

YWCA NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC.)

FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2017 AND 2016
AND
INDEPENDENT AUDITOR'S REPORT

WALSH & CO.

ACCOUNTANTS & CONSULTANTS

YWCA NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC.)

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Independent Auditor's Report

Board of Directors
YWCA Northeastern Massachusetts, Inc.
(Formerly YWCA of Greater Lawrence, Inc.)

We have audited the accompanying financial statements of the YWCA Northeastern Massachusetts, Inc. (formerly YWCA of Greater Lawrence, Inc.) (a non-profit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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 24, 2017, 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 24, 2017

Wahl & Co.

YWCA NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC.)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS:	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 865,862	\$ 849,931
Accounts receivable-programs	584,798	706,606
Investments	228,293	552,191
Prepaid expenses and other	<u>87,197</u>	<u>82,028</u>
Total Current Assets	<u>1,766,150</u>	<u>2,190,756</u>
Fixed Assets:		
Land and buildings	5,852,589	4,952,123
Leasehold improvements	145,000	145,000
Equipment	483,504	499,700
Motor vehicle	<u>32,177</u>	<u>32,177</u>
Total Fixed Assets	6,513,270	5,629,000
Less: Allowance for depreciation	<u>(2,492,983)</u>	<u>(2,342,735)</u>
Property and Equipment, net	<u>4,020,287</u>	<u>3,286,265</u>
Accrued interest on note receivable-FINA House, LLC	53,434	50,398
Note receivable FINA House (Developer Loan)	56,854	56,854
Note receivable FINA House (McKinney Loan)	<u>342,673</u>	<u>332,242</u>
	<u>452,961</u>	<u>439,494</u>
TOTAL ASSETS	<u>\$ 6,239,398</u>	<u>\$ 5,916,515</u>
LIABILITIES AND NET ASSETS:		
Current Liabilities:		
Bank line of credit	\$ 199,279	\$ -
Accounts payable and accrued expenses	813,545	619,474
Deferred revenue - programs	288,869	368,678
Deferred revenues – FINA House, LLC	248,000	248,000
Current portion of mortgage and notes payable	<u>163,613</u>	<u>146,077</u>
Total Current Liabilities	<u>1,713,306</u>	<u>1,382,229</u>
Noncurrent Liabilities:		
Mortgage and notes payable, net of current portion	727,939	650,462
FINA House developer note payable	56,854	56,854
Note payable - McKinney	<u>342,673</u>	<u>332,242</u>
Total Noncurrent Liabilities	<u>1,127,466</u>	<u>1,039,558</u>
Total Liabilities	<u>2,840,772</u>	<u>2,421,787</u>
Commitment and contingencies		
Net Assets		
Unrestricted	<u>3,398,626</u>	<u>3,494,728</u>
Net Assets	<u>3,398,626</u>	<u>3,494,728</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,239,398</u>	<u>\$ 5,916,515</u>

See accompanying notes.

YWCA NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC.)

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>		<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support and Revenue:						
Merrimack Valley United Fund, Inc.						
Allotment	\$ 66,908		\$ 66,908	\$ 73,177		\$ 73,177
Grants	300,644		300,644	275,804		275,804
Program service fees	5,598,210		5,598,210	5,455,438		5,455,438
Gifts and contributions	770,923		770,923	534,030		534,030
Investment return	31,790		31,790	89,589		89,589
Other	<u>5,044</u>		<u>5,044</u>	<u>37,589</u>		<u>37,589</u>
Total Support and Revenue	<u>6,773,519</u>		<u>6,773,519</u>	<u>6,465,627</u>		<u>6,465,627</u>
Expenses:						
Program services:						
Counseling services	1,740,756		1,740,756	1,554,726		1,554,726
Children's Center	2,692,933		2,692,933	2,496,545		2,496,545
Girls Club	18,272		18,272	29,873		29,873
Health promotions	570,787		570,787	554,218		554,218
Residency	975,531		975,531	991,948		991,948
Community learning	8,482		8,482	8,211		8,211
Total Program Services	<u>6,006,761</u>		<u>6,006,761</u>	<u>5,635,521</u>		<u>5,635,521</u>
Supporting Services:						
General and administrative	862,860		862,860	749,659		749,659
Total Expenses	<u>6,869,621</u>		<u>6,869,621</u>	<u>6,385,180</u>		<u>6,385,180</u>
Change in Net Assets	<u>(96,102)</u>		<u>(96,102)</u>	<u>80,447</u>		<u>80,447</u>
Net Assets, Beginning of year	<u>3,494,728</u>		<u>3,494,728</u>	<u>3,414,281</u>		<u>3,414,281</u>
Net Assets, End of Year	<u>\$ 3,398,626</u>		<u>\$ 3,398,626</u>	<u>\$ 3,494,728</u>		<u>\$ 3,494,728</u>

See accompanying notes.
4.

YWCA NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC.)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Cash received from support and revenue	\$ 6,786,060	\$ 6,225,206
Cash paid to suppliers and employees	(6,512,618)	(6,209,269)
Investment income received	<u>26,423</u>	<u>89,589</u>
Net Cash Provided by Operating Activities	<u>299,865</u>	<u>105,526</u>
Cash Flows from Investing Activities:		
Capital expenditures	(902,124)	(884,090)
Increase in note receivable FINA House (McKinney Loan)	(10,431)	(10,430)
Unrealized Gain on investment	(8,336)	(67,650)
Purchase of investments		(13,543)
Sales of investments	<u>332,234</u>	
Net Cash Used in Investing Activities	<u>(588,657)</u>	<u>(975,713)</u>
Cash Flows from Financial Activities:		
Borrowing on note payable	105,444	680,066
Borrowing on line of credit	<u>199,279</u>	
Net Cash Provided By Financing Activities	<u>304,723</u>	<u>680,066</u>
Change in Cash and Cash Equivalents	15,931	(190,121)
Cash and Cash Equivalents, Beginning of Year	<u>849,931</u>	<u>1,040,052</u>
Cash and Cash Equivalents, End of Year	<u>\$ 865,862</u>	<u>\$ 849,931</u>
Reconciliation of Increase (Decrease) in Net Assets To Cash Flows – Operating Activities:		
(Decrease) Increase in Net Assets	<u>\$ (96,102)</u>	<u>\$ 80,447</u>
Adjustments to Reconcile Increase in Net Assets To Net Cash Provided By Operating Activities:		
Depreciation	168,102	173,641
Increase in accounts receivable – programs	121,808	(53,297)
(Increase) decrease in prepaid expenses and other	(5,169)	(27,622)
Increase in accrued interest on notes receivable – FINA House	(3,036)	(3,036)
Increase (decrease) in accounts payable and accrued expenses	194,071	29,892
Decrease) in deferred revenue – programs	<u>(79,809)</u>	<u>(94,499)</u>
Total Adjustments	<u>395,967</u>	<u>25,079</u>
Net Cash Provided By Operating Activities	<u>\$ 299,865</u>	<u>\$ 105,526</u>
Supplemental Disclosure:		
Disposal of fully depreciated fixed assets	<u>\$ 17,854</u>	<u>\$ 17,175</u>

See accompanying notes.

YWCA NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC.)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Counseling Services	Children's Center	Girl's Club	Health Promotions	Residency	Community Learning	Program Services Total	General and Administrative	Total
Salaries	\$ 1,170,046	\$ 1,463,452	\$ 475	\$ 268,482	\$ 382,092	\$ 355	\$ 3,284,902	\$ 636,177	\$ 3,921,079
Payroll Taxes	90,010	120,513	50	22,642	31,332	38	264,585	35,997	300,582
Fringe benefits	193,834	204,953	60	42,609	68,762	103	510,321	73,240	583,561
Facility operations/ Maintenance	78,569	199,908	15,703	102,494	383,135	442	780,251	8,200	788,451
Depreciation	17,982	61,629		61,181	22,860		163,652	4,450	168,102
Insurance	4,986	18,815		25,192	35,300	259	84,552	2,810	87,362
Supplies/materials	7,503	31,598	719	6,267	6,498	110	52,695	477	53,172
Program support	85,257	92,272					177,529		177,529
Training	4,758	(500)	644	5,348	485	85	10,820	3,336	14,156
Food	5,561	112,475	258	989	1,516	115	120,914	99	121,013
Transportation	14,336	313,865		15,443	8,187	235	352,066	5,305	357,371
Direct care									
Consultants	14,688			700	1,359	500	17,247		17,247
Professional/Admin	24,862	35,086	176	5,515	21,397	4,124	91,160	18,431	109,591
Commercial products and services	28,364	38,867	187	13,925	12,608	2,116	96,067	74,338	170,405
TOTAL	\$ 1,740,756	\$ 2,692,933	\$ 18,272	\$ 570,787	\$ 975,531	\$ 8,482	\$ 6,006,761	\$ 862,860	\$ 6,869,621

See accompanying notes.

YWCA NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC.)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Counseling Services</u>	<u>Children's Center</u>	<u>Girl's Club</u>	<u>Health Promotions</u>	<u>Residency</u>	<u>Community Learning</u>	<u>Program Services Total</u>	<u>General and Administrative</u>	<u>Total</u>
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	<u>27,727</u>	<u>35,249</u>	<u>185</u>	<u>11,330</u>	<u>12,437</u>	<u>200</u>	<u>87,128</u>	<u>41,343</u>	<u>128,471</u>
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 NORTHEASTERN MASSACHUSETTS, INC.
(FORMERLY YWCA OF GREATER LAWRENCE, INC).

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

YWCA Northeastern Massachusetts, Inc. (formerly 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 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.

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 \$1,595,000 and \$822,000 for the renovation to the Haverhill, Massachusetts building are not being depreciated in 2017 and 2016, respectively. When construction is completed in this facility depreciation will commence.

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, 2017 and 2016.

The YWCA's tax returns, form 990, for the years ending June 30, 2014, 2015, 2016 and 2017 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, 2017 and 2016, the Association had approximately \$66,000 and \$67,000 set aside to cover possible unemployment costs. In 2017 and 2016, payments made for unemployment benefits totaled \$26,646 and \$30,369, 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 2016 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>2017</u>	<u>2016</u>
Receivables:		
Government program services	\$ 561,986	\$ 681,080
Other receivables	<u>22,812</u>	<u>25,526</u>
	<u>\$ 584,798</u>	<u>\$ 706,606</u>

NOTE 3 - SHORT TERM INVESTMENTS

The Association held \$228,293 and \$552,191 in marketable equity securities at June 30, 2017 and 2016, respectively. Total book and market value of short term investments was as follows at June 30:

	<u>2017</u>		<u>2016</u>	
	<u>Book</u>	<u>Market</u>	<u>Book</u>	<u>Market</u>
	<u>Value</u>	<u>Value</u>	<u>Value</u>	<u>Value</u>
Marketable equity securities	\$ 227,293	\$ 227,293	\$ 551,191	\$ 551,191
UST Realty Trust				
Preferred Stock (at cost)	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<u>\$ 228,293</u>	<u>\$ 228,293</u>	<u>\$ 552,191</u>	<u>\$ 552,191</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, 2017 and 2016 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, 2017 and 2016 were \$342,673 and \$332,242, 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 2017 and 2016, 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 \$248,000 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 \$2,625,965 as of June 30, 2017 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 2017 and 2016, the YWCA reported revenues of \$199,792 and \$161,216, respectively, related to this management contract with the YWCA Fina House LLC.

YWCA Northeastern Massachusetts, Inc.
Notes to Financial Statements

NOTE 6 - <u>LONG-TERM DEBT</u>	<u>2017</u>	<u>2016</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	\$ 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.	483,210	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.	11,439	21,998
<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.	<u>126,903</u>	<u>126,903</u>
	891,552	796,539
<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%.	<u>342,673</u>	<u>332,242</u>
	<u>\$ 1,291,079</u>	<u>\$ 1,185,635</u>

Future maturities of long-term debt as of June 30, 2017 and 2016 are as follows:

<u>Year</u>	<u>2017</u>	<u>2016</u>
2018	\$ 163,613	\$ 146,077
2019	28,594	28,438
2020	29,107	18,660
2021	30,570	19,727
2022	32,106	20,722
Thereafter	<u>1,007,089</u>	<u>952,011</u>
	<u>\$ 1,291,079</u>	<u>\$ 1,185,635</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 \$199,279 as of June 30, 2017. As of June 30, 2017, the interest rate was 4.75%. There was no outstanding balance at June 30, 2016.

NOTE 8 – FACILITY LEASE

Future minimum payments under non cancellable operating leases as of June 30, 2017 are as follows:

<u>Year ending</u> <u>June 30</u>	<u>Amount</u>
2018	\$ 106,138
2019	106,765
2020	<u>28,417</u>
	<u>\$241,320</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, 2017 and 2016 was \$230,177 and \$211,647, 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, 2017 and 2016, the Association's cash balance exceeding FDIC insurance limits amounted to approximately \$44,000 and \$37,000, respectively.

NOTE 12- CONCENTRATIONS

Approximately seventy-one and seventy-six percent of the Association's accounts receivable at June 30, 2017 and 2016, respectively, represents amounts due from Massachusetts' governmental agencies.

Approximately seventy-three and seventy-four percent of the Association's revenues for the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

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, 2017</u>	
	(In thousands)	
	<u>Level 1</u>	<u>Total</u>
Cash and cash equivalents	\$ 866	\$ 866
Investments	<u>228</u>	<u>228</u>
	<u>\$ 1,094</u>	<u>\$ 1,094</u>

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>

Valuation and Income Recognition

The Association's cash and cash equivalents and investments as of June 30, 2017 and 2016 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 – SUBSEQUENT EVENTS

The Association has evaluated all subsequent events through October 24, 2017, the date the financial statements became available to be issued. There were no subsequent events that require adjustment to the financial statements.