

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

*Financial Statements for the Years Ended  
September 30, 2015 and 2014 and  
Independent Auditors' Report*

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

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Statements of Functional Expenses	5 - 6
Notes to Financial Statements	7 - 19

## 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, 2015 and 2014, 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*

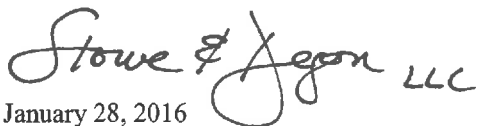
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2015 and 2014, 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 28, 2016

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

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 180,566	\$ 4,647
Investments	37,222	80,307
Program service fees receivable	185,895	274,033
Other accounts receivable	235,621	207,761
Bequest receivable	46,000	-
Prepaid expenses and other	35,383	46,164
Total current assets	720,687	612,912
INVESTMENTS, net of current portion	1,648,772	1,731,644
PROPERTY AND EQUIPMENT, net	2,904,772	3,014,425
Total assets	<u>\$ 5,274,231</u>	<u>\$ 5,358,981</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 9,810	\$ 20,672
Accrued expenses	264,067	270,223
Current portion of long-term debt	27,960	26,873
Deferred revenue	38,462	40,775
Total current liabilities	340,299	358,543
Note payable, bank	469,642	385,674
Long-term debt, net of current portion	558,043	585,997
Total liabilities	1,367,984	1,330,214
NET ASSETS:		
Unrestricted:		
Operating	(406,506)	(347,280)
Designated by the Board of Directors	1,035,442	1,101,003
Property and equipment	2,318,769	2,401,555
Appreciation of Board designated investments	48,539	91,529
Total unrestricted	2,996,244	3,246,807
Temporarily restricted:		
Purpose	237,016	142,690
Appreciation of permanently restricted endowment	148,614	160,897
Total temporarily restricted	385,630	303,587
Permanently restricted	524,373	478,373
Total net assets	3,906,247	4,028,767
Total liabilities and net assets	<u>\$ 5,274,231</u>	<u>\$ 5,358,981</u>

See notes to financial statements.

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

## STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND PUBLIC SUPPORT:								
Program service fees -								
Government contracts	\$ 3,002,495	\$ -	\$ -	\$ 3,002,495	\$ 2,933,638	\$ -	\$ -	\$ 2,933,638
Individuals and other	1,925,945	-	-	1,925,945	1,939,264	-	-	1,939,264
Grants and contributions	230,178	396,065	46,000	672,243	160,442	364,044	-	524,486
United Way	236,200	-	-	236,200	243,500	-	-	243,500
Special events, net of expenses of \$32,993 and \$31,567 in 2015 and 2014, respectively	48,868	-	-	48,868	39,226	-	-	39,226
Investment income appropriated for operations	100,522	-	-	100,522	95,239	-	-	95,239
Miscellaneous income	81,116	-	-	81,116	34,283	-	-	34,283
Membership dues	28,442	-	-	28,442	30,055	-	-	30,055
Donated materials and services	22,665	-	-	22,665	26,263	-	-	26,263
Net assets related from restrictions:								
Satisfaction of purpose restrictions	272,591	(272,591)	-	-	389,510	(389,510)	-	-
Satisfaction of capital restrictions	43,356	(43,356)	-	-	31,058	(31,058)	-	-
Total operating revenues and public support	5,992,378	80,118	46,000	6,118,496	5,922,478	(56,524)	-	5,865,954
EXPENSES:								
Program services -								
Health Promotion Services	506,985	-	-	506,985	471,133	-	-	471,133
Child Care	2,234,307	-	-	2,234,307	2,131,847	-	-	2,131,847
Transitional Housing	131,655	-	-	131,655	125,537	-	-	125,537
Women's Economic Empowerment	203,406	-	-	203,406	243,848	-	-	243,848
Domestic Violence Services:								
Daybreak	906,417	-	-	906,417	795,518	-	-	795,518
BWR	685,240	-	-	685,240	705,275	-	-	705,275
Total program services	4,668,010	-	-	4,668,010	4,473,158	-	-	4,473,158
Support services -								
Management and general	694,703	-	-	694,703	744,847	-	-	744,847
Program Support	168,569	-	-	168,569	170,715	-	-	170,715
Facilities	522,395	-	-	522,395	483,285	-	-	483,285
Development	118,655	-	-	118,655	122,265	-	-	122,265
Total support services	1,504,322	-	-	1,504,322	1,521,112	-	-	1,521,112
Total expenses	6,172,332	-	-	6,172,332	5,994,270	-	-	5,994,270
Changes in net assets from operations	(179,954)	80,118	46,000	(53,836)	(71,792)	(56,524)	-	(128,316)
NON-OPERATING ACTIVITIES:								
Realized gains on sale of investments	40,425	26,475	-	66,900	94,720	12,972	-	107,692
Investment income, net of fees of \$14,987 and \$22,576 in 2015 and 2014, respectively	33,039	18,688	-	51,727	17,495	11,610	-	29,105
Loss on disposal of property and equipment	(562)	-	-	(562)	(1,317)	-	-	(1,317)
Investment income appropriated for operations	(100,522)	-	-	(100,522)	(95,239)	-	-	(95,239)
Unrealized gains (losses) on investments	(42,989)	(43,238)	-	(86,227)	(15,954)	18,460	-	2,506
Total non-operating activities	(70,609)	1,925	-	(68,684)	(295)	43,042	-	42,747
Changes in net assets	(250,563)	82,043	46,000	(122,520)	(72,087)	(13,482)	-	(85,569)
Net assets, beginning of year	3,246,807	303,587	478,373	4,028,767	3,318,894	317,069	478,373	4,114,336
Net assets, end of year	\$ 2,996,244	\$ 385,630	\$ 524,373	\$ 3,906,247	\$ 3,246,807	\$ 303,587	\$ 478,373	\$ 4,028,767

See notes to financial statements.

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

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (122,520)	\$ (85,569)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	223,783	225,264
Loss on disposal of property and equipment	562	1,317
Capital grants and contributions	(73,097)	(33,058)
Unrealized and realized (gains) losses on investments	19,327	(110,198)
Changes in operating assets and liabilities:		
Program service fees receivable	88,138	(46,587)
Other accounts receivable	(27,860)	(64,630)
Bequest receivable	(46,000)	-
Prepaid expenses and other	10,781	(13,746)
Accounts payable	(10,862)	(1,323)
Accrued expenses	(6,156)	(23,017)
Deferred revenue	(2,313)	3,082
Net cash provided by (used for) operating activities	53,783	(148,465)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(114,692)	(81,198)
Purchases of investments	(1,193,833)	(543,278)
Proceeds from sales of investments	1,300,463	623,461
Net cash used for investing activities	(8,062)	(1,015)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from note payable, bank	83,968	133,191
Payments on long-term debt	(26,867)	(25,826)
Capital grants and contributions received	73,097	33,058
Net cash provided by financing activities	130,198	140,423
<b>NET INCREASE (DECREASE) IN CASH</b>	175,919	(9,057)
<b>CASH, beginning of year</b>	4,647	13,704
<b>CASH, end of year</b>	\$ 180,566	\$ 4,647
<b>SUPPLEMENTAL DISCLOSURE:</b>		
Cash paid for interest	\$ 42,112	\$ 38,976
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS:</b>		
Donated materials and services	\$ 22,665	\$ 26,263
Original cost of disposed property and equipment	\$ 14,391	\$ 4,427

See notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

(With Summarized Financial Information for the Year Ended September 30, 2014)

	2015										2014			
	PROGRAM SERVICES										SUPPORT SERVICES			
	HEALTH PROMOTION SERVICES	CHILD CARE	TRANSITIONAL HOUSING	WOMEN'S ECONOMIC EMPOWERMENT	DOMESTIC VIOLENCE SERVICES	DAYBREAK	BVR	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SUPPORT	FACILITIES	DEVELOPMENT	TOTAL SUPPORT SERVICES	TOTAL EXPENSES
<b>PERSONNEL AND RELATED:</b>														
Salaries	\$ 346,653	\$ 1,550,329	\$ 77,784	\$ 140,242	\$ 611,910	\$ 455,042	\$ 3,182,960	\$ 387,441	\$ 100,682	\$ 77,776	\$ 83,595	\$ 649,494	\$ 3,872,454	\$ 3,716,934
Employee benefits	29,873	201,641	8,384	17,056	78,922	64,419	400,295	46,689	9,010	11,660	14,165	81,524	481,819	451,601
Payroll taxes	26,384	115,046	5,940	10,245	46,705	32,339	236,859	29,059	7,964	6,185	5,660	18,868	285,727	273,547
Outside and contracted services	403,110	4,456	14,736	42,006	555,976	3,881,448	7,882	471,071	117,656	98,245	103,420	790,392	4,671,840	4,480,471
Total payroll and related expenses														
<b>OCCUPANCY:</b>														
Rent and utilities		80,821			14,510	37,616	132,947			256,084			389,031	349,077
Repairs and maintenance		41,146			20,727	73,162				150,573			223,735	206,294
Insurance		1,908			833	3,816		45,529		9,989			59,334	66,665
Interest						1,359		40,753					42,112	38,976
Total occupancy														
		123,875			36,070	51,339	211,284	86,282		416,646			502,928	661,012
<b>OTHER:</b>														
Program supplies	11,798	55,658	134	4,912	38,462	22,680	133,664	30,709	421	1,963			135,664	75,231
Miscellaneous	5,557	8,065	1,313		1,527	7,530	23,992						59,050	46,673
Scholarships		10,226	9,776			5,000	25,002						25,002	14,028
Client transportation		45,180	39	2,186	1,137	456	49,485						49,485	40,789
Telephone	1,122	6,218	873	624	5,877	11,097	25,811	1,698	499	761	249		3,207	29,018
Printing, dues and subscriptions	4,478	4,030	1,736	5,798	3,256	19,298	3,057	3,057	3,526	870	521		7,974	25,954
Meals	1,291	9,490	284	1,464	3,516	7,082	23,127	1,919		1,791	143		3,853	36,484
Equipment rental and maintenance	12,523	3,267	1,100		521	1,358	17,670	46	22,045	114			26,980	33,351
Legal and accounting								32,099					32,099	41,723
Professional contracted services								40,838	345		7,629		48,812	39,875
Advertising	1,245	2,726					4,121	3,197	3,169		1,795		8,161	31,713
Travel	2,293	699	111	248	7,004	4,535	14,890	1,559		1,564	534		3,657	51,252
National council assessments								4,537					4,537	12,282
Office supplies	121	860	3	19	1,099	1,535	3,637	566	3,361	7			4,537	18,247
Conferences and meetings	4,877	4,386		300	1,311	933	11,807	3,758		434			4,768	36,021
In-kind expense					12,363	6,452	18,815	3,850			576		16,375	9,706
Postage and shipping		10				128	138	2,328					3,850	17,780
Total other	45,792	150,815	12,554	11,489	78,615	72,192	371,457	130,161	38,863	7,504	14,512		191,040	26,463
Total expenses before depreciation and allocations														6,860
		2,146,162	104,662	191,768	894,228	676,467	4,464,189	687,514	156,519	522,395	117,932		1,484,360	577,523
<b>DEPRECIATION</b>														
	58,083	88,145	26,993	9,638	12,189	8,773	203,821	7,189	12,050		723		19,962	5,769,006
Total expenses before facilities, program and management and general allocations														225,264
		2,234,307	131,655	203,406	906,417	685,240	4,668,010	694,703	168,569	522,395	118,655		1,504,322	5,994,270
<b>FACILITIES ALLOCATION</b>														
	506,985	127,360	89,006	31,785	13,479	3,408	456,528	23,672	39,781	(522,395)	2,414		(456,528)	
<b>PROGRAM SUPPORT ALLOCATION</b>														
	191,490	96,602	6,881	12,534	55,080	200,692			(208,350)		7,658		(200,692)	
<b>MANAGEMENT AND GENERAL ALLOCATION</b>														
	29,595	338,506	17,117	31,323	137,563	100,769	699,194	(718,175)			19,181		(699,194)	
Total expenses	\$ 801,986	\$ 2,796,775	\$ 244,659	\$ 279,048	\$ 1,112,539	\$ 789,417	\$ 6,024,424	\$ -	\$ -	\$ -	\$ 147,908	\$ -	\$ 147,908	\$ 5,994,270

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

	2014										
	PROGRAM SERVICES					SUPPORT SERVICES					
	HEALTH PROMOTION SERVICES	CHILD CARE	TRANSITIONAL HOUSING	WOMEN'S ECONOMIC EMPOWERMENT	DOMESTIC VIOLENCE SERVICES	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SUPPORT	FACILITIES DEVELOPMENT	TOTAL SUPPORT SERVICES	TOTAL EXPENSES
PERSONNEL AND RELATED:											
Salaries	\$ 319,677	\$ 1,515,221	\$ 77,277	\$ 129,479	\$ 541,621	\$ 3,067,283	\$ 374,594	\$ 100,870	\$ 84,266	\$ 89,921	\$ 3,716,934
Employee benefits	26,584	187,384	8,585	16,111	66,468	66,918	45,775	9,708	10,901	79,551	451,601
Payroll taxes	24,524	112,432	5,873	8,954	40,878	32,173	28,321	7,894	6,277	48,713	273,547
Outside and contracted services	3,600	1,197	-	65,275	37,977	108,049	30,340	-	-	30,340	138,389
Total payroll and related expenses	374,385	1,816,234	91,735	219,819	686,944	3,772,216	479,030	118,472	101,444	808,255	4,580,471
OCCUPANCY:											
Rent and utilities	-	75,181	-	-	12,979	48,461	-	-	212,456	212,456	349,077
Repairs and maintenance	-	39,143	-	-	13,896	3,420	-	-	149,835	149,835	206,294
Insurance	-	2,266	-	-	1,100	1,157	50,993	-	11,149	62,142	66,665
Interest	-	-	-	-	-	1,504	37,472	-	-	37,472	38,976
Total occupancy	-	116,590	-	-	27,975	54,542	88,465	-	373,440	461,905	661,012
OTHER:											
Program supplies	7,606	30,059	523	6,968	14,933	15,142	-	-	-	-	75,231
Miscellaneous	-	6,963	969	-	4,658	1,353	30,015	282	957	32,730	46,673
Scholarships	-	6,028	3,000	-	2,500	2,500	-	-	-	-	14,028
Client transportation	-	37,059	156	1,498	1,423	653	-	-	-	-	40,789
Telephone	850	5,524	661	472	4,989	9,982	1,398	378	1,511	3,476	25,954
Printing, dues and subscriptions	3,932	3,070	74	1,884	9,925	3,821	7,403	5,545	100	13,778	36,484
Meals	861	8,796	228	2,034	7,425	27,160	3,795	2,396	2,396	6,191	33,351
Equipment rental and maintenance	15,134	3,083	-	-	826	1,081	101	21,313	185	21,599	41,723
Legal and accounting	-	-	-	-	-	-	31,713	-	-	31,713	31,713
Professional contracted services	-	-	-	-	-	-	42,825	-	-	51,252	51,252
Advertising	536	2,728	-	-	-	85	3,766	1,902	1,895	7,563	10,912
Travel	1,259	988	61	235.00	8,152	6,770	3,777	-	1,357	5,318	22,783
National council assessments	-	-	-	-	-	-	36,021	-	-	36,021	36,021
Office supplies	104	673	9	229	1,400	3,972	1,037	4,030	667	5,734	9,706
Conferences and meetings	5,956	7,336	-	668	1,538	560	1,625	-	-	1,722	17,280
In-kind expense	-	750	-	-	11,973	7,255	6,285	-	-	6,285	26,263
Postage and shipping	-	10	-	-	16	59	103	6,239	-	433	6,860
Total other	36,238	113,067	5,681	13,988	69,758	58,634	169,864	39,689	8,401	230,157	\$27,523
Total expenses before depreciation and allocations	410,623	2,045,891	97,416	233,807	784,677	4,268,689	737,359	158,161	483,285	1,500,317	5,769,006
DEPRECIATION	60,510	85,956	28,121	10,041	10,841	9,000	7,488	12,554	-	753	225,264
Total expenses before facilities, program and management and general allocations	471,133	2,131,847	125,537	243,848	795,518	4,473,158	744,847	170,715	483,285	1,521,112	5,994,270
FACILITIES ALLOCATION	175,482	113,501	83,827	29,939	14,021	4,531	22,315	37,423	(483,285)	(421,301)	-
PROGRAM SUPPORT ALLOCATION	31,458	96,342	7,789	13,106	50,243	198,938	-	(208,138)	-	(198,938)	-
MANAGEMENT AND GENERAL ALLOCATION	76,760	366,926	18,920	31,941	134,265	744,532	(767,162)	-	-	(744,532)	-
Total expenses	\$ 754,833	\$ 2,708,616	\$ 226,073	\$ 318,834	\$ 994,047	\$ 5,837,939	\$ -	\$ -	\$ -	\$ 156,341	\$ 5,994,270

See notes to financial statements.



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

## NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

---

### 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 accrue or pay interest on this note during 2015 and 2014. The balance outstanding from the operating net assets as of September 30, 2015 and 2014 is \$244,809. During 2015, the Association, with the Board of Directors approval, borrowed \$32,800 from the Unrestricted Net Assets – Designated by the Board of Directors – investments due to cash flows restraints. As of December 2015, the Association has paid and transferred back the borrowed amount to the investment account.

**Property 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; however, the Association has not experienced, nor does it anticipate, any losses in such accounts.

***Investments*** – The Association records its investments at fair 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, 2015 and 2014, 7% (\$86,331 and \$83,691 in 2015 and 2014, 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 permanently restricted 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 \$14,191 and \$11,548 in 2015 and 2014, respectively.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Investments (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.

**Program Service Fees and Other 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 2015 and 2014. The Association considers accounts receivable as of September 30, 2015 and 2014 to be fully collectible.

**Property and Equipment** – Purchased property 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 and equipment are recorded at fair 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:

	<b><u>Estimated Useful Lives</u></b>
Land improvements	20 years
Buildings and improvements	15 - 50 years
Furniture and equipment	3 - 10 years

**Bequest Receivable** – Bequest receivable includes amounts due from a donor for which contractual promises have been made; however, the receipt of funds has not occurred at year-end.

**Deferred Revenue** – Deferred revenue 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, 2015 and 2014, 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 payroll taxes and employee benefits were based on these same percentages. For the years ended September 30, 2015 and 2014, all other fundraising costs were directly allocated to the development function.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

**Donated Material and Services** – During fiscal year 2015 and 2014, the Association received donated materials and services in the amount of \$22,665 and \$26,263, 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 2011.

**Advertising Costs** – The Association expenses advertising costs as they are incurred. Total advertising expense in 2015 and 2014 was \$12,282 and \$10,912, respectively.

**Reclassifications** – Certain 2014 amounts have been reclassified to conform to the 2015 presentation.

**Subsequent Events** – The Association has evaluated all subsequent events through January 28, 2016, the date the financial statements were available to be issued.

## 3. INVESTMENTS

Investments consist of the following at September 30:

	2015		2014	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 37,222	\$ 37,222	\$ 80,307	\$ 80,307
Mutual funds	700,199	747,583	852,969	939,960
Common stocks	363,965	422,604	410,685	521,590
U.S. government notes	479,545	478,585	276,700	270,094
	<u>\$ 1,580,931</u>	<u>\$ 1,685,994</u>	<u>\$ 1,620,661</u>	<u>\$ 1,811,951</u>

### 3. INVESTMENTS (CONTINUED)

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

	2015	2014
Unrealized (losses) gains	\$ (86,227)	\$ 2,506
Net realized gains (based upon original cost)	<u>66,900</u>	<u>107,692</u>
Total net (loss) gain for year	<u>\$ (19,327)</u>	<u>\$ 110,198</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2015	2014
<b>Worcester:</b>		
Land and improvements	\$ 124,056	\$ 124,056
Building and improvements	4,849,571	4,825,563
Furniture and equipment	<u>504,927</u>	<u>443,174</u>
Total Worcester	<u>5,478,554</u>	<u>5,392,793</u>
<b>Leicester:</b>		
Land and improvements	69,022	69,022
Building and improvements	603,117	598,667
Furniture and equipment	<u>3,300</u>	<u>3,300</u>
Total Leicester	<u>675,439</u>	<u>670,989</u>
<b>Westborough:</b>		
Land and improvements	17,000	17,000
Building and improvements	1,356,494	1,330,049
Furniture and equipment	45,946	37,267
Construction in progress	<u>-</u>	<u>23,585</u>
Total Westborough	<u>1,419,440</u>	<u>1,407,901</u>
<b>Daybreak Resources:</b>		
Land and improvements	13,840	13,840
Building and improvements	393,942	392,344
Furniture and equipment	<u>11,623</u>	<u>14,670</u>
Total Daybreak Resources	<u>419,405</u>	<u>420,854</u>
<b>BWR:</b>		
Land and improvements	45,000	45,000
Building and improvements	247,381	247,381
Furniture and equipment	<u>13,711</u>	<u>13,711</u>
Total BWR	<u>306,092</u>	<u>306,092</u>
Total property and equipment	8,298,930	8,198,629
Less accumulated depreciation	<u>5,394,158</u>	<u>5,184,204</u>
Net property and equipment	<u>\$ 2,904,772</u>	<u>\$ 3,014,425</u>

## 5. NOTE PAYABLE TO BANK

On June 15, 2015, the Association renegotiated its 2012 line of credit agreement with a bank to increase the available borrowings from \$500,000 to \$750,000. Interest is payable monthly at an interest rate equal to the Wall Street Journal prime rate plus .25% (3.5% at September 30, 2015 and 2014) with a floor rate of 3.5% and the note expires on April 27, 2018. The total outstanding balance of the line of credit as of September 30, 2015 and 2014 was \$469,642 and \$385,674, 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:

	2015	2014
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.	\$ 522,030	\$ 541,587
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.	63,973	71,283
Total	586,003	612,870
Less - current portion	27,960	26,873
Long-term debt	<u>\$ 558,043</u>	<u>\$ 585,997</u>

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

2016	\$ 27,960
2017	29,247
2018	30,523
2019	31,873
2020	33,215
Thereafter	<u>433,185</u>
Total	<u>\$ 586,003</u>

## 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted at September 30, 2015 and 2014, 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):

	2015	2014
Restricted cash	\$ 639	\$ 11,036
Unrealized appreciation	33,060	60,604
Realized gains	<u>92,340</u>	<u>75,797</u>
	<u>\$ 126,039</u>	<u>\$ 147,437</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):

	2015	2014
Restricted cash	\$ 3,841	\$ 2,238
Unrealized appreciation	23,464	39,158
Realized losses	<u>(4,730)</u>	<u>(14,662)</u>
	<u>\$ 22,575</u>	<u>\$ 26,734</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:

	2015	2014
Purpose restricted	\$ 132,997	\$ 123,282
Fiscal sponsor (Note 13)	<u>104,019</u>	<u>6,134</u>
	<u>\$ 237,016</u>	<u>\$ 129,416</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, 2015 and 2014:

### Estate of Irene L. Piper Endowment

The 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.

### 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.

### Turner Endowment

The 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.

### Dorothy B. Arms Trust

During 2015, the Association received notice of a \$46,000 restricted bequest for which the donor restricted the principal to be held as a permanent source of income. Income generated from the investment holdings is available on an unrestricted basis. The \$46,000 restricted bequest is reported on the statement of financial position as bequest receivable.

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% in fiscal years 2015 and 2014) 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, 2015 and 2014, or on the changes in its net assets for the years then ended. Approximately 15% and 13% of the Association's program service fees receivable and other accounts receivable at September 30, 2015 and 2014 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 2015 and 2014, 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. All 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 \$94,039 and \$69,084 for fiscal years 2015 and 2014, 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 one operating lease. The operating lease is under a three-year lease agreement expiring February 28, 2018.

For the years ended September 30, 2015 and 2014, the Association incurred rent expense of approximately \$71,700 and \$76,300, respectively. These expenses are included in occupancy in the accompanying financial statements.

The Association leases office equipment under numerous operating leases expiring between November 2015 and December 2018. Operating office equipment lease expense was approximately \$22,100 in 2015 and 2014.

## 11. RENT AND LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments under the operating leases for office space and equipment at September 30, 2015 are as follows:

2016	\$ 31,609
2017	29,420
2018	15,343
2019	<u>692</u>
Total	<u>\$ 77,064</u>

## 12. FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

- 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.
- 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, 2015 and 2014.

*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.

## 12. FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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

	2015			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 37,222	\$ -	\$ -	\$ 37,222
Mutual funds:				
Growth	104,577	-	-	104,577
Fixed income	470,393	-	-	470,393
Value	136,613	-	-	136,613
International	36,000	-	-	36,000
Total mutual funds	747,583	-	-	747,583
Common stocks:				
Healthcare	84,939	-	-	84,939
Consumer staples	53,383	-	-	53,383
Information technology	73,106	-	-	73,106
Consumer discretionary	6,346	-	-	6,346
Industrials	9,888	-	-	9,888
Materials	18,085	-	-	18,085
Financials	76,581	-	-	76,581
Telecommunication services	69,982	-	-	69,982
Utilities	15,281	-	-	15,281
Energy	15,013	-	-	15,013
Total common stocks	422,604	-	-	422,604
U.S. government notes	478,585	-	-	478,585
	<u>\$ 1,685,994</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685,994</u>

## 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>

## 13. FISCAL SPONSOR

The Association agreed to serve as the fiscal sponsor for the Healthy Greater Worcester (CHNA 8) in June 2015 and for the Tri-Town Domestic Violence Task Force during 2013. The Association maintains legal and fiduciary responsibilities for all activities of both organizations. As part of the agreements, the Association charges a fee as compensation for the sponsorship services which is calculated at 10% of each Organization's total actual revenue for the year. Total revenue for these programs during 2015 and 2014 was \$107,465 and \$12,807, respectively. Total expense for these programs during 2015 and 2014 was \$9,580 and \$6,673, respectively. A total of \$104,019 and \$6,134 is included as temporarily restricted net assets for these programs as of September 30, 2015 and 2014.

#### **14. 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.

\* \* \* \* \*