



YWCA OF MINNEAPOLIS

Financial Statements

June 30, 2008

(With Independent Auditors' Report Thereon)



KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Directors
YWCA of Minneapolis

We have audited the accompanying statement of financial position of the YWCA of Minneapolis (the Association) as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 5, 2008

YWCA OF MINNEAPOLIS
Statement of Financial Position
June 30, 2008

Assets

Cash	\$	1,372,520
Membership and other receivables, net of allowance of \$189,173		552,275
Pledges receivable, net		577,981
Inventory		18,634
Prepaid expenses		245,123
Investments		6,125,692
Investment in YWCA West Broadway, LLC		383,662
Property and equipment, net		17,957,723
		<u>17,957,723</u>
Total assets	\$	<u>27,233,610</u>

Liabilities and Net Assets

Liabilities:		
Accounts payable	\$	629,196
Accrued payroll and related liabilities		525,075
Deferred support and revenue		1,224,309
Long-term debt		37,624
		<u>37,624</u>
Total liabilities		<u>2,416,204</u>
Net assets:		
Unrestricted		21,941,753
Temporarily restricted		2,336,960
Permanently restricted		538,693
		<u>538,693</u>
Total net assets		<u>24,817,406</u>
Total liabilities and net assets	\$	<u>27,233,610</u>

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statement of Activities

Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 259,359	1,256,307	—	1,515,666
Special events	458,112	203,207	—	661,319
United Way	37,328	1,388,471	—	1,425,799
Total public support	<u>754,799</u>	<u>2,847,985</u>	<u>—</u>	<u>3,602,784</u>
Revenue:				
Fees and grants – government	2,372,817	472,011	—	2,844,828
Program service fees and membership dues	8,522,047	—	—	8,522,047
Incidental revenue	181,253	—	—	181,253
Investment returns	(81,839)	(62,648)	—	(144,487)
Room rental	208,954	—	—	208,954
Miscellaneous	32,462	—	—	32,462
Total revenue	<u>11,235,694</u>	<u>409,363</u>	<u>—</u>	<u>11,645,057</u>
Net assets released from program restrictions	3,344,250	(3,344,250)	—	—
Equity in operating loss of YWCA West Broadway, LLC	(43,928)	—	—	(43,928)
Total public support and revenue	<u>15,290,815</u>	<u>(86,902)</u>	<u>—</u>	<u>15,203,913</u>
Expenses:				
Health and fitness	7,534,739	—	—	7,534,739
Early childhood education	4,789,956	—	—	4,789,956
Girls and youth	1,353,961	—	—	1,353,961
Racial justice and public policy	267,218	—	—	267,218
Women’s wellness	165,611	—	—	165,611
Management and general	1,227,870	—	—	1,227,870
Fund-raising	608,940	—	—	608,940
Total expenses	<u>15,948,295</u>	<u>—</u>	<u>—</u>	<u>15,948,295</u>
Change in net assets before extraordinary gain on investment in YWCA West Broadway, LLC	(657,480)	(86,902)	—	(744,382)
Extraordinary gain on investment in YWCA West Broadway, LLC	427,490	—	—	427,490
Total change in net assets	<u>(229,990)</u>	<u>(86,902)</u>	<u>—</u>	<u>(316,892)</u>
Net assets at beginning of year	<u>22,171,743</u>	<u>2,423,862</u>	<u>538,693</u>	<u>25,134,298</u>
Net assets at end of year	\$ <u>21,941,753</u>	<u>2,336,960</u>	<u>538,693</u>	<u>24,817,406</u>

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS
Statement of Functional Expenses
Year ended June 30, 2008

	Program services					Supporting services				Total
	Health and fitness	Early childhood education	Girls and youth	Racial justice and public policy	Women's wellness	Total	Management and general	Fund-raising	Total	
Salaries	\$ 3,911,765	2,713,188	739,000	175,231	93,286	7,632,470	734,568	298,555	1,033,123	8,665,593
Employee benefits	424,495	452,207	111,980	26,842	8,915	1,024,439	93,525	38,008	131,533	1,155,972
Payroll taxes and workers' compensation	380,278	261,436	73,086	16,675	9,249	740,724	63,530	27,938	91,468	832,192
Total salaries and related expenses	4,716,538	3,426,831	924,066	218,748	111,450	9,397,633	891,623	364,501	1,256,124	10,653,757
Professional fees and contract service payments	330,037	53,958	9,652	10,363	1,477	405,487	83,645	9,700	93,345	498,832
Supplies	159,227	317,105	195,655	4,590	2,487	679,064	44,761	4,901	49,662	728,726
Telephone	28,344	20,099	6,493	2,102	685	57,723	6,053	1,812	7,865	65,588
Postage	18,825	378	383	1,572	1,200	22,358	4,443	4,815	9,258	31,616
Occupancy	1,458,653	707,050	66,524	9,589	30,355	2,272,171	78,938	8,066	87,004	2,359,175
Outside printing and advertising	135,660	3,826	5,534	4,011	1,078	150,109	5,779	23,045	28,824	178,933
Transportation	13,481	1,570	68,181	1,016	97	84,345	6,315	334	6,649	90,994
Conferences, conventions, and meetings	27,835	28,613	22,494	7,353	5,766	92,061	19,715	3,138	22,853	114,914
Payments to the Heartland Region of YWCAs	—	—	—	—	—	—	32,000	—	32,000	32,000
Interest expense	2,256	614	41	36	35	2,982	1,090	29	1,119	4,101
Special events expenses	—	—	—	—	—	—	—	181,100	181,100	181,100
Miscellaneous	44,117	7,557	10,707	1,018	336	63,735	13,342	840	14,182	77,917
Total expenses before depreciation and amortization	6,934,973	4,567,601	1,309,730	260,398	154,966	13,227,668	1,187,704	602,281	1,789,985	15,017,653
Depreciation and amortization	599,766	222,355	44,231	6,820	10,645	883,817	40,166	6,659	46,825	930,642
Total expenses	\$ 7,534,739	4,789,956	1,353,961	267,218	165,611	14,111,485	1,227,870	608,940	1,836,810	15,948,295

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Change in net assets	\$ (316,892)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	930,642
Net unrealized losses on investments	591,349
Contributions received for long-term purposes	(83,803)
Equity in operating loss of YWCA West Broadway, LLC	43,928
Extraordinary gain on investment in YWCA West Broadway, LLC	(427,490)
Changes in operating assets and liabilities:	
Membership and other receivables	101,030
Pledges receivable	(20,963)
Inventory	134
Prepaid expenses	(10,329)
Accounts payable	(29,633)
Accrued payroll and related liabilities	83,656
Deferred support and revenue	188,773
Net cash provided by operating activities	<u>1,050,402</u>
Cash flows from investing activities:	
Purchases of property and equipment	(516,728)
Proceeds from sale of investments	1,778,793
Purchase of investments	(2,177,499)
Purchase of investment in YWCA West Broadway, LLC	(100)
Net cash used in investing activities	<u>(915,534)</u>
Cash flows from financing activities:	
Payments on long-term debt	(35,678)
Proceeds from contributions restricted for:	
Investment in property and equipment	83,803
Net cash provided by financing activities	<u>48,125</u>
Net change in cash	182,993
Cash at beginning of year	<u>1,189,527</u>
Cash at end of year	<u>\$ 1,372,520</u>
Supplemental disclosure:	
Cash paid for interest	\$ 4,211

See accompanying notes to financial statements.

YWCA OF MINNEAPOLIS

Notes to Financial Statements

June 30, 2008

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Since 1891, the YWCA of Minneapolis (the YWCA) has worked to empower women and girls and eliminate racism through a comprehensive set of services that have changed and adapted as needs and populations in the Minneapolis community have changed. The YWCA focuses its efforts in six primary areas: Health and Fitness; Early Childhood Education; Girls and Youth; Women's Wellness; Public Policy; and Racial Justice. The YWCA's programs target women, youth, and families with special emphasis on people of color and low-income households.

Health and Fitness – The health and fitness programs offer a comprehensive program of physical activities to challenge people's minds, bodies, and spirits. The YWCA's facilities include high quality exercise equipment, gyms, pools, aerobic studios, tracks, and tennis courts. Workshops and clinics on health and wellness, CPR, first aid, and lifeguard certifications, as well as swimming classes, personal training, and other specialty classes offer additional opportunities for members to enhance their personal well-being. Sliding fee memberships provide access to low-income individuals.

Early Childhood Education – These programs provide full-time early childhood education and care in four centers to infants through 10-year-olds with a focus on low-income families and children with special needs. All of the early childhood education programs prepare children for a successful school experience by providing appropriate developmental learning and teaching children to value cultural identity and diversity. These programs also help families overcome barriers to self-sufficiency and improve parenting skills through increased access to resources, and encouragement and support from teachers and families.

Three of the centers are accredited and the fourth center, which opened in 2006 on the Abbott Northwestern Hospital campus, is in process for accreditation. This new center provides care to families in two ways. Half of the center provides English language based multicultural care like the other three centers in age specific classrooms. The other half provides care in language-specific classrooms (currently Somali and Spanish) with children of a variety of ages. The providers who teach in the language specific rooms are new Americans who are also participating in business development training focused on preparing providers to open their own home childcare business after three to five years work at the center. The Spanish and Somali language-specific care opened in January 2006 and the English language based care opened in July 2006.

Girls and Youth – The girls and youth programs challenge young people to maximize their potential. Working primarily with low-income youth of color who attend Minneapolis Public Schools, the programs provide developmental stepping stones for youth ages 9 through 18 to expect and create great things in their lives. Programs focus on supporting academic success, developing positive decision making and leadership skills, pregnancy and violence prevention, and preparing youth for a productive life.

Women's Wellness – Women's Wellness programs exist to nourish the mind, body and spirit of women and girls. The goal is to provide opportunities for women to identify and create positive changes that lead to healthier families and communities. Each year the YWCA provides scholarship

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Notes to Financial Statements

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opportunities for women of all socio-economic levels to have access to Health and Fitness memberships. These scholarships are based on financial need, and the final membership rate is based on the participant's income and other qualifying factors. Participants are supported and encouraged to take full advantage of their membership.

Public Policy – The YWCA believes that everyone has a role to play in shaping public policy. The YWCA's current legislative priority is high quality early childhood education for all Minnesota children. Throughout the year, the YWCA advocates for this agenda educating and organizing our parents, members, Board and committee members, staff, and volunteers to become informed and take action to create change.

Racial Justice – The racial justice program was established to expand the YWCA's work in helping our community understand and discuss race issues by providing unlearning racism and understanding privilege trainings, providing advocacy and training on the issue of race, and hosting an annual citywide forum on race issues for community leaders and members.

(b) Basis of Presentation

The accounting policies of the YWCA conform to U.S. generally accepted accounting principles.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the YWCA and changes therein are classified into the following three categories:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the YWCA's operations. Certain of these amounts have been designated by the board for future operations and endowment;
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time; and
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently but permit the YWCA to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using the YWCA's borrowing rates applicable to the years in which the promises are received. Contributions of assets other than cash are recorded at their estimated fair value. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

(c) *Property and Equipment*

The YWCA capitalizes all expenditures for property and equipment in excess of \$300; the fair value of donated fixed assets is similarly capitalized. Depreciation expense is computed using the straight-line method based on estimated useful lives of 35 to 50 years for buildings, 3 to 10 years for furnishings and equipment, and 5 years for vehicles. When property and equipment are sold or retired, the basis and related accumulated depreciation are removed from the accounts.

(d) *Expense Distribution*

Expenses have been charged to program and supporting service functions as follows:

- i) Wages, salaries, and related costs are allocated to the various functions based on actual or estimated time expended.
- ii) Other expenses not directly related to specific functions are allocated to the various functions based on estimated usage.

(e) *Cash*

For purposes of the statement of cash flows, cash excludes cash equivalents held in brokerage accounts reported as investments.

(f) *Investments*

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are recorded in the period in which they occur in the appropriate net asset classification.

(g) *Investment in YWCA West Broadway, LLC*

The YWCA has entered into an agreement, the terms of which convey a 50% ownership and voting interest in YWCA West Broadway, LLC (the Corporation). The purpose of the Corporation is to develop certain real property along West Broadway Avenue in North Minneapolis as an athletic facility. The YWCA accounts for its investment in the Corporation using the equity method of accounting.

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June 30, 2008

(h) *Deferred Support and Revenue*

Deferred support and revenue consist primarily of prepaid membership dues, which are amortized pro rata into income over the life of the related membership.

(i) *Income Taxes*

The YWCA is classified as a tax-exempt organization under Section 501(c)(3) and is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and is subject to federal and state income taxes on net unrelated business income.

YWCA West Broadway, LLC is treated as a partnership for federal and state income tax purposes. Similar to a partnership, the proportionate share of net income and or losses is passed through to its members on its tax return; therefore, the entity pays no federal or state income taxes.

(j) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(k) *New Accounting Pronouncements*

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. SFAS 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in U.S. generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on change in net assets. SFAS 157 is effective for the YWCA beginning July 1, 2008. The YWCA is evaluating the adoption of SFAS 157 and the impact on the financial statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value, with unrealized gains and losses related to these financial instruments reported in unrealized gains and losses at each subsequent reporting date. SFAS 159 is effective for the YWCA beginning July 1, 2008. The YWCA is evaluating the adoption of SFAS 159 and the impact on the financial statements.

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (the FSP). The FSP provides guidance on the net asset classification of donor-

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June 30, 2008

restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Effective August 1, 2008, the State of Minnesota enacted the UPMIFA, the provisions of which apply to funds existing on or established after that date. A key component of the FSP is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The YWCA will adopt the FSP for the year ending June 30, 2009, which will require the June 30, 2008 financial statements to be retrospectively adjusted to reflect reclassification from unrestricted net assets to temporarily restricted net assets of approximately \$1,682,000. The FSP also requires expanded disclosures for all endowment funds.

(2) Investments

State law allows the board of directors to appropriate as much of the net appreciation as is prudent considering the YWCA's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The board of directors annually approves an appropriation of a portion of the endowment and board-designated investment income to current operations. In 2008, such amounts were \$150,000.

Mutual funds invested primarily in:

Equity securities	\$ 3,730,597
Debt securities or cash equivalents	<u>2,395,095</u>
	<u>\$ 6,125,692</u>

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest	\$ 108,793	34,082	142,875
Net realized gains	213,145	90,842	303,987
Net unrealized losses	<u>(403,777)</u>	<u>(187,572)</u>	<u>(591,349)</u>
Total return on investments	<u>\$ (81,839)</u>	<u>(62,648)</u>	<u>(144,487)</u>

(3) Investment in YWCA West Broadway, LLC

The YWCA recorded its investment in the Corporation in fiscal 2008. The carrying value at June 30, 2008 of \$383,662 reflects the YWCA's initial investment of \$100, the YWCA's equity in the operating loss of the Corporation for the year ended June 30, 2008 of \$43,928, and the difference between the cost of the YWCA's investment and the YWCA's interest in the Corporation's underlying net assets based on its ownership interest of \$427,490, which has been recognized as an extraordinary gain.

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June 30, 2008

(4) Pledges Receivable

Anticipated future collections of pledges receivable at June 30, 2008 are as follows:

Unconditional promises expected to be collected in:	
Less than one year	\$ 429,639
One year to five years	148,342
	<u>\$ 577,981</u>

(5) Property and Equipment

Property and equipment consisted of the following at June 30, 2008:

Land, buildings, and leasehold improvements	\$ 27,031,161
Furnishings and equipment	3,006,876
Vehicles	244,498
Construction in progress	8,803
	<u>30,291,338</u>
Less accumulated depreciation and amortization	12,333,615
	<u>\$ 17,957,723</u>

(6) Long-term Debt

Long-term debt consisted of the following at June 30, 2008:

Notes payable for vehicle purchases, interest of 5.9%	\$ 14,872
Notes payable for building improvements for childcare facilities, interest rate 5%	524
Special assessments payable on property, interest ranging from 5% to 7.2%	22,228
	<u>\$ 37,624</u>

Maturities of long-term debt at June 30, 2008 are as follows:

2009	\$ 13,323
2010	11,895
2011	4,550
2012	1,822
2013	1,724
Thereafter	4,310
	<u>\$ 37,624</u>

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(7) Unrestricted Net Assets

Unrestricted net assets consisted of the following at June 30, 2008:

Current	\$ <u>299,807</u>
Board-designated:	
Investments, at fair value, set aside for future operational needs or capital improvements	1,813,774
Accumulated realized and unrealized gains on general endowment funds set aside to maintain purchasing power of endowment	<u>1,682,316</u>
Total board-designated	3,496,090
Net property, equipment, and construction fund	17,762,294
Investment in YWCA West Broadway, LLC	<u>383,562</u>
Total unrestricted net assets	\$ <u><u>21,941,753</u></u>

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2008:

Health and Fitness program activities	\$ 170,446
Early Childhood Education programs:	
General program activities	416,913
Capital improvements	5,761
Girls and Youth program activities	213,718
Racial Justice and Public Policy program activities	13,500
General operating purposes time-restricted 2008-2009	5,000
Capital improvements	30,000
Net realized and unrealized income from Elizabeth Lyman Lodge	
Endowment Fund for camping activities	1,432,290
Net realized and unrealized income from Ruth Keith Endowment Fund for domestics	<u>49,332</u>
Total temporarily restricted net assets	\$ <u><u>2,336,960</u></u>

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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

Health and Fitness program expenses	\$	208,302
Early Childhood Education program expenses		1,297,779
Girls and Youth program expenses		1,410,282
Women's Wellness program expenses		117,677
Racial Justice and Public Policy program expenses		225,210
Capital expenditures		75,000

Time restrictions released:

General operating expenses		10,000
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Total restrictions released \$ 3,344,250

(9) Permanently Restricted Net Assets

Permanently restricted net assets are restricted to endowment investments, at historical cost, the income from which is expendable to support the following activities at June 30, 2008:

General Endowment – any activity of the organization	\$	369,499
Jean Wigley Memorial Fund – any activity of the organization		50,237
Elizabeth Lyman Lodge Endowment – camping activities		102,669
Ruth Keith Endowment – domestics instruction		16,288
Total permanently restricted net assets	\$	<u><u>538,693</u></u>

(10) Affiliation with the YWCA of the USA and the Heartland Region of YWCAs

The YWCA is a member of the Heartland Region of YWCAs. Assessments paid to the Heartland Region were \$32,000 for the year ended June 30, 2008. The Heartland Region of YWCAs is a member of the YWCA of the USA.

(11) Retirement Plan

The YWCA participates in a defined benefit cash balance retirement plan, which is administered through a national organization, YWCA Retirement Fund. Benefits of the plan are based on individual employee account balances. The actuarial present value of accumulated plan benefits and net assets available for benefits relating to the YWCA's employees is not available because such information is not accumulated for each participating organization. The YWCA's level of contribution is elected at the beginning of each year. The YWCA contributed 7.5% of the participating employees' wages during the year ended June 30, 2008 to the YWCA Retirement Fund. The YWCA Retirement Fund matches the YWCA's contributions at varying levels depending on the contribution level of the YWCA. For the year ended June 30, 2008, the YWCA Retirement Fund contributed 3% to the employees' accounts. Expense for the year ended June 30, 2008 was \$368,723.

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(12) Commitments and Contingencies

The YWCA leases certain rental space for a nominal amount. As part of the lease agreement, the YWCA pays 13% of the buildings and grounds' annual cost of repairs, maintenance, and utilities costs. The occupancy expense for the year ended June 30, 2008 amounted to \$12,000. This lease expires in 2011.

At the end of 2005, the YWCA took possession of space for a new childcare center under a lease agreement, which expires in 2015. The lease provides for waiver of base rent and operating expenses based on the understanding that the YWCA will incur yearly programming deficits as defined by the lease. Rent expense and corresponding contribution income of \$358,617 have been recognized for the year ended June 30, 2008.

The YWCA has entered into a lease agreement with the Corporation, a related party, to lease an athletic facility to be constructed. The term of the lease is 20 years commencing on date of possession. Rent payments would be equal to all principal, interest, and financing charges resulting from construction of the facility plus operating expenses, if any. There are certain conditions precedent to construction, including the sufficiency of funds. These conditions were not met as of June 30, 2008. This lease agreement may be terminated by either party should sufficient financing, grants, or contributions for construction not be secured by December 31, 2008.

The YWCA is a guarantor, along with West Broadway LLC, a wholly owned subsidiary of Great Neighborhoods Development Corporation, a legally separate, independent not-for-profit corporation, of a loan payable to a financial institution in the amount of \$1,000,000. As of June 30, 2008, no amounts have been recognized as a liability on the YWCA's financial statements under the financial guarantee.

(13) Subsequent Events

The YWCA has entered into a revolving line of credit agreement with a financial institution in the amount of \$400,000, which matures on July 31, 2009. Interest on the revolving line of credit is equal to the prime rate as determined by the financial institution.

The YWCA rented space to operate an Early Childhood Education Center in south Minneapolis. This lease was subject to a master lease, both of which expired August 31, 2008. The landlord vacated the building and YWCA management was unsuccessful in negotiating a lease with the owner of the building. A majority of the staff and families served by this facility were moved to other Early Childhood Education Centers operated by the YWCA. The YWCA incurred costs of approximately \$22,000 to vacate the facility.

The Board of Directors approved drawing \$500,000 from board-designated investments and borrowing \$2,000,000 to finance improvements to its Uptown facility. In July 2008, the YWCA entered into a construction contract for \$1,929,203. The City of Minneapolis issued \$2,000,000 in tax-exempt bonds, loaned the proceeds to the YWCA, and assigned its interest in the borrowings to a financial institution. Interest only payments are required through December 31, 2008 and are based on the accumulated draw-downs from the loan. Principal and interest payments begin January 31, 2009 amortized over a 10-year period with interest floating at 65% of LIBOR plus 146 basis points. The note is secured by a mortgage of

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the Uptown facility. In addition to the interest and principal payments, the YWCA is obligated to pay a semi-annual administrative fee to the City of Minneapolis equal to 1/8th of 1% of the principal amount outstanding beginning January 1, 2009.

In September 2008, the YWCA entered into an interest rate swap agreement which trades the obligation to pay the floating rate interest at 65.0% of LIBOR plus 146 basis points with a fixed interest rate of 4.5%.