KPMG

YWCA OF MINNEAPOLIS

Financial Statements

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Finance and Audit Committee
YWCA of Minneapolis:

We have audited the accompanying financial statements of the YWCA of Minneapolis, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the YWCA of Minneapolis as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
October 12, 2018

YWCA OF MINNEAPOLIS

Statements of Financial Position

June 30, 2018 and 2017

Assets		2018	2017
Cash	$	818,474	839,241
Membership and other receivables, net of allowance of $80,205 and $81,285 in 2018 and 2017, respectively		346,566	293,909
Pledges receivable, net		1,548,851	1,561,935
Inventory		30,679	32,170
Prepaid expenses and other assets		298,359	191,433
Investments		13,590,332	12,630,495
Property and equipment, net		27,887,208	28,425,192
Total assets	$	44,520,469	43,974,375
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	834,453	631,020
Accrued payroll and related liabilities		793,659	589,150
Deferred support and revenue		277,256	250,800
Derivative financial instrument		—	6,261
Long-term debt		14,005	383,088
Total liabilities		1,919,373	1,860,319
Net assets:			
Unrestricted		33,217,303	32,563,049
Temporarily restricted		7,033,857	7,263,124
Permanently restricted		2,349,936	2,287,883
Total net assets		42,601,096	42,114,056
Total liabilities and net assets	$	44,520,469	43,974,375

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statements of Activities

Years ended June 30, 2018 and 2017

	2018				2017			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**	**Unrestricted**	**Temporarily restricted**	**Permanently restricted**	**Total**
Public support and revenue:								
Public support:								
Contributions	$ 323,206	2,534,661	62,053	2,919,920	347,158	1,972,647	149,190	2,468,995
Legacy campaign contributions	7,965	—	—	7,965	15,008	468,097	—	483,105
Special events	512,977	273,010	—	785,987	548,269	250,499	—	798,768
United Way	7,345	860,000	—	867,345	6,035	1,095,000	—	1,101,035
Total public support	851,493	3,667,671	62,053	4,581,217	916,470	3,786,243	149,190	4,851,903
Revenue:								
Fees and grants – government	1,710,312	2,302,768	—	4,013,080	1,385,728	3,114,044	—	4,499,772
Program service fees and membership dues	12,381,941	—	—	12,381,941	12,514,216	—	—	12,514,216
Incidental revenue	182,458	—	—	182,458	165,024	—	—	165,024
Investment return	360,166	661,802	—	1,021,968	590,944	822,860	—	1,413,804
Room rental	153,006	—	—	153,006	144,496	—	—	144,496
Miscellaneous	68,092	—	—	68,092	83,546	—	—	83,546
Total revenue	14,855,975	2,964,570	—	17,820,545	14,883,954	3,936,904	—	18,820,858
Net assets released from program restrictions	6,861,508	(6,861,508)	—	—	8,129,650	(8,129,650)	—	—
Realized and unrealized gain on derivative instrument	6,261	—	—	6,261	14,769	—	—	14,769
Total public support and revenue	22,575,237	(229,267)	62,053	22,408,023	23,944,843	(406,503)	149,190	23,687,530
Expenses:								
Health and wellness	8,781,384	—	—	8,781,384	8,561,306	—	—	8,561,306
Early childhood education	7,563,630	—	—	7,563,630	7,951,165	—	—	7,951,165
Girls and youth	2,068,433	—	—	2,068,433	1,987,956	—	—	1,987,956
Racial justice and public policy	600,484	—	—	600,484	581,848	—	—	581,848
Management and general	1,882,288	—	—	1,882,288	1,826,697	—	—	1,826,697
Fund-raising	1,024,764	—	—	1,024,764	1,066,995	—	—	1,066,995
Total expenses	21,920,983	—	—	21,920,983	21,975,967	—	—	21,975,967
Total change in net assets	654,254	(229,267)	62,053	487,040	1,968,876	(406,503)	149,190	1,711,563
Net assets at beginning of year	32,563,049	7,263,124	2,287,883	42,114,056	30,594,173	7,669,627	2,138,693	40,402,493
Net assets at end of year	$ 33,217,303	7,033,857	2,349,936	42,601,096	32,563,049	7,263,124	2,287,883	42,114,056

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statement of Functional Expenses

Year ended June 30, 2018

	Program services					Supporting services			
	Health and wellness	Early childhood education	Girls and youth	Racial justice and public policy	Total	Management and general	Fund-raising	Total	Total
Salaries	$ 4,082,084	3,975,838	1,301,738	319,020	9,678,680	1,057,959	525,077	1,583,036	11,261,716
Employee benefits	377,410	526,078	148,865	21,735	1,074,088	81,393	57,036	138,429	1,212,517
Payroll taxes and workers' compensation	370,957	359,973	117,424	29,410	877,764	86,969	45,388	132,357	1,010,121
Total salaries and related expenses	4,830,451	4,861,889	1,568,027	370,165	11,630,532	1,226,321	627,501	1,853,822	13,484,354
Professional fees and contract service payments	341,586	353,209	89,867	38,853	823,515	136,982	90,285	227,267	1,050,782
Supplies	565,393	550,681	204,530	15,597	1,336,201	43,714	32,268	75,982	1,412,183
Telephone	29,587	20,640	7,409	2,314	59,950	7,661	2,429	10,090	70,040
Postage	19,313	1,114	1,043	138	21,608	1,955	6,191	8,146	29,754
Occupancy	1,354,219	1,238,078	58,444	15,009	2,665,750	91,513	9,165	100,678	2,766,428
Outside printing and advertising	341,229	114,616	6,922	33,166	495,933	13,826	61,266	75,092	571,025
Transportation	5,676	2,364	49,887	1,065	58,992	5,533	185	5,718	64,710
Conferences, conventions, and meetings	34,063	36,006	31,518	8,411	109,998	21,346	11,310	32,656	142,654
Payments to YWCA USA	—	—	—	—	—	40,000	—	40,000	40,000
Interest expense	11,139	—	—	—	11,139	—	—	—	11,139
Special events expenses	—	—	—	94,355	94,355	—	96,009	96,009	190,364
Licenses and permits	30,139	6,304	440	167	37,050	733	56	789	37,839
Miscellaneous	57,934	80,768	13,253	4,495	156,450	23,714	69,506	93,220	249,670
Total expenses before depreciation and amortization	7,620,729	7,265,669	2,031,340	583,735	17,501,473	1,613,298	1,006,171	2,619,469	20,120,942
Depreciation and amortization	1,160,655	297,961	37,093	16,749	1,512,458	268,990	18,593	287,583	1,800,041
Total expenses	$ 8,781,384	7,563,630	2,068,433	600,484	19,013,931	1,882,288	1,024,764	2,907,052	21,920,983

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statement of Functional Expenses

Year ended June 30, 2017

	Program services					Supporting services			
	Health and wellness	Early childhood education	Girls and youth	Racial justice and public policy	Total	Management and general	Fund-raising	Total	Total
Salaries	$ 3,998,909	4,167,708	1,233,900	304,785	9,705,302	981,885	566,909	1,548,794	11,254,096
Employee benefits	329,503	490,392	130,798	16,363	967,056	73,899	48,766	122,665	1,089,721
Payroll taxes and workers' compensation	374,206	392,477	116,676	27,678	911,037	87,048	47,770	134,818	1,045,855
Total salaries and related expenses	4,702,618	5,050,577	1,481,374	348,826	11,583,395	1,142,832	663,445	1,806,277	13,389,672
Professional fees and contract service payments	351,180	555,496	83,917	65,670	1,056,263	213,632	153,708	367,340	1,423,603
Supplies	536,579	544,056	212,160	23,075	1,315,870	49,363	44,207	93,570	1,409,440
Telephone	28,742	25,428	7,692	1,876	63,738	5,089	2,389	7,478	71,216
Postage	15,276	2,473	752	267	18,768	3,596	2,068	5,664	24,432
Occupancy	1,324,414	1,301,534	71,330	18,606	2,715,884	88,089	8,126	96,215	2,812,099
Outside printing and advertising	349,322	105,382	10,284	13,954	478,942	15,984	53,442	69,426	548,368
Transportation	9,028	4,012	29,764	3,126	45,930	5,294	873	6,167	52,097
Conferences, conventions, and meetings	40,163	40,840	35,596	10,638	127,237	30,463	14,634	45,097	172,334
Payments to YWCA USA	—	—	—	—	—	40,000	—	40,000	40,000
Interest expense	22,116	—	—	—	22,116	—	—	—	22,116
Special events expenses	—	—	—	79,417	79,417	—	81,425	81,425	160,842
Licenses and permits	34,058	9,833	849	535	45,275	195	23	218	45,493
Miscellaneous	60,119	62,947	15,622	2,933	141,621	26,735	28,204	54,939	196,560
Total expenses before depreciation and amortization	7,473,615	7,702,578	1,949,340	568,923	17,694,456	1,621,272	1,052,544	2,673,816	20,368,272
Depreciation and amortization	1,087,691	248,587	38,616	12,925	1,387,819	205,425	14,451	219,876	1,607,695
Total expenses	$ 8,561,306	7,951,165	1,987,956	581,848	19,082,275	1,826,697	1,066,995	2,893,692	21,975,967

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	487,040	1,711,563
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		1,800,041	1,607,695
Net realized and unrealized gains on investments		(826,463)	(1,247,644)
Contributions received for long-term purposes		(62,053)	(149,190)
Realized and unrealized gain on derivative instrument		(6,261)	(14,769)
Changes in operating assets and liabilities:			
Membership and other receivables, net		(52,657)	162,469
Pledges receivable, net		13,084	53,072
Inventory		1,491	(4,654)
Prepaid expenses and other assets		(106,926)	21,547
Accounts payable		203,433	(1,002,202)
Accrued payroll and related liabilities		204,509	(436,440)
Deferred support and revenue		26,456	7,204
Net cash provided by operating activities		1,681,694	708,651
Cash flows from investing activities:			
Purchases of property and equipment		(1,262,057)	(7,718,319)
Proceeds from sale of investments		1,177,746	12,141,394
Purchase of investments		(1,311,120)	(5,100,119)
Net cash used in investing activities		(1,395,431)	(677,044)
Cash flows from financing activities:			
Payments on long-term debt		(369,083)	(233,878)
Proceeds from contributions restricted for:			
Investment in endowment		62,053	149,190
Net cash used in financing activities		(307,030)	(84,688)
Net change in cash		(20,767)	(53,081)
Cash at beginning of year		839,241	892,322
Cash at end of year	$	818,474	839,241
Supplemental disclosure:			
Cash paid for interest	$	11,139	22,116
Noncash contribution of free rent and supplies		1,023,452	1,086,751

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

YWCA of Minneapolis (YWCA) is dedicated to eliminating racism, empowering women and girls, and promoting peace, justice, freedom and dignity for all. Since our founding in 1891, YWCA has been a pioneering, proven leader, opening doors for women, people of color, and low-income families, and opening minds throughout our community to the potential that exists in all of us. Today, YWCA lives its 125+ year tradition of social justice through innovative programs and passionate advocacy in education, racial justice and wellness - equipping people to create brighter futures for themselves, their families and their community.

YWCA operates in the Twin Cities Metropolitan area, with a focus on urban Minneapolis:

- YWCA owns and operates three buildings in Minneapolis in the neighborhoods of Downtown, Uptown and Midtown; these buildings provide program and office space and three fitness centers.
- YWCA's Early Childhood Education program operates five Children's Centers: in Minneapolis in the neighborhoods of Downtown, Midtown and Phillips; and in Saint Paul in the neighborhoods of Downtown and Frogtown.
- YWCA's Girls and Youth Programs operate in 16+ Minneapolis public schools and at the Midtown and Downtown locations.
- Racial Justice programs are primarily based in Minneapolis with a national reach. Public Policy programs are primarily based in Minneapolis with a statewide reach.

Health and Wellness – The health and wellness of our community is improved through welcoming, supportive and inclusive programming at three urban fitness centers staffed by certified personal trainers, experienced fitness instructors, industry-leading aquatics coaches, and endurance sports specialists. These professionals annually help 28,000+ members of all ages and abilities find the best workout program to achieve their fitness goals. In addition, 1,600+ community members participate in classes and clinics on CPR, first aid, lifeguard certifications, swimming instruction, personal training, endurance sports, and other specialty topics to enhance their personal well-being. Sliding fee memberships provide access to individuals and families from low income households.

The health and wellness of women has been a cornerstone of YWCA since its founding. Today, YWCA offers gender specific classes, workshops, leagues and races delivering women-centric programs that build strength, dignity and vitality. In August 2017, approximately 1,300 women and girls, ages 11-79, competed in the YWCA Women's Triathlon – celebrating the strength in women of all ages and abilities.

Early Childhood Education – High-quality nationally accredited early childhood education is provided by YWCA to families across the Twin Cities community. Five YWCA Children's Centers served 648 children, ages 6 weeks to 10 years old, from 505 families. Four of the Centers are community-based with a focus on serving diverse children living in low-income households. Knowing school readiness begins at birth, experienced professional classroom teachers partner with families to prepare children

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to excel in school and life. YWCA curriculum is culturally celebratory, incorporating anti-bias values and conflict resolution skills that equip children for success. Learning opportunities are incorporated into every part of the day promoting social and emotional development, language and literacy development, creativity and the arts, cognitive development, physical and motor skills. Teachers regularly assess all children to ensure age appropriate development and school readiness using national, research-based assessment tools.

Early Childhood Education Workforce Development -- This program provides access to comprehensive training and support for participants to complete a Child Development Associate (CDA) – a foundational post-secondary credential for pursuing a career in early childhood education. This training opportunity provides a professional career pathway for successful participants. All participants live in low-income households, 80% or more identify as people of color, most will be working to enter or re-enter the workforce, and many are single mothers. During fiscal 2018, 206 individuals enrolled in the program and 44 graduated from the program.

Girls and Youth – Girls and youth are prepared to be leaders, learners and creators of change so that they graduate from high school ready for college and careers. Five culturally responsive, out-of-school time, YWCA Girls and Youth programs use research-based curriculum focused on increasing academic success, teaching positive decision-making skills, developing leadership skills, supporting social and emotional development and strengthening physical health. Professionally trained youth workers become trusted adults in the lives of the 1,250+ young people served by these programs.

Through an affiliation with the national Girls Inc. organization, Girls Inc. ® at YWCA delivers life-changing programs inspiring girls to be strong, smart, and bold. A curriculum designed to meet the developmental needs of girls integrates academic success in STEM (science, technology, engineering and mathematics), financial literacy, leadership development, and healthy decision-making. This multifaceted approach creates an enriching and fun community that supports girl-led learning, great friendships, and personal growth.

Racial Justice – The racial justice program engages, connects and leads the community in eliminating racism. Creating space for meaningful and open dialogue about racism and privilege is the critical first step to building an equitable and inclusive community. Throughout the year, 4,000+ diverse individuals were motivated and empowered through public forums, community dialogues, workshops and trainings to understand racism and privilege and take action to improve race relations in the community where they work and live.

For over a decade, YWCA has brought together courageous community leaders and members to engage in meaningful conversations and actions to eliminate racism in their workplaces and communities. In October 2017, nearly 1,300 people attended the 15th annual It's Time to Talk: Forums on Race®. Inspired by the keynote presentation, attendees engaged in professionally facilitated dialogues about equity and inclusion at their table, leaving the event empowered to take action.

Public Policy – YWCA believes everyone has a role to play in shaping public policy. Ground-breaking, culturally competent advocacy strategies mobilized more than 2,700 people to become informed, register to vote, and take action to create change in their community. YWCA's current legislative priority is to improve equity and access to high-quality early childhood education and afterschool girls and youth programs for all Minnesota children. Throughout the year, YWCA advocates for this agenda

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educating and organizing program participants, members, employees and the public to take action. YWCA advocacy work brings the voices and stories of the people most impacted by policy – parents, students and teachers of young children – into the state Capitol and in front of Minnesota policy-makers with tremendous impact.

(b) Basis of Presentation

The accounting policies of the YWCA conform to U.S. generally accepted accounting principles (GAAP).

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the YWCA and changes therein are classified into the following three categories:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the YWCA's operations. Certain of these amounts have been designated by the board for future operations and endowment;
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time; and
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently but permit the YWCA to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the YWCA's borrowing rates applicable to the years in which the promises are received. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

(c) Cash

For purposes of the statements of cash flows, cash includes operating cash only, with original maturities of three months or less, and excludes cash equivalents held in brokerage accounts reported as investments.

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(d) Investments

Investments are recorded at fair value, as described in note 3. Realized and unrealized gains and losses are recorded in the period in which they occur in the appropriate net asset classification.

The YWCA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The YWCA determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the fair value hierarchy as described in note 3 distinguishes between observable and unobservable inputs.

(e) Property and Equipment

The YWCA capitalizes all expenditures for property and equipment; the fair value of donated fixed assets is similarly capitalized. Depreciation expense is computed using the straight-line method based on estimated useful lives of 30 to 50 years for buildings, 3 to 20 years for furnishings and equipment, and 5 years for vehicles. When property and equipment are sold or retired, the basis and related accumulated depreciation are removed from the accounts.

(f) Deferred Support and Revenue

Deferred support and revenue consist of prepaid membership dues, which are amortized pro rata into income over the life of the related membership, and prepaid program service fees, which are recognized as revenue when services are provided.

(g) Derivative Financial Instrument

The interest rate swap represents a derivative financial instrument and is recognized as either an asset or liability at its fair value in the statements of financial position, with the changes in the fair value reported in the statements of activities. The YWCA has elected not to apply hedge accounting. The interest rate swap agreement effectively modifies the YWCA’s exposure to volatility in floating rates of interest by converting the YWCA’s floating rate debt to fixed-rate debt. The interest rate swap is marked to market in the statements of financial position. The YWCA recognized realized and unrealized gains of $6,261 and $14,769 for the years ended June 30, 2018 and 2017, respectively, on the derivative financial instrument and has reported the fair value of $0 and $6,261 as a component of liabilities in the statements of financial position at June 30, 2018 and 2017, respectively. The YWCA paid its debt associated with the derivative financial instrument in full in March 23, 2018 and settled the derivative financial instrument as part of the pay down.

(h) Income Taxes

The YWCA is classified as a tax-exempt organization under Section 501(c)(3), is not a private foundation under Section 509(a)(2) of the Internal Revenue Code, and is subject to federal and state income taxes on net unrelated business income.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes*, provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely than not recognition threshold to be recognized. This interpretation also provides guidance on measurement derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The YWCA recorded no liabilities in 2018 or 2017 for unrecognized tax positions.

H.R. 1, originally known as the Tax Cuts and Jobs Act (the Act), was signed into law on December 22, 2017. The Act contains various provisions affecting both for-profit and not-for-profit entities. Tax-exempt entities are impacted in part by the inclusion of a new excise tax on excess compensation for covered employees, changes to unrelated business income, as well as their ability to advance refund bonds. In addition, tax-exempt entities may be impacted through certain for-profit subsidiaries and/or joint ventures based on the Act’s provisions for tax rates, measurement of deferred taxes as well as other limitations on deductions. The Act’s provisions may also impact donor incentives for charitable giving. Management of the YWCA is currently assessing the overall impact of the Act and its impact on the financial statements.

(i) Expense Distribution

Expenses have been charged to program and supporting service functions as follows:

i) Wages, salaries, and related costs are allocated to the various functions based on actual or estimated time expended.

ii) Other expenses not directly related to specific functions are allocated to the various functions based on estimated usage.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimated amounts in the financial statements include valuation of investments, depreciable lives, and self-insurance reserves for the YWCA's estimated cost of claims incurred in its self-insurance for medical claims.

(k) Subsequent Events

The YWCA has evaluated subsequent events through October 12, 2018, the date on which the financial statements were available to be issued. No items requiring adjustment to or disclosure in the financial statements were identified.

(l) Recent Accounting Pronouncements

On May 28, 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principle of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those

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goods or services. Additionally, on May 9, 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers Narrow-Scope Improvements and Practical Expedients*. The guidance amends ASU 2014-09 to clarify the guidance on assessing collectability, presentation of sales taxes, noncash consideration, completed contracts, and contract modifications at transition. This guidance is effective for private entities with fiscal years beginning after December 15, 2018 and early adoption is permitted. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

In February 2016, the FASB issue ASU 2016-02, *Leases*. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2019 for not-for-profit entities with conduit debt, and early adoption is permitted. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This comprehensive standard provides guidance on net asset classification and required disclosures on liquidity and availability of resources, requires expanded disclosure about expenses and investment returns, and eliminates the requirement to present or disclose the indirect method reconciliation if using the direct method when presenting cash flows. The standard is effective for annual periods beginning after December 15, 2017. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard provides guidance on recognizing contributions made and received for not-for-profit entities. The standard is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. Management is evaluating the impact of adopting this new accounting standard on the financial statements.

(2) Investments

Investment securities at fair value consisted of the following:

	2018	2017
Equity mutual funds	$ 7,886,537	6,858,465
Fixed income mutual funds	3,850,312	3,726,175
Money market mutual funds	1,351,328	1,658,026
Life insurance policies	177,588	176,054
Cash	324,567	211,775
	$ 13,590,332	12,630,495

	2018		
	Unrestricted	Temporarily restricted	Total
Dividends and interest	$ 65,117	130,388	195,505
Net realized gains	131,095	260,241	391,336
Net unrealized gains	163,954	271,173	435,127
Total return on investments	$ 360,166	661,802	1,021,968

	2017		
	Unrestricted	Temporarily restricted	Total
Dividends and interest	$ 73,958	92,202	166,160
Net realized gains	138,519	148,588	287,107
Net unrealized gains	378,467	582,070	960,537
Total return on investments	$ 590,944	822,860	1,413,804

(3) Fair Value Measurements

The YWCA has adopted FASB ASC 820, *Fair Value Measurement*, which established a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques 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 lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1 – quoted prices in active markets for identical securities;
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, credit risk, etc.); and
- Level 3 – significant unobservable inputs that are not corroborated by observable market data.

The inputs or methodology used in valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the YWCA's assets and liabilities as of June 30, 2018 is as follows:

		Level 1	Level 2	Level 3	Total
Equity mutual funds:					
Large cap	$	3,218,202	—	—	3,218,202
Mid cap		2,322,577	—	—	2,322,577
World stock		1,333,864	—	—	1,333,864
Foreign		1,011,894	—	—	1,011,894
Fixed income mutual funds:					
Intermediate term		3,048,743	—	—	3,048,743
Short term		801,569	—	—	801,569
Money market mutual funds		1,351,328	—	—	1,351,328
Life insurance policies		—	177,588	—	177,588
Cash		324,567	—	—	324,567
Total investments	$	13,412,744	177,588	—	13,590,332

The summary of inputs used to value the YWCA's assets and liabilities as of June 30, 2017 is as follows:

		Level 1	Level 2	Level 3	Total
Equity mutual funds:					
Large cap	$	2,711,651	—	—	2,711,651
Mid cap		2,039,292	—	—	2,039,292
World stock		1,181,180	—	—	1,181,180
Foreign		926,342	—	—	926,342
Fixed income mutual funds:					
Intermediate term		3,057,106	—	—	3,057,106
Short term		669,069	—	—	669,069
Money market mutual funds		1,658,026	—	—	1,658,026
Life insurance policies		—	176,054	—	176,054
Cash		211,775	—	—	211,775
Total investments	$	12,454,441	176,054	—	12,630,495
Derivative financial instrument	$	—	(6,261)	—	(6,261)

There were no transfers between Levels 1, 2, and 3 during the years ended June 30, 2018 and 2017.

Equity mutual funds, fixed income mutual funds, and money market mutual funds are valued using the closing price in an active market for identical securities. The life insurance policies are fair valued based on cash surrender value, which is believed to approximate fair value. The derivative financial instrument is valued utilizing daily marks derived from pricing data available for comparable transactions in the over-the-counter market.

(Continued)

(4) Pledges Receivable

Anticipated future collections of pledges receivable at June 30, 2018 and 2017 are as follows:

		2018	2017
Unconditional promises expected to be collected in:			
Less than one year	$	948,691	1,039,729
One year to five years		642,347	568,423
Less discount (4.5%)		(42,187)	(46,217)
	$	1,548,851	1,561,935

(5) Property and Equipment

Property and equipment consisted of the following at June 30, 2018 and 2017:

		2018	2017
Land, buildings, and leasehold improvements	$	42,058,517	40,912,352
Furnishings and equipment		7,242,062	6,595,037
Vehicles		57,109	57,109
Construction in progress		332,338	863,471
		49,690,026	48,427,969
Less accumulated depreciation and amortization		21,802,818	20,002,777
	$	27,887,208	28,425,192

(6) Long-Term Debt

Long-term debt consisted of the following at June 30, 2018 and 2017:

		2018	2017
Note payable to bank, floating interest at 65% of the one-month LIBOR, plus 146 basis points	$	—	363,662
Loan for business vehicle		14,005	19,426
	$	14,005	383,088

(Continued)

Maturities of long-term debt at June 30, 2018 are as follows:

2019	$	5,421
2020		5,421
2021		3,163
	$	14,005

The note payable to the bank was used to finance improvements to the YWCA's Uptown facility. The City of Minneapolis issued $2,000,000 in tax-exempt bonds, loaned the proceeds to the YWCA, and assigned its interest in the borrowings to a financial institution. Monthly principal and interest payments began January 31, 2009 with the outstanding balance due in full on December 31, 2018. The note was paid in full on January 10, 2018.

In September 2008, the YWCA entered into an interest rate swap agreement, which traded the obligation to pay the floating rate interest on the YWCA's $2,000,000 note payable for a fixed interest rate of 4.5%. The swap agreement was terminated on January 10, 2018, as a result of the full payoff of the note payable discussed above. The interest rate swap agreement effectively modified the YWCA's exposure to volatility in floating rates of interest by converting the YWCA's floating rate debt to fixed-rate debt. The arrangement required the difference between the fixed rate of interest and the index to be settled monthly. Included in interest expense for the years ended June 30, 2018 and 2017 is $5,782 and $12,679, respectively, paid to the bank. The change in fair value of the interest rate swap arrangement has been recorded in the statements of activities, resulting in a realized gain of $6,261 and unrealized gain of $14,769 for the years ended June 30, 2018 and 2017, respectively.

The swap agreement contains the same payment dates as the corresponding original issue. The fair values of the swap agreements are included as a liability on the statements of financial position in the amounts of $0 and $6,261 at June 30, 2018 and 2017, respectively. The fair value of the interest rate swap agreement represents the estimated amount the YWCA would pay to terminate the agreement. The swap agreement was terminated on January 10, 2018, as a result of the full payoff of the loan.

On January 3, 2018, the YWCA secured an operating revolving line of credit with its operating bank in the amount of $1,500,000. The interest rate is a rate per year equal to the LIBOR Daily Floating Rate plus 1.5 percentage points. The line of credit is available until January 3, 2019. The availability period can be renewed annually by the bank. As of June 30, 2018, the outstanding balance on the revolving line of credit was $0.

On July 2, 2018, the YWCA entered into a loan agreement with Bank of America for $2,000,000. The loan was secured to complete a renovation project of the Midtown location locker rooms. The interest rate on the loan is 5.25% per year with a 5 year term, 10 year amortization, and the final payment is due on July 3, 2023. The loan agreement includes certain financial covenants that the YWCA is required to comply with, including a consolidated basis minimum EBITDA of at least $1,500,000. The YWCA is also required to maintain an unrestricted cash and investments balance of not less than $5,000,000.

 (Continued)

(7) Endowment Funds

The YWCA has adopted the provisions of FASB ASC 958-205-45, *Not-for-Profit Entities*, including *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds.* ASC 958 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted and board-designated endowment funds.

(a) Interpretation of Relevant Law

The YWCA has interpreted 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 YWCA classifies as permanently restricted net assets (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 as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

(b) Endowment Net Asset Composition by Type of Fund as of June 30, 2018

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	—	4,966,272	2,349,936	7,316,208
Board-designated endowment funds		1,734,987	—	—	1,734,987
	$	1,734,987	4,966,272	2,349,936	9,051,195

(Continued)

(c) Changes in Endowment Net Assets for the Year Ended June 30, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 1,714,704	4,570,733	2,287,883	8,573,320
Contributions	7,965	—	62,053	70,018
Investment return:				
Investment income	28,053	109,173	—	137,226
Realized and unrealized gains, net	152,409	532,026	—	684,435
Total investment return	180,462	641,199	—	821,661
Appropriation of endowment assets	(168,144)	(245,660)	—	(413,804)
Endowment net assets, end of year	$ 1,734,987	4,966,272	2,349,936	9,051,195

(d) Endowment Net Asset Composition by Type of Fund as of June 30, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$ —	4,570,733	2,287,883	6,858,616
Board-designated endowment funds	1,714,704	—	—	1,714,704
	$ 1,714,704	4,570,733	2,287,883	8,573,320

(e) Changes in Endowment Net Assets for the Year Ended June 30, 2017

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	7,280,381	3,999,093	2,138,693	13,418,167
Contributions		25,008	—	149,190	174,198
Investment return:					
Investment income		52,162	81,772	—	133,934
Realized and unrealized gains, net		358,813	730,744	—	1,089,557
Total investment return		410,975	812,516	—	1,223,491
Appropriation of endowment assets		(6,001,660)	(240,876)	—	(6,242,536)
Endowment net assets, end of year	$	1,714,704	4,570,733	2,287,883	8,573,320

(f) Return Objectives and Risk Parameters

As approved by the Board of Directors, the YWCA’s endowments are invested primarily in publicly traded mutual funds with the expected ratio of underlying equity securities to comprise 20%–80% of the total portfolio and underlying debt securities to comprise 20%–80% of the total portfolio. The primary objectives in the investment management for the portfolio assets is to maintain the purchasing power of the portfolio; minimize market fluctuations of the Operating Funds consistent with a yield reflective of the time value of money; and achieve long-term growth of assets for Board Restricted and Endowment Funds.

(g) Spending Policy

The Board of Directors annually approves an appropriation of a portion of the endowment and board-designated investment income to current operations. In 2018 and 2017, such amounts were $660,768 and $689,924, respectively.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2018 and 2017:

		2018	2017
The portion of unexpended investment return generated from donor-restricted endowment funds subject to UPMIFA consists of:			
General Endowment – any activity of the organization	$	1,650,491	1,550,881
Jean Wigley Memorial Fund – any activity of the organization		115,817	101,715
Elizabeth Lyman Lodge Endowment – camping activities		3,080,180	2,809,907
Ruth Keith Endowment – domestics instruction		119,785	108,231
Subtotal		4,966,273	4,570,734
Gifts and other unexpended revenues and gains available for:			
Health and Wellness program activities		97,691	76,764
Early Childhood Education programs:			
General program activities		386,409	477,810
Capital improvements		60,577	500,913
Girls and Youth program activities		1,284,537	1,097,620
Racial Justice and Public Policy program activities		9,850	41,000
General operating purposes time-restricted		181,291	176,054
Capital improvements		27,024	302,024
General program activities		20,205	20,205
Subtotal		2,067,584	2,692,390
Total temporarily restricted net assets	$	7,033,857	7,263,124

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

		2018	2017
Purpose restrictions accomplished:			
Health and Wellness program expenses	$	64,420	48,854
Early Childhood Education program expenses		3,212,265	2,780,664
Early Childhood Education capital expenses		557,655	2,512,069
Girls and Youth program expenses		2,165,856	2,104,965
Racial Justice and Public Policy program expenses		340,652	316,494
Capital improvements		275,000	122,296
Time restrictions released:			
Appropriation of general endowment		245,660	240,875
General operating expenses		—	3,433
Total restrictions released	$	6,861,508	8,129,650

(9) Permanently Restricted Net Assets

Permanently restricted net assets are restricted to endowment investments, at historical cost, the income from which is expendable to support the following activities at June 30, 2018 and 2017:

		2018	2017
General Endowment – any activity of the organization	$	2,180,742	2,118,689
Jean Wigley Memorial Fund – any activity of the organization		50,237	50,237
Elizabeth Lyman Lodge Endowment – camping activities		102,669	102,669
Ruth Keith Endowment – domestics instruction		16,288	16,288
Total permanently restricted net assets	$	2,349,936	2,287,883

(10) Affiliation with the YWCA USA

The YWCA is a member of the YWCA USA. Assessments paid to the YWCA USA were $40,000 for the years ended June 30, 2018 and 2017.

(11) Retirement Plan

The YWCA participates in a defined-benefit cash balance retirement plan, which is administered through a national organization, YWCA Retirement Fund. Benefits of the plan are based on individual employee account balances. The actuarial present value of accumulated plan benefits and net assets available for benefits relating to the YWCA's employees is not available because such information is not accumulated for each participating organization. The YWCA's level of contribution is elected at the beginning of each calendar year. The YWCA elected to contribute 3% of the participating employees' wages to the YWCA Retirement Fund for the years ended June 30, 2018 and 2017, respectively. The YWCA Retirement Fund matches the YWCA's contributions at varying levels depending on the contribution level of the YWCA. For the years ended June 30, 2018 and 2017, the YWCA Retirement Fund contributed 1.2% to the employees' accounts. Expense for the years ended June 30, 2018 and 2017 was $189,530 and $195,906, respectively.

(12) Commitments and Contingencies

During 2014, the State of Minnesota passed legislation to provide for $3,000,000 for use in renovating the childcare and shared space in the YWCA's downtown building. To assist in the administration of these funds, the State of Minnesota Department of Human Services (State) entered into the General Obligation Bond Proceeds Grant Agreement – Construction Grant for the YWCA of Minneapolis Early Childhood Education Project (GO Grant Agreement) with Hennepin County, Minnesota (County). The GO Grant Agreement requires the land and building to be in substance owned by a public entity and used to provide early childhood education services.

To accomplish the ownership provision, during 2014, the YWCA entered into a Ground Lease with the County to lease the downtown land and building owned by the YWCA, for $0 over a term of 31.25 years, which is considered to be 125% of the useful life of the improvements that are the subject of such ground lease, as required. In addition, the County entered into a Lease/Use Agreement with the YWCA to operate the Facility for the purpose of providing early childhood education services for $0. The Lease/Use Agreement may not exceed 50% of the useful life of the improvements under State Statute; therefore, the original term is 12.5 years with an optional 12.5 years renewal, followed by a 7.25-year renewal. The Lease/Use Agreement renewals must be approved by the County. In the event the first 12.5-year renewal is declined by the County, the County must pay the greater of 60% of the YWCA's contribution to the land, Facility, and improvements (Premises) or 60% of the appraised value of the Premises. If the first two 12.5-year terms are completed, but the 7.25-year renewal is declined, the County must pay the greater of 20% of the YWCA's contribution to the Premises or 20% of the appraised value of the Premises. If the County terminates the Lease/Use Agreement pursuant to an Event of Default not caused by the YWCA or any other permissible reason other than nonrenewal and has determined to continue to carry out the Early Childhood Education programs in the Premises, then the County shall reimburse the YWCA in an amount equal to 100% of the YWCA Contribution less 2% for each year that has elapsed since the lease commencement. If the Lease/Use Agreement is terminated and the County determines not to carry out the Early Childhood Education program in the premises, then the Ground Lease will be sold at fair market value. The proceeds shall be used to pay all indebtedness (with the GO Grant Agreement considered to be the superior indebtedness), reimburse all entities that provided the land, building and improvements, and split any increase in value between the parties who provided such funding, including the State and the YWCA.

Contributions from the State are recognized when all conditions are substantially met. During 2018 and 2017, the YWCA received and recorded as temporarily restricted contribution government revenue, $108,997 and $1,621,294, respectively. A remaining balance of $90,623 was not incurred and not drawn as of June 30, 2018.

In February 2015, the YWCA entered into an operating lease for certain rental space at North Commons Park. The effective date of the lease was January 2013 and expired December 31, 2017. Future minimum lease payments under this lease are $16,500 annually.

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At the end of 2005, the YWCA took possession of space for a new childcare center on the Abbott Northwestern Hospital campus under a lease agreement, which was scheduled to expire in August 2015. An amendment was executed to extend the lease agreement under the same terms for five years, expiring July 31, 2020. The lease provides for waiver of base rent and operating expenses based on the understanding that the YWCA will incur yearly programming deficits as defined by the lease. Rent expense and corresponding contribution income of $412,352 and $412,352 have been recognized for the years ended June 30, 2018 and 2017, respectively.

Effective April 1, 2013, the YWCA leases space in the Ronald M. Hubbs Center for Lifelong Learning (Hubbs) to provide child care services to the Hubbs adult students. The lease runs for an indefinite period and requires no lease payments. Rent expense and corresponding contribution income of $38,448 and $37,375 have been recognized for the years ended June 30, 2018 and 2017.

Effective February 12, 2017, YWCA ceased operation of a workplace infant-only childcare center at General Mills, who contracted with a different provider following an RFP where they opted to contract with a provider with a national presence. The YWCA began operations of the center on April 1, 2013. No lease payments were required. Rent expense and corresponding contribution income of $0 and $50,776 have been recognized for the years ended June 30, 2018 and 2017, respectively. In addition, General Mills compensated the YWCA on a monthly basis for the difference in its costs, including overhead and subject to certain limitations, and the revenue generated in parent payments. The reimbursement amounted to $0 and $207,190 for the years ended June 30, 2018 and 2017, respectively, and is included in program service fees.

Effective April 1, 2013, the YWCA began operating a workplace child care center at The Travelers Indemnity Company (Travelers) through the assignment of an existing agreement between Children’s Home Society and Family Services. Effective January 1, 2016, the YWCA entered an agreement with Ecolab, who assumed the location formerly housed by Travelers. The new agreement runs indefinitely. No lease payments are required. In addition, Ecolab provides food and cook services without compensation. Rent and food expense and corresponding contribution income of $572,148 and $572,148 have been recognized for the years ended June 30, 2018 and 2017, respectively.

The YWCA undertook a construction project in its Downtown location. Through June 30, 2018, the YWCA had expended $12,520,929 of the total contracted amount of $12,455,654. The construction project is considered complete as of June 30, 2018.