

**YWCA USA, Inc.**

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## 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, 2018, 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, 2018, 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.

*Emphasis of Matter - Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2018, YWCA USA adopted new accounting guidance related to the presentation of financial statements of not-for-profit entities. Our opinion is not modified with respect to that matter.

Report on 2017 Summarized Comparative Information

We have previously audited YWCA USA's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CohnReznick LLP*

Bethesda, Maryland  
January 8, 2019

YWCA USA, Inc.

Statement of Financial Position  
 August 31, 2018  
 (with Summarized Comparative Financial Information for 2017 )

	<u>Assets</u>	
	2018	2017
Current assets		
Cash and cash equivalents	\$ 3,099,665	\$ 1,945,750
Accounts receivable	160,071	224,314
Pledges receivable	320,850	539,810
Prepaid expenses	94,312	59,061
Total current assets	<u>3,674,898</u>	<u>2,768,935</u>
Investments	63,788,955	61,655,149
Property and equipment, net	2,605,440	2,792,763
Pledges receivable, net of current portion	-	336,435
Deposits	<u>25,776</u>	<u>18,313</u>
	<u>\$ 70,095,069</u>	<u>\$ 67,571,595</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable and accrued expenses	\$ 1,144,877	\$ 297,829
Payable to beneficiaries	196,950	162,543
Deferred rent, current portion	22,242	6,265
Deferred lease incentive, current portion	17,561	-
Deferred rental income, current portion	121,688	129,750
Deferred revenue	18,160	6,770
Total current liabilities	<u>1,521,478</u>	<u>603,157</u>
Long-term liabilities		
Deferred lease incentive, net of current portion	39,512	-
Deferred rental income, net of current portion	-	118,938
Total long-term liabilities	<u>39,512</u>	<u>118,938</u>
Total liabilities	<u>1,560,990</u>	<u>722,095</u>
Net assets		
Without donor restrictions	57,523,314	56,190,245
With donor restrictions	<u>11,010,765</u>	<u>10,659,255</u>
Total net assets	<u>68,534,079</u>	<u>66,849,500</u>
	<u>\$ 70,095,069</u>	<u>\$ 67,571,595</u>

See Notes to Financial Statements.

**YWCA USA, Inc.**

**Statement of Activities and Change in Net Assets  
Year Ended August 31, 2018  
(with Summarized Comparative Financial Information for 2017)**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2018	2017
Support and revenue				
Contributions and bequests	\$ 1,271,046	\$ 353,849	\$ 1,624,895	\$ 1,553,982
Investment income, net of expenses	4,421,865	648,682	5,070,547	6,400,137
Support fees	2,609,007	-	2,609,007	2,488,856
Leadership development center rental loss, net of expenses of \$194,278 in 2018 and \$193,535 in 2017	(31,528)	-	(31,528)	(33,535)
Change in value of split-interest agreements	-	(20,397)	(20,397)	(40,334)
Donated services	87,035	-	87,035	50,925
Sponsorship and registration income	42,250	62,210	104,460	192,240
Other income	10,281	-	10,281	16,306
Net assets released from restrictions	692,834	(692,834)	-	-
Total support and revenue	9,102,790	351,510	9,454,300	10,628,577
Expenses				
Program services:				
Advocacy	1,082,480	-	1,082,480	741,040
Communications	678,232	-	678,232	620,290
Local initiatives	4,079,583	-	4,079,583	3,517,847
Global initiatives	280,538	-	280,538	364,715
Total program services	6,120,833	-	6,120,833	5,243,892
Supporting services:				
Management and general administrative	1,002,522	-	1,002,522	944,836
Fundraising	646,366	-	646,366	572,183
Total supporting services	1,648,888	-	1,648,888	1,517,019
Total expenses	7,769,721	-	7,769,721	6,760,911
Change in net assets	1,333,069	351,510	1,684,579	3,867,666
Net assets, beginning of year	56,190,245	10,659,255	66,849,500	62,981,834
Net assets, end of year	\$ 57,523,314	\$ 11,010,765	\$ 68,534,079	\$ 66,849,500

See Notes to Financial Statements.

**YWCA USA, Inc.**

**Statement of Cash Flows  
Year Ended August 31, 2018  
(with Summarized Comparative Financial Information for 2017)**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 1,684,579	\$ 3,867,666
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized and unrealized gains on investments	(3,860,276)	(5,357,329)
Depreciation and amortization - operating	66,182	47,237
Depreciation and amortization - leadership development center	194,278	193,535
Change in value of split-interest agreements	20,397	40,334
Amortization of discount on pledges receivable	(1,065)	1,065
Bad debt expense	-	5,000
Change in:		
Accounts receivable	64,243	(74,738)
Pledges receivable	556,460	(810,159)
Prepaid expenses	(35,251)	2,367
Deposits	(7,463)	2,687
Accounts payable and accrued expenses	826,651	(152,114)
Payable to beneficiaries	34,407	(22,281)
Deferred rent	15,977	6,051
Deferred lease incentive	(2,927)	-
Deferred rental income	(127,000)	(160,000)
Deferred revenue	11,390	2,940
Net cash used in operating activities	<u>(559,418)</u>	<u>(2,407,739)</u>
Cash flows from investing activities		
Purchases of property and equipment	(13,137)	(246,814)
Purchases of investments	(22,211,188)	(19,438,116)
Proceeds from sale/maturity of investments	<u>23,937,658</u>	<u>20,091,620</u>
Net cash provided by investing activities	<u>1,713,333</u>	<u>406,690</u>
Net increase (decrease) in cash and cash equivalents	1,153,915	(2,001,049)
Cash and cash equivalents, beginning of year	<u>1,945,750</u>	<u>3,946,799</u>
Cash and cash equivalents, end of year	<u>\$ 3,099,665</u>	<u>\$ 1,945,750</u>

See Notes to Financial Statements.

**YWCA USA, Inc.**

**Statement of Functional Expenses  
Year Ended August 31, 2018  
(with Summarized Comparative Financial Information for 2017)**

	Program Services					Support Services			Totals	
	Advocacy	Communications	Local Initiatives	Global Initiatives	Total	Management and General Administrative	Fundraising	Total	2018	2017
	Salaries and benefits	\$ 583,553	\$ 328,947	\$ 1,503,802	\$ 22,258	\$ 2,438,560	\$ 374,754	\$ 397,061	\$ 771,815	\$ 3,210,375
Meetings	83,282	1,309	347,174	18,771	450,536	87,904	5,092	92,996	543,532	507,951
Professional fees	74,598	111,440	628,175	-	814,213	941,729	11,920	953,649	1,767,862	1,160,941
Stipends	-	-	48,750	-	48,750	-	-	-	48,750	123,000
Printing and printed materials	-	34,622	14,631	612	49,865	3,223	1,876	5,099	54,964	43,016
Communications	291	75	512	-	878	39,643	160	39,803	40,681	49,262
Office supplies and postage	651	326	6,449	622	8,048	23,938	2,691	26,629	34,677	26,219
Rent and utilities	-	-	-	-	-	219,748	-	219,748	219,748	220,347
Insurance	-	-	-	-	-	49,203	-	49,203	49,203	23,664
Travel	51,572	4,531	153,295	17,166	226,564	47,362	4,030	51,392	277,956	181,278
Computer, equipment and maintenance	10,655	17,802	157,800	-	186,257	332,457	25,131	357,588	543,845	305,217
Membership and support	14,750	25,016	10,556	100	50,422	30,182	4,933	35,115	85,537	36,629
Awards and grants	-	-	527,142	90,000	617,142	-	-	-	617,142	332,097
World YWCA allocation	-	-	-	120,293	120,293	-	-	-	120,293	231,279
Miscellaneous	4,000	8,637	12,836	-	25,473	44,623	18,878	63,501	88,974	100,498
Depreciation and amortization	-	-	-	-	-	66,182	-	66,182	66,182	47,237
General and administrative allocation	259,128	145,527	668,461	10,716	1,083,832	(1,258,426)	174,594	(1,083,832)	-	-
<b>Total expenses</b>	<b>\$ 1,082,480</b>	<b>\$ 678,232</b>	<b>\$ 4,079,583</b>	<b>\$ 280,538</b>	<b>\$ 6,120,833</b>	<b>\$ 1,002,522</b>	<b>\$ 646,366</b>	<b>\$ 1,648,888</b>	<b>\$ 7,769,721</b>	<b>\$ 6,760,911</b>

See Notes to Financial Statements.

## YWCA USA, Inc.

### Notes to Financial Statements August 31, 2018

#### 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, 2018 and 2017, 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 2014 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, 2018

#### **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, 2018 was approximately \$1,436,000.

#### **Accounts receivable**

Accounts receivable includes trade accounts receivable and interest receivable on investments. Trade accounts receivable totaled \$58,197 and \$140,854 at August 31, 2018 and 2017, respectively. YWCA USA records accounts receivable net of allowances for doubtful accounts when necessary. 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, 2018 and 2017, 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 \$5,000 as of August 31, 2018 and 2017, respectively.

#### **Pledges receivable**

Pledges receivable represent unconditional promises to give from donors to contribute monies to YWCA USA. 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 pledges receivable and are reflected at the present value of their net realizable amounts using a discount rate. 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, 2018 and 2017, 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 for each of the years ended August 31, 2018 and 2017.

#### **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, less external and direct internal investment expenses are recorded as net assets without donor restrictions or net assets with donor restrictions 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 net assets without donor

**YWCA USA, Inc.**

**Notes to Financial Statements  
August 31, 2018**

restrictions 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 \$101,874 and \$83,460 as of August 31, 2018 and 2017, 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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 revenue without donor restrictions 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**

*Net assets without donor restrictions:*

Net assets without donor restrictions are net assets that are not restricted by donor stipulations for a time or purpose restriction.

YWCA USA segregates its net assets without donor restrictions 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 \$55,768,063 and \$53,722,110 at August 31, 2018 and 2017, respectively.

*Net assets with donor restrictions:*

Net assets with donor restrictions result from contributions and bequests, investment income earned on restricted contributions, and investment income earned and appropriated from endowments. Use of net assets with donor restrictions 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, 2018

Net assets with donor restrictions also 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, 2018 and 2017 in the amounts of \$87,035 and \$50,925, 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, 2017. 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, 2017, from which the summarized information was derived.

#### **Reclassification**

Certain reclassifications have been made to the 2017 amounts to conform to the 2018 presentation.

#### **Change in accounting principles**

During the year ended August 31, 2018, YWCA USA adopted the provisions of Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). Accordingly, the beginning balances of the donor restricted net assets categories (temporarily and permanently restricted) have been retroactively adjusted to consolidate all donor restricted net assets into one classification, *with donor restrictions*. The ASU requires additional disclosures in the areas of liquidity and availability and requires reclassification of investment expenses which are netted in investment return to include internal investment expenses. In addition, it requires any underwater portion of YWCA USA's endowment funds to be adjusted from net assets without donor restrictions to net assets with donor restrictions. YWCA USA has adjusted the presentation of these statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

During the year ended August 31, 2018, YWCA USA also adopted the provisions of Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate NAV per share (or Its Equivalent)*. Under the new guidance, investments measured at NAV, as a practical expedient for fair value, are excluded from the fair value hierarchy. Removing investments measured using the practical expedient from the fair value hierarchy is intended to eliminate the diversity in practice that currently exists with respect to the categorization of these investments.

**YWCA USA, Inc.**

**Notes to Financial Statements  
August 31, 2018**

**Subsequent events**

YWCA USA has evaluated events and transactions for potential recognition or disclosure through January 8, 2019, the date the financial statements were available to be issued.

**Note 2 - Liquidity and availability of resources**

The following table reflects YWCA USA's financial assets as of August 31, 2018, reduced by amounts not available for general expenditure within one year because of donor restrictions or contractual obligations. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board-designated endowments. Although YWCA USA does not intend to spend from this board-designated endowment (other than amounts appropriated per the Board's annual spending), these amounts could be made available if necessary upon approval by the Board.

	<u>2018</u>
Financial assets	
Cash and cash equivalents	\$ 3,099,665
Accounts and pledges receivable	480,921
Investments	<u>63,788,955</u>
	<u>67,369,541</u>
Less those unavailable for general expenditure within one year due to:	
Investments representing split-interest agreements	(785,951)
Investments subject to donor restrictions	(8,429,149)
Investments designated by the Board of Directors for specific purposes (net of amounts appropriated for expenditure)	<u>(52,064,361)</u>
	<u>(61,279,461)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 6,090,080</u></u>

**Note 3 - Pledges receivable**

Pledges receivable consist of the following:

	<u>August 31,</u>	
	<u>2018</u>	<u>2017</u>
Pledges receivable in less than one year	\$ 320,850	\$ 539,810
Pledges receivable in one to five years	<u>-</u>	<u>337,500</u>
Total pledges receivable	320,850	877,310
Less: discount to net present value	<u>-</u>	<u>(1,065)</u>
	<u><u>\$ 320,850</u></u>	<u><u>\$ 876,245</u></u>

YWCA USA, Inc.

Notes to Financial Statements  
August 31, 2018

Note 4 - Investments

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

	August 31,	
	2018	2017
Equity securities - domestic	\$ 8,279,978	\$ 6,942,240
Equity securities - foreign	248,910	2,738,689
Equities - mutual funds and ETFs	35,159,988	33,682,522
Fixed income - mutual funds and ETFs	4,399,919	6,472,686
Fixed income - U.S. Treasury notes	2,756,469	2,534,135
Fixed income - U.S. Government agency notes	1,717,552	1,637,087
Fixed income - corporate bonds	7,763,006	3,928,755
Real estate funds	936,525	1,290,551
Alternative investments	2,526,608	2,428,484
	<u>\$ 63,788,955</u>	<u>\$ 61,655,149</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, 2018, there are no unfunded commitments.

Investment income consists of the following:

	Year Ended August 31,	
	2018	2017
Interest and dividends	\$ 1,481,084	\$ 1,287,251
Unrealized gains on investments	1,922,712	5,164,820
Realized gains on investments	1,937,564	192,509
	5,341,360	6,644,580
Less: investment fees	<u>(270,813)</u>	<u>(244,443)</u>
	<u>\$ 5,070,547</u>	<u>\$ 6,400,137</u>

**YWCA USA, Inc.**

**Notes to Financial Statements  
August 31, 2018**

**Note 5 - Property and equipment**

Property and equipment consist of the following:

	August 31,	
	2018	2017
Building and improvements	\$ 5,205,439	\$ 5,205,439
Leasehold improvements	63,601	3,601
Office furniture and equipment	549,135	535,998
	5,818,175	5,745,038
Less: accumulated depreciation and amortization	(4,358,800)	(4,098,340)
	1,459,375	1,646,698
Land	1,146,065	1,146,065
	\$ 2,605,440	\$ 2,792,763

**Note 6 - 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, 2018 and 2017 was \$717,715 and \$662,586, respectively, and is included in investments on the statements of financial position (see Note 4). The actuarial present value of YWCA USA's interest in such funds as of August 31, 2018 and 2017 was \$551,968 and \$534,587, respectively, and was computed using a discount rate of 3.4 percent and 2.4 percent for the years ended August 31, 2018 and 2017, 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, 2018 and 2017, the total assets, at fair market value, were \$65,906 and \$67,453, respectively. The actuarial present value of YWCA USA's interest in such funds as of August 31, 2018 and 2017 was \$34,703 and \$32,909, respectively, and were computed using an interest rate of 3.4 percent and 2.4 percent for the years ended August 31, 2018 and 2017, respectively, compounded annually.

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**Note 7 - 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,	
	2018	2017
Payable to beneficiaries	\$ 147,582	\$ 116,138
Payable to member YWCAs	49,368	46,405
	<u>\$ 196,950</u>	<u>\$ 162,543</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 8 - 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, 2018 and 2017, total rental income was \$162,750 and \$160,000, respectively, and is included in net Leadership Development Center revenue in the accompanying statements of activities and change in net assets.

**Note 9 - 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 of the Plan, if any, may be borne by the remaining participating employers.

For the years ended August 31, 2018 and 2017, YWCA USA's contributions to the Retirement Fund at a rate of 7.5 percent of compensation, were \$119,935 and \$101,543, respectively.

**YWCA USA, Inc.**

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**Note 10 - Commitments**

In October 2016, YWCA USA entered into a lease agreement for office space in Washington, DC. The lease term runs from December 1, 2016 through November 30, 2021, with a renewal option of two additional years. In December 2017, YWCA USA signed an amendment to the lease, which had an effective date of July 1, 2018 and an expiration date of November 30, 2021. The lease and its amendment contain 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 are as follows:

<u>Year Ending August 31,</u>	
2019	\$ 220,223
2020	226,279
2021	232,502
2022	<u>58,674</u>
	<u>\$ 737,678</u>

Rent expense for the years ended August 31, 2018 and 2017 was \$219,748 and \$220,347, 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.

**Note 11 - 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 12 - Net assets**

As of August 31, 2018 and 2017, net assets with donor restrictions are restricted for the following purposes or periods.



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Subject to expenditure for specified purpose:

	August 31,	
	2018	2017
Scholarships	\$ 582,028	\$ 504,775
Domestic training	1,324,285	1,254,309
International training	683,046	607,351
International travel	526,931	440,828
World service council	264,772	297,963
Split-interest agreements	544,589	525,269
Other	484,555	428,201
	<u>4,410,206</u>	<u>4,058,696</u>

Endowments:

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>
	<u>\$ 11,010,765</u>	<u>\$ 10,659,255</u>

For the years ended August 31, 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	Year Ended August 31,	
	2018	2017
Scholarships	\$ -	\$ 10,391
Domestic training	319,112	-
International training	54,497	53,598
World Service Council	99,249	99,212
Split-interest agreements	5,391	283,493
Other	214,585	177,900
	<u>\$ 692,834</u>	<u>\$ 624,594</u>

**YWCA USA, Inc.**

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**Note 13 - 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 net assets with donor restrictions (a) the original value of gifts to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. 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; and
- (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, 2018 and 2017.

**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.

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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 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, 2018 and 2017 was as follows:

August 31, 2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 9,195,515	\$ 9,195,515
Board-designated endowment funds	55,768,063	-	55,768,063
	<u>\$ 55,768,063</u>	<u>\$ 9,195,515</u>	<u>\$ 64,963,578</u>
August 31, 2017			
Donor-restricted endowment funds	\$ -	\$ 8,826,023	\$ 8,826,023
Board-designated endowment funds	53,722,110	-	53,722,110
	<u>\$ 53,722,110</u>	<u>\$ 8,826,023</u>	<u>\$ 62,548,133</u>

**YWCA USA, Inc.**

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Changes in endowment net assets for the years ended August 31, 2018 and 2017 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2016	\$ 50,580,547	\$ 8,261,491	\$ 58,842,038
Contributions	67,535	-	67,535
Investment income			
Interest and dividends	1,117,730	169,294	1,287,024
Realized and unrealized gains	4,664,542	636,002	5,300,544
Investment fees	<u>(244,052)</u>	<u>-</u>	<u>(244,052)</u>
Total investment income, net	<u>5,538,220</u>	<u>805,296</u>	<u>6,343,516</u>
Appropriation for expenditure	<u>(2,464,192)</u>	<u>(240,764)</u>	<u>(2,704,956)</u>
Endowment net assets, August 31, 2017	<u>53,722,110</u>	<u>8,826,023</u>	<u>62,548,133</u>
Contributions	<u>92,226</u>	<u>-</u>	<u>92,226</u>
Investment income			
Interest and dividends	1,301,816	179,268	1,481,084
Realized and unrealized gains	3,389,859	424,306	3,814,165
Investment fees	<u>(239,925)</u>	<u>-</u>	<u>(239,925)</u>
Total investment income, net	<u>4,451,750</u>	<u>603,574</u>	<u>5,055,324</u>
Appropriation for expenditure	<u>(2,498,023)</u>	<u>(234,082)</u>	<u>(2,732,105)</u>
Endowment net assets, August 31, 2018	<u><u>\$ 55,768,063</u></u>	<u><u>\$ 9,195,515</u></u>	<u><u>\$ 64,963,578</u></u>

YWCA USA, Inc.

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Note 14 - 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, 2018 and 2017 are as follows:

	Fair Value Measurements at Reporting Date Using:				
	Fair Value	Net Asset 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, 2018</u>					
<u>Assets</u>					
Equity securities - domestic	\$ 8,279,978	\$ -	\$ 8,279,978	\$ -	\$ -
Equity securities - foreign	248,910	-	248,910	-	-
Equities - Mutual Funds and ETFs	35,159,988	-	35,159,988	-	-
Fixed Income - Mutual Funds and ETFs	4,399,919	-	-	4,399,919	-
Fixed income - U.S. Treasury notes	2,756,469	-	-	2,756,469	-
Fixed income - U.S. Government agency notes	1,717,552	-	-	1,717,552	-
Fixed income - corporate bonds	7,763,006	-	7,763,006	-	-
Real estate funds	936,525	-	936,525	-	-
Alternative investment	2,526,608	2,526,608	-	-	-
Total assets	<u>\$ 63,788,955</u>	<u>\$ 2,526,608</u>	<u>\$ 52,388,407</u>	<u>\$ 8,873,940</u>	<u>\$ -</u>
<u>Liabilities</u>					
Payable to beneficiaries	<u>\$ 196,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,950</u>	<u>\$ -</u>
<u>August 31, 2017</u>					
<u>Assets</u>					
Equity securities - domestic	\$ 6,942,240	\$ -	\$ 6,942,240	\$ -	\$ -
Equity securities - foreign	2,738,689	-	2,738,689	-	-
Equities - Mutual Funds and ETFs	33,682,522	-	33,682,522	-	-
Fixed Income - Mutual Funds and ETFs	6,472,686	-	6,472,686	-	-
Fixed income - U.S. Treasury notes	2,534,135	-	-	2,534,135	-
Fixed income - U.S. Government agency notes	1,637,087	-	-	1,637,087	-
Fixed income - corporate bonds	3,928,755	-	-	3,928,755	-
Real estate funds	1,290,551	-	1,290,551	-	-
Alternative investment	2,428,484	2,428,484	-	-	-
Total assets	<u>\$ 61,655,149</u>	<u>\$ 2,428,484</u>	<u>\$ 51,126,688</u>	<u>\$ 8,099,977</u>	<u>\$ -</u>
<u>Liabilities</u>					
Payable to beneficiaries	<u>\$ 162,543</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,543</u>	<u>\$ -</u>

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.

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Under ASU 2015-07, investments that are measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.

The alternative investments consist of private investment funds, which meet the criteria under GAAP for investments that calculate net asset value per share. Inputs include the underlying equity in private investment funds, subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.