

***Young Women's Christian
Association Of Central
Massachusetts, Inc.***

*Financial Statements for the Years Ended
September 30, 2014 and 2013 and
Independent Auditors' Report*

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF CENTRAL MASSACHUSETTS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Young Women's Christian Association of Central Massachusetts, Inc.
Worcester, Massachusetts

We have audited the accompanying financial statements of Young Women's Christian Association of Central Massachusetts, Inc. (the "Association"; a nonprofit organization), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, cash flows, and functional expenses 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 accounting principles generally accepted in the United States of America; 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 auditor's 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 Young Women's Christian Association of Central Massachusetts, Inc. as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



January 22, 2015

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF CENTRAL MASSACHUSETTS, INC.

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND 2013**

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash	\$ 4,647	\$ 13,704
Investments	80,307	61,140
Program service fees receivable	274,033	227,446
Other accounts receivable	207,761	143,131
Prepaid expenses and other	46,164	32,418
Total current assets	612,912	477,839
INVESTMENTS, net of current portion	1,731,644	1,720,796
PROPERTY AND EQUIPMENT:		
Property and equipment, net	3,014,425	3,159,808
Total assets	<u>\$ 5,358,981</u>	<u>\$ 5,358,443</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 290,895	\$ 315,235
Current portion of long-term debt	26,873	25,774
Refundable advances	40,775	37,693
Total current liabilities	358,543	378,702
Note payable bank	385,674	252,483
Long-term debt, net of current portion	585,997	612,922
Total liabilities	<u>1,330,214</u>	<u>1,244,107</u>
NET ASSETS:		
Unrestricted:		
Operating	(347,280)	(396,572)
Designated by the Board of Directors	1,101,003	1,086,870
Property, plant, and equipment	2,401,555	2,521,112
Appreciation of Board designated investments	91,529	107,484
Total unrestricted	<u>3,246,807</u>	<u>3,318,894</u>
Temporarily restricted:		
Purpose	142,690	187,604
Appreciation of permanently restricted endowment	160,897	129,465
Total temporarily restricted	<u>303,587</u>	<u>317,069</u>
Permanently restricted:		
Endowment	<u>478,373</u>	<u>478,373</u>
Total net assets	<u>4,028,767</u>	<u>4,114,336</u>
Total liabilities and net assets	<u>\$ 5,358,981</u>	<u>\$ 5,358,443</u>

See notes to financial statements.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF CENTRAL MASSACHUSETTS, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND PUBLIC SUPPORT:								
Program service fees -								
Government contracts	\$ 2,933,638	\$ -	\$ -	\$ 2,933,638	\$ 2,801,703	\$ -	\$ -	\$ 2,801,703
Individuals and other	1,939,264	-	-	1,939,264	1,958,022	-	-	1,958,022
Grants and contributions	160,442	364,044	-	524,486	153,039	356,463	-	509,502
United Way	243,500	-	-	243,500	213,750	-	-	213,750
Special events, net of expenses of \$31,567 and \$36,585 for the years ended September 30, 2014 and 2013, respectively	39,226	-	-	39,226	35,094	-	-	35,094
Investment income appropriated for operations	95,239	-	-	95,239	71,159	-	-	71,159
Miscellaneous income	34,283	-	-	34,283	45,387	-	-	45,387
Membership dues	30,055	-	-	30,055	29,570	-	-	29,570
Donated materials and services	26,263	-	-	26,263	12,384	-	-	12,384
Net assets related from restrictions:								
satisfaction of purpose restrictions	389,510	(389,510)	-	-	328,154	(328,154)	-	-
satisfaction of capital restrictions	31,058	(31,058)	-	-	57,577	(57,577)	-	-
Total operating revenues and public support	<u>5,922,478</u>	<u>(56,524)</u>	<u>-</u>	<u>5,865,954</u>	<u>5,705,839</u>	<u>(29,268)</u>	<u>-</u>	<u>5,676,571</u>
EXPENSES:								
Program services -								
Health Promotion Services	471,133	-	-	471,133	482,473	-	-	482,473
Child Care	2,131,847	-	-	2,131,847	2,171,082	-	-	2,171,082
Transitional Housing	125,537	-	-	125,537	123,820	-	-	123,820
Women's Economic Empowerment	243,848	-	-	243,848	212,359	-	-	212,359
Domestic Violence Services:								
Daybreak	795,518	-	-	795,518	789,735	-	-	789,735
BWR	705,275	-	-	705,275	762,550	-	-	762,550
Total program services	<u>4,473,158</u>	<u>-</u>	<u>-</u>	<u>4,473,158</u>	<u>4,542,019</u>	<u>-</u>	<u>-</u>	<u>4,542,019</u>
Support services -								
Management and general	744,847	-	-	744,847	628,375	-	-	628,375
Program Support	170,715	-	-	170,715	180,981	-	-	180,981
Facilities	483,285	-	-	483,285	473,046	-	-	473,046
Development	122,265	-	-	122,265	107,492	-	-	107,492
Total support services	<u>1,521,112</u>	<u>-</u>	<u>-</u>	<u>1,521,112</u>	<u>1,389,894</u>	<u>-</u>	<u>-</u>	<u>1,389,894</u>
Total expenses	<u>5,994,270</u>	<u>-</u>	<u>-</u>	<u>5,994,270</u>	<u>5,931,913</u>	<u>-</u>	<u>-</u>	<u>5,931,913</u>
Changes in net assets from operations	<u>(71,792)</u>	<u>(56,524)</u>	<u>-</u>	<u>(128,316)</u>	<u>(226,074)</u>	<u>(29,268)</u>	<u>-</u>	<u>(255,342)</u>
NON-OPERATING ACTIVITIES:								
Realized gains on sale of investments	94,720	12,972	-	107,692	58,958	19,172	-	78,130
Investment income, net of fees of \$22,576 and \$16,223 for the years ended September 30, 2014 and 2013, respectively.	17,495	11,610	-	29,105	27,084	18,185	-	45,269
Loss on disposal of property and equipment	(1,317)	-	-	(1,317)	(1,676)	-	-	(1,676)
Investment income appropriated for operations	(95,239)	-	-	(95,239)	(71,159)	-	-	(71,159)
Unrealized gains (losses) on investments	(15,954)	18,460	-	2,506	(2,909)	19,620	-	16,711
Total non-operating activities	<u>(295)</u>	<u>43,042</u>	<u>-</u>	<u>42,747</u>	<u>10,298</u>	<u>56,977</u>	<u>-</u>	<u>67,275</u>
Changes in net assets	<u>(72,087)</u>	<u>(13,482)</u>	<u>-</u>	<u>(85,569)</u>	<u>(215,776)</u>	<u>27,709</u>	<u>-</u>	<u>(188,067)</u>
Net assets, beginning of year	<u>3,318,894</u>	<u>317,069</u>	<u>478,373</u>	<u>4,114,336</u>	<u>3,534,670</u>	<u>289,360</u>	<u>478,373</u>	<u>4,302,403</u>
Net assets, end of year	<u>\$ 3,246,807</u>	<u>\$ 303,587</u>	<u>\$ 478,373</u>	<u>\$ 4,028,767</u>	<u>\$ 3,318,894</u>	<u>\$ 317,069</u>	<u>\$ 478,373</u>	<u>\$ 4,114,336</u>

See notes to financial statements.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF CENTRAL MASSACHUSETTS, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (85,569)	\$ (188,067)
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	225,264	232,880
Loss on disposal of property and equipment	1,317	1,676
Capital grants and contributions	(33,058)	(7,043)
Unrealized and realized gains on investments	(110,198)	(94,841)
Changes in operating assets and liabilities:		
Program service fees receivable	(46,587)	(80,095)
Other accounts receivable	(64,630)	35,102
Prepaid expenses and other	(13,746)	(3,747)
Accounts payable and accrued expenses	(24,340)	85,561
Refundable advances	3,082	417
Net cash used for operating activities	<u>(148,465)</u>	<u>(18,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(81,198)	(86,631)
Purchases of investments	(543,278)	(711,727)
Proceeds from sales of investments	623,461	754,005
Net cash used for investing activities	<u>(1,015)</u>	<u>(44,353)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from note payable bank	133,191	26,991
Payments on long-term debt	(25,826)	(24,768)
Capital grants and contributions received	33,058	7,043
Net cash provided by financing activities	<u>140,423</u>	<u>9,266</u>
NET DECREASE IN CASH	(9,057)	(53,244)
CASH, beginning of year	<u>13,704</u>	<u>66,948</u>
CASH, end of year	<u>\$ 4,647</u>	<u>\$ 13,704</u>
SUPPLEMENTAL DISCLOSURE:		
Cash paid for interest	<u>\$ 38,976</u>	<u>\$ 39,716</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Donated materials and services	<u>\$ 26,263</u>	<u>\$ 12,384</u>
Original cost of disposed property and equipment	<u>\$ 4,427</u>	<u>\$ 12,182</u>

See notes to financial statements.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF CENTRAL MASSACHUSETTS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

(With Summarized Financial Information for the Year Ended September 30, 2013)

	2014								2013					
	PROGRAM SERVICES							SUPPORT SERVICES						
	HEALTH PROMOTION SERVICES	CHILD CARE	TRANSITIONAL HOUSING	WOMEN'S ECONOMIC EMPOWERMENT	DOMESTIC VIOLENCE SERVICES DAYBREAK	DOMESTIC VIOLENCE SERVICES BWR	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SUPPORT	FACILITIES	DEVELOPMENT	TOTAL SUPPORT SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
PERSONNEL AND RELATED:														
Salaries	\$ 319,677	\$ 1,515,221	\$ 77,277	\$ 129,479	\$ 541,621	\$ 484,008	\$ 3,067,283	\$ 374,594	\$ 100,870	\$ 84,266	\$ 89,921	\$ 649,651	\$ 3,716,934	\$ 3,632,103
Employee benefits	26,584	187,384	8,585	16,111	66,468	66,918	372,050	45,775	9,708	10,901	13,167	79,551	451,601	500,123
Payroll taxes	24,524	112,432	5,873	8,954	40,878	32,173	224,834	28,321	7,894	6,277	6,221	48,713	273,547	271,483
Outside and contracted services	3,600	1,197	-	65,275	37,977	-	108,049	30,340	-	-	-	30,340	138,389	149,482
Total payroll and related expenses	374,385	1,816,234	91,735	219,819	686,944	583,099	3,772,216	479,030	118,472	101,444	109,309	808,255	4,580,471	4,553,191
OCCUPANCY:														
Rent and utilities	-	75,181	-	-	12,979	48,461	136,621	-	-	212,456	-	212,456	349,077	330,380
Repairs and maintenance	-	39,143	-	-	13,896	3,420	56,459	-	-	149,835	-	149,835	206,294	208,381
Insurance	-	2,266	-	-	1,100	4,523	8,629	50,993	-	11,149	-	62,142	66,665	61,352
Interest	-	-	-	-	-	1,504	1,504	37,472	-	-	-	37,472	38,976	39,716
Total occupancy	-	116,590	-	-	27,975	54,542	199,107	88,465	-	373,440	-	461,905	661,012	639,829
OTHER:														
Program supplies	7,606	30,059	523	6,968	14,933	15,142	75,231	-	-	-	-	-	75,231	103,325
Miscellaneous	-	12,991	3,969	-	7,158	3,853	27,971	30,013	282.00	959	1,476	32,730	60,701	55,356
Client transportation	-	37,059	156	1,498	1,423	653	40,789	-	-	-	-	-	40,789	38,170
Telephone	850	5,524	661	472	4,989	9,982	22,478	1,398	378	1,511	189	3,476	25,954	26,688
Printing, dues and subscriptions	3,932	3,070	74	1,884	9,925	3,821	22,706	7,403	5,545	100	730	13,778	36,484	31,872
Meals	861	8,796	228	2,034	7,425	7,816	27,160	3,795	-	2,396	-	6,191	33,351	42,753
Equipment rental and maintenance	15,134	3,083	-	-	826	1,081	20,124	101	21,313	185	-	21,599	41,723	42,326
Legal and accounting	-	-	-	-	-	-	-	31,713	-	-	-	31,713	31,713	31,639
Professional contracted services	-	-	-	-	-	-	-	42,825	-	-	8,427	51,252	51,252	32,177
Advertising	536	2,728	-	-	85	3,349	3,766	1,902	1,895	-	-	7,563	10,912	8,118
Travel	1,259	988	61	235.00	8,152	6,770	17,465	3,777	1,357	184	-	5,318	22,783	21,251
National council assessments	-	-	-	-	-	-	-	36,021	-	-	-	36,021	36,021	30,316
Office supplies	104	673	9	229	1,400	1,557	3,972	1,037	4,030	-	667	5,734	9,706	10,123
Conferences and meetings	5,956	7,336	-	668	1,538	560	16,058	1,625	-	97	-	1,722	17,780	13,173
In-kind expense	-	750	-	-	11,973	7,255	19,978	6,285	-	-	-	6,285	26,263	11,634
Postage and shipping	-	10	-	-	16	59	85	103	6,239	-	433	6,775	6,860	7,092
Total other	36,238	113,067	5,681	13,988	69,758	58,634	297,366	169,862	39,689	8,403	12,203	230,157	527,523	506,013
Total expenses before depreciation and allocations	410,623	2,045,891	97,416	233,807	784,677	696,275	4,268,689	737,357	158,161	483,287	121,512	1,500,317	5,769,006	5,699,033
DEPRECIATION	60,510	85,956	28,121	10,041	10,841	9,000	204,469	7,490	12,554	(2)	753	20,795	225,264	232,880
Total expenses before facilities, program and management and general allocations	471,133	2,131,847	125,537	243,848	795,518	705,275	4,473,158	744,847	170,715	483,285	122,265	1,521,112	5,994,270	5,931,913
FACILITIES ALLOCATION	175,482	113,501	83,827	29,939	14,021	4,531	421,301	22,315	37,423	(483,285)	2,246	(421,301)	-	-
PROGRAM SUPPORT ALLOCATION	31,458	96,342	7,789	13,106	50,243	-	198,938	-	(208,138)	-	9,200	(198,938)	-	-
MANAGEMENT AND GENERAL ALLOCATION	76,760	366,926	18,920	31,941	134,265	115,720	744,532	(767,162)	-	-	22,630	(744,532)	-	-
Total expenses	\$ 754,833	\$ 2,708,616	\$ 236,073	\$ 318,834	\$ 994,047	\$ 825,526	\$ 5,837,929	\$ -	\$ -	\$ -	\$ 156,341	\$ 156,341	\$ 5,994,270	\$ 5,931,913

See notes to financial statements.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF CENTRAL MASSACHUSETTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	2013												
	PROGRAM SERVICES							SUPPORT SERVICES					
	HEALTH PROMOTION SERVICES	CHILD CARE	TRANSITIONAL HOUSING	WOMEN'S ECONOMIC EMPOWERMENT	DOMESTIC VIOLENCE SERVICES DAYBREAK	BWR	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SUPPORT	FACILITIES	DEVELOPMENT	TOTAL SUPPORT SERVICES	TOTAL EXPENSES
PERSONNEL AND RELATED:													
Salaries	\$ 329,424	\$ 1,512,929	\$ 72,156	\$ 94,847	\$ 516,968	\$ 509,385	\$ 3,035,709	\$ 336,724	\$ 106,481	\$ 80,200	\$ 72,989	\$ 596,394	\$ 3,632,103
Employee benefits	28,084	208,758	9,927	13,269	81,687	77,040	418,765	45,792	11,373	12,670	11,523	81,358	500,123
Payroll taxes	25,648	112,776	5,485	7,176	39,107	36,507	226,699	25,793	8,222	5,709	5,060	44,784	271,483
Outside and contracted services	340	480	-	72,500	70,662	3,000	146,982	-	-	-	2,500	2,500	149,482
Total payroll and related expenses	383,496	1,834,943	87,568	187,792	708,424	625,932	3,828,155	408,309	126,076	98,579	92,072	725,036	4,553,191
OCCUPANCY:													
Rent and utilities	-	70,988	-	-	10,641	47,897	129,526	-	-	200,854	-	200,854	330,380
Repairs and maintenance	-	38,203	-	-	7,926	8,992	55,121	-	-	153,260	-	153,260	208,381
Insurance	-	2,032	-	-	981	1,064	4,077	43,505	-	13,770	-	57,275	61,352
Interest	-	-	-	-	-	1,645	1,645	38,071	-	-	-	38,071	39,716
Total occupancy	-	111,223	-	-	19,548	59,598	190,369	81,576	-	367,884	-	449,460	639,829
OTHER:													
Program supplies	9,171	58,200	930	5,502	14,299	15,223	103,325	-	-	-	-	-	103,325
Miscellaneous	75	15,488	4,211	-	3,145	3,275	26,194	28,362	-	284	516	29,162	55,356
Client transportation	-	31,467	148	1,875	3,216	1,464	38,170	-	-	-	-	-	38,170
Telephone	861	5,806	670	916	4,734	10,475	23,462	1,404	383	1,248	191	3,226	26,688
Printing, dues and subscriptions	4,513	2,675	-	462	6,463	3,366	17,479	7,193	4,250	450	2,500	14,393	31,872
Meals	1,018	9,731	317	4,237	12,080	10,828	38,211	2,218	-	2,324	-	4,542	42,753
Equipment rental and maintenance	11,423	3,358	-	-	232	1,343	16,356	217	25,044	709	-	25,970	42,326
Legal and accounting	-	-	-	-	-	-	-	31,639	-	-	-	31,639	31,639
Professional contracted services	-	-	-	-	-	-	-	22,131	-	-	10,046	32,177	32,177
Advertising	191	2,307	-	-	-	175	2,673	3,262	2,183	-	-	5,445	8,118
Travel	1,650	1,432	-	-	6,690	7,978	17,750	1,721	-	1,571	209	3,501	21,251
National council assessments	-	-	-	-	-	-	-	30,316	-	-	-	30,316	30,316
Office supplies	290	629	-	872	1,081	1,912	4,784	1,068	3,649	-	622	5,339	10,123
Conferences and meetings	5,284	6,021	-	425	545	545	12,275	625	-	-	273	898	13,173
In-kind expense	-	-	-	-	-	11,634	11,634	-	-	-	-	-	11,634
Postage and shipping	-	14	-	-	287	167	468	350	6,014	-	260	6,624	7,092
Total other	34,476	137,128	6,276	13,864	52,652	68,385	312,781	130,506	41,523	6,586	14,617	193,232	506,013
Total expenses before depreciation and allocations	417,972	2,083,294	93,844	201,656	780,624	753,915	4,331,305	620,391	167,599	473,049	106,689	1,367,728	5,699,033
DEPRECIATION	64,501	87,788	29,976	10,703	9,111	8,635	210,714	7,984	13,382	(3)	803	22,166	232,880
Total expenses before facilities, program and management and general allocations	482,473	2,171,082	123,820	212,359	789,735	762,550	4,542,019	628,375	180,981	473,046	107,492	1,389,894	5,931,913
FACILITIES ALLOCATION	173,713	112,415	80,681	28,815	13,487	4,359	413,470	21,440	35,975	(473,046)	2,161	(413,470)	-
PROGRAM SUPPORT ALLOCATION	36,641	107,734	8,379	10,971	44,655	-	208,380	-	(216,956)	-	8,576	(208,380)	-
MANAGEMENT AND GENERAL ALLOCATION	67,604	316,758	15,533	20,426	112,785	100,855	633,961	(649,815)	-	-	15,854	(633,961)	-
Total expenses	\$ 760,431	\$ 2,707,989	\$ 228,413	\$ 272,571	\$ 960,662	\$ 867,764	\$ 5,797,830	\$ -	\$ -	\$ -	\$ 134,083	\$ 134,083	\$ 5,931,913

See notes to financial statements.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF CENTRAL MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

1. ORGANIZATION

Young Women's Christian Association of Central Massachusetts, Inc. (the "Association") was incorporated in October 1885, as part of the women's membership movement to empower women and girls and eliminate racism.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting – The financial statements of the Association have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – The net assets of the Association and changes therein are reported in three net assets categories as follows:

Unrestricted Net Assets – Included in unrestricted net assets are amounts that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The board of directors has discretionary control over all of these assets. The board may elect to designate such resources for specific purposes. These designations may be removed at the board's discretion. Unrestricted net assets of the Association consist of the following:

Operating – These net assets are available for the general obligations of the Association.

Designated investments by the Board of Directors – Represent investment funds reported at cost and restricted by the Board of Directors to be used to fund future renovations to buildings and to fund the expansion of program activities and support services. These funds may only be used with the approval of the Board of Directors. During fiscal year 2005, the Association's operating net assets borrowed \$300,000 from the Board designated net assets to pay down the line of credit. This created an inter-association promissory note which is payable over the next ten years and accrues interest at 2.5% per annum. The Board of Directors voted not to pay interest on this note during 2014 and 2013. The balance outstanding from the operating net assets as of September 30, 2014 and 2013 is \$244,809.

Property, plant, and equipment – Reflect and account for the activities relating to the Association's property and equipment, net of related debt.

Appreciation of Board designated investments – Includes the cumulative appreciation of those funds invested as Board designated investments (see above).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets – Temporarily restricted net assets include amounts resulting from contributions and other inflows of assets whose use by the Association is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions.

In accordance with Massachusetts law regarding permanently restricted endowment, temporarily restricted net assets also includes the accumulated unspent realized and unrealized appreciation of permanently restricted net assets.

Permanently Restricted Net Assets – Permanently restricted net assets of the Association (Endowment Funds) are amounts resulting from contributions and other inflows of assets whose use by the Association is restricted by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association. Interest and dividend income earned on endowment funds may be spent for specific or general operating activities of the Association.

Cash – The Association maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash as the funds are held in accredited financial institutions.

Investments – The Association records its investments at fair market value using quoted market prices. Investment securities are exposed to various risks including, but not limited to, interest rate and market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term. The Association seeks to minimize market risk by diversifying its investment portfolio.

Interest, dividends and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on market value changes during the period.

Cash and cash equivalent investments, excluding permanently restricted cash and equivalents, are shown as current investments in the accompanying financial statements due to their liquidity. In accordance with the Board of Director's intent, all other investments are included in non-current assets in the accompanying financial statements.

The Association's Board of Directors has established an investment spending policy which allows a percentage of the Unrestricted Net Assets – Designated by the Board of Directors to be appropriated for operations and capital expenditures annually, based on the percentage of the prior year's market value. During the years ended September 30, 2014 and 2013, 7% and 5% (\$83,691 and \$57,959 in 2014 and 2013, respectively), of the market value of the funds that make up the Association's Unrestricted Net Assets – Designated by the Board of Directors at the end of the previous fiscal year were appropriated for operations under this policy and are included in operating revenues in the accompanying financial statements. The Association also appropriates for operations investment income earned on the Irene L. Piper and Eleanor F. Rowe funds (See Note 8). The income is used to provide scholarships and counseling services. The Association appropriated for operations investment income earned on these funds of \$11,548 and \$13,200 for 2014 and 2013, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The investments have been allocated among the unrestricted, temporarily restricted and permanently restricted net assets classes in the accompanying financial statements according to the absence or presence of donor restrictions.

Accounts Receivable – Accounts are charged to bad debt expense as they are deemed uncollectible based on a periodic review of the aging and collections of the accounts receivable. There were no recorded charges to bad debt expense during 2014 and 2013. The Association considers accounts receivable as of September 30, 2014 and 2013 to be fully collectible.

Property and Equipment – Purchased property, plant and equipment in excess of \$1,500 and having a useful life of more than one year are capitalized and recorded at cost. Donated property plant and equipment are recorded at fair market value at the time of donation. Renewals and betterments are capitalized while repairs and maintenance are charged to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

	Estimated Useful Lives
Land and improvements	20 years
Buildings and improvements	15 - 50 years
Furniture and equipment	3 - 10 years

Refundable Advances – Refundable advances represent certain program service fees received in advance of the services being provided.

Revenue Recognition – Restricted grants, contributions and special events are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants, contributions and special events received and satisfied in the same period are included in unrestricted net assets.

Revenues from program service fees and contracts are recorded as the services are provided. Unrestricted grants, contributions and special events, United Way and membership dues are recorded as revenue when received or unconditionally pledged. All other income is recorded as revenue when earned.

Expense/Joint Cost Allocation – Expenses related directly to a program are distributed to that program while other expenses are allocated based upon management’s estimate of the percentage attributable to each program. During the years ended September 30, 2014 and 2013, a time study was performed and the wages of employees associated with the development function were allocated based on the percentages calculated from this time study, which was based on actual time spent on each function. The allocations of payrolls taxes and employee benefits were based on these same percentages. For the year ended September 30, 2014 and 2013, all other fundraising costs were directly allocated to the development function.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Material and Services – During fiscal year 2014 and 2013, the Association received donated materials and services in the amount of \$26,263 and \$12,384, respectively. The donations are recorded at the value determined by the donors.

The Association also receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the recognition criteria of generally accepted accounting principles for non-profit organizations.

Income Taxes – The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Association is also exempt from state income taxes. Donors may deduct contributions made to the Association within the Internal Revenue Code requirements.

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Association believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, reported activity, or cash flows. The Association is subject to audits by taxing jurisdictions; however there are currently no audits for any tax periods in progress. The Association believes it is no longer subject to income tax examinations for years prior to 2010.

Advertising Costs – The Association expenses advertising costs as they are incurred.

Reclassification – Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

Subsequent Events – The Association has evaluated all subsequent events through January 22, 2015 the date the financial statements were available to be issued.

3. INVESTMENTS

Investments consisted of the following at September 30:

	2014		2013	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 852,969	\$ 939,960	\$ 782,632	\$ 860,683
Common stocks	410,685	521,590	462,563	586,193
U.S. government notes	276,700	270,094	286,817	273,920
Cash and cash equivalents	80,307	80,307	61,140	61,140
	<u>\$ 1,620,661</u>	<u>\$ 1,811,951</u>	<u>\$ 1,593,152</u>	<u>\$ 1,781,936</u>

The following is a summary of realized and unrealized gain for the years ended September 30:

	2014	2013
Unrealized gains	\$ 2,506	\$ 16,711
Net realized gains (based upon original cost)	<u>107,692</u>	<u>78,130</u>
Total net gain for year	<u>\$ 110,198</u>	<u>\$ 94,841</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Worcester:		
Land and improvements	\$ 124,056	\$ 122,281
Building and improvements	4,825,563	4,812,532
Furniture and equipment	443,174	431,496
Leicester:		
Land and improvements	69,022	69,022
Building and improvements	598,667	597,504
Furniture and equipment	3,300	3,300
Westborough:		
Land and improvements	17,000	17,000
Building and improvements	1,330,049	1,315,558
Furniture and equipment	37,267	29,143
Construction in progress	23,585	23,585
Daybreak Resources:		
Land and improvements	13,840	13,840
Building and improvements	392,344	369,519
Furniture and equipment	14,670	8,546
BWR:		
Land and improvements	45,000	45,000
Building and improvements	247,381	247,380
Furniture and equipment	13,711	16,152
	<u>8,198,629</u>	<u>8,121,858</u>
Less accumulated depreciation	<u>5,184,204</u>	<u>4,962,050</u>
Net property and equipment	<u>\$ 3,014,425</u>	<u>\$ 3,159,808</u>

5. NOTE PAYABLE TO A BANK

On April 27, 2012, the Association entered into a two-year line of credit agreement with a bank with available borrowings of \$500,000. On June 17, 2014, the line of credit agreement was renegotiated and extended to April 27, 2018. Interest is payable monthly at an interest rate equal to the Wall Street Journal prime rate plus .25% (3.5% at September 30, 2014 and 2013) with a floor rate of 3.5%. The total outstanding balance of the line of credit as of September 30, 2014 and 2013 was \$385,674 and \$252,483, respectively. The line of credit is secured by a first security interest in all business assets and a negative pledge on unrestricted endowment securities and three properties.

6. LONG TERM DEBT

Long-term debt consists of the following at September 30:

	2014	2013
On April 27, 2012, the Association entered into a 20-year note payable to a bank. This note requires monthly installments of \$3,881 which includes principal and interest. Interest charged for the first ten years is fixed at 4.99%. At the 10-year anniversary date, the interest rate will be reset at the Federal Home Loan Bank 10/20 amortizing rate plus 3% until maturity. Monthly payments of principal and interest will then be recalculated to the amount necessary to pay off the entire loan balance in equal monthly installments over the remaining term of the note. This note is secured by a first security interest in all business assets and a negative pledge on unrestricted endowment securities and three properties. Payments may be made in advance without penalty.	\$ 541,587	\$ 560,249
Note payable to a bank, due in monthly principal and interest installments of \$721, through December 31, 2023. This note is secured by a mortgage on land and building. This note accrues interest at an annual rate of 2% until paid in full.	<u>71,283</u>	<u>78,447</u>
Total	612,870	638,696
Less - current portion	<u>26,873</u>	<u>25,774</u>
Long-term debt	<u>\$ 585,997</u>	<u>\$ 612,922</u>

Aggregate maturities of long-term debt over the next five years are as follows:

2015	\$ 26,873
2016	27,960
2017	29,247
2018	30,523
2019	31,873
Thereafter	<u>466,394</u>
Total	<u>\$ 612,870</u>

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted at September 30, 2014 and 2013, for the following:

Irene L. Piper

These net assets represent the restricted cash and income earned on the Estate of Irene L. Piper permanently restricted net assets that have not been spent for its designated purpose as follows (see Note 8):

	2014	2013
Restricted cash	\$ 11,036	\$ 10,003
Unrealized appreciation	60,604	47,580
Realized gains	<u>75,797</u>	<u>68,460</u>
	<u>\$ 147,437</u>	<u>\$ 126,043</u>

Eleanor F. Rowe

These net assets represent the restricted cash and income earned on the Estate of Eleanor F. Rowe permanently restricted net assets that have not been spent for its designated purpose as follows (see Note 8):

	2014	2013
Restricted cash	\$ 2,238	\$ 3,209
Unrealized appreciation	39,158	33,722
Realized losses	<u>(14,662)</u>	<u>(20,297)</u>
	<u>\$ 26,734</u>	<u>\$ 16,634</u>

Other

In addition to the time and purpose restricted net assets listed above, there are donor restricted funds for which the Association has not yet incurred the expenses satisfying the designated purpose as of September 30:

	2014	2013
Purpose restricted	<u>\$ 129,416</u>	<u>\$ 174,392</u>

8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted by the donors against any expenditures of principal and include the following at September 30, 2014 and 2013:

Estate of Irene L. Piper Permanent Endowment

Donor's permanent restrictions require that \$260,108 principal be held as a permanent source of income. Dividend and interest income earned is restricted to providing scholarships for participants in YWCA programs (See Note 7).

Estate of Eleanor F. Rowe Endowment

The Donor's permanent restrictions require that \$198,242 principal be held as a permanent source of income. Income earned can be expended to provide counseling services for persons in need of psychiatric assistance (see Note 7).

Turner Endowment

Donor's permanent restrictions require that \$20,023 principal be held as a permanent source of income. Income earned can be awarded as scholarships, as deemed applicable by management (see Note 7).

The Board of Directors of the Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted in Massachusetts, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the duration and preservation of the fund, Association's long and short-term needs, the purposes of the Association and the donor-restricted endowment fund, expected total return on its investments, the possible effect of inflation and deflation, general economic conditions, other resources of the Association and the investment policies of the Association.

The Association has a spending policy of appropriating for distribution each year the income earned on the endowment funds as determined annually. Should the market value of the fund fall below the original amount of the gift, the Board shall determine annually whether the income earned can be distributed or if the income earned shall remain undistributed. This is consistent with the Association's objective to maintain purchasing power of the endowment assets held in perpetuity.

9. FUNDING

The Association receives a significant portion of its total operating revenues and public support (approximately 18% and 17%, respectively in fiscal years 2014 and 2013) from the Massachusetts Department of Children and Families (DCF) under unit-rate and cost reimbursable contracts. These reimbursements are subject to audit by DCF. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Association as of September 30, 2014 and 2013, or on the changes in its net assets for the years then ended. Approximately 13% and 0% of the Association's program service fees receivable and other accounts receivable at September 30, 2014 and 2013 was due from DCF.

10. PENSION PLAN

The Association participates in a multiple employer cash balance defined benefit plan for its employees. The plan is administered and maintained by the YWCA Retirement Fund, Inc. (the "Fund"). Employees are eligible to participate when they have provided 1,000 hours of service each year in two twelve-month periods. Optional payments into the plan by employees are allowed up to 10% of annual compensation subject to Internal Revenue Code regulations.

The Fund requires the Association to contribute a percentage of eligible employees' annual compensation. During fiscal year 2014 and 2013, the Association elected to contribute 5% of eligible employees' annual compensation. In addition to the Association's contribution, the Fund contributed 2% of the employees' annual compensation, based upon the percentage elected by the Association. The Association's and employees' contributions vest immediately.

During 2014, the Fund's Board of Trustees notified the Association that the Fund was fully funded and was able to provide benefit enhancements to all constituents. Participants in the Fund with an account as November 30, 2013 received an increase equal to 8% of their total account balance as of that date. Additionally, local Associations were given a 75% contribution relief for eight months starting in May 2014 and ending in December 2014.

The Association's policy is to fund retirement costs as they are incurred. Retirement expense was \$69,084 and \$103,138 for fiscal years 2014 and 2013, respectively. These expenses are included in employee benefits in the accompanying financial statements.

11. RENT AND LEASE COMMITMENTS

The Association conducts after school programs at various locations and incurs occupancy costs for the space provided, as outlined in an annual contract with Worcester Public Schools. The Association also leases space under two operating leases, one is an annual lease with a renewal option each year and the other was a three year lease agreement which terminated on September 30, 2014. The terminated lease was renewed on October 1, 2014 as a month to month agreement expiring October 31, 2015.

For the years ended September 30, 2014 and 2013, the Association incurred rent expense of approximately \$76,300 and \$74,200, respectively. These expenses are included in occupancy in accompanying financial statements.

During 2014 and 2013, the Association leased office equipment under numerous operating leases expiring between November 2015 and December 2018. Operating office equipment lease expense was approximately \$22,100 and \$19,600 in 2014 and 2013, respectively.

Future minimum lease payments under the operating leases for office equipment at September 30, 2014 are as follows:

2015	\$	22,127
2016		16,129
2017		13,940
2018		8,893
2019		<u>692</u>
Total	\$	<u>61,781</u>

12. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a 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 the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access it.
- Level 2: Inputs to the valuation method include: quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation method are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2014 and 2013.

Money market and common stocks: valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

U.S. government notes: valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent, the use of different methodologies or assumptions could result in a different fair value measurement at the reporting date.

12. FAIR VALUE MEASUREMENTS (CONTINUED)

The following items are measured at fair value on a recurring basis at September 30:

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 80,307	\$ -	\$ -	\$ 80,307
Mutual funds:				
Growth	121,428	-	-	121,428
Blended	1,548	-	-	1,548
Fixed income	659,234	-	-	659,234
Value	111,539	-	-	111,539
International	46,211	-	-	46,211
Total mutual funds	939,960	-	-	939,960
Common stocks:				
Healthcare	78,994	-	-	78,994
Consumer staples	44,848	-	-	44,848
Information technology	84,477	-	-	84,477
Consumer discretionary	10,293	-	-	10,293
Industrials	18,235	-	-	18,235
Materials	38,491	-	-	38,491
Financials	89,979	-	-	89,979
Telecommunication services	118,007	-	-	118,007
Utilities	8,080	-	-	8,080
Energy	30,186	-	-	30,186
Total common stocks	521,590	-	-	521,590
U.S. government notes	270,094	-	-	270,094
	<u>\$ 1,811,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,811,951</u>

12. FAIR VALUE MEASUREMENTS (CONTINUED)

The following items are measured at fair value on a recurring basis at September 30:

	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 61,140	\$ -	\$ -	\$ 61,140
Mutual funds:				
Growth	128,578	-	-	128,578
Blended	3,098	-	-	3,098
Fixed income	582,730	-	-	582,730
Value	96,987	-	-	96,987
International	<u>49,290</u>	<u>-</u>	<u>-</u>	<u>49,290</u>
Total mutual funds	860,683	-	-	860,683
Common stocks:				
Healthcare	84,896	-	-	84,896
Consumer staples	39,865	-	-	39,865
Information technology	92,434	-	-	92,434
Consumer discretionary	11,937	-	-	11,937
Industrials	41,599	-	-	41,599
Materials	32,234	-	-	32,234
Financials	73,808	-	-	73,808
Telecommunication services	115,023	-	-	115,023
Utilities	35,402	-	-	35,402
Energy	<u>58,995</u>	<u>-</u>	<u>-</u>	<u>58,995</u>
Total common stocks	<u>586,193</u>	<u>-</u>	<u>-</u>	<u>586,193</u>
U.S. government notes	<u>273,920</u>	<u>-</u>	<u>-</u>	<u>273,920</u>
	<u>\$ 1,781,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,781,936</u>

13. CONTINGENCIES

The Association may become involved in litigation or other claims in the ordinary course of business. Management is not aware of any claims that will have a material adverse effect on the financial condition of the Association.
