

YWCA NORTHEASTERN MASSACHUSETTS, INC.

FINANCIAL STATEMENTS  
YEARS ENDED  
JUNE 30, 2019 AND 2018  
AND  
INDEPENDENT AUDITOR'S REPORT  
**WALSH & CO.**  

---

ACCOUNTANTS & CONSULTANTS

**YWCA NORTHEASTERN MASSACHUSETTS, INC.**

**TABLE OF CONTENTS**

|  | <b><u>Pages</u></b> |
|--|---------------------|
| Independent Auditor's Report   | 1 - 2               |
| Financial Statements:  |                     |
| Statements of Financial Position as of June 30, 2019 and 2018                                    | 3                   |
| Statements of Activities and Changes in Net Assets<br>for the Years Ended June 30, 2019 and 2018 | 4                   |
| Statements of Cash Flows for the<br>Years Ended June 30, 2019 and 2018                           | 5                   |
| Statements of Functional Expenses<br>for the Years Ended June 30, 2019 and 2018                  | 6 - 7               |
| Notes to Financial Statements  | 8 - 18              |

# WALSH & CO.

---

## ACCOUNTANTS & CONSULTANTS

### Independent Auditor's Report

Board of Directors  
YWCA Northeastern Massachusetts, Inc.

We have audited the accompanying financial statements of the YWCA Northeastern Massachusetts, Inc. (a non-profit corporation), (the "Association") which comprise the statements of financial position as of June 30, 2019 and 2018, 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 Northeastern Massachusetts, Inc. as of June 30, 2019 and 2018, 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 22, 2019, on our consideration of the YWCA Northeastern Massachusetts, 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 Northeastern Massachusetts, Inc.'s internal control over financial reporting and compliance.

October 22, 2019

Wahle & Co.

YWCA NORTHEASTERN MASSACHUSETTS, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

| ASSETS:   | <u>2019</u>         | <u>2018</u>         |
|---|---------------------|---------------------|
| Current Assets:                                     |                     |                     |
| Cash and cash equivalents                           | \$ 405,484          | \$ 536,630          |
| Accounts receivable-programs                        | 773,315             | 678,524             |
| Investments   | 13,847              | 13,759              |
| Prepaid expenses and other                          | <u>90,595</u>       | <u>88,902</u>       |
| Total Current Assets                                | <u>1,283,241</u>    | <u>1,317,815</u>    |
| Fixed Assets:                                       |                     |                     |
| Land and buildings                                  | 6,512,066           | 6,350,257           |
| Leasehold improvements                              | 145,000             | 145,000             |
| Equipment   | 443,968             | 487,504             |
| Motor vehicle                                       | <u>32,177</u>       | <u>32,177</u>       |
| Total Fixed Assets                                  | 7,133,211           | 7,014,938           |
| Less: Allowance for depreciation                    | <u>(2,849,374)</u>  | <u>(2,671,117)</u>  |
| Property and Equipment, net                         | <u>4,283,837</u>    | <u>4,343,821</u>    |
| Accrued interest on note receivable-FINA House, LLC | 59,506              | 56,470              |
| Note receivable FINA House (Developer Loan)         | 56,854              | 56,854              |
| Note receivable FINA House (McKinney Loan)          | <u>363,534</u>      | <u>353,103</u>      |
|   | <u>479,894</u>      | <u>466,427</u>      |
| TOTAL ASSETS  | <u>\$ 6,046,972</u> | <u>\$ 6,128,063</u> |
| LIABILITIES AND NET ASSETS:                         |                     |                     |
| Current Liabilities:                                |                     |                     |
| Bank line of credit                                 | \$ 100,000          | \$ 139,279          |
| Accounts payable and accrued expenses               | 707,846             | 726,389             |
| Deferred revenue - programs                         | 307,541             | 264,678             |
| Deferred revenues - FINA House, LLC                 | 124,000             | 248,000             |
| Current portion of mortgage and notes payable       | <u>29,006</u>       | <u>28,494</u>       |
| Total Current Liabilities                           | <u>1,268,393</u>    | <u>1,406,840</u>    |
| Noncurrent Liabilities:                             |                     |                     |
| Mortgage and notes payable, net of current portion  | 827,618             | 826,522             |
| FINA House developer note payable                   | 56,854              | 56,854              |
| Note payable - McKinney                             | <u>363,535</u>      | <u>353,103</u>      |
| Total Noncurrent Liabilities                        | <u>1,248,007</u>    | <u>1,236,479</u>    |
| Total Liabilities                                   | <u>2,516,400</u>    | <u>2,643,319</u>    |
| Commitment and contingencies                        |                     |                     |
| Net Assets  |                     |                     |
| Without donor restrictions                          | <u>3,530,572</u>    | <u>3,484,744</u>    |
| Net Assets  | <u>3,530,572</u>    | <u>3,484,744</u>    |
| TOTAL LIABILITIES AND NET ASSETS                    | <u>\$ 6,046,972</u> | <u>\$ 6,128,063</u> |

See accompanying notes.

YWCA NORTHEASTERN MASSACHUSETTS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2019 AND 2018

|                                      | 2019                          |                            | 2018                          |                            |
|--------------------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
|                                      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Without Donor<br>Restrictions | With Donor<br>Restrictions |
| <b>Support and Revenue:</b>          |                               |                            |                               |                            |
| Merrimack Valley United Fund, Inc.   |                               |                            |                               |                            |
| Allotment                            | \$ 32,159                     | \$ 32,159                  | \$ 61,586                     | \$ 61,586                  |
| Grants                               | 129,723                       | 129,723                    | 189,308                       | 189,308                    |
| Program service fees                 | 7,241,397                     | 7,241,397                  | 6,232,081                     | 6,232,081                  |
| Gifts and contributions              | 358,659                       | 358,659                    | 413,451                       | 413,451                    |
| Investment return                    | 9,218                         | 9,218                      | 8,334                         | 8,334                      |
| Other                                | 23,968                        | 23,968                     | 36,788                        | 36,788                     |
| <b>Total Support and Revenue</b>     | <b>7,795,124</b>              | <b>7,795,124</b>           | <b>6,941,548</b>              | <b>6,941,548</b>           |
| <b>Expenses:</b>                     |                               |                            |                               |                            |
| Program services:                    |                               |                            |                               |                            |
| Counseling services                  | 2,017,858                     | 2,017,858                  | 1,877,519                     | 1,877,519                  |
| Children's Center                    | 3,104,496                     | 3,104,496                  | 2,879,414                     | 2,879,414                  |
| Girls Club                           | 20,665                        | 20,665                     | 23,893                        | 23,893                     |
| Health promotions                    | 834,555                       | 834,555                    | 382,115                       | 382,115                    |
| Residency                            | 998,614                       | 998,614                    | 960,685                       | 960,685                    |
| Community learning                   | 1,930                         | 1,930                      | 1,288                         | 1,288                      |
| <b>Total Program Services</b>        | <b>6,978,118</b>              | <b>6,978,118</b>           | <b>6,124,914</b>              | <b>6,124,914</b>           |
| Supporting Services:                 |                               |                            |                               |                            |
| General and administrative           | 771,178                       | 771,178                    | 730,516                       | 730,516                    |
| <b>Total Expenses</b>                | <b>7,749,296</b>              | <b>7,749,296</b>           | <b>6,855,430</b>              | <b>6,855,430</b>           |
| <b>Change in Net Assets</b>          | <b>45,828</b>                 | <b>45,828</b>              | <b>86,118</b>                 | <b>86,118</b>              |
| <b>Net Assets, Beginning of year</b> | <b>3,484,744</b>              | <b>3,484,744</b>           | <b>3,398,626</b>              | <b>3,398,626</b>           |
| <b>Net Assets, End of Year</b>       | <b>\$ 3,530,572</b>           | <b>\$ 3,530,572</b>        | <b>\$ 3,484,744</b>           | <b>\$ 3,484,744</b>        |

See accompanying notes.  
4.

YWCA NORTHEASTERN MASSACHUSETTS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2019 AND 2018

|  |                   |                   |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities:  | <u>2019</u>       | <u>2018</u>       |
| Cash received from support and revenue   | \$ 7,606,942      | \$ 6,810,402      |
| Cash paid to suppliers and employees   | (7,535,701)       | (6,766,157)       |
| Investment income received   | <u>9,218</u>      | <u>10,193</u>     |
| Net Cash Provided by Operating Activities  | <u>80,459</u>     | <u>54,438</u>     |
| Cash Flows from Investing Activities:  |                   |                   |
| Capital expenditures   | (173,847)         | (501,668)         |
| Increase in note receivable FINA House (McKinney Loan)   | (10,431)          | (10,430)          |
| Loss (gain) on investments   |                   | 1,859             |
| Sales of investments   | <u>(88)</u>       | <u>212,675</u>    |
| Net Cash Used in Investing Activities  | <u>(184,366)</u>  | <u>(297,564)</u>  |
| Cash Flows from Financial Activities:  |                   |                   |
| (Decrease) increase on note payable  | 12,040            | (26,106)          |
| (Decrease) increase on line of credit  | <u>(39,279)</u>   | <u>(60,000)</u>   |
| Net Cash (Used In) Provided By Financing Activities  | <u>(27,239)</u>   | <u>(86,106)</u>   |
| Change in Cash and Cash Equivalents  | (131,146)         | (329,232)         |
| Cash and Cash Equivalents, Beginning of Year   | <u>536,630</u>    | <u>865,862</u>    |
| Cash and Cash Equivalents, End of Year   | <u>\$ 405,484</u> | <u>\$ 536,630</u> |
| Reconciliation of Increase (Decrease)<br>in Net Assets To Cash Flows – Operating Activities:     |                   |                   |
| (Decrease) Increase in Net Assets  | <u>\$ 45,828</u>  | <u>\$ 86,118</u>  |
| Adjustments to Reconcile Increase in Net Assets<br>To Net Cash Provided By Operating Activities: |                   |                   |
| Depreciation   | 233,831           | 178,134           |
| (Increase) decrease in accounts receivable – programs  | (94,791)          | (93,726)          |
| Increase in prepaid expenses and other   | (1,693)           | (1,705)           |
| Increase in accrued interest on notes receivable – FINA House                                    | (3,036)           | (3,036)           |
| (Decrease) increase in accounts payable and accrued expenses                                     | (18,543)          | (87,156)          |
| Decrease in deferred revenue – programs  | <u>(81,137)</u>   | <u>(24,191)</u>   |
| Total Adjustments  | <u>34,631</u>     | <u>(31,680)</u>   |
| Net Cash Provided By Operating Activities  | <u>\$ 80,459</u>  | <u>\$ 54,438</u>  |
| Supplemental Disclosure:   |                   |                   |
| Disposal of fully depreciated fixed assets   | <u>\$ 55,574</u>  | <u>\$ -</u>       |

See accompanying notes.



YWCA NORTHEASTERN MASSACHUSETTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019

|                                     | Counseling<br>Services | Children's<br>Center | Girl's<br>Club | Health<br>Promotions | Residency  | Community<br>Learning | Program<br>Services<br>Total | General<br>and<br>Administrative | Total        |
|-------------------------------------|------------------------|----------------------|----------------|----------------------|------------|-----------------------|------------------------------|----------------------------------|--------------|
| Salaries                            | \$ 1,072,513           | \$ 1,746,899         | \$ 498         | \$ 155,378           | \$ 430,767 |                       | \$ 3,406,055                 | \$ 480,670                       | \$ 3,886,725 |
| Payroll Taxes                       | 81,779                 | 139,249              | 40             | 13,459               | 34,359     | \$ 16                 | 268,902                      | 37,567                           | 306,469      |
| Fringe benefits                     | 142,816                | 209,919              | 60             | 9,479                | 41,655     | 78                    | 404,007                      | 59,506                           | 463,513      |
| Facility operations/<br>Maintenance | 156,131                | 225,013              | 17,142         | 127,153              | 336,900    | 472                   | 862,811                      | 8,918                            | 871,729      |
| Depreciation                        | 73,551                 | 84,671               |                | 54,050               | 16,427     |                       | 228,699                      | 5,132                            | 233,831      |
| Insurance                           | 45,686                 | 73,759               | 10             | 30,870               | 80,675     | 214                   | 231,214                      | 42,327                           | 273,541      |
| Supplies/materials                  | 16,693                 | 45,194               | 2,609          | 20,135               | 8,891      |                       | 93,522                       | 2,760                            | 96,282       |
| Program support                     | 110,069                | 29,171               |                |                      |            |                       | 139,240                      |                                  | 139,240      |
| Training                            | 9,055                  | 715                  |                | 1,478                | 45         |                       | 11,293                       | 4,033                            | 15,326       |
| Food                                | 6,594                  | 127,186              |                | 111                  | 791        |                       | 134,682                      | 1,555                            | 136,237      |
| Transportation                      | 10,409                 | 329,337              |                | 328                  | 4,894      |                       | 344,968                      | 938                              | 345,906      |
| Direct care                         |                        |                      |                |                      |            |                       |                              |                                  |              |
| Consultants                         | 251,189                |                      |                | 400,000              | 1,335      |                       | 652,524                      |                                  | 652,524      |
| Professional/Admin                  | 27,212                 | 42,168               | 167            | 13,161               | 21,588     | 45                    | 104,341                      | 25,807                           | 130,148      |
| Commercial products<br>and services | 14,161                 | 51,215               | 139            | 8,953                | 20,287     | 1,105                 | 95,860                       | 101,965                          | 197,825      |
| TOTAL                               | \$ 2,017,858           | \$ 3,104,496         | \$ 20,665      | \$ 834,555           | \$ 998,614 | \$ 1,930              | \$ 6,978,118                 | \$ 771,178                       | \$ 7,749,296 |

See accompanying notes.



YWCA NORTHEASTERN MASSACHUSETTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018

|                                     | Counseling<br>Services | Children's<br>Center | Girl's<br>Club | Health<br>Promotions | Residency  | Community<br>Learning | Program<br>Services<br>Total | General<br>and<br>Administrative | Total        |
|-------------------------------------|------------------------|----------------------|----------------|----------------------|------------|-----------------------|------------------------------|----------------------------------|--------------|
| Salaries                            | \$ 1,004,113           | \$ 1,582,074         | \$ 3,288       | \$ 127,452           | \$ 432,297 | \$ 98                 | \$ 3,149,322                 | \$ 450,505                       | \$ 3,599,827 |
| Payroll Taxes                       | 91,377                 | 126,298              | 260            | 9,500                | 34,585     | 23                    | 262,043                      | 33,923                           | 295,966      |
| Fringe benefits                     | 192,621                | 226,298              | 126            | 22,811               | 83,486     | 33                    | 525,375                      | 79,561                           | 604,936      |
| Facility operations/<br>maintenance | 114,920                | 255,626              | 3,502          | 112,359              | 296,035    | 481                   | 782,923                      | 9,807                            | 792,730      |
| Depreciation                        | 34,164                 | 72,524               |                | 51,191               | 15,780     |                       | 173,659                      | 4,475                            | 178,134      |
| Insurance                           | 11,386                 | 20,562               |                | 27,281               | 30,052     | 72                    | 89,353                       | 2,880                            | 92,233       |
| Supplies/materials                  | 13,459                 | 33,848               | 569            | 11,674               | 2,968      |                       | 62,518                       | 1,942                            | 64,460       |
| Program support                     | 78,304                 | 39,247               |                |                      |            |                       | 117,551                      |                                  | 117,551      |
| Training                            | 9,376                  | 2,969                | 2,003          | 430                  | 163        |                       | 14,941                       | 3,777                            | 18,718       |
| Food                                | 8,104                  | 127,905              | 157            | 192                  | 1,679      |                       | 138,037                      | 1,761                            | 139,798      |
| Transportation                      | 12,248                 | 302,636              |                | 4,737                | 23,186     | 202                   | 343,009                      | 709                              | 343,718      |
| Direct care<br>consultants          | 241,812                |                      |                |                      |            |                       | 241,812                      |                                  | 241,812      |
| Professional/Admin                  | 38,611                 | 32,234               | 161            | 5,504                | 24,293     | 142                   | 100,945                      | 62,646                           | 163,591      |
| Commercial products<br>and services | 27,024                 | 57,193               | 13,827         | 8,984                | 16,161     | 237                   | 123,426                      | 78,530                           | 201,956      |
| TOTAL                               | \$ 1,877,519           | \$ 2,879,414         | \$ 23,893      | \$ 382,115           | \$ 960,685 | \$ 1,288              | \$ 6,124,914                 | \$ 730,516                       | \$ 6,855,430 |

See accompanying notes.

YWCA NORTHEASTERN MASSACHUSETTS, INC.

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019 AND 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

YWCA Northeastern Massachusetts, 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 Northeastern Massachusetts, 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 Northeastern Massachusetts 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.

Financial Statement Presentation

The Association prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. generally accepted accounting principles (U.S. GAAP) in these notes are to the FASB Accounting Standards Codification (ASC).

Recently Adopted Accounting Policies

In 2019, the Association adopted FASB's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of these financial statements accordingly. The adoption of this ASU did not impact the Association's net asset classes, results of operations, or cash flows for the year ended June 30, 2019. The ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit disclosures about liquidity and availability of resources for the 2018 financial statements.

Net Assets

Net Assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Association.

Net assets with donor restrictions are amounts received or committed by donors with purpose or time restrictions that have not yet been met and permanently restricted funds.

Contributions:

Contributions without donor restrictions are recognized as revenue when unconditionally committed or received. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred or as time restrictions lapse.

Revenue Recognition

The Association receives grant and contract revenue from Federal and state agencies. The Association recognizes contract revenue (up to the contract ceiling) from its contracts either on a pro-rata basis over a 12 month period, which represents the service period for certain contracts, or to the extent of expenses. Revenue recognition depends on the contract. 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     |

### Income Taxes

The YWCA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The accounting standard on accounting for uncertainty in income taxes addresses determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the YWCA may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. There are no unrecognized tax benefits identified or recorded as liabilities for the years ended June 30, 2019 and 2018.

The YWCA's tax returns, form 990, for the years ending June 30, 2016, 2017, 2018 and 2019 are subject to examination by the IRS, 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, 2019 and 2018, the Association had approximately \$75,000 and \$78,000 set aside to cover possible unemployment costs. In 2019 and 2018, payments made for unemployment benefits totaled \$15,505 and \$14,568, respectively.

YWCA Northeastern Massachusetts, Inc.  
Notes to Financial Statements

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 2018 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>2019</u>       | <u>2018</u>       |
|-----------------------------|-------------------|-------------------|
| Receivables:                |                   |                   |
| Government program services | \$ 742,244        | \$ 654,891        |
| Other receivables           | <u>31,071</u>     | <u>23,633</u>     |
|                             | <u>\$ 773,315</u> | <u>\$ 678,524</u> |

NOTE 3 - SHORT TERM INVESTMENTS

The Association held \$13,847 and \$13,759 in marketable equity securities at June 30, 2019 and 2018, respectively. Total book and market value of short term investments was as follows at June 30:

|  | <u>2019</u>       |                     | <u>2018</u>       |                     |
|--|-------------------|---------------------|-------------------|---------------------|
|  | <u>Book Value</u> | <u>Market Value</u> | <u>Book Value</u> | <u>Market Value</u> |
| Marketable equity securities               | \$ 12,847         | \$ 12,847           | \$ 12,759         | \$ 12,759           |
| UST Realty Trust Preferred Stock (at cost) | <u>1,000</u>      | <u>1,000</u>        | <u>1,000</u>      | <u>1,000</u>        |
|  | <u>\$ 13,847</u>  | <u>\$ 13,847</u>    | <u>\$ 13,759</u>  | <u>\$ 13,759</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, 2019 and 2018 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, 2019 and 2018 were \$363,534 and \$353,103, 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 Northeastern Massachusetts, 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 Northeastern Massachusetts, Inc. 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 Northeastern Massachusetts, Inc. in 2019 and 2018, respectively.

YWCA Northeastern Massachusetts, 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 Northeastern Massachusetts 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 Northeastern Massachusetts, Inc. to the YWCA Fina House LLC is \$248,000. Thus, the Developer Fee of \$124,000, as of June 30, 2019, could be lost, either in whole or in part, related to such events occurring.

YWCA Northeastern Massachusetts, Inc. has entered into various guaranty agreements with lenders to the YWCA Fina House, LLC related to the repayment of \$2,573,431 as of June 30, 2019 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.

YWCA Northeastern Massachusetts, Inc. 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 2019 and 2018, the YWCA reported revenues of \$166,040 and \$154,809, respectively, related to this management contract with the YWCA Fina House LLC.



NOTE 6 - LONG-TERM DEBT

North Shore HOME Consortium

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.

| <u>2019</u> | <u>2018</u> |
|-------------|-------------|
| \$300,000   | \$ 270,000  |

Enterprise Bank

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. Monthly principal and interest payments of \$4,144 began December 2017.

|         |         |
|---------|---------|
| 429,721 | 457,233 |
|---------|---------|

Auto Loan

Auto loan started September 2015 with 36 monthly installments of \$879 and a maturity in August 2018, secured by a vehicle.

880

Community Economic Development

Assistance Corporation ("CEDAC")

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.

|                |                |
|----------------|----------------|
| <u>126,903</u> | <u>126,903</u> |
| 856,624        | 855,016        |

Fina House Developer

Note Payable

Note payable matures in 2034 and bears interest at 5.34%.

|        |        |
|--------|--------|
| 56,854 | 56,854 |
|--------|--------|

Note Payable – McKinney

Note payable matures in 2034 and bears interest at 4.535%.

|                     |                     |
|---------------------|---------------------|
| <u>363,534</u>      | <u>353,103</u>      |
| <u>\$ 1,277,012</u> | <u>\$ 1,264,973</u> |



YWCA Northeastern Massachusetts, Inc.  
Notes to Financial Statements

Future maturities of long-term debt as of June 30, 2019 is as follows:

| <u>Year</u> | <u>2019</u>        |
|-------------|--------------------|
| 2020        | \$29,006           |
| 2021        | 30,469             |
| 2022        | 32,005             |
| 2023        | 33,619             |
| 2024        | 35,315             |
| Thereafter  | <u>1,116,598</u>   |
|             | <u>\$1,277,012</u> |

NOTE 7. LINE OF CREDIT

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. The Association has a balance outstanding under the line of credit of \$100,000 and \$139,279 as of June 30, 2019 and 2018, respectively. As of June 30, 2019, the interest rate was 6.00%.

NOTE 8 – FACILITY LEASE

Future minimum payments under non cancellable operating leases as of June 30, 2019 are as follows:

| <u>Year ending<br/>June 30</u> | <u>Amount</u>    |
|--------------------------------|------------------|
| 2020                           | <u>50,017</u>    |
|                                | <u>\$ 50,017</u> |

NOTE 9 - 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, 2019 and 2018 was \$244,851 and \$237,188, respectively.

NOTE 10 - 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 11 - 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, 2019, the Association did not have any cash balance exceeding FDIC insurance limits.

NOTE 12- CONCENTRATIONS

Approximately seventy-one and seventy-five percent of the Association's accounts receivable at June 30, 2019 and 2018, respectively, represents amounts due from Massachusetts' governmental agencies.

Approximately eight- one and seventy- nine percent of the Association's revenues for the years ended June 30, 2019 and 2018, respectively, are from Massachusetts' governmental agencies.

NOTE 13- 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, 2019 and 2018.

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.

| <u>Assets at fair value as of June 30, 2019</u> |                |               |
|---|----------------|---------------|
|   | (In thousands) |               |
|   | <u>Level 1</u> | <u>Total</u>  |
| Cash and cash equivalents                       | \$ 405         | \$ 405        |
| Investments                                     | <u>14</u>      | <u>14</u>     |
|   | <u>\$ 419</u>  | <u>\$ 419</u> |

Assets at fair value as of June 30, 2018

|                           | (In thousands) |               |
|---------------------------|----------------|---------------|
|                           | <u>Level 1</u> | <u>Total</u>  |
| Cash and cash equivalents | \$ 537         | \$ 537        |
| Investments               | <u>14</u>      | <u>14</u>     |
|                           | <u>\$ 551</u>  | <u>\$ 551</u> |

Valuation and Income Recognition

The Association's cash and cash equivalents and investments as of June 30, 2019 and 2018 are stated at fair value.

NOTE 14- SURPLUS/DEFICIT REVENUE RETENTION

In accordance with the YWCA Northeastern Massachusetts, 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 15 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Association's financial assets available within one year from the statement of financial position as of June 30, 2019 for general operating expenses are as follows:

|   |                     |
|---|---------------------|
| Cash and cash equivalents                     | \$ 405,484          |
| Accounts receivable                           | 773,315             |
| Investments                                   | <u>13,847</u>       |
| Financial assets available to meet cash needs |                     |
| For general expenditures within one year      | <u>\$ 1,192,646</u> |

The Association manages liquidity by structuring financial assets to be available as general expenditures, liabilities, and other obligations come due. The Association invests cash in excess of short-term requirements in investments. As of June 30, 2019, the Association has financial assets exceeding one month of operating expenses

NOTE 16 - SUBSEQUENT EVENTS

The Association has evaluated all subsequent events through October 22, 2019, the date the financial statements became available to be issued. There were no subsequent events that require adjustment to the financial statements.