change in accumulated postretirement benefit obligation		
Accumulated postretirement benefit obligation, beginning of year	$ 1,678,000	$ 1,657,000
Service cost	27,000	42,000
Interest cost	33,000	23,000
Actuarial loss	(61,000)	(11,000)
Plan participant contributions	-	1,000
Benefits paid	(50,000)	(34,000)
Accumulated postretirement benefit obligation, end of year	$ 1,627,000	$ 1,678,000

	2022	2021
Change in plan assets		
Benefits paid	$ (50,000)	$ (34,000)
Employer contributions	50,000	33,000
Plan participant contributions	-	1,000
Fair value of plan assets, end of year	$ -	$ -

NOTE 17 - RETIREMENT PLANS – Continued

Postretirement Benefits Other than Pensions – Continued

	2022	2021
Amounts recognized in statement of financial position		
Assets	$ -	$ -
Liabilities	1,627,000	1,678,000
Net liability recorded	$ 1,627,000	$ 1,678,000
Amounts recognized in other changes to unrestricted net assets		
Prior service cost	$ -	$ -
Net actuarial gain	(373,000)	(359,000)
Other changes in unrestricted net assets	$ (373,000)	$ (359,000)

Components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in other changes to net assets without donor restrictions for the years ended December 31, 2022 and 2021 include the following:

	2022	2021
Net periodic benefit cost		
Service cost	$ 27,000	$ 42,000
Interest cost	33,000	23,000
Amortization of prior service cost	-	-
Recognized net actuarial (gain)	(47,000)	(52,000)
Net periodic benefit cost recorded	$ 13,000	$ 13,000
Other changes in plan assets and benefit obligations recognized in other changes to unrestricted net assets		
Settlement/curtailment income	$ -	$ -
Actuarial loss for the period	(61,000)	(11,000)
Amortization of prior service cost	-	-
Recognized net actuarial gain	47,000	52,000
Total recognized in other changes to unrestricted net assets	$ (14,000)	$ 41,000
Total recognized in net periodic benefit cost and other changes to unrestricted net assets	$ (1,000)	$ 54,000

NOTE 17 - RETIREMENT PLANS – Continued

Postretirement Benefits Other than Pensions – Continued

The weighted average assumptions used to determine benefit obligations at December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate used to determine the benefit obligation	4.70%	2.00%

The weighted average assumptions used to determine the net periodic benefit cost for the years ended December 31, 2021 and 2020 are as follows:

	2022	2021
Discount rate used to determine the net periodic benefit cost	2.00%	1.40%

The assumed health care cost trend rates as of December 31, 2022 and 2021 are as follows:

	2022	2021
Health care cost trend rate assumed for the next year (pre-Medicare)	6.53%	6.64%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2032	2031

The estimated amounts that will be amortized to net periodic benefit cost in the next fiscal year are as follows:

Prior service cost	$ -
Net actuarial gain	$ (65,000)
Estimated amortized net periodic benefit income	$ (65,000)

The plan has no assets. The Association expects to contribute $120,000 to its postretirement benefit plan in the year ending December 31, 2023.

NOTE 17 - RETIREMENT PLANS – Continued

Postretirement Benefits Other than Pensions – Continued

The following benefit payments which reflect expected future service, as appropriate, are expected to be paid:

Year ending December 31,	
2023	$ 120,000
2024	147,000
2025	176,000
2026	193,000
2027	232,000
2028-2032	1,004,000

The Association amortizes prior service costs and unrecognized net (gain) loss using the straight-line method.

The Association does not receive a Medicare Part D subsidy from the government in lieu of its postretirement drug benefits program.

NOTE 18 - NET ASSETS

Net Assets without Donor Restrictions

Net assets without donor restrictions consists of the following as of December 31, 2022 and 2021:

	2022	2021
Board-designated endowment	$ 11,895,000	$ 16,759,000
Other board-designated	6,162,000	7,303,000
Undesignated	107,768,000	105,463,000
	$ 125,825,000	$ 129,525,000

As of December 31, 2022, other board-designated nets assets were to be used for capital renovations.

NOTE 18 - NET ASSETS – Continued

Net Assets with Donor Restrictions

Net assets with donor restrictions consists of the following as of December 31, 2022 and 2021:

	2022	2021
Time or Purpose:		
Passage of time available to support operations	$ 21,543,000	$ 31,923,000
Construction or acquisition of property and equipment	16,504,000	9,335,000
	38,047,000	41,258,000
Perpetual:		
Endowment investments	43,983,000	43,605,000
Endowment contribution receivable	112,000	122,000
Non-endowment assets	605,000	729,000
Estate note receivable	1,908,000	1,794,000
	46,608,000	46,250,000
	$ 84,655,000	$ 87,508,000

Net assets with donor restrictions that are perpetual are held by the Association for investment in perpetuity. Donors have specified that income from these investments is expendable to support any activities of the Association.

Net assets were released from donor restrictions during the years ended December 31, 2022 and 2021 as follows:

	2022	2021
Passage of time available to support operations	$ 4,945,000	$ 3,120,000
Completion of construction or acquisition of property and equipment	260,000	614,000
	$ 5,205,000	$ 3,734,000

NOTE 19 - RELATED PARTIES

Various board members are employed by companies the Association contracts within the normal course of business. The Association has a conflict of interest policy whereby all significant and material contracts with board members are reviewed by the board of directors for approval.

NOTE 20 - SUBSEQUENT EVENTS

The Association has performed an evaluation of subsequent events through May 12, 2023 which is the date the financial statements were available to be issued.