



**YWCA OF MINNEAPOLIS**

Financial Statements

June 30, 2007

(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, 2007, and the related statements of activities, functional expenses, and cash flows for the six-month period ended June 30, 2007. 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, 2007, and the changes in its net assets and its cash flows for the six-month period ended June 30, 2007, in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

November 20, 2007

**YWCA OF MINNEAPOLIS**

Statement of Financial Position

June 30, 2007

**Assets**

Cash	\$	1,189,527
Membership and other receivables, net of allowance of \$142,304		653,305
Pledges receivable, net		557,018
Inventory		18,768
Prepaid expenses		234,794
Investments		6,318,335
Property and equipment, net		18,371,637
Total assets	\$	<u>27,343,384</u>

**Liabilities and Net Assets**

Liabilities:

Accounts payable	\$	658,829
Accrued payroll and related liabilities		441,419
Deferred support and revenue		1,035,536
Long-term debt		73,302
Total liabilities		<u>2,209,086</u>

Net assets:

Unrestricted		22,171,743
Temporarily restricted		2,423,862
Permanently restricted		538,693
Total net assets		<u>25,134,298</u>
Total liabilities and net assets	\$	<u>27,343,384</u>

See accompanying notes to financial statements.

**YWCA OF MINNEAPOLIS**

Statement of Activities

Six-month period ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Contributions	\$ 100,194	618,504	—	718,698
Special events	323,078	54,777	—	377,855
United Way allocations	15,624	775,441	—	791,065
Total public support	<u>438,896</u>	<u>1,448,722</u>	<u>—</u>	<u>1,887,618</u>
Revenue:				
Fees and grants – government	1,109,307	295,665	—	1,404,972
Program service fees and membership dues	4,500,517	—	—	4,500,517
Incidental revenue	108,818	—	—	108,818
Investment returns	432,827	169,028	—	601,855
Room rental	82,731	—	—	82,731
Miscellaneous	13,757	—	—	13,757
Total revenue	<u>6,247,957</u>	<u>464,693</u>	<u>—</u>	<u>6,712,650</u>
Net assets released from program restrictions	<u>1,601,292</u>	<u>(1,601,292)</u>	<u>—</u>	<u>—</u>
Total public support and revenue	<u>8,288,145</u>	<u>312,123</u>	<u>—</u>	<u>8,600,268</u>
Expenses:				
Health and fitness	3,897,788	—	—	3,897,788
Early childhood	2,307,927	—	—	2,307,927
Girls and youth	555,237	—	—	555,237
Racial justice and public policy	144,373	—	—	144,373
Women's wellness	106,859	—	—	106,859
Management and general	611,752	—	—	611,752
Fund-raising	258,465	—	—	258,465
Total expenses	<u>7,882,401</u>	<u>—</u>	<u>—</u>	<u>7,882,401</u>
Total change in net assets	405,744	312,123	—	717,867
Net assets at beginning of period	<u>21,765,999</u>	<u>2,111,739</u>	<u>538,693</u>	<u>24,416,431</u>
Net assets at end of period	<u>\$ 22,171,743</u>	<u>2,423,862</u>	<u>538,693</u>	<u>25,134,298</u>

See accompanying notes to financial statements.

**YWCA OF MINNEAPOLIS**  
Statement of Functional Expenses  
Six-month period ended June 30, 2007

	Program services					Supporting services				Total
	Health and fitness	Early childhood	Girls and youth	Racial justice and public policy	Women's wellness	Total	Management and general	Fund-raising	Total	
Salaries	\$ 1,959,737	1,286,660	340,724	90,773	63,395	3,741,289	353,009	125,336	478,345	4,219,634
Employee benefits	212,923	216,561	47,219	13,095	4,042	493,840	40,724	13,267	53,991	547,831
Payroll taxes and workers' compensation	197,664	127,140	36,243	9,191	6,386	376,624	33,761	11,752	45,513	422,137
Total salaries and related expenses	2,370,324	1,630,361	424,186	113,059	73,823	4,611,753	427,494	150,355	577,849	5,189,602
Professional fees and contract service payments	210,446	32,102	4,826	11,718	4,301	263,393	59,255	4,668	63,923	327,316
Supplies	123,324	164,166	49,119	1,472	2,885	340,966	15,101	3,180	18,281	359,247
Telephone	14,549	9,977	3,318	1,007	369	29,220	2,892	887	3,779	32,999
Postage	4,624	269	131	148	782	5,954	2,542	2,089	4,631	10,585
Occupancy	708,990	348,638	26,631	3,186	15,795	1,103,240	32,711	3,861	36,572	1,139,812
Outside printing and advertising	96,527	3,366	1,046	3,555	1,511	106,005	3,860	12,081	15,941	121,946
Transportation	12,458	702	17,570	556	225	31,511	3,259	91	3,350	34,861
Conferences, conventions, and meetings	23,903	5,033	1,849	5,984	1,170	37,939	10,619	1,734	12,353	50,292
Payments to the Heartland Region of YWCAs	—	—	—	—	—	—	16,000	—	16,000	16,000
Interest expense	838	1,005	114	41	58	2,056	754	50	804	2,860
Special events expenses	—	—	—	—	—	—	—	75,956	75,956	75,956
Miscellaneous	32,059	4,590	3,209	269	339	40,466	17,885	47	17,932	58,398
Total expenses before depreciation and amortization	3,598,042	2,200,209	531,999	140,995	101,258	6,572,503	592,372	254,999	847,371	7,419,874
Depreciation and amortization	299,746	107,718	23,238	3,378	5,601	439,681	19,380	3,466	22,846	462,527
Total expenses	\$ 3,897,788	2,307,927	555,237	144,373	106,859	7,012,184	611,752	258,465	870,217	7,882,401

See accompanying notes to financial statements.

# YWCA OF MINNEAPOLIS

## Statement of Cash Flows

Six-month period ended June 30, 2007

Cash flows from operating activities:	
Change in net assets	\$ 717,867
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	462,527
Net unrealized gains on investments	(483,637)
Contributions received for long-term purposes	(5,295)
Changes in operating assets and liabilities:	
Membership and other receivables	9,144
Pledges receivable	55,014
Inventory	4,113
Prepaid expenses	(129,827)
Accounts payable	121,139
Accrued payroll and related liabilities	(16,223)
Deferred support and revenue	(153,750)
Net cash provided by operating activities	<u>581,072</u>
Cash flows from investing activities:	
Purchases of property and equipment	(347,912)
Proceeds from sale of investments	212,507
Purchase of investments	(162,330)
Net cash used in investing activities	<u>(297,735)</u>
Cash flows from financing activities:	
Payments on long-term debt	(23,617)
Proceeds from contributions restricted for: Investment in property and equipment	<u>5,295</u>
Net cash used in financing activities	<u>(18,322)</u>
Net change in cash	265,015
Cash at beginning of year	<u>924,512</u>
Cash at end of year	\$ <u><u>1,189,527</u></u>
Supplemental disclosure:	
Cash paid for interest	\$ 2,759

See accompanying notes to financial statements.

# YWCA OF MINNEAPOLIS

## Notes to Financial Statements

June 30, 2007

### (1) Organization and Summary of Significant Accounting Policies

#### (a) Organization

Since 1891, the YWCA of Minneapolis (the Association) 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 Association focuses its efforts in six primary areas: Health and Fitness; Early Childhood; Girls and Youth; Women's Wellness; Public Policy; and Racial Justice. The Association'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 Association's facilities include state-of-the-art 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** – These programs provide full-time childcare in four centers to infants through school-agers with a focus on low-income families and children with special needs. All of the early childhood 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 2–3 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, the programs provide developmental stepping stones that enable youth ages 9–18 to be their best now and always. Programs focus on increasing academic achievement, developing social and leadership skills, reducing teen pregnancy, and preparing youth for a career and positive community involvement.

**Women's Wellness** – Women's Wellness programs exist to nourish the mind, body, and spirit of low-income women, particularly women of color. The programs help them identify and create positive changes in themselves, which leads to healthier families, communities, and world systems. Each year, hundreds of women receive culturally specific health information and education, access

# YWCA OF MINNEAPOLIS

## Notes to Financial Statements

June 30, 2007

fitness instruction and facilities, and get encouragement and support from staff and other program participants to develop and maintain a wellness plan for their life.

**Public Policy** – The Association’s annual public policy platform is developed by members, program participants, staff, and volunteers and approved by the board of directors. The program trains and mobilizes advocates, collaborates with community coalitions, and speaks out on issues related to the empowerment of women and girls and the elimination of racism.

**Racial Justice** – The racial justice program was established to expand the Association’s work in helping our community understand and discuss race issues by providing unlearning racism trainings; compiling the leadership registry, a database of women and people of color willing to serve on boards; providing advocacy and training on the issue of race; and hosting annual citywide forums on race issues for youth and adults.

**(b) *Change in Fiscal Year-end***

The Board of Directors and members of the Association approved a change to the bylaws to change the Association’s fiscal year from December 31 to June 30, effective June 30, 2007.

**(c) *Basis of Presentation***

The accounting policies of the Association 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 Association 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 Association’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 Association 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.

# YWCA OF MINNEAPOLIS

## Notes to Financial Statements

June 30, 2007

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 Association'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.

**(d) Property and Equipment**

The Association 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.

**(e) 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.

**(f) Cash**

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

**(g) 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.

**(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 Association 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 OF MINNEAPOLIS**

Notes to Financial Statements

June 30, 2007

(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.

(2) **Investments**

State law allows the board of directors to appropriate as much of the net appreciation as is prudent considering the Association'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 2007, such amounts were \$75,000. In 2007, the board of directors approved the use of \$35,000 for consultants to assist in defining potential expansion of one of the fitness centers along with a \$10,000 contribution to the World YWCA global campaign.

Mutual funds invested primarily in:

Equity securities	\$ 4,536,184
Debt securities or cash equivalents	<u>1,782,151</u>
	<u>\$ 6,318,335</u>

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Dividends and interest	\$ 42,055	12,180	54,235
Net realized and unrealized gains and losses	<u>390,772</u>	<u>156,848</u>	<u>547,620</u>
Total return on investments	<u>\$ 432,827</u>	<u>169,028</u>	<u>601,855</u>

(3) **Pledges Receivable**

Anticipated future collections of pledges receivable at June 30, 2007 are as follows:

Unconditional promises expected to be collected in:

Less than one year	\$ 547,018
One year to five years	<u>10,000</u>
	<u>\$ 557,018</u>

**YWCA OF MINNEAPOLIS**

Notes to Financial Statements

June 30, 2007

**(4) Property and Equipment**

Property and equipment consisted of the following at June 30, 2007:

Land, buildings, and leasehold improvements	\$ 26,792,614
Furnishings and equipment	2,772,381
Vehicles	242,103
	<u>29,807,098</u>
Less accumulated depreciation and amortization	11,435,461
	<u>\$ 18,371,637</u>

**(5) Long-term Debt**

Long-term debt consisted of the following at June 30, 2007:

Notes payable to bank, secured by general business assets interest ranging from 2.00% to 5.15%	\$ 22,073
Notes payable for vehicle purchases, interest of 7.39%	20,731
Notes payable for building improvements for childcare facilities, interest rate 5.00%	1,958
Special assessments payable on property, interest ranging from 5.00% to 7.20%	28,540
	<u>73,302</u>
	<u>\$ 73,302</u>

Maturities of long-term debt at June 30, 2007 are as follows:

2008	35,827
2009	13,173
2010	11,895
2011	4,550
2012	1,822
Thereafter	6,035
	<u>73,302</u>
	<u>\$ 73,302</u>

**YWCA OF MINNEAPOLIS**

Notes to Financial Statements

June 30, 2007

The Association has entered into a revolving line of credit agreement with a financial institution in the amount of \$400,000, which matures on March 31, 2008. Interest on the revolving line of credit is equal to the prime rate as determined by the financial institution. At June 30, 2007, there were no borrowings outstanding under the agreement.

**(6) Unrestricted Net Assets**

Unrestricted net assets consisted of the following at June 30, 2007:

Current	\$	<u>304,947</u>
Board-designated:		
Investments, at fair value, set aside for future operational needs or capital improvements		1,895,772
Accumulated realized and unrealized gains on general endowment funds set aside to maintain purchasing power of endowment		<u>1,872,753</u>
Total board-designated		3,768,525
Net property, equipment, and construction fund		<u>18,098,271</u>
Total unrestricted net assets	\$	<u><u>22,171,743</u></u>

**(7) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods at June 30, 2007:

Health and Fitness program activities	\$	218,888
Early Childhood programs:		
General program activities		130,150
Capital improvements		5,528
Women's Wellness program activities		29,301
Girls and Youth program activities		312,078
Racial Justice and Public Policy program activities		62,000
General operating purposes time-restricted 2007-2008		15,000
Capital improvements		105,000
Net realized and unrealized income from Elizabeth Lyman Lodge Endowment Fund for camping activities		1,493,949
Net realized and unrealized income from Ruth Keith Endowment Fund for domestics		<u>51,968</u>
Total temporarily restricted net assets	\$	<u><u>2,423,862</u></u>

**YWCA OF MINNEAPOLIS**

Notes to Financial Statements

June 30, 2007

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	\$	162,262
Early Childhood program expenses		677,186
Girls and Youth program expenses		608,744
Women's Wellness program expenses		114,075
Racial Justice and Public Policy program expenses		34,025
Childcare Center leasehold additions		—
Time restrictions released:		
General operating expenses		<u>5,000</u>
Total restrictions released	\$	<u><u>1,601,292</u></u>

**(8) 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, 2007:

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		<u>16,288</u>
Total permanently restricted net assets	\$	<u><u>538,693</u></u>

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

The Association is a member of the Heartland Region of YWCAs. Assessments paid to the Heartland Region were \$16,000 for the six-month period ended June 30, 2007. The Heartland Region of YWCAs is a member of the YWCA of the USA.

**(10) Retirement Plan**

The Association 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 Association's employees is not available because such information is not accumulated for each participating organization. The Association's level of contribution is now elected at the beginning of each year. The Association contributed 7.5% of the participating employees' wages during the six-month period ended June 30, 2007 to the YWCA Retirement Fund. The YWCA Retirement Fund matches the Association's contributions at varying levels depending on the contribution level of the Association. For the six-month period ended June 30, 2007, the YWCA Retirement Fund contributed 3% to the employees' accounts. Expense for the six-month period ended June 30, 2007 was \$172,279.

## **YWCA OF MINNEAPOLIS**

### Notes to Financial Statements

June 30, 2007

#### **(11) Commitments**

The Association has an operating lease for rental space. Future minimum lease payments under this lease are \$46,980 annually through August 31, 2008.

The Association leases other rental space for a nominal amount. As part of the lease agreement, the Association pays 13% of the buildings and grounds' annual cost of repairs, maintenance, and utilities costs. The occupancy expense for the six-month period ended June 30, 2007 amounted to \$6,000. This lease expires in 2011.

At the end of 2005, the Association 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 Association will incur yearly programming deficits as defined by the lease. Rent expense and corresponding contribution income of \$179,309 has been recognized for the six-month period ended June 30, 2007.