

**Young Women's Christian Association of the
United States of America, Inc.**

**Financial Statements
and Independent Auditor's Report**

August 31, 2015 and 2014

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Independent Auditor's Report

To the Board of Directors
Young Women's Christian Association of the United States of America, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of the Young Women's Christian Association of the United States of America, Inc. (YWCA USA), which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and change in net assets, cash flows and functional expenses for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 of 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 YWCA USA as of August 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 2014 Summarized Comparative Information

We have previously audited the YWCA USA's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bethesda, Maryland
January 8, 2016

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF AUGUST 31, 2015 AND 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,569,669	\$ 2,206,570
Receivables	372,081	135,720
Prepaid Expenses	133,312	42,677
Total Current Assets	<u>3,075,062</u>	<u>2,384,967</u>
INVESTMENTS	56,170,811	62,362,004
PROPERTY AND EQUIPMENT, NET	2,970,140	3,186,444
DEPOSITS	<u>21,000</u>	<u>6,000</u>
	<u><u>\$ 62,237,013</u></u>	<u><u>\$ 67,939,415</u></u>
	<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 294,711	\$ 393,666
Payable to Beneficiaries	213,036	313,479
Deferred Rent	214	2,038
Deferred Rental Income, Current Portion	162,750	162,750
Deferred Revenue	3,238	-
Total Current Liabilities	<u>673,949</u>	<u>871,933</u>
LONG-TERM LIABILITIES		
Deferred Rental Income, Net of Current Portion	<u>408,687</u>	<u>571,437</u>
Total Liabilities	1,082,636	1,443,370
NET ASSETS		
Unrestricted	51,944,901	56,445,249
Temporarily Restricted	2,608,917	3,450,237
Permanently Restricted	<u>6,600,559</u>	<u>6,600,559</u>
Total Net Assets	<u>61,154,377</u>	<u>66,496,045</u>
	<u><u>\$ 62,237,013</u></u>	<u><u>\$ 67,939,415</u></u>

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

FOR THE YEAR ENDED AUGUST 31, 2015
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2015	2014
SUPPORT AND REVENUE					
Contributions and Bequests	\$ 455,699	\$ 161,717	\$ -	\$ 617,416	\$ 2,174,291
Interest and Dividends	1,354,336	165,130	-	1,519,466	1,069,670
Realized and Unrealized Gains (Losses) on Investments	(4,091,103)	(504,461)	-	(4,595,564)	8,180,290
Support Fees	2,726,202	-	-	2,726,202	2,680,111
Leadership Development Center Rental Loss, Net of Expenses of \$194,488 and \$210,242, Respectively	(31,738)	-	-	(31,738)	(61,815)
Change in Value of Split-Interest Agreements	-	65,767	-	65,767	(52,285)
Donated Services	61,381	-	-	61,381	78,447
Sponsorship and Registration Income	171,755	52,840	-	224,595	146,820
Other Income	4,125	-	-	4,125	2,696
Net Assets Released from Restrictions	782,313	(782,313)	-	-	-
Total Support and Revenue	<u>1,432,970</u>	<u>(841,320)</u>	<u>-</u>	<u>591,650</u>	<u>14,218,225</u>
EXPENSES					
Program Services:					
Advocacy	656,213	-	-	656,213	671,956
Communications	765,684	-	-	765,684	555,721
Local Initiatives	3,528,963	-	-	3,528,963	4,022,594
Global Initiatives	310,503	-	-	310,503	382,400
Total Program Services	<u>5,261,363</u>	<u>-</u>	<u>-</u>	<u>5,261,363</u>	<u>5,632,671</u>
Supporting Services:					
Management and General Administrative	105,722	-	-	105,722	78,731
Fundraising	566,233	-	-	566,233	644,471
Total Supporting Services	<u>671,955</u>	<u>-</u>	<u>-</u>	<u>671,955</u>	<u>723,202</u>
Total Expenses	<u>5,933,318</u>	<u>-</u>	<u>-</u>	<u>5,933,318</u>	<u>6,355,873</u>
CHANGE IN NET ASSETS	(4,500,348)	(841,320)	-	(5,341,668)	7,862,352
NET ASSETS, Beginning of Year	<u>56,445,249</u>	<u>3,450,237</u>	<u>6,600,559</u>	<u>66,496,045</u>	<u>58,633,693</u>
NET ASSETS, End of Year	<u>\$ 51,944,901</u>	<u>\$ 2,608,917</u>	<u>\$ 6,600,559</u>	<u>\$ 61,154,377</u>	<u>\$ 66,496,045</u>

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (5,341,668)	\$ 7,862,352
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Realized and Unrealized (Gains) Losses on Investments	4,595,564	(8,180,290)
Depreciation and Amortization – Operating	29,548	16,139
Depreciation and Amortization – Leadership Development Center	194,488	210,242
Change in Value of Split-Interest Agreements	(65,767)	52,285
Loss on Disposal of Fixed Assets	-	1,675
Bad Debt Expense	4,560	15,746
Permanently Restricted Contributions	-	(329,274)
Change in:		
Receivables	(240,921)	(86,551)
Prepaid Expenses	(90,635)	1,607
Deposits	(15,000)	-
Accounts Payable and Accrued Expenses	(98,955)	23,265
Payable to Beneficiaries	(34,676)	(11,808)
Deferred Rent	(1,824)	(3,714)
Deferred Rental Income	(162,750)	(148,427)
Deferred Revenue	3,238	-
Net Cash Used in Operating Activities	<u>(1,224,798)</u>	<u>(576,753)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(7,732)	-
Purchases of Investments	(83,152,161)	(15,464,064)
Proceeds from Sale/Maturity of Investments	84,747,790	16,830,717
Net Cash Provided by Investing Activities	<u>1,587,897</u>	<u>1,366,653</u>
CASH PROVIDED BY FINANCING ACTIVITIES		
Proceeds from Permanently Restricted Contributions	<u>-</u>	<u>329,274</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	363,099	1,119,174
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,206,570</u>	<u>1,087,396</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,569,669</u>	<u>\$ 2,206,570</u>

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2015
WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR 2014

	Program Services					Support Services			Totals	
	Advocacy	Communications	Local Initiatives	Global Initiatives	Total	Management and General Administrative	Fundraising	Total	2015	2014
Salaries and Benefits	\$ 360,737	\$ 311,882	\$ 1,642,345	\$ -	\$ 2,314,964	\$ 174,723	\$ 213,445	\$ 388,168	\$ 2,703,132	\$ 2,704,432
Meetings	2,532	104	277,989	7,871	288,496	54,013	78	54,091	342,587	281,501
Professional Fees	21,434	242,337	150,774	1,731	416,276	888,133	170,320	1,058,453	1,474,729	1,498,431
Printing and Printed Materials	535	148	31,251	753	32,687	7,635	5,255	12,890	45,577	36,385
Communications	193	-	1,092	-	1,285	34,200	-	34,200	35,485	31,724
Office Supplies and Postage	-	-	238	-	238	9,005	-	9,005	9,243	23,970
Rent and Utilities	-	-	-	-	-	365,389	-	365,389	365,389	363,373
Insurance	-	-	-	-	-	39,075	-	39,075	39,075	34,251
Travel	4,566	-	302,612	31,233	338,411	47,944	2,189	50,133	388,544	398,227
Computer, Equipment and Maintenance	25,256	17,501	72,585	-	115,342	17,845	16,048	33,893	149,235	156,468
Membership and Support	11,184	-	1,500	-	12,684	13,588	-	13,588	26,272	26,657
Awards and Grants	-	-	10,250	113,620	123,870	-	-	-	123,870	530,200
World YWCA Allocation	-	-	-	154,930	154,930	-	-	-	154,930	190,853
Miscellaneous	1,151	-	6,041	365	7,557	13,473	24,672	38,145	45,702	63,262
Depreciation and Amortization	-	-	-	-	-	29,548	-	29,548	29,548	16,139
General and Administrative Allocation	228,625	193,712	1,032,286	-	1,454,623	(1,588,849)	134,226	(1,454,623)	-	-
Total Expenses	\$ 656,213	\$ 765,684	\$ 3,528,963	\$ 310,503	\$ 5,261,363	\$ 105,722	\$ 566,233	\$ 671,955	\$ 5,933,318	\$ 6,355,873

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Young Women's Christian Association of the United States of America, Inc. (YWCA USA) was incorporated in 1907 under the laws of the State of New York as a nonprofit corporation to carry out the mission of providing support for the empowerment of women and the elimination of racism.

The major programs of YWCA USA are as follows:

Advocacy: Identifies, educates and mobilizes members and supporters on critical legislative and public policy issues and government funding to ensure the interests of YWCA USA are represented before Congress, the White House and government agencies.

Communications: Builds unified corporate identity and visibility. Conveys mission, programs and services of YWCA USA with intentional and coordinated efforts.

Local Initiatives: Provides support to local YWCA associations to further mission impact and business vitality, including: capacity-building training, services and resources; conferences and regular networking; organizational sustainability and growth initiatives; signature outcomes and model programs, and fund- and friend-raising collaborations and opportunities.

Global Initiatives: Promotes partnerships and relationship-building with the World YWCA and other YWCAs worldwide and advocates international public policies consistent with mission.

Basis of Accounting

The financial statements of YWCA USA are presented on the accrual basis of accounting and, accordingly, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in conformity with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

Income Taxes

YWCA USA is exempt from income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Similar to other tax-exempt organizations, YWCA USA is subject to tax on any net unrelated business income.

YWCA USA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. YWCA USA recognizes interest and penalties related to unrecognized tax benefits, if any, in management and general administrative expenses on the statements of activities and change in net assets.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

During the years ended August 31, 2015 and 2014, YWCA USA did not have net taxable income from unrelated business activity; therefore, there is no provision in these financial statements for income taxes or interest and penalties related to unrecognized tax benefits. Tax years prior to 2011 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

Cash and Cash Equivalents

YWCA USA considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash, deposits and money market funds held in investment accounts with investment institutions are classified as cash and cash equivalents on the statements of financial position.

Concentration of Risk

YWCA USA maintains balances of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The amount of uninsured deposits at August 31, 2015 was approximately \$1,701,000.

Receivables

YWCA USA records accounts receivable net of allowances for doubtful accounts when necessary. Accounts receivable were \$52,568 and \$63,582 at August 31, 2015 and 2014, respectively. The allowances are determined based on a review of the estimated collectibility of the specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. As of August 31, 2015 and 2014, management deemed all accounts receivable to be collectible and, as such, no allowance for doubtful accounts has been provided for in these financial statements. Bad debt expense related to accounts receivable was \$0 and \$15,746 for the years ended August 31, 2015 and 2014, respectively.

Pledges receivable represent unconditional promises to give from donors to contribute monies to YWCA USA. Pledges receivable were \$229,519 and \$22,138 at August 31, 2015 and 2014, respectively. Unconditional promises to give from donors are recorded when the promise is made. Unconditional promises to give from donors where payments are due in the next year are reflected as current receivables and are recorded at their net realizable amount. Unconditional promises to give from donors where payments are due in the subsequent years are reflected as long-term receivables and are reflected at the present value of their net realizable amounts, using risk-free discount rates. The amortization of the discount on long-term pledges receivable is recorded as contributions and bequests in the statements of activities and change in net assets. The need for an allowance is determined based on a review of the estimated collectibility of specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. As of August 31, 2015 and 2014, management deemed all pledges receivable to be collectible and, as such, no allowance for doubtful accounts has been provided for in these financial statements. Bad debt expense related to pledges receivable was \$4,560 and \$0 for the years ended August 31, 2015 and 2014, respectively.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

Grants receivable represents amounts due to YWCA USA for costs incurred under reimbursable grants, whether billed or unbilled. Grants receivable were \$0 and \$50,000 at August 31, 2015 and 2014, respectively. The need for an allowance is determined based on a review of the estimated collectibility of specific accounts, plus a general provision based on historical loss experience and existing economic conditions. Uncollectible amounts are charged off against the allowance for doubtful accounts once management determines an account, or a portion thereof, to be uncollectible. As of August 31, 2015 and 2014, management deemed all grants receivable to be collectible and, as such, no allowance for doubtful accounts has been provided for in these financial statements. Bad debt expense related to grants receivable was \$0 for each of the years ended August 31, 2015 and 2014.

Investments

Investments are stated at fair value. The valuation of the investments is based upon quotations obtained from national securities exchanges where securities are listed on an exchange, or Net Asset Values (NAVs) provided by investment managers. Interest and dividend income, and realized and unrealized gain (loss) on investments are recorded as unrestricted, temporarily restricted, or permanently restricted net assets in accordance with the donor's designation. However, interest and dividend income, and realized and unrealized gain (loss) on investments are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the investment earnings are recognized. Management intends to hold investments for long-term purposes. Investments include funds with an investment manager employing a variety of strategies to achieve investment objectives. Investment objectives are consistent with YWCA USA's Investment Policy. Accrued interest is included in receivables and totaled \$89,994 and \$0 as of August 31, 2015 and 2014, respectively.

Property and Equipment

Property and equipment in excess of \$1,000 with an estimated useful life of more than one year is capitalized and stated at cost. Depreciation and amortization is provided over the estimated useful lives of the respective assets, ranging between three and 40 years, on a straight-line basis. Leasehold improvements are amortized over the shorter of the useful life or the term of the lease.

Revenue Recognition

Contributions of cash, other assets and unconditional promises to give are reported as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and change in net assets as net assets released from restrictions. Contributions and bequests and related investment income which are both received and released from restriction in the same year are reported as unrestricted revenue in that year.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Support fees consist of fees from local YWCA associations and are recognized as revenue on a pro rata basis over the period to which the membership relates which coincides with YWCA USA's fiscal year.

Net Assets

Unrestricted Net Assets:

Unrestricted net assets are net assets that are neither temporarily restricted nor permanently restricted by donor stipulations for a time or purpose restriction.

YWCA USA segregates its unrestricted net assets into the following fund categories:

Operating Funds – Represents the portion of expendable funds that are available for support of YWCA USA operations.

Board-Designated Endowment Funds – Represents assets that have been internally designated by the Board of Directors as a general endowment fund to support the mission of YWCA USA. Board-designated endowment net assets were \$48,889,923 and \$54,111,227 at August 31, 2015 and 2014, respectively.

Temporarily Restricted Net Assets:

Temporarily restricted net assets result from contributions and bequests, investment income earned on temporarily restricted contributions, and investment income earned and appropriated from temporarily and permanently restricted endowments. Use of temporarily restricted net assets is limited by donor-imposed purposes or time restrictions that have not yet been fulfilled by actions of YWCA USA pursuant to these stipulations or by the passage of time.

Permanently Restricted Net Assets:

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by YWCA USA's actions. The donors of these assets permit YWCA USA to use the income and gains earned on related investments for operations or for specific purposes stipulated by the donors.

Donated Services

Donated services are recorded as revenue and expenses at fair value when received and have been presented in the statements of activities and change in net assets as donated services and expensed in the appropriate functional category. These donated services required specialized skills which would typically need to be purchased if not donated. YWCA USA recorded donated services for the years ended August 31, 2015 and 2014 in the amounts of \$61,381 and \$78,447, respectively.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Costs incurred by a program service or supporting service are charged directly to that service. Other management and general administrative expenses are allocated based on the percentage of time spent by each person on each service.

Prior Year Information

The financial statements include certain prior year summarized comparative totals as of and for the year ended August 31, 2014. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended August 31, 2014, from which the summarized information was derived.

Reclassifications

In 2015, YWCA classified the World YWCA Allocation as Global Initiatives expense. Accordingly, the 2014 World YWCA Allocation amount has been reclassified from Management and General Administrative expense to Global Initiatives expense to conform to the 2015 presentation. These reclassifications had no effect on the statement of financial position, change in net assets or statement of cash flows as of and for the year ended August 31, 2014.

Subsequent Events

YWCA USA has evaluated events and transactions for potential recognition or disclosure through January 8, 2016, the date the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments, which include split-interest agreements, consist of the following:

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Equity Securities - Domestic	\$ 5,828,703	\$ 2,296
Equity Securities - Foreign	2,525,257	-
Equities - Mutual Funds and ETFs	28,136,753	873,570
Fixed Income - Mutual Funds and ETFs	8,639,596	493,297
Fixed Income - U.S. Treasury Notes	3,359,694	-
Fixed Income - U.S. Government Agency Notes	1,908,528	-
Fixed Income - Corporate Bonds	4,265,624	-
Real Estate Funds	1,506,656	-
Common Trust Funds	-	60,992,841
	<u>\$ 56,170,811</u>	<u>\$ 62,362,004</u>

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 2 – INVESTMENTS (Continued)

Investment income consists of the following:

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Interest and Dividends	\$ 1,519,466	\$ 1,069,670
Unrealized Gains (Losses) on Investments	(15,480,498)	4,307,119
Realized Gains on Investments	<u>10,884,934</u>	<u>3,873,171</u>
	<u>\$ (3,076,098)</u>	<u>\$ 9,249,960</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Building and Improvements	\$ 5,205,439	\$ 5,205,439
Leasehold Improvements	1,021	1,021
Office Furniture and Equipment	<u>271,317</u>	<u>263,586</u>
	5,477,777	5,470,046
Less: Accumulated Depreciation and Amortization	<u>(3,653,702)</u>	<u>(3,429,667)</u>
	1,824,075	2,040,379
Land	<u>1,146,065</u>	<u>1,146,065</u>
	<u>\$ 2,970,140</u>	<u>\$ 3,186,444</u>

NOTE 4 – SPLIT-INTEREST AGREEMENTS

Pooled Income Fund

YWCA USA manages a pooled income fund in which it shares a beneficial interest with member YWCAs. The fund is divided into units, and contributions from several donors are pooled. Donors are assigned a specific number of units based on the proportion of the fair market value of their contribution to the total fair market value of the fund. The beneficiary will receive the actual income earned on his or her units during their lifetime. The assets contributed are invested in the fund until the beneficiary's death. At that time, the value of the units assigned to the beneficiary will revert to YWCA USA and its members as specified in the underlying agreement. The fair market value of the pooled income fund as of August 31, 2015 and 2014 was \$886,768 and \$1,282,343, respectively, and is included in investments on the statements of financial position (see Note 2). The actuarial present value of YWCA USA's interest in such funds as of August 31, 2015 and 2014 was \$727,373 and \$1,049,716, respectively, and was computed using a discount rate of 2.2 percent for each of the years ended August 31, 2015 and 2014, compounded annually.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 4 – SPLIT-INTEREST AGREEMENTS (Continued)

Gift Annuities

YWCA USA gift annuity program includes both gift annuities and deferred payment gift annuities. These assets are segregated as separate and distinct funds, independent from other funds and cannot be applied to payment of the debts and obligations of YWCA USA or any other purpose other than annuity benefits specified in the agreements. YWCA USA agrees to pay a stated dollar amount annually to the beneficiaries as long as they live, after which time the remaining assets are available for unrestricted use of YWCA USA. As of August 31, 2015 and 2014, the total assets, at fair market value, were \$78,411 and \$84,524, respectively. The actuarial present value of YWCA USA's interest in such funds as of August 31, 2015 and 2014 was \$33,234 and \$34,807, respectively, and were computed using an interest rate of 2.2 percent for each of the years ended August 31, 2015 and 2014, compounded annually.

NOTE 5 – PAYABLE TO BENEFICIARIES

In connection with the split-interest agreements, YWCA USA holds certain assets on behalf of member YWCAs. Such amounts are included in investments and in the payable to beneficiaries' liability on the accompanying statements of financial position.

Payable to beneficiaries consists of the following:

	August 31,	
	<u>2015</u>	<u>2014</u>
Payable to Beneficiaries	\$ 137,397	\$ 214,198
Payable to Member YWCAs	<u>75,639</u>	<u>99,281</u>
	<u>\$ 213,036</u>	<u>\$ 313,479</u>

The amount payable to beneficiaries is the present value of the expected future cash flows to be paid to the beneficiaries. The amount payable to member YWCAs is the shared beneficial interest due to member YWCAs.

NOTE 6 – LEADERSHIP DEVELOPMENT CENTER

In fiscal year 2001, YWCA USA, as lessor, entered into a non-cancelable operating lease for the Leadership Development Center facility, expiring in June 2011. During the year ended August 31, 2011, the lease was amended and extended through July 31, 2019. The amendment included "renewal term improvement credits" whereby the tenant will pay for certain improvements in exchange for rent for the duration of the lease. The total amount of improvements that YWCA USA has received is approximately \$1.2 million. Rental income under this arrangement is recognized based on straight-line amortization of the amount of the improvements over the extended lease term. Deferred rental income represents the amount of the improvements provided by the tenant, net of rental income recognized to date.

For the years ended August 31, 2015 and 2014, total rental income was \$162,750 and \$148,427, respectively, and is included in net Leadership Development Center revenue in the accompanying statements of activities and change in net assets.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 7 – RETIREMENT PLAN

YWCA USA participates in the Young Women's Christian Association Retirement Fund, Inc.'s (the Fund) multi-employer sponsored cash balance defined-benefit pension plan (the Plan). The Fund is a separate legal entity from YWCA USA. Employees are eligible to participate in the Plan after meeting certain service requirements. Participants are 100 percent vested immediately upon enrollment into the Plan. The risks of participating in a multiemployer plan are different from a single employer plan in that the assets contributed to a multiemployer plan may be used to provide benefits to employees of other participating employers; and if a participating employer stops contributing to the plan, unfunded obligations, if any, of the plan may be borne by the remaining participating employers.

For the years ended August 31, 2015 and 2014, YWCA USA's contributions to the Fund at a rate of 7.5 percent of compensation, were \$93,900 and \$102,636, respectively.

NOTE 8 – COMMITMENTS

During the year ended August 31, 2010, YWCA USA entered into a sublease agreement for office space in Washington, DC. The lease term ran from March 1, 2010 through February 28, 2015, with a renewal option of five additional years. The lease contained a clause for additional rent payments in lieu of YWCA USA's pro rata share of operating expenses and real estate taxes. YWCA USA provided a letter of credit totaling approximately \$26,000 as a security deposit.

In October 2014, YWCA USA signed an amendment to the sublease, which has an effective date of March 1, 2015, and extends the term of the original sublease to February 28, 2017 without modifying the base rent due under the lease. YWCA USA will continue to pay its additional rent payments in lieu of operating expenses and real estate taxes. The amended sublease also provides for an option to renew for one year past February 28, 2017.

Minimum rental payments on an annual basis as of August 31, 2015 are as follows:

<u>Year Ending August 31,</u>	
2016	\$ 334,614
2017	<u>167,521</u>
	<u>\$ 502,135</u>

Rent expense for the years ended August 31, 2015 and 2014 was \$365,389 and \$363,373, respectively.

In September 2013, YWCA USA entered into an indemnification agreement whereby YWCA USA has a total indemnification obligation up to \$750,000. No claims for indemnification have been made under this agreement through the date these financial statements were available to be issued and no amounts have been recorded in these financial statements related to any potential indemnification obligation.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 9 – FINANCIAL INSTRUMENTS

YWCA USA invests in a variety of investment vehicles, including, but not limited to U.S. and international mutual funds and exchange-traded funds, equity securities, fixed income securities, and other investments. Such investments are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to the changes in value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect the investment balances.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

As of August 31, 2015 and 2014, temporarily restricted net assets were available for the following purposes:

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Scholarships	\$ 350,177	\$ 393,863
Domestic Training	195,192	217,037
International Training	427,723	502,853
International Travel	255,533	303,652
Word Service Council	298,904	269,520
Split-Interest Agreements	699,117	892,182
International/Foreign Workers	195,303	385,633
Other	186,968	485,497
	<u>\$ 2,608,917</u>	<u>\$ 3,450,237</u>

For the years ended August 31, 2015 and 2014, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Scholarships	\$ -	\$ 9,918
Word Service Council	120,173	191,547
Split-Interest Agreements	267,929	135,162
International/Foreign Workers	190,330	564,367
Other	203,881	187,834
	<u>\$ 782,313</u>	<u>\$ 1,088,828</u>

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following as of August 31, 2015 and 2014:

	August 31,	
	2015	2014
Scholarships	\$ 644,000	\$ 644,000
Domestic Training	302,233	302,233
International Training	1,283,067	1,283,067
International Travel	840,208	840,208
World Relations	200,000	200,000
General Operations	2,755,768	2,755,768
Other	575,283	575,283
	<u>\$ 6,600,559</u>	<u>\$ 6,600,559</u>

NOTE 12 – ENDOWMENTS

YWCA USA's endowment consists of funds established for a variety of purposes. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as a quasi-endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Effective September 17, 2010, the YWCA USA became subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the State of New York (NYPMIFA). YWCA USA classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. 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 purpose and timing restrictions are met and amounts are appropriated for expenditure by YWCA USA. In accordance with NYPMIFA, YWCA USA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The preservation of YWCA USA and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of YWCA USA
- (7) An asset's special relationship or special value, if any, to the purposes of YWCA USA
- (8) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the Endowment Fund, giving due consideration to the effect that such alternatives may have on YWCA USA
- (9) The investment policies of YWCA USA

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 12 – ENDOWMENTS (Continued)

Funds with Deficiencies

From time to time, the fair value of the assets associated with individual donor-restricted endowments may fall below the level that the donor or NYPMIFA requires YWCA USA to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, appropriations to fund the deficiencies come first from temporarily restricted balances not appropriated and then unrestricted net assets. If losses reduce the net assets of a donor-restricted endowment fund below the level required by the donor stipulations or the law, gains that restore the fair value of the net assets of the endowment fund to the required level shall be classified as increases in unrestricted net assets. There were no deficiencies of this nature at August 31, 2015 and 2014.

Return Objectives and Risk Parameters

YWCA USA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowments. The endowment assets are invested in a manner that is intended to achieve appreciation of assets without exposure to undue risk.

To satisfy its long-term rate-of-return objectives, YWCA USA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). YWCA USA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The YWCA USA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that YWCA USA must hold in perpetuity or for donor specified periods, as well as board endowment funds. With respect to the appropriation for expenditure or accumulation of a donor restricted endowment fund, subject to the intent of a donor expressed in the gift instrument, and subject to the timely direction of a donor that YWCA USA not spend below the original dollar value of a gift made prior to September 17, 2010, YWCA USA may appropriate for expenditure or accumulate so much of the donor restricted endowment fund as YWCA USA determines is prudent for the uses, benefits, purposes, and duration for which each of the donor restricted endowment funds is established.

YWCA USA adopted a policy of budgeting for distribution 5 percent of its Board Designated Endowment Fund's moving average fair value over the prior 12 quarters through the month of February in the preceding fiscal year in which the distribution is planned. In establishing this policy, YWCA USA considered the long-term expected returns on its Board Designated endowment funds. This distribution formulation was selected as it is highly-likely to generate a gradually increasing payout amount each year. This is consistent with YWCA USA's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 12 – ENDOWMENTS (Continued)

Spending Policy (Continued)

YWCA USA expects its endowment assets, over a market cycle, to return at least a nominal payout percentage (defined as the actual payout amount as a percentage of the current market value of the fund) on the current market value plus the annual rate of inflation. Actual returns in any given year may vary from this amount.

Endowment net asset composition by type of fund as of August 31, 2015 and 2014 was as follows:

<u>August 31, 2015</u>	<u>Board-Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 1,351,354	\$ 6,600,559	\$ 7,951,913
Board-Designated Endowment Funds	48,889,923	-	-	48,889,923
	<u>\$ 48,889,923</u>	<u>\$ 1,351,354</u>	<u>\$ 6,600,559</u>	<u>\$ 56,841,836</u>
 <u>August 31, 2014</u>				
Donor-Restricted Endowment Funds	\$ -	\$ 1,851,777	\$ 6,600,559	\$ 8,452,336
Board-Designated Endowment Funds	54,111,227	-	-	54,111,227
	<u>\$ 54,111,227</u>	<u>\$ 1,851,777</u>	<u>\$ 6,600,559</u>	<u>\$ 62,563,563</u>

Changes in endowment net assets for the years ended August 31, 2015 and 2014 were as follows:

	<u>Board-Designated Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, September 1, 2013	\$ 48,524,607	\$ 913,478	\$ 6,271,285	\$ 55,709,370
Contributions	159,684	-	329,274	488,958
Investment Income				
Interest and Dividends	935,812	133,808	-	1,069,620
Realized and Unrealized Gains	6,999,818	996,252	-	7,996,070
Total Investment Income	<u>7,935,630</u>	<u>1,130,060</u>	-	<u>9,065,690</u>
Appropriation for Expenditure Release to Undesignated	<u>(2,508,694)</u>	<u>(191,761)</u>	-	<u>(2,700,455)</u>
Endowment Net Assets, August 31, 2014	54,111,227	1,851,777	6,600,559	62,563,563
Contributions	98,433	-	-	98,433
Investment Income				
Interest and Dividends	1,354,336	165,130	-	1,519,466
Realized and Unrealized Gains	<u>(4,090,575)</u>	<u>(511,674)</u>	-	<u>(4,602,249)</u>
Total Investment Income	<u>(2,736,239)</u>	<u>(346,544)</u>	-	<u>(3,082,783)</u>
Appropriation for Expenditure Release to Undesignated	<u>(2,583,498)</u>	<u>(153,879)</u>	-	<u>(2,737,377)</u>
Endowment Net Assets, August 31, 2015	<u>\$ 48,889,923</u>	<u>\$ 1,351,354</u>	<u>\$ 6,600,559</u>	<u>\$ 56,841,836</u>

During the years ended August 31, 2015 and 2014, YWCA USA did not release any board designated unrestricted net assets to unrestricted net assets.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE UNITED STATES OF AMERICA, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015

NOTE 13 – FAIR VALUE MEASUREMENT

YWCA USA has determined the fair value of certain assets through FASB Accounting Standards Codification (FASB ASC) Topic 820, *Fair Value Measurement*. Fair values of assets measured on a recurring basis at August 31, 2015 and 2014 are as follows:

	<u>Fair Value Measurements at Reporting Date Using:</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>August 31, 2015</u>				
<u>Assets</u>				
Equity Securities - Domestic	\$ 5,828,703	\$ 5,828,703	\$ -	\$ -
Equity Securities - Foreign	2,525,257	2,525,257	-	-
Equities - Mutual Funds and ETFs	28,136,753	28,136,753	-	-
Fixed Income - Mutual Funds and ETFs	8,639,596	8,639,596	-	-
Fixed Income - U.S. Treasury Notes	3,359,694	-	3,359,694	-
Fixed Income - U.S. Government Agency Notes	1,908,528	-	1,908,528	-
Fixed Income - Corporate Bonds	4,265,624	-	4,265,624	-
Real Estate Funds	1,506,656	1,506,656	-	-
Total Assets	\$ 56,170,811	\$ 46,636,965	\$ 9,533,846	\$ -
<u>Liabilities</u>				
Payable to Beneficiaries	\$ 137,397	\$ -	\$ 137,397	\$ -
<u>August 31, 2014</u>				
<u>Assets</u>				
Equity Securities - Domestic	\$ 2,296	\$ 2,296	\$ -	\$ -
Equities - Mutual Funds and ETFs	873,570	873,570	-	-
Fixed Income - Mutual Funds and ETFs	493,297	493,297	-	-
Common Trust Funds	60,992,841	-	60,992,841	-
Total Assets	\$ 62,362,004	\$ 1,369,163	\$ 60,992,841	\$ -
<u>Liabilities</u>				
Payable to Beneficiaries	\$ 214,198	\$ -	\$ 214,198	\$ -

The FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide the highest quality inputs; Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets in active or inactive markets or other significant market observable inputs; Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs. YWCA USA uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the YWCA USA measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There have been no changes in the valuation methodologies used during the current year. All assets have been valued using a market approach. The Wellington Common Trust Funds held at August 31, 2014 are not exchange traded investments and were valued using a market approach based on quoted prices from pricing sources utilized by investment managers.

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