



YWCA OF MINNEAPOLIS

Financial Statements

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)



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

Independent Auditors' Report

The Board of Directors
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, 2015 and 2014, 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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
October 1, 2015

YWCA OF MINNEAPOLIS
Statements of Financial Position
June 30, 2015 and 2014

Assets	2015	2014
Cash	\$ 1,886,048	1,455,610
Membership and other receivables, net of allowance of \$37,976 and \$66,961 in 2015 and 2014, respectively	401,965	473,995
Pledges receivable, net	1,828,504	4,435,896
Inventory	31,472	31,436
Prepaid expenses and other assets	202,184	182,260
Investments	19,076,539	15,917,293
Property and equipment, net	19,284,446	18,752,424
Total assets	\$ 42,711,158	41,248,914
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 477,173	524,043
Accrued payroll and related liabilities	936,852	928,434
Deferred support and revenue	239,625	284,987
Derivative financial instrument	36,626	58,560
Long-term debt	810,763	1,029,697
Total liabilities	2,501,039	2,825,721
Net assets:		
Unrestricted	28,909,657	27,151,145
Temporarily restricted	9,164,545	9,147,572
Permanently restricted	2,135,917	2,124,476
Total net assets	40,210,119	38,423,193
Total liabilities and net assets	\$ 42,711,158	41,248,914

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statements of Activities

Years ended June 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:								
Public support:								
Contributions	\$ 330,402	1,948,614	11,441	2,290,457	302,535	2,146,326	—	2,448,861
Legacy Campaign Contributions	365,901	1,019,162	—	1,385,063	3,245,653	2,435,347	1,585,783	7,266,783
Special events	524,775	199,000	—	723,775	361,279	276,999	—	638,278
United Way	20,663	1,463,130	—	1,483,793	23,333	1,560,204	—	1,583,537
Total public support	<u>1,241,741</u>	<u>4,629,906</u>	<u>11,441</u>	<u>5,883,088</u>	<u>3,932,800</u>	<u>6,418,876</u>	<u>1,585,783</u>	<u>11,937,459</u>
Revenue:								
Fees and grants – government	2,118,303	1,664,418	—	3,782,721	2,151,592	899,564	—	3,051,156
Program service fees and membership dues	12,611,514	—	—	12,611,514	12,248,450	—	—	12,248,450
Incidental revenue	173,159	—	—	173,159	166,528	—	—	166,528
Investment returns	309,317	362,673	—	671,990	838,127	782,453	—	1,620,580
Room rental	142,357	—	—	142,357	147,888	—	—	147,888
Miscellaneous	24,504	33	—	24,537	23,917	—	—	23,917
Total revenue	<u>15,379,154</u>	<u>2,027,124</u>	<u>—</u>	<u>17,406,278</u>	<u>15,576,502</u>	<u>1,682,017</u>	<u>—</u>	<u>17,258,519</u>
Net assets released from program restrictions	6,640,057	(6,640,057)	—	—	5,402,673	(5,402,673)	—	—
Unrealized gain on derivative instrument	21,934	—	—	21,934	27,986	—	—	27,986
Total public support and revenue	<u>23,282,886</u>	<u>16,973</u>	<u>11,441</u>	<u>23,311,300</u>	<u>24,939,961</u>	<u>2,698,220</u>	<u>1,585,783</u>	<u>29,223,964</u>
Expenses:								
Health and wellness	8,349,468	—	—	8,349,468	8,239,690	—	—	8,239,690
Early childhood education	8,325,130	—	—	8,325,130	8,031,924	—	—	8,031,924
Girls and youth	1,997,368	—	—	1,997,368	1,908,908	—	—	1,908,908
Racial justice and public policy	394,745	—	—	394,745	393,113	—	—	393,113
Management and general	1,557,438	—	—	1,557,438	1,669,135	—	—	1,669,135
Fund-raising	900,225	—	—	900,225	1,005,077	—	—	1,005,077
Total expenses	<u>21,524,374</u>	<u>—</u>	<u>—</u>	<u>21,524,374</u>	<u>21,247,847</u>	<u>—</u>	<u>—</u>	<u>21,247,847</u>
Total change in net assets	<u>1,758,512</u>	<u>16,973</u>	<u>11,441</u>	<u>1,786,926</u>	<u>3,692,114</u>	<u>2,698,220</u>	<u>1,585,783</u>	<u>7,976,117</u>
Net assets at beginning of year	<u>27,151,145</u>	<u>9,147,572</u>	<u>2,124,476</u>	<u>38,423,193</u>	<u>23,459,031</u>	<u>6,449,352</u>	<u>538,693</u>	<u>30,447,076</u>
Net assets at end of year	<u>\$ 28,909,657</u>	<u>9,164,545</u>	<u>2,135,917</u>	<u>40,210,119</u>	<u>27,151,145</u>	<u>9,147,572</u>	<u>2,124,476</u>	<u>38,423,193</u>

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statement of Functional Expenses

Year ended June 30, 2015

	Program services				Total	Supporting services			Total
	Health and wellness	Early childhood education	Girls and youth	Racial justice and public policy		Management and general	Fund-raising	Total	
Salaries	\$ 3,964,357	4,661,085	1,271,217	205,903	10,102,562	890,265	519,414	1,409,679	11,512,241
Employee benefits	325,406	510,789	115,229	19,076	970,500	68,757	42,614	111,371	1,081,871
Payroll taxes and workers' compensation	366,949	433,205	118,371	18,965	937,490	70,765	42,918	113,683	1,051,173
Total salaries and related expenses	4,656,712	5,605,079	1,504,817	243,944	12,010,552	1,029,787	604,946	1,634,733	13,645,285
Professional fees and contract service payments	413,320	292,712	80,109	47,099	833,240	124,159	113,102	237,261	1,070,501
Supplies	390,914	673,746	233,855	15,310	1,313,825	56,080	15,591	71,671	1,385,496
Telephone	34,990	27,645	8,134	2,237	73,006	6,184	2,882	9,066	82,072
Postage	12,609	414	328	201	13,552	4,377	5,843	10,220	23,772
Occupancy	1,380,221	1,314,037	61,870	9,406	2,765,534	91,799	7,685	99,484	2,865,018
Outside printing and advertising	331,354	87,144	2,020	1,149	421,667	5,139	26,644	31,783	453,450
Transportation	14,096	4,479	29,672	2,306	50,553	6,826	557	7,383	57,936
Conferences, conventions, and meetings	44,907	47,182	24,379	4,962	121,430	28,319	35,864	64,183	185,613
Payments to YWCA of the USA	—	—	—	—	—	40,000	—	40,000	40,000
Interest expense	42,160	—	—	—	42,160	—	—	—	42,160
Special events expenses	—	—	—	58,596	58,596	—	70,459	70,459	129,055
Licenses and permits	31,872	12,340	446	123	44,781	2,378	1,649	4,027	48,808
Miscellaneous	25,426	44,815	15,941	1,780	87,962	45,423	6,760	52,183	140,145
Total expenses before depreciation and amortization	7,378,581	8,109,593	1,961,571	387,113	17,836,858	1,440,471	891,982	2,332,453	20,169,311
Depreciation and amortization	970,887	215,537	35,797	7,632	1,229,853	116,967	8,243	125,210	1,355,063
Total expenses	\$ 8,349,468	8,325,130	1,997,368	394,745	19,066,711	1,557,438	900,225	2,457,663	21,524,374

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statement of Functional Expenses

Year ended June 30, 2014

	Program services				Total	Supporting services			Total
	Health and wellness	Early childhood education	Girls and youth	Racial justice and public policy		Management and general	Fund-raising	Total	
Salaries	\$ 3,988,341	4,595,425	1,225,362	225,320	10,034,448	943,528	489,196	1,432,724	11,467,172
Employee benefits	315,019	453,501	101,924	15,336	885,780	79,621	38,351	117,972	1,003,752
Payroll taxes and workers' compensation	366,933	424,107	112,574	20,259	923,873	70,340	40,539	110,879	1,034,752
Total salaries and related expenses	4,670,293	5,473,033	1,439,860	260,915	11,844,101	1,093,489	568,086	1,661,575	13,505,676
Professional fees and contract service payments	326,782	211,585	71,554	15,645	625,566	191,939	222,754	414,693	1,040,259
Supplies	380,762	604,316	197,322	20,914	1,203,314	49,448	16,686	66,134	1,269,448
Telephone	33,151	28,690	8,750	1,628	72,219	5,895	3,397	9,292	81,511
Postage	12,393	346	344	683	13,766	4,532	12,889	17,421	31,187
Occupancy	1,436,938	1,320,922	68,273	10,043	2,836,176	97,203	8,327	105,530	2,941,706
Outside printing and advertising	274,177	44,488	2,178	400	321,243	8,034	65,890	73,924	395,167
Transportation	9,975	4,011	27,625	2,631	44,242	4,919	580	5,499	49,741
Conferences, conventions, and meetings	40,028	66,883	27,567	7,183	141,661	32,887	21,227	54,114	195,775
Payments to YWCA of the USA	—	—	—	—	—	39,999	—	39,999	39,999
Interest expense	51,408	—	—	—	51,408	3,481	—	3,481	54,889
Special events expenses	—	—	—	65,513	65,513	—	74,691	74,691	140,204
Licenses and permits	42,302	8,739	519	142	51,702	619	150	769	52,471
Miscellaneous	28,156	51,216	16,828	806	97,006	32,311	3,413	35,724	132,730
Total expenses before depreciation and amortization	7,306,365	7,814,229	1,860,820	386,503	17,367,917	1,564,756	998,090	2,562,846	19,930,763
Depreciation and amortization	933,325	217,695	48,088	6,610	1,205,718	104,379	6,987	111,366	1,317,084
Total expenses	\$ 8,239,690	8,031,924	1,908,908	393,113	18,573,635	1,669,135	1,005,077	2,674,212	21,247,847

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS
Statements of Cash Flows
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,786,926	7,976,117
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,355,063	1,317,084
Net realized and unrealized gains on investments	(536,170)	(1,503,786)
Contributions received for long-term purposes	(1,018,570)	(2,208,870)
Unrealized gain on derivative instrument	(21,934)	(27,986)
Changes in operating assets and liabilities:		
Membership and other receivables, net	72,030	(128,016)
Pledges receivable, net	2,607,392	(2,641,993)
Inventory	(36)	(3,293)
Prepaid expenses	(19,924)	66,023
Accounts payable	(46,870)	(123,218)
Accrued payroll and related liabilities	8,418	79,599
Deferred support and revenue	(45,362)	19,192
Net cash provided by operating activities	<u>4,140,963</u>	<u>2,820,853</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,887,085)	(903,899)
Proceeds from sale of investments	3,968,325	5,728,656
Purchase of investments	(6,591,401)	(9,343,177)
Net cash used in investing activities	<u>(4,510,161)</u>	<u>(4,518,420)</u>
Cash flows from financing activities:		
Payments on long-term debt	(218,934)	(220,014)
Proceeds from contributions restricted for:		
Investment in endowment	11,441	816,370
Investment in property and equipment	1,007,129	1,392,500
Net cash provided by financing activities	<u>799,636</u>	<u>1,988,856</u>
Net change in cash	430,438	291,289
Cash at beginning of year	<u>1,455,610</u>	<u>1,164,321</u>
Cash at end of year	<u>\$ 1,886,048</u>	<u>1,455,610</u>
Supplemental disclosure:		
Cash paid for interest	\$ 42,160	54,889

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2015 and 2014

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

The 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, the 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, the YWCA lives its 124-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.

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

- The 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.
- The YWCA's Early Childhood Education program operates six Children's Centers in Minneapolis in the neighborhoods of Downtown, Midtown, and Phillips; in Saint Paul in the neighborhoods of Downtown and Frogtown; and in Golden Valley, a Minneapolis suburb.
- The YWCA's Girls and Youth Programs operate in 15 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 fitness of our community is improved through welcoming, supportive, and inclusive programming at three urban fitness centers staffed by certified personal trainers, experienced fitness instructors, Stott Pilates® trained and certified instructors, industry-leading aquatics coaches, and endurance sports specialists. These professionals annually help 24,000+ members of all ages and abilities find the best workout program to achieve their fitness goals. In addition, 2,400+ other 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 the YWCA since its founding. Today, the YWCA offers gender specific classes, workshops, leagues and races delivering women-centric programs that build strength, dignity, and vitality. In August 2014, approximately 1,200 women, ages 13–76, competed in the YWCA Women's Triathlon.

Early Childhood Education – High-quality nationally accredited early childhood education is provided by the YWCA to families across the Twin Cities community. Seven YWCA Children's Centers served 950+ children, ages 6 weeks to 10 years old, from more than 750 families. Five of the centers are community based with a focus on serving diverse children from low-income households. One of the YWCA children's centers ended operations in June 2015 with 70% of the enrolled children transferring to other YWCA children's center sites.

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2015 and 2014

Knowing school readiness begins at birth, experienced professional classroom teachers partner with families to prepare children to excel in school and life. The YWCA curriculum is culturally celebratory, incorporating antibias 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, and physical and motor skills. Teachers regularly assess all children to ensure age appropriate development and school readiness using national, research-based assessment tools.

Four bungalows at the Abbott Northwestern Center provide job-training opportunities for New American childcare providers. In infant, toddler, and preschool rooms education and care is provided in a multilanguage environment. Care was provided in Somali and Spanish in rooms that also incorporated cultural elements.

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 specific, out-of-school time, YWCA Girls and Youth programs use research-based curriculum focused on increasing academic success, strengthening positive decision-making skills, developing leadership skills, and supporting physical and emotional health. Professionally trained youth workers become trusted adults in the lives of the 1,400+ young people served by these programs.

Through an affiliation with the national Girls Inc.[®] organization, Girls Inc. at the YWCA of Minneapolis 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 real 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, 7,200+ 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 more than a decade, the YWCA has brought together courageous community leaders and members – to talk, to listen, and to disagree – in their shared commitment to eliminate racism in their workplaces and communities. In November 2014, 1,200+ people attended the 12th annual It's Time to Talk: Forums on Race.

Public Policy – The YWCA believes that everyone has a role to play in shaping public policy. Ground-breaking, culturally competent advocacy strategies are created that mobilize people to become informed, register to vote, and take action to create change in their community. The YWCA's current legislative priority is high-quality, affordable early childhood education for all Minnesota children. Throughout the year, the YWCA advocates for this agenda and educates and organizes program participants, members, and the public to take action. YWCA advocacy work brings the voices and stories of the people most impacted by policy – parents and teachers of young children – into the state

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2015 and 2014

capitol and in front of Minnesota policy makers with tremendous impact. More than 1500 individuals participated in advocacy and awareness raising activities that address institutional racism and advance economic empowerment for women and girls.

(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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Notes to Financial Statements

June 30, 2015 and 2014

(d) Investments

Investments are recorded at fair value, as described in note 2 and 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 in excess of \$300; 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 35 to 50 years for buildings, 3 to 10 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 unrealized gains of \$21,933 and \$27,986 for the years ended June 30, 2015 and 2014, respectively, on the derivative financial instrument and has reported the fair value of \$36,626 and \$58,560 as a component of liabilities in the statements of financial position at June 30, 2015 and 2014, respectively.

(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.

FASB 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

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Notes to Financial Statements

June 30, 2015 and 2014

penalties, accounting in interim periods, disclosure, and transition. The YWCA recorded no liabilities in 2015 or 2014 for unrecognized tax positions.

(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.

(k) Subsequent Events

The YWCA has evaluated subsequent events through October 1, 2015, the date on which the financial statements were available to be issued. In September 2015, the YWCA entered into contracts totaling approximately \$3,773,000 to renovate the Early Childhood Education program areas and all HVAC located in the Downtown building.

No other items requiring adjustment to or disclosure in the financial statements were identified.

(2) Investments

Investment securities at fair value consisted of the following:

	<u>2015</u>	<u>2014</u>
Equity mutual funds	\$ 8,280,339	7,140,925
Fixed income mutual funds	3,661,269	3,233,387
Money market mutual funds	5,438,565	3,000,422
Common stocks	—	1,012
Life insurance policies	172,348	170,459
Cash	1,524,018	2,371,088
	<u>\$ 19,076,539</u>	<u>15,917,293</u>

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2015 and 2014

		2015		
		Unrestricted	Temporarily restricted	Total
Dividends and interest	\$	61,538	74,282	135,820
Net realized gains		224,462	256,360	480,822
Net unrealized gains		23,317	32,031	55,348
Total return on investments	\$	<u>309,317</u>	<u>362,673</u>	<u>671,990</u>
		2014		
		Unrestricted	Temporarily restricted	Total
Dividends and interest	\$	57,953	58,841	116,794
Net realized gains		193,919	163,170	357,089
Net unrealized gains		586,255	560,442	1,146,697
Total return on investments	\$	<u>838,127</u>	<u>782,453</u>	<u>1,620,580</u>

(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.)
- 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.

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The summary of inputs used to value the YWCA's assets and liabilities as of June 30, 2015 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds:				
Large cap	\$ 3,147,297	—	—	3,147,297
Mid cap	2,768,654	—	—	2,768,654
World stock	1,422,825	—	—	1,422,825
Foreign	941,563	—	—	941,563
Fixed income mutual funds:				
Intermediate term	3,158,410	—	—	3,158,410
Short term	502,859	—	—	502,859
Money market mutual funds	5,438,565	—	—	5,438,565
Life insurance policies	—	172,348	—	172,348
Cash	1,524,018	—	—	1,524,018
Total investments	<u>\$ 18,904,191</u>	<u>172,348</u>	<u>—</u>	<u>19,076,539</u>
Derivative financial instrument	<u>—</u>	<u>(36,626)</u>	<u>—</u>	<u>(36,626)</u>

The summary of inputs used to value the YWCA's assets and liabilities as of June 30, 2014 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds:				
Large cap	\$ 2,335,014	—	—	2,335,014
Mid cap	2,435,227	—	—	2,435,227
World stock	1,369,290	—	—	1,369,290
Foreign	933,353	—	—	933,353
Real estate	68,041	—	—	68,041
Fixed income mutual funds:				
Intermediate term	3,233,387	—	—	3,233,387
Money market mutual funds	3,000,422	—	—	3,000,422
Common stocks	1,012	—	—	1,012
Life insurance policies	—	170,459	—	170,459
Cash	2,371,088	—	—	2,371,088
Total investments	<u>\$ 15,746,834</u>	<u>170,459</u>	<u>—</u>	<u>15,917,293</u>
Derivative financial instrument	<u>—</u>	<u>(58,560)</u>	<u>—</u>	<u>(58,560)</u>

There were no transfers between Levels 1, 2, and 3 during the years ended June 30, 2015 and 2014.

Equity mutual funds, common stocks, fixed income mutual funds, and money market mutual funds are valued using the closing price in an active market for identical securities. Bonds are valued utilizing the market approach. The life insurance policy is 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.

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2015 and 2014

(4) Pledges Receivable

Anticipated future collections of pledges receivable at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 916,859	2,856,315
One year to five years	944,678	1,637,512
More than five years	50,000	100,000
Less present value discount (1.68% to 4.5%)	<u>(83,033)</u>	<u>(157,931)</u>
	<u>\$ 1,828,504</u>	<u>4,435,896</u>

(5) Property and Equipment

Property and equipment consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land, buildings, and leasehold improvements	\$ 31,943,677	30,515,900
Furnishings and equipment	4,212,570	3,891,868
Vehicles	100,987	100,987
Construction in progress	<u>80,607</u>	<u>124,208</u>
	36,337,841	34,632,963
Less accumulated depreciation and amortization	<u>17,053,395</u>	<u>15,880,539</u>
	<u>\$ 19,284,446</u>	<u>18,752,424</u>

(6) Long-Term Debt

Long-term debt consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Note payable to bank, floating interest at 65% of the one-month LIBOR, plus 146 basis points	\$ 809,901	1,017,667
Note payable to the city of Minneapolis, 0% interest	—	9,444
Special assessments payable on property, interest at 5.3%	<u>862</u>	<u>2,586</u>
	<u>\$ 810,763</u>	<u>1,029,697</u>

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Notes to Financial Statements

June 30, 2015 and 2014

Maturities of long-term debt at June 30, 2015 are as follows:

2016	\$	218,644
2017		228,457
2018		239,520
2019		124,142
2020		—
	\$	<u>810,763</u>

The note payable to 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 is secured by a mortgage of the Uptown facility. In addition to the interest and principal payments, the YWCA is obligated to pay a semiannual administrative fee to the city of Minneapolis equal to 1/8th of 1% of the principal amount outstanding throughout the term of the note. The note payable to bank requires compliance with certain financial covenants, including a debt service coverage ratio, established limitations on the permitted amount of capital expenditures, and required minimum maintenance of unrestricted cash and investment balances. Management believes the YWCA is in compliance with the financial debt covenants as of June 30, 2015.

In September 2008, the YWCA entered into an interest rate swap agreement, which trades 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 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 arrangement requires 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, 2015 and 2014 is \$27,336 and \$33,252, 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 an unrealized gain of \$21,933 and \$27,986 for the years ended June 30, 2015 and 2014, 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 \$36,626 and \$58,560 at June 30, 2015 and 2014, respectively. The fair value of the interest rate swap agreement represents the estimated amount the YWCA would pay to terminate the agreement.

(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

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2015 and 2014

(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, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	4,216,395	2,135,917	6,352,312
Board-designated endowment funds	8,564,731	—	—	8,564,731
	<u>\$ 8,564,731</u>	<u>4,216,395</u>	<u>2,135,917</u>	<u>14,917,043</u>

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Notes to Financial Statements

June 30, 2015 and 2014

(c) Changes in Endowment Net Assets for the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,120,143	4,093,391	2,124,476	14,338,010
Contributions	398,075	—	11,441	409,516
Investment return:				
Investment income	53,657	67,716	—	121,373
Realized and unrealized gains, net	<u>213,455</u>	<u>288,391</u>	<u>—</u>	<u>501,846</u>
Total investment return	<u>267,112</u>	<u>356,107</u>	<u>—</u>	<u>623,219</u>
Appropriation of endowment assets	<u>(220,599)</u>	<u>(233,103)</u>	<u>—</u>	<u>(453,702)</u>
Endowment net assets, end of year	<u>\$ 8,564,731</u>	<u>4,216,395</u>	<u>2,135,917</u>	<u>14,917,043</u>

(d) Endowment Net Asset Composition by Type of Fund as of June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	4,093,391	2,124,476	6,217,867
Board-designated endowment funds	<u>8,120,143</u>	<u>—</u>	<u>—</u>	<u>8,120,143</u>
	<u>\$ 8,120,143</u>	<u>4,093,391</u>	<u>2,124,476</u>	<u>14,338,010</u>

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Notes to Financial Statements

June 30, 2015 and 2014

(e) Changes in Endowment Net Assets for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,061,518	3,534,544	538,693	9,134,755
Contributions	3,245,653	—	1,585,783	4,831,436
Investment return:				
Investment income	51,939	53,950	—	105,889
Realized and unrealized gains, net	688,162	723,612	—	1,411,774
Total investment return	740,101	777,562	—	1,517,663
Appropriation of endowment assets	(927,129)	(218,715)	—	(1,145,844)
Endowment net assets, end of year	\$ <u>8,120,143</u>	<u>4,093,391</u>	<u>2,124,476</u>	<u>14,338,010</u>

(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 30%–70% of the total portfolio and underlying debt securities to comprise 30%–70% 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 2015 and 2014, such amounts were \$300,000.

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2015 and 2014

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
The portion of unexpended investment return generated from donor-restricted endowment funds subject to UPMIFA consists of:		
General Endowment – any activity of the organization	\$ 1,576,511	1,611,504
Jean Wigley Memorial Fund – any activity of the organization	83,611	76,082
Elizabeth Lyman Lodge Endowment – camping activities	2,462,879	2,318,580
Ruth Keith Endowment – domestics instruction	93,394	87,225
Subtotal	<u>4,216,395</u>	<u>4,093,391</u>
Gifts and other unexpended revenues and gains available for:		
Health and Fitness program activities	64,841	63,264
Early Childhood Education programs:		
General program activities	490,016	712,834
Capital improvements	1,726,021	2,433,023
Girls and Youth program activities	947,689	1,188,047
Racial Justice and Public Policy program activities	102,710	191,349
General operating purposes time restricted	172,348	170,459
Capital improvements	1,424,320	275,000
General program activities	20,205	20,205
Subtotal	<u>4,948,150</u>	<u>5,054,181</u>
Total temporarily restricted net assets	\$ <u><u>9,164,545</u></u>	\$ <u><u>9,147,572</u></u>

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

	<u>2015</u>	<u>2014</u>
Purpose restrictions accomplished:		
Health and Fitness program expenses	\$ 57,866	62,268
Early Childhood Education program expenses	2,716,322	2,693,694
Early Childhood Education capital expenses	1,127,504	20,106
Girls and Youth program expenses	2,136,887	2,044,073
Racial Justice and Public Policy program expenses	365,657	288,586
Capital improvements	—	47,452
Time restrictions released:		
Appropriation of general endowment	233,113	218,715
General operating expenses	2,708	27,779
Total restrictions released	\$ <u><u>6,640,057</u></u>	\$ <u><u>5,402,673</u></u>

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Notes to Financial Statements

June 30, 2015 and 2014

(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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
General Endowment – any activity of the organization	\$ 1,966,723	1,955,282
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
	<u>2,135,917</u>	<u>2,124,476</u>
Total permanently restricted net assets	\$ <u>2,135,917</u>	<u>2,124,476</u>

(10) Affiliation with the YWCA USA

The YWCA is a member of the YWCA USA. Assessments paid to the YWCA USA were \$39,999 for the years ended June 30, 2015 and 2014.

(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, 2015 and 2014, 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, 2015 and 2014, the YWCA Retirement Fund contributed 1.2% to the employees’ accounts. Effective with the May 2014 contribution until December 31, 2014, the YWCA Retirement Fund reduced its member organizations’ contributions by 75%, while still crediting the employees’ accounts at the elected contribution level. Expense for the years ended June 30, 2015 and 2014 was \$120,962 and \$129,441, 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 (the Facility) to be in substance owned by a public entity and used to provide early childhood education services.

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June 30, 2015 and 2014

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 2015, the YWCA received and recorded as temporarily restricted contribution government revenue, \$561,207 which was immediately released from restriction and recorded as net assets released from program restrictions. The remainder is expected to be received in 2016 and 2017, as the renovations to the downtown building are completed.

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 expires December 31, 2017. Future minimum lease payments under this lease are \$16,500 annually.

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June 30, 2015 and 2014

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 \$431,676 and \$424,206 have been recognized for the years ended June 30, 2015 and 2014, respectively.

Effective April 1, 2013, the YWCA leases space in the Ronald M Hubbs Center for Lifelong Learning (Hubbs) to provide childcare 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 \$16,152 have been recognized for the years ended June 30, 2015 and 2014.

Effective April 1, 2013, the YWCA began operating a workplace infant-only childcare center at General Mills, Inc. The agreement runs for an indefinite period. No lease payments are required. Rent expense and corresponding contribution income of \$83,485 have been recognized for the years ended June 30, 2015 and 2014. In addition, General Mills compensates 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 \$230,810 and \$210,111 for the years ended June 30, 2015 and 2014, respectively, and is included in program service fees.

Effective April 1, 2013, the YWCA began operating a workplace childcare center at The Travelers Indemnity Company (Travelers) through the assignment of an existing agreement between Children's Home Society and Family Services. The agreement runs for an indefinite period. No lease payments are required. In addition, Travelers provides food and cook services without compensation. Rent and food expense and corresponding contribution income of \$582,348 have been recognized for the years ended June 30, 2015 and 2014. In addition, on calendar-year basis, shortfalls, or overages in excess of 2% generated in the operating budget, including overhead and subject to certain limitations, shall be transferred between the parties. During the year ended June 30, 2015, there was no transfer between Travelers and the YWCA.