

**YWCA USA, Inc.**

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

**August 31, 2016  
(With August 31, 2015 summarized comparative  
financial information)**

---

**YWCA USA, Inc.**

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position as of August 31, 2016 with Summarized Comparative Financial Information as of August 31, 2015	4
Statement of Activities and Change in Net Assets for the Year Ended August 31, 2016 with Summarized Comparative Financial Information for the Year Ended August 31, 2015	5
Statement of Cash Flows for the Year Ended August 31, 2016 with Summarized Comparative Financial Information for the Year Ended August 31, 2015	6
Statement of Functional Expenses for the Year Ended August 31, 2016, with Summarized Comparative Financial Information for the Year Ended August 31, 2015	7
Notes to Financial Statements	8

## Independent Auditor's Report

To the Board of Directors  
YWCA USA, Inc.  
Washington, DC

### Report on the Financial Statements

We have audited the accompanying financial statements of YWCA USA, Inc. ("YWCA USA"), which comprise the statement of financial position as of August 31, 2016, 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 audit. 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, 2016, 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 2015 Summarized Comparative Information

We have previously audited YWCA USA's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Bethesda, Maryland  
December 28, 2016

YWCA USA, Inc.

Statement of Financial Position  
 August 31, 2016  
 (with Summarized Comparative Financial Information for 2015)

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 3,946,799	\$ 2,569,669
Receivables	221,727	372,081
Prepaid expenses	61,428	133,312
Total current assets	<u>4,229,954</u>	<u>3,075,062</u>
Investments	56,951,324	56,170,811
Property and equipment, net	2,786,721	2,970,140
Deposits	<u>21,000</u>	<u>21,000</u>
	<u>\$ 63,988,999</u>	<u>\$ 62,237,013</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 409,609	\$ 294,711
Payable to beneficiaries	184,824	213,036
Deferred rent	214	214
Deferred rental income, current portion	160,000	162,750
Deferred revenue	3,830	3,238
Total current liabilities	<u>758,477</u>	<u>673,949</u>
Long-term liabilities		
Deferred rental income, net of current portion	<u>248,688</u>	<u>408,687</u>
Total liabilities	1,007,165	1,082,636
Net assets		
Unrestricted	53,595,205	51,944,901
Temporarily restricted	2,786,070	2,608,917
Permanently restricted	<u>6,600,559</u>	<u>6,600,559</u>
Total net assets	<u>62,981,834</u>	<u>61,154,377</u>
	<u>\$ 63,988,999</u>	<u>\$ 62,237,013</u>

See Notes to Financial Statements

**YWCA USA, Inc.**

**Statement of Activities and Change in Net Assets  
Year Ended August 31, 2016  
(with Summarized Comparative Financial Information for 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2016	2015
Support and revenue					
Contributions and bequests	\$ 869,033	\$ 105,418	\$ -	\$ 974,451	\$ 617,416
Interest and dividends	1,300,025	177,029	-	1,477,054	1,519,466
Realized and unrealized gains (losses) on investments	2,364,097	406,361	-	2,770,458	(4,595,564)
Support fees	2,640,717	-	-	2,640,717	2,726,202
Leadership development center rental loss, net of expenses of \$194,488 in 2016 and 2015	(31,738)	-	-	(31,738)	(31,738)
Change in value of split-interest agreements	-	22,722	-	22,722	65,767
Donated services	96,758	-	-	96,758	61,381
Sponsorship and registration income	121,950	3,835	-	125,785	224,595
Other income	13,761	-	-	13,761	4,125
Net assets released from restrictions	538,212	(538,212)	-	-	-
Total support and revenue	<u>7,912,815</u>	<u>177,153</u>	<u>-</u>	<u>8,089,968</u>	<u>591,650</u>
Expenses					
Program services:					
Advocacy	686,394	-	-	686,394	656,213
Communications	1,263,218	-	-	1,263,218	765,684
Local initiatives	3,251,075	-	-	3,251,075	3,528,963
Global initiatives	386,666	-	-	386,666	310,503
Total program services	<u>5,587,353</u>	<u>-</u>	<u>-</u>	<u>5,587,353</u>	<u>5,261,363</u>
Supporting services:					
Management and general administrative	174,163	-	-	174,163	105,722
Fundraising	500,995	-	-	500,995	566,233
Total supporting services	<u>675,158</u>	<u>-</u>	<u>-</u>	<u>675,158</u>	<u>671,955</u>
Total expenses	<u>6,262,511</u>	<u>-</u>	<u>-</u>	<u>6,262,511</u>	<u>5,933,318</u>
Change in net assets	1,650,304	177,153	-	1,827,457	(5,341,668)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 53,595,205</u>	<u>\$ 2,786,070</u>	<u>\$ 6,600,559</u>	<u>\$ 62,981,834</u>	<u>\$ 61,154,377</u>

See Notes to Financial Statements

**YWCA USA, Inc.**

**Statement of Cash Flows  
Year Ended August 31, 2016  
(with Summarized Comparative Financial Information for 2015)**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 1,827,457	\$ (5,341,668)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized (gains) losses on investments	(2,770,458)	4,595,564
Depreciation and amortization - operating	31,835	29,548
Depreciation and amortization - leadership development center	194,488	194,488
Change in value of split-interest agreements	(22,722)	(65,767)
Bad debt expense	-	4,560
Change in:		
Receivables	150,354	(240,921)
Prepaid expenses	71,884	(90,635)
Deposits	-	(15,000)
Accounts payable and accrued expenses	114,898	(98,955)
Payable to beneficiaries	(5,490)	(34,676)
Deferred rent	-	(1,824)
Deferred rental income	(162,749)	(162,750)
Deferred revenue	592	3,238
Net cash used in operating activities	<u>(569,911)</u>	<u>(1,224,798)</u>
Cash flows from investing activities		
Purchases of property and equipment	(42,904)	(7,732)
Purchases of investments	(19,097,458)	(83,152,161)
Proceeds from sale/maturity of investments	21,087,403	84,747,790
Net cash provided by investing activities	<u>1,947,041</u>	<u>1,587,897</u>
Net increase in cash and cash equivalents	1,377,130	363,099
Cash and cash equivalents, beginning of year	<u>2,569,669</u>	<u>2,206,570</u>
Cash and cash equivalents, end of year	<u>\$ 3,946,799</u>	<u>\$ 2,569,669</u>

See Notes to Financial Statements

**YWCA USA, Inc.**

**Statement of Functional Expenses  
Year Ended August 31, 2016  
(with Summarized Comparative Financial Information for 2015)**

	Program Services					Support Services			Totals	
	Advocacy	Communications	Local Initiatives	Global Initiatives	Total	Management and General Administrative	Fundraising	Total	2016	2015
	Salaries and benefits	\$ 356,787	\$ 355,603	\$ 1,608,066	\$ -	\$ 2,320,456	\$ 281,931	\$ 258,786	\$ 540,717	\$ 2,861,173
Meetings	2,624	1,576	96,900	61,947	163,047	65,581	2,825	68,406	231,453	342,587
Professional fees	22,729	379,844	86,097	2,401	491,071	936,993	35,820	972,813	1,463,884	1,474,729
Stipends	-	194,000	139,750	-	333,750	-	-	-	333,750	199,000
Printing and printed materials	-	909	9,206	1,440	11,555	7,677	3,498	11,175	22,730	45,577
Communications	-	1,046	2,234	-	3,280	37,359	-	37,359	40,639	35,485
Office supplies and postage	112	121	3,151	901	4,285	11,418	251	11,669	15,954	20,272
Rent and utilities	-	-	-	-	-	347,524	-	347,524	347,524	365,389
Insurance	-	-	-	-	-	49,670	-	49,670	49,670	39,075
Travel	19,735	1,257	109,255	31,411	161,658	52,674	1,027	53,701	215,359	189,544
Computer, equipment and maintenance	6,360	22,495	83,773	-	112,628	82,615	8,450	91,065	203,693	149,235
Membership and support	9,951	-	-	-	9,951	26,108	-	26,108	36,059	26,272
Awards and grants	-	-	-	84,000	84,000	-	-	-	84,000	123,870
World YWCA allocation	-	-	-	204,563	204,563	-	-	-	204,563	154,930
Miscellaneous	24,255	64,500	10,825	3	99,583	7,376	13,266	20,642	120,225	34,673
Depreciation and amortization	-	-	-	-	-	31,835	-	31,835	31,835	29,548
General and administrative allocation	243,841	241,867	1,101,818	-	1,587,526	(1,764,598)	177,072	(1,587,526)	-	-
<b>Total expenses</b>	<b>\$ 686,394</b>	<b>\$ 1,263,218</b>	<b>\$ 3,251,075</b>	<b>\$ 386,666</b>	<b>\$ 5,587,353</b>	<b>\$ 174,163</b>	<b>\$ 500,995</b>	<b>\$ 675,158</b>	<b>\$ 6,262,511</b>	<b>\$ 5,933,318</b>

See Notes to Financial Statements



**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

**Note 1 - Organization and summary of significant accounting policies**

**Organization**

YWCA USA, Inc. ("YWCA USA") (formerly Young Women's Christian Association of the United States of America, Inc.) 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. YWCA USA's name change was effective December 15, 2015.

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.

During the years ended August 31, 2016 and 2015, 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 2012 are no longer subject to examination by the IRS or the tax jurisdiction of the District of Columbia.

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

**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, 2016 was approximately \$2,167,000.

**Receivables**

YWCA USA records accounts receivable net of allowances for doubtful accounts when necessary. Accounts receivable were \$69,877 and \$52,568 at August 31, 2016 and 2015, respectively. The allowances are determined based on a review of the estimated collectability 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, 2016 and 2015, 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 for each of the years ended August 31, 2016 and 2015.

Pledges receivable represent unconditional promises to give from donors to contribute monies to YWCA USA. Pledges receivable were \$67,151 and \$229,519 at August 31, 2016 and 2015, 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 collectability 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, 2016 and 2015, 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 \$0 and \$4,560 for the years ended August 31, 2016 and 2015, respectively.

**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-

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

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 \$84,699 and \$89,994 as of August 31, 2016 and 2015, 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 3 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.

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 \$50,580,547 and \$48,889,923 at August 31, 2016 and 2015, 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.

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

*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, 2016 and 2015 in the amounts of \$96,758 and \$61,381, respectively.

**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, 2015. 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, 2015, from which the summarized information was derived.

**Reclassifications**

Certain reclassifications have been made to the 2015 amounts to conform to the 2016 presentation. YWCA reclassified \$199,000 of expenses from travel expense to stipends expense.

**Subsequent events**

YWCA USA has evaluated events and transactions for potential recognition or disclosure through December 28, 2016, the date the financial statements were available to be issued.

YWCA USA, Inc.

Notes To Financial Statements  
August 31, 2016

Note 2 - Investments

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

	August 31,	
	2016	2015
Equity securities - domestic	\$ 6,076,603	\$ 5,828,703
Equity securities - foreign	2,783,802	2,525,257
Equities - mutual funds and ETFs	29,283,745	28,136,753
Fixed income - mutual funds and ETFs	6,494,404	8,639,596
Fixed income - U.S. Treasury notes	1,812,497	3,359,694
Fixed income - U.S. Government agency notes	2,157,086	1,908,528
Fixed income - corporate bonds	4,322,258	4,265,624
Real estate funds	1,677,736	1,506,656
Alternative investments	2,343,193	-
	<u>\$ 56,951,324</u>	<u>\$ 56,170,811</u>

Alternative investments are comprised of an investment in a fund of funds (the Fund), which is reported at net asset value. This investment objective is to achieve above-average appreciation by opportunistically trading and investing in a wide variety of securities, instruments, and other investment opportunities and engaging in a broad array of trading and investment strategies. The Fund requires a 60-day prior written notice to redeem all or any portion of its common shares, and redemptions are made as of the last business of any calendar quarter. The minimum redemption amount is \$100,000. Net asset value per share is calculated based on measurement of all the underlying investments in the funds in accordance with FASB Accounting Standards Codification ("FASB ASC") Topic 820, *Fair Value Measurement*. As of August 31, 2016, there are no unfunded commitments.

Investment income (loss) consists of the following:

	Year Ended August 31,	
	2016	2015
Interest and dividends	\$ 1,477,054	\$ 1,519,466
Unrealized gains (losses) on investments	2,856,281	(15,480,498)
Realized gains (losses) on investments	(85,823)	10,884,934
	<u>\$ 4,247,512</u>	<u>\$ (3,076,098)</u>

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

**Note 3 - Property and equipment**

Property and equipment consist of the following:

	August 31,	
	2016	2015
Building and improvements	\$ 5,205,439	\$ 5,205,439
Leasehold improvements	1,021	1,021
Office furniture and equipment	314,221	271,317
	5,520,681	5,477,777
Less: accumulated depreciation and amortization	(3,880,025)	(3,653,702)
	1,640,656	1,824,075
Land	1,146,065	1,146,065
	\$ 2,786,721	\$ 2,970,140

**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, 2016 and 2015 was \$930,428 and \$886,768, 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, 2016 and 2015 was \$799,207 and \$727,373, respectively, and was computed using a discount rate of 1.4 percent and 2.2 percent for the years ended August 31, 2016 and 2015, respectively, compounded annually.

**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, 2016 and 2015, the total assets, at fair market value, were \$78,465 and \$78,411, respectively. The actuarial present value of YWCA USA's interest in such funds as of August 31, 2016 and 2015 was \$30,321 and \$30,230, respectively, and were computed using an interest rate of 1.4 percent and 2.2 percent for the years ended August 31, 2016 and 2015, respectively, compounded annually.

YWCA USA, Inc.

Notes To Financial Statements  
August 31, 2016

**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,	
	2016	2015
Payable to beneficiaries	\$ 104,396	\$ 137,397
Payable to member YWCAs	80,428	75,639
	<u>\$ 184,824</u>	<u>\$ 213,036</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 each of the years ended August 31, 2016 and 2015, total rental income was \$162,750 and is included in net Leadership Development Center revenue in the accompanying statements of activities and change in net assets.

**Note 7 - Retirement plan**

YWCA USA participates in the Young Women's Christian Association Retirement Fund, Inc.'s (the "Retirement Fund") multiemployer sponsored cash balance defined-benefit pension plan (the "Plan"). The Retirement 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. An employer's 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, 2016 and 2015, YWCA USA's contributions to the Retirement Fund at a rate of 7.5 percent of compensation, were \$99,874 and \$93,900, respectively.

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

**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.

In August 2016, YWCA USA signed a second amendment to the sublease, which has an effective date of September 1, 2016. The second amendment modifies the base rent due under the lease and changes the terms of the lease. The lease will terminate and expire on the earlier of a date subsequent to August 31, 2016 if YWCA USA gives 30 days written notice prior to February 28, 2017 or otherwise on February 28, 2017. YWCA USA will continue to pay its additional rent payments in lieu of operating expenses and real estate taxes.

In October 2016, YWCA USA entered into a lease agreement for office space in Washington, DC. The lease term will run from December 1, 2016 through November 30, 2021, with a renewal option of two additional years. The lease contains a clause for additional rent payments in lieu of YWCA USA's pro rata share of operating expenses and real estate taxes.

Minimum rental payments on an annual basis, including payments related to the lease entered into in October, 2016, are as follows:

<u>Year Ending August 31,</u>	
2017	\$ 152,694
2018	150,799
2019	154,946
2020	159,207
2021	163,586
2022	41,172
	<u>\$ 822,404</u>

Rent expense for the years ended August 31, 2016 and 2015 was \$347,524 and \$365,389, 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.



**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

**Note 9 - Risks and uncertainties**

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, 2016 and 2015, temporarily restricted net assets were available for the following purposes:

	August 31,	
	2016	2015
Scholarships	\$ 411,924	\$ 350,177
Domestic training	227,541	195,192
International training	487,620	427,723
International travel	326,792	255,533
Word service council	315,911	298,904
Split-interest agreements	793,102	699,117
International/foreign workers	-	195,303
Other	223,180	186,968
	<u>\$ 2,786,070</u>	<u>\$ 2,608,917</u>

For the years ended August 31, 2016 and 2015, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	Year Ended August 31,	
	2016	2015
Scholarships	\$ 2,946	\$ -
International training	51,382	-
Word service council	92,247	120,173
Split-interest agreements	-	267,929
International/foreign workers	195,303	190,330
Other	196,334	203,881
	<u>\$ 538,212</u>	<u>\$ 782,313</u>

YWCA USA, Inc.

Notes To Financial Statements  
August 31, 2016

**Note 11 - Permanently restricted net assets**

Permanently restricted net assets consisted of the following as of August 31, 2016 and 2015:

	August 31,	
	2016	2015
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, 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

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

- (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

**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, 2016 and 2015.

**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**

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 of 5 percent of its Board Designated Endowment Fund's moving average fair value over the prior 12 quarters in the preceding fiscal years 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

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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, 2016 and 2015 was as follows:

August 31, 2016	Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,660,932	\$ 6,600,559	\$ 8,261,491
Board-designated endowment funds	50,580,547	-	-	50,580,547
	<u>\$ 50,580,547</u>	<u>\$ 1,660,932</u>	<u>\$ 6,600,559</u>	<u>\$ 58,842,038</u>
August 31, 2015				
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>

Changes in endowment net assets for the years ended August 31, 2016 and 2015 were as follows:

	Board-Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, September 1, 2014	\$ 54,111,227	\$ 1,851,777	\$ 6,600,559	\$ 62,563,563
Contributions	98,433	-	-	98,433
Investment income (loss)				
Interest and dividends	1,354,336	165,130	-	1,519,466
Realized and unrealized gains (losses)	<u>(4,090,575)</u>	<u>(511,674)</u>	-	<u>(4,602,249)</u>
Total investment income (loss)	(2,736,239)	(346,544)	-	(3,082,783)
Appropriation for expenditure	(2,583,498)	(153,879)	-	(2,737,377)
Release to undesignated	-	-	-	-
Endowment net assets, August 31, 2015	48,889,923	1,351,354	6,600,559	56,841,836
Contributions	706,567	-	-	706,567
Investment income				
Interest and dividends	1,300,025	177,029	-	1,477,054
Realized and unrealized gains	2,364,243	338,687	-	2,702,930
Total investment income	<u>3,664,268</u>	<u>515,716</u>	-	<u>4,179,984</u>
Appropriation for expenditure	(2,680,211)	(206,138)	-	(2,886,349)
Release to undesignated	-	-	-	-
Endowment net assets, August 31, 2016	<u>\$ 50,580,547</u>	<u>\$ 1,660,932</u>	<u>\$ 6,600,559</u>	<u>\$ 58,842,038</u>

During the years ended August 31, 2016 and 2015, YWCA USA did not release any board designated unrestricted net assets to unrestricted net assets.

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

**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, 2016 and 2015 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>August 31, 2016</u>				
<u>Assets</u>				
Equity securities - domestic	\$ 6,076,603	\$ 6,076,603	\$ -	\$ -
Equity securities - foreign	2,783,802	2,783,802	-	-
Equities - Mutual Funds and ETFs	29,283,745	29,283,745	-	-
Fixed Income - Mutual Funds and ETFs	6,494,404	6,494,404	-	-
Fixed income - U.S. Treasury notes	1,812,497	-	1,812,497	-
Fixed income - U.S. Government agency notes	2,157,086	-	2,157,086	-
Fixed income - corporate bonds	4,322,258	-	4,322,258	-
Real estate funds	1,677,736	1,677,736	-	-
Alternative investment	2,343,193	-	-	2,343,193
<b>Total assets</b>	<b>\$ 56,951,324</b>	<b>\$ 46,316,290</b>	<b>\$ 8,291,841</b>	<b>\$ 2,343,193</b>
<u>Liabilities</u>				
Payable to beneficiaries	\$ 184,824	\$ -	\$ 184,824	\$ -
<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	-	-
<b>Total assets</b>	<b>\$ 56,170,811</b>	<b>\$ 46,636,965</b>	<b>\$ 9,533,846</b>	<b>\$ -</b>
<u>Liabilities</u>				
Payable to beneficiaries	\$ 213,036	\$ -	\$ 213,036	\$ -

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, 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.

**YWCA USA, Inc.**

**Notes To Financial Statements  
August 31, 2016**

Investment in alternative investments consist of private investment funds, which meet the criteria under GAAP for investments that calculate net asset value per share. The net assets of alternative investments are valued based on each underlying investment within the alternative investment funds, incorporating valuations that consider the ownership interest and financial position of the alternative investment funds, and changes in equity and fixed income markets, among other factors.

The following table reconciles the changes in Level 3 assets at fair value for the year ending August 31, 2016:

Balance at September 1, 2015	\$	-
Purchases		2,300,000
Gains and Losses		<u>43,193</u>
Balance at August 31, 2016	\$	<u><u>2,343,193</u></u>

COHN  REZNICK  
ACCOUNTING • TAX • ADVISORY

Independent Member of Nexia International

[cohnreznick.com](http://cohnreznick.com)