



**YWCA OF MINNEAPOLIS**

Financial Statements

June 30, 2016 and 2015

(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, 2016 and 2015, 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, 2016 and 2015, 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  
November 15, 2016

**YWCA OF MINNEAPOLIS**  
**Statements of Financial Position**  
**June 30, 2016 and 2015**

<b>Assets</b>	<b>2016</b>	<b>2015</b>
Cash	\$ 892,322	1,886,048
Membership and other receivables, net of allowance of \$70,897 and \$37,976 in 2016 and 2015, respectively	456,378	401,965
Pledges receivable, net	1,615,007	1,828,504
Inventory	27,516	31,472
Prepaid expenses and other assets	212,980	202,184
Investments	18,424,126	19,076,539
Property and equipment, net	22,314,568	19,284,446
Total assets	\$ 43,942,897	42,711,158
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 1,633,222	477,173
Accrued payroll and related liabilities	1,025,590	936,852
Deferred support and revenue	243,596	239,625
Derivative financial instrument	21,030	36,626
Notes payable	616,966	810,763
Total liabilities	3,540,404	2,501,039
Net assets:		
Unrestricted	30,594,173	28,909,657
Temporarily restricted	7,669,627	9,164,545
Permanently restricted	2,138,693	2,135,917
Total net assets	40,402,493	40,210,119
Total liabilities and net assets	\$ 43,942,897	42,711,158

See accompanying notes to financial statements.

**YWCA OF MINNEAPOLIS**

Statements of Activities

Years ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Public support and revenue:								
Public support:								
Contributions	\$ 267,139	2,459,430	2,776	2,729,345	330,402	1,948,614	11,441	2,290,457
Legacy campaign contributions	52,792	342,166	—	394,958	365,901	1,019,162	—	1,385,063
Special events	553,733	253,205	—	806,938	524,775	199,000	—	723,775
United Way	16,895	1,095,000	—	1,111,895	20,663	1,463,130	—	1,483,793
Total public support	<u>890,559</u>	<u>4,149,801</u>	<u>2,776</u>	<u>5,043,136</u>	<u>1,241,741</u>	<u>4,629,906</u>	<u>11,441</u>	<u>5,883,088</u>
Revenue:								
Fees and grants – government	1,772,006	1,822,959	—	3,594,965	2,118,303	1,664,418	—	3,782,721
Program service fees and membership dues	12,687,734	—	—	12,687,734	12,611,514	—	—	12,611,514
Incidental revenue	177,033	—	—	177,033	173,159	—	—	173,159
Investment returns	24,501	28,765	—	53,266	309,317	362,673	—	671,990
Room rental	162,024	—	—	162,024	142,357	—	—	142,357
Miscellaneous	84,261	—	—	84,261	24,504	33	—	24,537
Total revenue	<u>14,907,559</u>	<u>1,851,724</u>	<u>—</u>	<u>16,759,283</u>	<u>15,379,154</u>	<u>2,027,124</u>	<u>—</u>	<u>17,406,278</u>
Net assets released from program restrictions	7,496,443	(7,496,443)	—	—	6,640,057	(6,640,057)	—	—
Unrealized gain on derivative instrument	15,596	—	—	15,596	21,934	—	—	21,934
Total public support and revenue	<u>23,310,157</u>	<u>(1,494,918)</u>	<u>2,776</u>	<u>21,818,015</u>	<u>23,282,886</u>	<u>16,973</u>	<u>11,441</u>	<u>23,311,300</u>
Expenses:								
Health and wellness	8,516,796	—	—	8,516,796	8,349,468	—	—	8,349,468
Early childhood education	7,985,783	—	—	7,985,783	8,325,130	—	—	8,325,130
Girls and youth	2,033,444	—	—	2,033,444	1,997,368	—	—	1,997,368
Racial justice and public policy	481,230	—	—	481,230	394,745	—	—	394,745
Management and general	1,669,513	—	—	1,669,513	1,557,438	—	—	1,557,438
Fund-raising	938,875	—	—	938,875	900,225	—	—	900,225
Total expenses	<u>21,625,641</u>	<u>—</u>	<u>—</u>	<u>21,625,641</u>	<u>21,524,374</u>	<u>—</u>	<u>—</u>	<u>21,524,374</u>
Total change in net assets	1,684,516	(1,494,918)	2,776	192,374	1,758,512	16,973	11,441	1,786,926
Net assets at beginning of year	28,909,657	9,164,545	2,135,917	40,210,119	27,151,145	9,147,572	2,124,476	38,423,193
Net assets at end of year	<u>\$ 30,594,173</u>	<u>7,669,627</u>	<u>2,138,693</u>	<u>40,402,493</u>	<u>28,909,657</u>	<u>9,164,545</u>	<u>2,135,917</u>	<u>40,210,119</u>

See accompanying notes to financial statements.

**YWCA OF MINNEAPOLIS**

Statement of Functional Expenses

Year ended June 30, 2016

	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	\$ 4,032,372	4,447,080	1,212,999	282,250	9,974,701	937,534	560,019	1,497,553	11,472,254
Employee benefits	331,164	545,430	128,623	19,203	1,024,420	86,397	49,962	136,359	1,160,779
Payroll taxes and workers' compensation	380,142	420,219	113,285	25,722	939,368	79,425	46,047	125,472	1,064,840
Total salaries and related expenses	4,743,678	5,412,729	1,454,907	327,175	11,938,489	1,103,356	656,028	1,759,384	13,697,873
Professional fees and contract service payments	333,887	334,270	109,155	24,100	801,412	140,580	91,984	232,564	1,033,976
Supplies	599,857	561,540	254,502	15,638	1,431,537	39,937	16,466	56,403	1,487,940
Telephone	30,445	25,574	7,863	1,891	65,773	5,354	2,474	7,828	73,601
Postage	15,742	975	595	102	17,414	5,913	4,844	10,757	28,171
Occupancy	1,389,644	1,263,762	60,969	8,784	2,723,159	88,328	7,290	95,618	2,818,777
Outside printing and advertising	256,947	79,188	5,401	3,338	344,874	9,939	41,271	51,210	396,084
Transportation	8,034	3,188	35,888	2,319	49,429	5,211	203	5,414	54,843
Conferences, conventions, and meetings	42,769	44,799	42,881	7,208	137,657	48,423	20,416	68,839	206,496
Payments to YWCA of the USA	—	—	—	—	—	40,000	—	40,000	40,000
Interest expense	32,429	—	—	—	32,429	—	—	—	32,429
Special events expenses	—	—	—	79,471	79,471	—	75,336	75,336	154,807
Licenses and permits	32,923	8,427	282	71	41,703	386	38	424	42,127
Miscellaneous	26,220	24,509	21,599	2,720	75,048	39,565	13,411	52,976	128,024
Total expenses before depreciation and amortization	7,512,575	7,758,961	1,994,042	472,817	17,738,395	1,526,992	929,761	2,456,753	20,195,148
Depreciation and amortization	1,004,221	226,822	39,402	8,413	1,278,858	142,521	9,114	151,635	1,430,493
Total expenses	\$ 8,516,796	7,985,783	2,033,444	481,230	19,017,253	1,669,513	938,875	2,608,388	21,625,641

See accompanying notes to financial statements.

**YWCA OF MINNEAPOLIS**

Statement of Functional Expenses

Year ended June 30, 2015

	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	\$ 3,964,357	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

### Statements of Cash Flows

Years ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
Cash flows from operating activities:		
Change in net assets	\$ 192,374	1,786,926
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,430,493	1,355,063
Net realized and unrealized losses (gains) on investments	110,427	(536,170)
Contributions received for long-term purposes	(4,883)	(1,018,570)
Unrealized gain on derivative instrument	(15,596)	(21,934)
Changes in operating assets and liabilities:		
Membership and other receivables, net	(54,413)	72,030
Pledges receivable, net	213,497	2,607,392
Inventory	3,956	(36)
Prepaid expenses	(10,796)	(19,924)
Accounts payable	608,435	(46,870)
Accrued payroll and related liabilities	88,738	8,418
Deferred support and revenue	3,971	(45,362)
Net cash provided by operating activities	2,566,203	4,140,963
Cash flows from investing activities:		
Purchases of property and equipment	(3,913,001)	(1,887,085)
Proceeds from sale of investments	11,158,961	3,968,325
Purchase of investments	(10,616,975)	(6,591,401)
Net cash used in investing activities	(3,371,015)	(4,510,161)
Cash flows from financing activities:		
Proceeds on notes payable	27,107	—
Payments on notes payable	(220,904)	(218,934)
Proceeds from contributions restricted for:		
Investment in endowment	2,776	11,441
Investment in property and equipment	2,107	1,007,129
Net cash (used in) provided by financing activities	(188,914)	799,636
Net change in cash	(993,726)	430,438
Cash at beginning of year	1,886,048	1,455,610
Cash at end of year	\$ 892,322	1,886,048
Supplemental disclosures:		
Cash paid for interest	\$ 32,429	42,160
Noncash contribution of free rent	1,011,402	1,130,909
Noncash purchases of property and equipment in accounts payable	547,614	—

See accompanying notes to financial statements.

## YWCA OF MINNEAPOLIS

### Notes to Financial Statements

June 30, 2016 and 2015

#### (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 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.

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 25,000+ members of all ages and abilities find the best workout program to achieve their fitness goals. In addition, 2,200+ 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 YWCA since its founding. Today, YWCA Minneapolis offers gender specific classes, workshops, leagues and races delivering women-centric programs that build strength, dignity and vitality. In August 2015, approximately 1,100 women and girls, ages 11-78, competed in the YWCA Women's Triathlon.

**Early Childhood Education** – High-quality nationally accredited early childhood education is provided by YWCA to families across the Twin Cities community. Six YWCA Children's Centers served 770+ children, ages 6 weeks to 10 years old, from more than 750 families. Four of the Centers are community-based with a focus on serving diverse children from low-income households. Knowing school readiness begins at birth, experienced professional classroom teachers partner with families to



## YWCA OF MINNEAPOLIS

### Notes to Financial Statements

June 30, 2016 and 2015

prepare children to excel in school and life. The 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.

**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, 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 YWCA 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 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, 4,100+ 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, YWCA Minneapolis has brought together courageous community leaders and members to engage in meaningful conversations and actions to eliminate racism in their workplaces and communities. In November 2015, 1,200+ people attended the 13th annual It's Time to Talk: Forums on Race ®. After the keynote presentation, attendees engaged in professionally facilitated dialogues about race relations at their table, leaving the event empowered to take action.

**Public Policy** – YWCA believes that everyone has a role to play in shaping public policy. Ground-breaking, culturally competent advocacy strategies are created that mobilized more than 1,100+ 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 educating and organizing 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, students and teachers of young children – into the state Capitol and in front of Minnesota policy-makers with tremendous impact.

## YWCA OF MINNEAPOLIS

### Notes to Financial Statements

June 30, 2016 and 2015

**(b) Basis of Presentation**

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

Net assets and revenue, 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.

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.

Revenue is 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 revenue 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.

**(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.

## **YWCA OF MINNEAPOLIS**

### Notes to Financial Statements

June 30, 2016 and 2015

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 30 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 \$15,596 and \$21,934 for the years ended June 30, 2016 and 2015, respectively, on the derivative financial instrument and has reported the fair value of \$21,030 and \$36,626 as a component of liabilities in the statements of financial position at June 30, 2016 and 2015, 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.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Income Taxes – Overall*, 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 2016 or 2015 for unrecognized tax positions.

**YWCA OF MINNEAPOLIS**

Notes to Financial Statements

June 30, 2016 and 2015

**(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 revenue and expenses during the reporting period. Actual results could differ from these estimates.

**(k) Subsequent Events**

The YWCA has evaluated subsequent events through November 15, 2016, 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.

**(2) Investments**

Investment securities at fair value consisted of the following:

	<u>2016</u>	<u>2015</u>
Equity mutual funds	\$ 8,161,010	8,280,339
Fixed income mutual funds	3,814,173	3,661,269
Money market mutual funds	6,005,027	5,438,565
Life insurance policies	174,286	172,348
Cash	269,630	1,524,018
	<u>\$ 18,424,126</u>	<u>19,076,539</u>

	<u>2016</u>		
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest	\$ 77,826	85,867	163,693
Net realized gains	255,793	269,618	525,411
Net unrealized losses	(309,118)	(326,720)	(635,838)
Total return on investments	<u>\$ 24,501</u>	<u>28,765</u>	<u>53,266</u>

**YWCA OF MINNEAPOLIS**

Notes to Financial Statements

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		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>

**(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.

The summary of inputs used to value the YWCA’s assets and liabilities as of June 30, 2016 is as follows:

	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Large cap	\$ 3,193,424	—	—	3,193,424
Mid cap	2,765,677	—	—	2,765,677
World stock	1,351,373	—	—	1,351,373
Foreign	850,536	—	—	850,536
Fixed income mutual funds:				
Intermediate term	3,151,801	—	—	3,151,801
Short term	662,372	—	—	662,372
Money market mutual funds	6,005,027	—	—	6,005,027
Life insurance policies	—	174,286	—	174,286
Cash	269,630	—	—	269,630
Total investments	\$ <u>18,249,840</u>	<u>174,286</u>	<u>—</u>	<u>18,424,126</u>
Derivative financial instrument	\$ —	(21,030)	—	(21,030)

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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	\$ —	(36,626)	—	(36,626)

There were no transfers between Levels 1, 2, and 3 during the years ended June 30, 2016 and 2015.

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.

**(4) Pledges Receivable**

Anticipated future collections of pledges receivable at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 830,873	916,859
One year to five years	849,848	944,678
More than five years	—	50,000
Less present value discount (1.68% to 4.50%)	<u>(65,714)</u>	<u>(83,033)</u>
	\$ <u>1,615,007</u>	<u>1,828,504</u>

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**(5) Property and Equipment**

Property and equipment consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land, buildings, and leasehold improvements	\$ 33,293,294	31,943,677
Furnishings and equipment	4,794,980	4,212,570
Vehicles	85,247	100,987
Construction in progress	<u>2,582,090</u>	<u>80,607</u>
	40,755,611	36,337,841
Less accumulated depreciation and amortization	<u>18,441,043</u>	<u>17,053,395</u>
	<u>\$ 22,314,568</u>	<u>19,284,446</u>

**(6) Notes Payable**

Notes payable consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Note payable to bank, floating interest at 65.0% of the one-month LIBOR, plus 146 basis points in 2016 and 2015	\$ 592,119	809,901
Special assessments payable on property, interest at 5.3%	—	862
Loan for business vehicle	<u>24,847</u>	<u>—</u>
	<u>\$ 616,966</u>	<u>810,763</u>

Maturities of notes payable at June 30, 2016 are as follows:

2017	\$ 233,878
2018	244,941
2019	129,563
2020	5,421
2021	<u>3,163</u>
	<u>\$ 616,966</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

## YWCA OF MINNEAPOLIS

### Notes to Financial Statements

June 30, 2016 and 2015

amount of capital expenditures, and required minimum maintenance of unrestricted cash and investment balances. Management believes the YWCA is in compliance with the debt covenants as of June 30, 2016.

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, 2016 and 2015 is \$20,364 and \$27,336, 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 \$15,596 and \$21,934 for the years ended June 30, 2016 and 2015, 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 \$21,030 and \$36,626 at June 30, 2016 and 2015, 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*. FASB 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.



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**(b) Endowment Net Asset Composition by Type of Fund as of June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	3,999,093	2,138,693	6,137,786
Board-designated endowment funds	7,280,381	—	—	7,280,381
	<u>\$ 7,280,381</u>	<u>3,999,093</u>	<u>2,138,693</u>	<u>13,418,167</u>

**(c) Changes in Endowment Net Assets for the year ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 8,564,731	4,216,395	2,135,917	14,917,043
Contributions	(42,963)	—	2,776	(40,187)
Investment return:				
Investment income	63,705	74,202	—	137,907
Realized and unrealized gains (losses), net	(46,010)	(57,928)	—	(103,938)
Total investment return	17,695	16,274	—	33,969
Appropriation of endowment assets	(1,259,082)	(233,576)	—	(1,492,658)
Endowment net assets, end of year	<u>\$ 7,280,381</u>	<u>3,999,093</u>	<u>2,138,693</u>	<u>13,418,167</u>

**(d) 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>

**YWCA OF MINNEAPOLIS**

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**(e) 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	213,455	288,391	—	501,846
Total investment return	267,112	356,107	—	623,219
Appropriation of endowment assets	(220,599)	(233,103)	—	(453,702)
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>

**(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 are 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 2016 and 2015, such amounts were \$478,710 and \$300,000, respectively.

**YWCA OF MINNEAPOLIS**

Notes to Financial Statements

June 30, 2016 and 2015

**(8) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</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	\$ 1,353,437	1,576,511
Jean Wigley Memorial Fund – any activity of the organization	83,886	83,611
Elizabeth Lyman Lodge Endowment – camping activities	2,468,150	2,462,879
Ruth Keith Endowment – domestic instruction	93,620	93,394
Subtotal	<u>3,999,093</u>	<u>4,216,395</u>
Gifts and other unexpended revenue and gains available for:		
Health and Fitness program activities	60,543	64,841
Early Childhood Education programs:		
General program activities	345,099	490,016
Capital improvements	1,386,164	1,726,021
Girls and Youth program activities	1,194,311	947,689
Racial Justice and Public Policy program activities	65,605	102,710
General operating purposes time-restricted	174,286	172,348
Capital improvements	424,320	1,424,320
General program activities	20,206	20,205
Subtotal	<u>3,670,534</u>	<u>4,948,150</u>
Total temporarily restricted net assets	\$ <u><u>7,669,627</u></u>	<u><u>9,164,545</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>2016</u>	<u>2015</u>
Purpose restrictions accomplished:		
Health and Fitness program expenses	\$ 84,429	57,866
Early Childhood Education program expenses	2,721,404	2,716,322
Early Childhood Education capital expenses	348,338	1,127,504
Girls and Youth program expenses	2,744,029	2,136,887
Racial Justice and Public Policy program expenses	361,460	365,657
Capital improvements	1,000,000	—
Time restrictions released:		
Appropriation of general endowment	233,576	233,113
General operating expenses	3,207	2,708
Total restrictions released	\$ <u><u>7,496,443</u></u>	<u><u>6,640,057</u></u>

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**(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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
General Endowment – any activity of the organization	\$ 1,969,499	1,966,723
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 – domestic instruction	<u>16,288</u>	<u>16,288</u>
Total permanently restricted net assets	<u>\$ 2,138,693</u>	<u>2,135,917</u>

**(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, 2016 and 2015.

**(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 3.0% of the participating employees’ wages to the YWCA Retirement Fund for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, the YWCA Retirement Fund contributed 1.2% to the employees’ accounts. Effective with the May 2014 contribution until December 31, 2015, the YWCA Retirement Fund reduced its member organizations’ contributions by 75.0%, while still crediting the employees’ accounts at the elected contribution level. Expense for the years ended June 30, 2016 and 2015 was \$207,660 and \$120,962, 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

## **YWCA OF MINNEAPOLIS**

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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's 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 2016, the YWCA received and recorded as temporarily restricted contribution government revenue, \$615,202. The remainder is expected to be received in 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.

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 expired 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 have been recognized for the years ended June 30, 2016 and 2015, 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 \$16,900 have been recognized for the years ended June 30, 2016 and 2015.

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 \$76,178 and \$83,485 have been recognized for the years ended June 30, 2016 and 2015, respectively. 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 \$295,950 and \$230,810 for the years ended June 30, 2016 and 2015, respectively, and is included in program service fees.

## **YWCA OF MINNEAPOLIS**

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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. Effective January 1, 2016, the YWCA entered an agreement with Ecolab, who assumed the location formerly housed by Travelers. The new agreement runs through December 31, 2016. No lease payments are required. In addition, Ecolab provides food and cook services without compensation. Rent and food expense and corresponding contribution income of \$470,148 and \$582,348 have been recognized for the years ended June 30, 2016 and 2015, respectively.

The YWCA undertook a construction project in its Downtown location. Through June 30, 2016, the YWCA had expended \$5,054,409 of the total contracted amount of \$12,450,265. The YWCA expects to pay the remainder of the construction balance through the end of December 2016. The construction project is fully funded by donations to the organization through a capital campaign.