

YWCA OF GREATER LAWRENCE, INC.

**FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2016 AND 2015
AND
INDEPENDENT AUDITOR'S REPORT**

WALSH & CO.

ACCOUNTANTS & CONSULTANTS

YWCA OF GREATER LAWRENCE, INC.

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statements of Financial Position as of June 30, 2016 and 2015	3
Statements of Activities and Changes in Net Assets for the Years Ended June 30, 2016 and 2015	4
Statements of Cash Flows for the Years Ended June 30, 2016 and 2015	5
Statements of Functional Expenses for the Years Ended June 30, 2016 and 2015	6 - 7
Notes to Financial Statements	8 - 17

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ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

Board of Directors
YWCA of Greater Lawrence, Inc.

We have audited the accompanying financial statements of the YWCA of Greater Lawrence, Inc. (a non-profit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of income and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 the 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 the YWCA of Greater Lawrence, Inc. as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2016, on our consideration of the YWCA of Greater Lawrence, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the YWCA of Greater Lawrence, Inc.'s internal control over financial reporting and compliance.

October 25, 2016

Wahler & Co.

YWCA OF GREATER LAWRENCE, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS:	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 849,931	\$ 1,040,052
Accounts receivable-programs	706,606	653,309
Investments	552,191	470,998
Prepaid expenses and other	<u>82,028</u>	<u>54,406</u>
Total Current Assets	<u>2,190,756</u>	<u>2,218,765</u>
Fixed Assets:		
Land and buildings	4,952,123	4,100,210
Leasehold improvements	145,000	145,000
Equipment	499,700	499,700
Motor vehicle	<u>32,177</u>	<u>17,175</u>
Total Fixed Assets	5,629,000	4,762,085
Less: Allowance for depreciation	<u>(2,342,735)</u>	<u>(2,186,269)</u>
Property and Equipment, net	<u>3,286,265</u>	<u>2,575,816</u>
Accrued interest on note receivable-FINA House, LLC	50,398	47,362
Note receivable FINA House (Developer Loan)	56,854	56,854
Note receivable FINA House (McKinney Loan)	<u>332,242</u>	<u>321,812</u>
	439,494	426,028
TOTAL ASSETS	<u>\$ 5,916,515</u>	<u>\$ 5,220,609</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 619,474	\$ 589,582
Deferred revenue - programs	368,678	463,177
Deferred revenues -- FINA House, LLC	248,000	248,000
Current portion of mortgage and notes payable	<u>146,077</u>	<u> </u>
Total Current Liabilities	<u>1,382,229</u>	<u>1,300,759</u>
Noncurrent Liabilities:		
Mortgage and notes payable, net of current portion	650,462	126,903
FINA House developer note payable	56,854	56,854
Note payable - McKinney	<u>332,242</u>	<u>321,812</u>
Total Noncurrent Liabilities	<u>1,039,558</u>	<u>505,569</u>
Total Liabilities	<u>2,421,787</u>	<u>1,806,328</u>
Commitment and contingencies		
Net Assets		
Unrestricted	<u>3,494,728</u>	<u>3,414,281</u>
Net Assets	<u>3,494,728</u>	<u>3,414,281</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,916,515</u>	<u>\$ 5,220,609</u>

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Totals		Totals	
Support and Revenue:				
Merrimack Valley United Fund, Inc.				
Allotment	\$ 73,177		\$ 75,743	\$ 75,743
Grants	275,804		219,590	219,590
Program service fees	5,455,438		5,230,353	5,230,353
Gifts and contributions	534,030		302,537	\$ 13,978
Investment return	84,082		19,250	19,250
Other	43,096		64,403	64,403
Net assets released from restrictions			13,978	(13,978)
Total Support and Revenue	<u>6,465,627</u>		<u>5,925,854</u>	<u>5,925,854</u>
Expenses:				
Program services:				
Counseling services	1,554,726		1,375,438	1,375,438
Children's Center	2,496,545		2,324,641	2,324,641
Girls Club	29,873		39,995	39,995
Health promotions	554,218		540,749	540,749
Residency	991,948		1,018,620	1,018,620
Community learning	8,211		13,230	13,230
Total Program Services	<u>5,635,521</u>		<u>5,312,673</u>	<u>5,312,673</u>
Supporting Services:				
General and administrative	749,659		567,198	567,198
Total Expenses	<u>6,385,180</u>		<u>5,879,871</u>	<u>5,879,871</u>
Change in Net Assets	80,447		45,983	45,983
Net Assets, Beginning of year	<u>3,414,281</u>		<u>3,368,298</u>	<u>3,368,298</u>
Net Assets, End of Year	<u>\$ 3,494,728</u>		<u>\$ 3,414,281</u>	<u>\$ 3,414,281</u>

See accompanying notes.
4.

YWCA OF GREATER LAWRENCE, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Cash received from support and revenue	\$ 6,230,713	\$ 5,859,666
Cash paid to suppliers and employees	(6,209,269)	(5,710,746)
Investment income received	<u>84,082</u>	<u>19,250</u>
Net Cash Provided by Operating Activities	<u>105,526</u>	<u>168,170</u>
Cash Flows from Investing Activities:		
Capital expenditures	(884,090)	(271,218)
Increase in note receivable FINA House (McKinney Loan)	(10,430)	(10,431)
Unrealized Gain on investment	(67,650)	(578)
Purchase of investments	<u>(13,543)</u>	<u>(11,842)</u>
Net Cash Used in Investing Activities	<u>(975,713)</u>	<u>(294,069)</u>
Cash Flows from Financial Activities:		
Borrowing on note payable	<u>680,066</u>	<u>10,431</u>
Net Cash Provided By Financing Activities	<u>680,066</u>	<u>10,431</u>
Decrease in Cash and Cash Equivalents	(190,121)	(115,468)
Cash and Cash Equivalents, Beginning of Year	<u>1,040,052</u>	<u>1,155,520</u>
Cash and Cash Equivalents, End of Year	<u>\$ 849,931</u>	<u>\$ 1,040,052</u>
Reconciliation of Increase (Decrease) in Net Assets To Cash Flows – Operating Activities:		
Increase in Net Assets	<u>\$ 80,447</u>	<u>\$ 45,983</u>
Adjustments to Reconcile Increase in Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	173,641	161,665
Loss on disposition of fixed assets	-	13,740
Increase in accounts receivable – programs	(53,297)	(76,533)
(Increase) decrease in prepaid expenses and other	(27,622)	3,019
Increase in accrued interest on notes receivable – FINA House	(3,036)	(3,036)
Increase (decrease) in accounts payable and accrued expenses	29,892	(9,299)
(Decrease) increase in deferred revenue – programs	<u>(94,499)</u>	<u>32,631</u>
Total Adjustments	<u>25,079</u>	<u>122,187</u>
Net Cash Provided By Operating Activities	<u>\$ 105,526</u>	<u>\$ 168,170</u>
Supplemental Disclosure:		
Disposal of fully depreciated fixed assets	<u>\$ 17,175</u>	<u>\$ 99,938</u>

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Counseling Services	Children's Center	Girls' Club	Health Promotions	Residency	Community Learning	Program Services Total	General and Administrative	Total
Salaries	\$1,027,822	\$1,308,054	\$13,489	\$262,348	\$401,167	\$914	\$3,013,794	\$540,262	\$3,554,056
Payroll taxes	80,517	108,473	1,130	22,441	33,205	85	245,851	35,917	281,768
Fringe benefits	151,144	182,501	1,501	46,004	73,130	104	454,384	65,568	519,952
Facility operations/ maintenance	67,587	169,605	12,580	84,754	356,622	355	691,503	9,730	701,233
Depreciation	18,867	60,798		60,984	28,169		168,818	4,823	173,641
Insurance	5,206	18,161		23,979	33,788	249	81,383	2,469	83,852
Supplies/materials	11,561	45,919		11,997	10,544		80,021	802	80,823
Program support	70,997	83,728					154,725		154,725
Training	2,817	11,122		9,172	2,033		25,144	2,129	27,273
Food	2,184	112,748	307	2,363	2,798	162	120,562	419	120,981
Transportation	17,764	320,220	563	11,456	7,528	25	357,556	368	357,924
Direct care consultants	45,690	1,400		150	2,045	1,000	50,285		50,285
Professional/Admin	24,843	38,567	118	7,240	28,482	5,117	104,367	45,829	150,196
Commercial products and services	27,727	35,249	185	11,330	12,437	200	87,128	41,343	128,471
TOTAL	\$1,554,726	\$2,496,545	\$29,873	\$554,218	\$991,948	\$8,211	\$5,635,521	\$749,659	\$6,385,180

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Counseling Services	Children's Center	Girls' Club	Health Promotions	Residency	Community Learning	Program Services Total	General and Administrative	Total
Salaries	\$876,800	\$1,175,577	\$21,756	\$234,942	\$439,339	\$335	\$2,748,749	\$355,405	\$3,104,154
Payroll taxes	74,388	103,026	1,929	20,981	38,096	38	238,458	28,461	266,919
Fringe benefits	108,811	133,471	1,438	33,781	72,459	80	350,040	55,935	405,975
Facility operations/ maintenance	136,744	189,394	14,488	124,331	351,018	455	816,430	31,205	847,635
Depreciation	18,252	54,605		61,757	22,107		156,721	4,944	161,665
Insurance	5,355	15,760		23,147	32,676	247	77,185	2,631	79,816
Supplies/materials	11,303	67,180	21	9,940	9,646	138	98,228	1,566	99,794
Program support	45,984	71,164			800		117,948	6,000	123,948
Training	5,777	3,615		3,663	274	29	13,358	2,925	16,283
Food	4,240	105,435	102	891	1,944	303	112,915	460	113,375
Transportation	13,973	328,621		9,625	7,884	61	360,164	582	360,746
Direct care consultants	23,771			200	6,153	9,099	39,223	100	39,323
Professional/Admin	19,308	39,518	64	7,398	23,147	94	89,529	42,693	132,222
Commercial products and services	30,732	37,275	197	10,093	13,077	2,351	93,725	34,291	128,016
TOTAL	\$1,375,438	\$2,324,641	\$39,995	\$540,749	\$1,018,620	\$13,230	\$5,312,673	\$567,198	\$5,879,871

See accompanying notes.

YWCA OF GREATER LAWRENCE, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The YWCA of Greater Lawrence, Inc. is a charitable association organized as a not-for-profit corporation for purposes of supplying aid to and improving the Greater Lawrence community. The YWCA is dedicated to eliminating racism, empowering women and promoting peace, justice, freedom and dignity for all.

In connection with the development of a 20-unit transitional and permanent housing development on Haverhill Street in Lawrence, Massachusetts (the "Project"), the YWCA of Greater Lawrence, Inc. (this "Corporation") formed a limited liability company, named YWCA Fina House, LLC (the "LLC") to act as owner of the Project, and formed a for-profit subsidiary of this Corporation to be named YWCA Fina House, Inc. (the "Managing Member") to act as managing member of the LLC, with the Corporation serving as the initial member of the LLC along with the Managing Member. Certain of the financial results of YWCA Fina House, Inc. and YWCA Fina House, LLC owned by the YWCA of Greater Lawrence, Inc. have been included in the accompanying financial statements.

Promises To Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Association uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation:

The Association has adopted the Accounting Standards Codification (ASC) for, financial statements of not-for-profit organizations. Under ASC, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association is required to present a statement of cash flows. As permitted by the statement, the Association does not use fund accounting.

Contributions:

The Association has adopted ASC, Accounting for Contributions Received and Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Support and Revenue

The Association receives its grants and support primarily from Commonwealth of Massachusetts' State Agencies. Support received from those grants and contracts is recognized on a rate per unit served basis, primarily.

Certain contracts provide revenues over a period which extends into the following fiscal year. In those cases, revenues are recognized on a pro-rata basis or matched to services provided. When revenues are received before the service has been performed, the revenues are deferred.

The Association also solicits funds, both public and private, to support the efforts of the Corporation.

Interest income is recognized when earned.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Investments

The Association has adopted the ASC, for Accounting for Certain Investments Held by Not-for-Profit Organizations. Under the ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Equipment

The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000. Depreciation is computed using the straight-line basis over the estimated useful lives of the assets generally as follows:

Building and Improvements	20-40 years
Furniture and Equipment	5-10 years
Computer Equipment	3 years

Costs of construction in progress amounting to approximately \$822,000 for the renovation to the Haverhill, Massachusetts building are not being depreciated in 2016. When construction is completed in this facility depreciation will commence.

Income Taxes

The Association is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, no provision for income taxes is reflected in the accompanying financial statements. The Association has no unrelated business income. The Association's tax return, Form 990, for the years ended June 30, 2013, 2014, 2015 and 2016 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Cash and Cash Equivalents:

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within nine months of purchase.

State Unemployment

The Association is self-insured (funded) for state unemployment benefits. As of June 30, 2016 and 2015, the Association had approximately \$67,000 and \$70,000 set aside to cover possible unemployment costs. In 2016 and 2015, payments made for unemployment benefits totaled \$30,369 and \$17,429, respectively.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain items in the 2015 financial statements have been reclassified to conform to the current year presentation.

NOTE 2 - ACCOUNTS RECEIVABLE- PROGRAMS

At June 30, the Association's receivables consisted of the following:

	<u>2016</u>	<u>2015</u>
Receivables:		
Government program services	\$ 681,080	\$ 634,740
Other receivables	<u>25,526</u>	<u>18,569</u>
	<u>\$ 706,606</u>	<u>\$ 653,309</u>

NOTE 3 - SHORT TERM INVESTMENTS

The Association held \$552,191 and \$470,998 in marketable equity securities at June 30, 2016 and 2015, respectively. Total book and market value of short term investments was as follows at June 30:

	<u>2016</u>		<u>2015</u>	
	<u>Book Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Market Value</u>
Marketable equity securities	\$ 551,191	\$ 551,191	\$ 469,998	\$ 469,998
UST Realty Trust Preferred Stock (at cost)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<u>\$ 552,191</u>	<u>\$ 552,191</u>	<u>\$ 470,998</u>	<u>\$ 470,998</u>

NOTE 4 - NOTES RECEIVABLE

The Association has the following notes receivable:

Note Receivable FINA House (Developer Loan):

The note receivable balance as of June 30, 2016 and 2015 was \$56,854. This loan matures in 2034 and bears interest at 5.34%.

Note Receivable FINA House (McKinney Loan):

The note receivable balances as of June 30, 2016 and 2015 were \$332,242 and \$321,812, respectively, matures in 2034 and bears interest at 4.535%.

NOTE 5 - TRANSITIONAL AND PERMANENT HOUSING PROJECT

The development of a 20-unit transitional and low income permanent housing property known as YWCA Fina House located at 203 Haverhill Street in Lawrence, Massachusetts was completed in September 2005. Occupancy of the units began October 1, 2005. One of the partners of the YWCA Fina House, LLC is the YWCA Fina House, Inc., a for-profit corporation, with a 0.01% ownership share. The YWCA Fina House, Inc. is jointly owned by the YWCA of Greater Lawrence, Inc. (79% ownership share) and the YWCA of Greater Boston, Inc. (21% ownership share). The remaining 99.99% ownership share of the YWCA Fina House, LLC is owned by the Massachusetts Housing Equity Fund X, LLC.

As part of the Development Agreement between the YWCA of Greater Lawrence and YWCA Fina House, LLC, the YWCA of Greater Lawrence raised and loaned certain funds to the YWCA Fina House, LLC that were used for the facility's construction. This loan to the YWCA Fina House, LLC is recorded as a Note Receivable is \$56,854 and bears interest at 5.34%. The interest accrual began on July 20, 2004 and resulted in interest income of \$3,036 and \$3,036 for the YWCA of Greater Lawrence in 2016 and 2015, respectively.

The YWCA of Greater Lawrence, Inc. received a Developer Fee of \$263,000 for its efforts related to the development of the property from the YWCA Fina House, LLC in April 2006. In 2006, the YWCA incurred costs of \$15,000 in connection with the development of the project. Since the YWCA of Greater Lawrence has a two (2) year Operating Deficit Guaranty, this Development Fee may be used to fund such deficit. This Operating Deficit Guaranty expired September 30, 2007. Also, if the building units are not properly rented to qualified low-income individuals or families resulting in the loss of tax credits to the investors, the Development Fee will be refunded to the investors. In either event, the maximum exposure of the YWCA of Greater Lawrence to the YWCA Fina House LLC is \$248,000. Thus, the Developer Fee of \$248,000 could be lost, either in whole or in part, related to such events occurring.

The YWCA of Greater Lawrence has entered into various guaranty agreements with lenders to the YWCA Fina House, LLC related to the repayment of \$2,650,643 as of June 30, 2016 of senior and subordinated debt associated with the construction of this facility. It has also entered into a guaranty agreement with the Massachusetts Housing Equity Fund X, LLC, its successors or assigns, in the amount of \$2,401,476 which represents the equity fund's investment in YWCA Fina House LLC.

The YWCA of Greater Lawrence receives compensation for the management of the YWCA Fina House facility under an agreement with the YWCA Fina House LLC. These payments began in October 2005. For 2016 and 2015, the YWCA reported revenues of \$161,216 and \$133,145, respectively, related to this management contract with the YWCA Fina House LLC.

YWCA of Greater Lawrence, Inc.
Notes to Financial Statements

NOTE 6 - <u>LONG-TERM DEBT</u>	<u>2016</u>	<u>2015</u>
<u>North Shore HOME Consortium</u>		
Note payable started on October 29, 2015 under HOME investment Partnerships Program and bears an interest rate at 0.00% with the entire balance due at maturity in October 2025.	\$ 270,000	
<u>Enterprise Bank</u>		
Loan agreement of \$500,000 for renovation costs of the Haverhill facility with an interest rate of 4.93% per year for a fifteen year term. Interest only payments are required until December 2016.	377,638	
<u>Auto Loan</u>		
Auto loan started September 2015 with 36 monthly installments of \$879 and a maturity in August 2018, secured by a vehicle.	21,998	
<u>Line of Credit</u>		
The Association has a \$300,000 revolving line of credit agreement on demand bearing interest at prime plus 0.5% per year, secured by all of the Organization's assets. There was no outstanding balance at June 30, 2016.		
<u>Community Economic Development Assistance Corporation ("CEDAC")</u>		
Second mortgage note payable which had an interest rate of 0% per year. The YWCA is contingently liable to the lender for a sum of money from gross cash receipts that exceed 105% of cash expenditures on the rental units in the building located at 38 Lawrence Street.	126,903	126,903
	796,539	126,903
<u>Fina House Developer</u>		
<u>Note Payable</u>		
Note payable matures in 2034 and bears interest at 5.34%.	56,854	56,854
<u>Note Payable – McKinney</u>		
Note payable matures in 2034 and bears interest at 4.535%.	332,242	321,812
	<u>\$ 1,185,635</u>	<u>\$ 505,569</u>

YWCA of Greater Lawrence, Inc.
Notes to Financial Statements

Future maturities of long-term debt as of June 30, 2016 and 2015 are as follows:

<u>Year</u>	<u>2016</u>	<u>2015</u>
2017	\$ 146,077	\$ 126,903
2018	28,438	
2019	18,660	
2020	19,727	
2021	20,722	
Thereafter	<u>952,011</u>	<u>378,666</u>
	<u>\$ 1,185,635</u>	<u>\$ 505,569</u>

NOTE 7 – FACILITY LEASE

Future minimum payments under non cancellable operating leases as of June 30, 2016 are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2017	\$ 104,239
2018	106,138
2019	106,765
2020	<u>28,417</u>
	<u>\$345,559</u>

NOTE 8 - RETIREMENT PLAN:

The Association participates in a defined contribution retirement plan covering its employees. The Plan is administered by the YWCA Retirement Fund, Inc. Employees who complete at least 1,000 hours of service in each year in two 12 month periods are eligible to participate in the Plan. The Plan is non-contributory however, employees who wish to may contribute over and above the Association's contribution. Retirement plan expense for the years ended June 30, 2016 and 2015 was \$211,647 and \$144,438, respectively.

NOTE 9 - DONATED SERVICES:

The Association receives donated services from a variety of unpaid volunteers which make significant contributions of their time in conjunction with programs and services. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied.

NOTE 10 - FINANCIAL INSTRUMENTS:

Concentrations of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Association maintains cash balances at several financial institutions located in the greater Lawrence area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the Association's cash balance exceeding FDIC insurance limits amounted to approximately \$37,000.

NOTE 11- CONCENTRATIONS

Approximately seventy-six and sixty-eight percent of the Association's accounts receivable at June 30, 2016 and 2015, respectively, represents amounts due from Massachusetts' governmental agencies.

Approximately seventy-four and seventy-one percent of the Association's revenues for the years ended June 30, 2016 and 2015, respectively, are from Massachusetts' governmental agencies.

NOTE 12- FAIR VALUE MEASUREMENTS

The Association reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- Prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at June 30, 2016 and 2015.

Cash and cash equivalents: Valued at acquisition cost.
Investments: Valued at market.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, with the fair value hierarchy, the Association's assets at fair value.

Assets at fair value as of June 30, 2016

	(In thousands)	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 850	\$ 850
Investments	<u>552</u>	<u>552</u>
	<u>\$ 1,402</u>	<u>\$ 1,402</u>

Assets at fair value as of June 30, 2015

	(In thousands)	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,040	\$ 1,040
Investments	<u>471</u>	<u>471</u>
	<u>\$ 1,511</u>	<u>\$ 1,511</u>

Valuation and Income Recognition

The Association's cash and cash equivalents and investments as of June 30, 2016 and 2015 are stated at fair value.

NOTE 13- SURPLUS/DEFICIT REVENUE RETENTION

In accordance with the YWCA of Greater Lawrence, Inc.'s contracts with one of its principal funding sources, the Commonwealth of Massachusetts, the YWCA is allowed to retain a portion of its excess support and revenue over expenses in a fiscal year (the "surplus"). The YWCA may retain as its surplus up to 5% of total revenue from the Commonwealth during any fiscal year. In addition, the YWCA may retain a cumulative amount of surplus over a period of years not to exceed 20% of the prior years' total support and revenue from the Commonwealth.

NOTE 14 – SUBSEQUENT EVENTS

The Association has evaluated all subsequent events through October 25, 2016, the date the financial statements became available to be issued. There were no subsequent events that require adjustment to the financial statements.