

**THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE HARTFORD REGION, INC. AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE HARTFORD REGION, INC. AND SUBSIDIARY

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Independent Auditors' Report

To the Board of Directors
The Young Women's Christian Association
of the Hartford Region, Inc.
Hartford, Connecticut

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Young Women's Christian Association of the Hartford Region, Inc. and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Young Women's Christian Association of the Hartford Region, Inc. and Subsidiary as of December 31, 2016 and 2015, and the changes in their net assets and their 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 a report dated June 26, 2017 on our consideration of The Young Women's Christian Association of the Hartford Region, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Young Women's Christian Association of the Hartford Region, Inc.'s internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
June 26, 2017

**THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE HARTFORD REGION, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 422,276	\$ 386,858
Investments	11,496,325	11,607,976
Contributions and grants receivable	368,530	236,613
Other assets	364,858	184,918
Property and equipment, net of accumulated depreciation	2,744,280	2,973,998
Split-interest agreements:		
Beneficial interest in perpetual trusts	2,113,789	2,047,398
Charitable trusts	701,100	718,621
Total Assets	\$ 18,211,158	\$ 18,156,382
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 329,257	\$ 303,130
Line of credit	831,676	850,000
Deferred revenue	149,492	172,266
Note payable	-	63,671
Total liabilities	<u>1,310,425</u>	<u>1,389,067</u>
Net Assets		
Unrestricted:		
Designated - property and equipment	2,744,280	2,910,327
Designated - funds functioning as endowment	721,032	696,070
Undesignated	(201,139)	(520,725)
Total unrestricted	<u>3,264,173</u>	<u>3,085,672</u>
Temporarily restricted:		
Contributions - nongovernmental grants	167,105	111,720
Charitable trusts	701,100	718,621
Accumulated earnings on endowment assets	7,262,655	7,411,993
Total temporarily restricted	<u>8,130,860</u>	<u>8,242,334</u>
Permanently restricted:		
Investments	3,391,911	3,391,911
Beneficial interest in perpetual trusts	2,113,789	2,047,398
Total permanently restricted	<u>5,505,700</u>	<u>5,439,309</u>
Total net assets	<u>16,900,733</u>	<u>16,767,315</u>
Total Liabilities and Net Assets	\$ 18,211,158	\$ 18,156,382

The accompanying notes are an integral part of the consolidated financial statements

**THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE HARTFORD REGION, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Changes in Unrestricted Net Assets		
Operations:		
Revenues and gains:		
Program and activity fees	\$ 2,660,708	\$ 2,622,568
Governmental grants	1,851,221	1,505,730
Special events	412,377	534,571
Nongovernmental grants	172,950	117,959
Investment income - perpetual trusts	97,799	102,425
Contributions	84,857	89,732
Miscellaneous income	10,618	1,753
Membership dues	<u>15,185</u>	<u>16,425</u>
Total unrestricted revenues and gains	5,305,715	4,991,163
Net assets released from purpose restrictions	351,449	322,377
Net assets released from accumulated earnings on endowment	<u>569,248</u>	<u>532,615</u>
Total unrestricted revenues, gains and other support	<u>6,226,412</u>	<u>5,846,155</u>
Expenses:		
Childcare services	3,345,874	3,137,212
Administration	626,659	732,494
Housing	513,279	494,338
Fundraising	434,733	496,499
Teen services	186,266	164,488
Economic advancement	369,826	266,842
Community facilities	244,509	171,952
Membership and marketing	<u>68,021</u>	<u>63,301</u>
Total expenses	<u>5,789,167</u>	<u>5,527,126</u>
Change in unrestricted net assets from operations	<u>437,245</u>	<u>319,029</u>
Other changes in unrestricted net assets:		
Investment income	8,899	4,119
Net realized and unrealized gain (loss) on endowment	16,008	(2,610)
Depreciation expense	<u>(283,651)</u>	<u>(304,480)</u>
Total other changes in unrestricted net assets	<u>(258,744)</u>	<u>(302,971)</u>
Increase in unrestricted net assets	<u>178,501</u>	<u>16,058</u>

The accompanying notes are an integral part of the consolidated financial statements

**THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE HARTFORD REGION, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Changes in Temporarily Restricted Net Assets		
Contributions - nongovernmental grants	\$ 406,834	\$ 150,450
Investment income on endowment assets, net of fees	171,470	162,666
Net realized and unrealized gain (loss) on endowment	248,440	(362,418)
Change in value of charitable trusts	(17,521)	(30,334)
Net assets released from purpose restrictions	(351,449)	(322,377)
Net assets released from accumulated earnings on endowment	<u>(569,248)</u>	<u>(532,615)</u>
Decrease in temporarily restricted net assets	<u>(111,474)</u>	<u>(934,628)</u>
Changes in Permanently Restricted Net Assets		
Change in value of perpetual trusts	<u>66,391</u>	<u>(101,322)</u>
Increase (decrease) in permanently restricted net assets	<u>66,391</u>	<u>(101,322)</u>
Increase (Decrease) in Net Assets	133,418	(1,019,892)
Net Assets - Beginning of Year	<u>16,767,315</u>	<u>17,787,207</u>
Net Assets - End of Year	<u>\$ 16,900,733</u>	<u>\$ 16,767,315</u>

The accompanying notes are an integral part of the consolidated financial statements

**THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE HARTFORD REGION, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services					Management and Support				Total All Services
	Childcare Services	Housing	Teen Services	Economic Advancement	Community Facilities	Total Programs	Administration	Membership and Marketing	Fund-raising	
Salaries	\$ 2,148,914	\$ 68,660	\$ 128,247	\$ 195,455	\$ 52,783	\$ 2,594,059	\$ 365,355	\$ 35,250	\$ 126,067	\$ 3,120,731
Employee benefits	295,248	7,066	12,384	22,669	7,494	344,861	32,256	3,335	13,561	394,013
Payroll taxes	201,976	6,293	12,141	18,471	4,220	243,101	32,690	3,325	11,552	290,668
Total salaries and related expenses	2,646,138	82,019	152,772	236,595	64,497	3,182,021	430,301	41,910	151,180	3,805,412
Professional fees and contract services	22,640	348,972	4,025	64,956	702	441,295	75,507	6,934	173,956	697,692
Occupancy	340,540	66,636	5,571	18,633	176,129	607,509	42,626	1,575	11,552	663,262
Supplies	187,110	7,835	17,866	22,541	1,487	236,839	11,594	4,879	65,029	318,341
Miscellaneous	32,504	890	503	17,320	-	51,217	15,389	792	19,489	86,887
Local transportation	78,729	5	4,531	794	4	84,063	217	38	37	84,355
Printing and publicity	7,849	1,529	451	1,641	-	11,470	493	11,855	12,661	36,479
National support	-	-	-	-	-	-	34,297	-	-	34,297
Telephone	14,206	5,229	485	981	1,684	22,585	1,978	38	412	25,013
Conferences and conventions	16,106	164	62	6,365	6	22,703	1,652	-	417	24,772
Interest expense	52	-	-	-	-	52	12,605	-	-	12,657
Total expenses before depreciation	3,345,874	513,279	186,266	369,826	244,509	4,659,754	626,659	68,021	434,733	5,789,167
Depreciation	98,329	25,164	634	734	156,226	281,087	1,680	872	12	283,651
Total Functional Expenses	\$ 3,444,203	\$ 538,443	\$ 186,900	\$ 370,560	\$ 400,735	\$ 4,940,841	\$ 628,339	\$ 68,893	\$ 434,745	\$ 6,072,818

The accompanying notes are an integral part of the consolidated financial statements

**THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE HARTFORD REGION, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services					Management and Support			Total All Services	
	Childcare Services	Housing	Teen Services	Economic Advancement	Community Facilities	Total Programs	Administration	Membership and Marketing		Fund- raising
Salaries	\$ 1,969,888	\$ 69,465	\$ 93,196	\$ 138,561	\$ 3,099	\$ 2,274,209	\$ 409,566	\$ 26,086	\$ 176,856	\$ 2,886,717
Employee benefits	358,097	13,669	17,518	21,886	428	411,598	76,311	3,678	20,823	512,410
Payroll taxes	213,963	7,317	10,846	14,404	339	246,869	44,508	2,463	17,740	311,580
Total salaries and related expenses	2,541,948	90,451	121,560	174,851	3,866	2,932,676	530,385	32,227	215,419	3,710,707
Professional fees and contract services	26,033	325,257	10,635	35,289	587	397,801	75,506	3,246	105,917	582,470
Occupancy	328,355	64,883	8,932	13,431	161,002	576,603	47,141	5,268	8,102	637,114
Supplies	161,885	6,552	18,469	20,408	4,197	211,511	9,607	8,378	104,200	333,696
Miscellaneous	27,617	705	332	15,885	13	44,552	9,155	843	46,640	101,190
Local transportation	16,233	40	3,372	141	4	19,790	55	54	412	20,311
Printing and publicity	7,910	1,593	96	3,914	-	13,513	1,720	12,772	13,962	41,967
National support	-	-	-	-	-	-	32,123	-	-	32,123
Telephone	19,652	4,855	1,041	1,063	2,283	28,894	3,024	282	771	32,971
Conferences and conventions	7,117	2	51	1,860	-	9,030	10,784	231	1,076	21,121
Interest expense	462	-	-	-	-	462	12,994	-	-	13,456
Total expenses before depreciation	3,137,212	494,338	164,488	266,842	171,952	4,234,832	732,494	63,301	496,499	5,527,126
Depreciation	92,141	22,372	956	281	186,055	301,805	1,865	387	423	304,480
Total Functional Expenses	\$ 3,229,353	\$ 516,710	\$ 165,444	\$ 267,123	\$ 358,007	\$ 4,536,637	\$ 734,359	\$ 63,688	\$ 496,922	\$ 5,831,606

The accompanying notes are an integral part of the consolidated financial statements

**THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF THE HARTFORD REGION, INC. AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 133,418	\$ (1,019,892)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized (gain) loss on endowment	(264,448)	365,028
Change in value of perpetual trusts	(66,391)	101,322
Change in value of charitable trusts	17,521	30,334
Depreciation	283,651	304,480
(Increase) decrease in operating assets:		
Contributions and grants receivable	(131,917)	85,465
Other assets	(179,940)	70,123
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	26,127	84,478
Deferred revenue	<u>(22,774)</u>	<u>44,246</u>
Net cash provided by (used in) operating activities	<u>(204,753)</u>	<u>65,584</u>
Cash Flows from Investing Activities		
Purchases of investments	(193,148)	(807,928)
Proceeds from sale of investments	569,247	532,615
Purchases of property and equipment	<u>(53,933)</u>	<u>(121,463)</u>
Net cash provided by (used in) investing activities	<u>322,166</u>	<u>(396,776)</u>
Cash Flows used in Financing Activities		
Payments on notes payable	<u>(81,995)</u>	<u>(9,500)</u>
Net cash used in financing activities	<u>(81,995)</u>	<u>(9,500)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,418	(340,692)
Cash and Cash Equivalents - Beginning of Year	<u>386,858</u>	<u>727,550</u>
Cash and Cash Equivalents - End of Year	<u>\$ 422,276</u>	<u>\$ 386,858</u>

The accompanying notes are an integral part of the consolidated financial statements

THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE HARTFORD REGION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Young Women's Christian Association of the Hartford Region, Inc. (the Association) was formed in 1966 through the merger of The Young Women's Christian Association of Hartford and The Young Women's Christian Association of Hartford County, Inc., the origins of which go back to 1867. The Association, as part of a national membership organization, is dedicated to eliminating racism, empowering women, and promoting peace, justice, freedom and dignity for all. The Association provides mission-based programs that respond to needs in the community.

Principles of Consolidation

The consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of the Association and the following wholly owned entity:

Soromundi Housing, Inc.

A for-profit corporation that owns a .01% general partnership interest in Soromundi Commons Limited Partnership. The partnership was formed to provide accommodations and supportive services for up to 48 low-income individuals in the Hartford area. All significant intercompany accounts and transactions are eliminated in consolidation. The Association and Soromundi Housing, Inc., are collectively referred to as the Organization. The for-profit subsidiary follows the accounting guidance for consolidation of variable interest entities. The Organization has evaluated its relationship with Soromundi Commons Limited Partnership and has determined that it is not required to consolidate this entity into its financial statements because the Organization is not the primary beneficiary.

Basis of Accounting and Presentation

The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, the accounts of the Organization are reported in the following net asset categories:

Unrestricted Net Assets

Unrestricted net assets represent available resources other than donor-restricted contributions. These resources may be expended at the discretion of the Board of Directors. Undesignated net assets represent the portion of expendable funds that is available for support of operations. Designated net assets represent reserves or special designations established by the Board of Directors. The Organization has identified two categories of designated unrestricted net assets: funds functioning as endowment for the amounts accumulated as unrestricted endowment funds and the Organization's investment in property and equipment, net of related notes payable.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent contributions that are restricted by the donor as to purpose or time of expenditure. The Organization has three categories of temporarily restricted net assets: funds functioning as endowment, which includes accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditure, donor contributions with purpose or time restrictions, and split-interest agreements.

THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE HARTFORD REGION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Permanently Restricted Net Assets

Permanently restricted net assets represent resources that have donor-imposed restrictions that require that the principal be maintained in perpetuity but permit the Organization to expend the income and market appreciation earned thereon. Permanently restricted net assets also include the Organization's proportionate share of the principal amount of the irrevocable trusts with outside trustees for which the Organization is an income beneficiary.

Measure of Operations

The consolidated statements of activities present revenue from operations separately from nonoperating activities. For purposes of the consolidated statements of activities, operations are defined as revenue and expenses from governmental contracts, childcare operations, membership activities, other programming, along with the facilities and administrative expenses. All other revenue and expenses (primarily investment results and depreciation) are classified as nonoperating activities. Amounts allocated through the annual endowment spending policy are classified as operations. The basis of presentation reflects the Organization's management philosophy throughout the year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of 90 days or less. The Association maintained deposits in financial institutions, of which the bank balance exceeded federal depository insurance limits. However, management believes that the Organization's deposits are not subject to significant credit risk.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes the Association's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and other investment income are reflected in the accompanying statements of activities as net realized and unrealized gain (loss) on investments. These amounts are reported in the statements of activities as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets as appropriate based on any donor stipulations or law.

THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE HARTFORD REGION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Split-Interest Agreements

Split-interest agreements consist of assets placed in trust for the benefit of the Association and other beneficiaries. Revocable split-interest agreements are not recorded as contributions unless enforceable by law. Irrevocable split-interest agreements are recorded as contributions at fair value when the assets are received or when the Association is notified of the existence of the agreement. The accounting treatment varies depending upon the type of agreement created and whether the Association or a third party is the trustee. See Note 5 for further discussion of split-interest agreements.

The Association's policy in recent years has been to transfer unrestricted bequests of more than \$15,000 to the funds functioning as endowment designation unless the Board of Directors votes to add them to another fund. The accumulated amount of such additions and any accumulated income and gains is reported as unrestricted net assets in the consolidated statements of financial position and, correspondingly, as changes in unrestricted net assets in the consolidated statements of activities.

Property and Equipment

Property and equipment acquisitions and improvements thereon that exceed \$1,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Expenditures for repairs and maintenance are charged to expense as incurred.

Contributions

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. The Association reports nongovernmental contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Contributions received whose restrictions are met in the same period are presented with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Association reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions on how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations about how long those assets must be maintained, the Association reports expirations of donor restrictions when the assets are placed in service.

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been recorded in the consolidated financial statements for contributed services since no objective basis is available to measure the value of such services. General volunteer services do not meet these criteria for recognition. However, many volunteers have donated significant amounts of time in supporting the Association's mission and fundraising campaigns.

THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE HARTFORD REGION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Grants and Contracts

Other than certain awards to fund capital expenditures, governmental grants and contracts are generally considered to be exchange transactions rather than contributions. Revenue from cost-reimbursement grants and contracts is recognized to the extent of costs incurred. Revenue from performance-based grants and contracts is recognized to the extent of performance achieved. Grant and contract receipts in excess of revenue recognized are presented as deferred revenue.

Other Assets

Other assets consist of prepaid expenses and accounts receivable. The Association has accounts receivable related to program revenues. Management maintains an allowance for doubtful accounts based on past history, current economic conditions, collection trends and overall viability of the third party. Receivables are written off only when management believes amounts will not be collected and when all attempts to collect from individuals or other payor sources have been exhausted. Receivables are considered past due based on the invoice date. Accounts receivable at December 31, 2016 and 2015, is presented net of an allowance for doubtful accounts of \$7,749 and \$5,642, respectively.

Program and Activity Fees Revenue Recognition

Program and activity fees include revenue received for childcare services and after-school programs. The Association recognizes the revenue from these services when earned, which is when services are performed. Amounts received in advance of earning these revenues are recorded as deferred revenue.

Functional Allocation of Expenses

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

The Association owns Unit Y of the Soromundi Commons Condominium at 135 Broad Street. The current primary use of Unit Y is to house administrative and some program staff offices of the Association. In addition, Unit Y is occupied by other nonprofit entities. The column labeled community facilities in the consolidated statements of functional expenses reflects the cost of maintaining the portion of Unit Y that is occupied by other nonprofit entities.

Income Taxes

The Association is exempt from federal and state corporate income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated subsequent events through June 26, 2017, which represents the date the consolidated financial statements were available to be issued.

THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE HARTFORD REGION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SOROMUNDI COMMONS

The Association has established a subsidiary corporation, Soromundi Housing, Inc., which is the general partner in the limited partnership, Soromundi Commons Limited Partnership. Soromundi Housing, Inc., has a .01% ownership interest in Soromundi Commons Limited Partnership, which is accounted for under the cost method. In order to secure financing for the renovation of the housing tower, the Association divided its facility at 135 Broad Street into three condominium units, collectively known as the Soromundi Commons Condominium. Unit H, which is comprised of most of the housing tower, is owned by Soromundi Commons Limited Partnership. Units Y and S, which are comprised of the remaining space at 135 Broad Street, continue to be owned by the Association.

The housing tower provides accommodations and supportive services for up to 48 low-income individuals. It includes 48 units of supportive housing, which are reflected on the books of Soromundi Commons Limited Partnership.

The Association is contingently liable for the satisfaction of all liabilities of Soromundi Commons Limited Partnership. Summarized audited financial data for Soromundi Commons Limited Partnership as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Assets	\$ 6,348,117	\$ 6,553,103
Liabilities	<u>4,561,179</u>	<u>4,483,469</u>
Partners' Capital	<u>\$ 1,786,938</u>	<u>\$ 2,069,634</u>
	<u>2016</u>	<u>2015</u>
Revenues	\$ 450,801	\$ 429,919
Expenses	<u>733,497</u>	<u>693,315</u>
Net Loss	<u>\$ (282,696)</u>	<u>\$ (263,396)</u>

THE YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF THE HARTFORD REGION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 - INVESTMENTS

Investments at December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Marketable equity securities	\$ 7,079,036	\$ 6,867,080
Corporate bonds	2,761,699	2,806,302
Money market funds	335,432	757,862
Real estate trusts	691,149	689,009
Commodities funds	444,921	303,737
Certificates of deposit	183,988	183,886
Limited partnership	100	100
	<u>11,496,325</u>	<u>11,607,976</u>
Total Investments	\$ <u>11,496,325</u>	\$ <u>11,607,976</u>

The Association's investments include a diversified portfolio of equity and bond investments managed by professional investment advisors, the policies of which the Association believes minimize the risks of significant geographic or economic concentration. The Association does not control the investments held in outside trusts, but understands that such funds are invested under applicable laws governing such trusts.

NOTE 4 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (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 in active markets that the Association has the ability to access.

Level 2

Inputs to the valuation methodology include:

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

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

Level 3

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

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The asset's fair value 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. As a practical expedient, certain investment are measured at fair value on the basis of net asset value (NAV). The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies and investment strategies used for assets measured at fair value:

Marketable Equity Securities

Marketable equity securities are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate Bonds

Certain corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

Money Market Funds

Money market funds are valued based on readily-available pricing sources for comparable instruments.

Real Estate Trusts

Real estate trusts are valued at the closing price reported in the active market in which the individual securities are traded or using net asset values as determined by the investment manager of the fund. This net asset value is based on the fair value of the underlying assets and liabilities of the related fund at the measurement date. This investment class makes commitments to private real estate investment opportunities with the goal of outperforming market indices over the long term.

Commodities Funds

Commodities funds are valued at the closing price reported in the active market in which the individual securities are traded. This investment class invests in commodity funds which are readily traded on the open market.

Split-Interest Agreements

Fair value inputs used for split-interest agreements are based on the estimated present value of the future payments to the Association, which is considered to be the fair value of the assets held in trust.

There have been no changes in the methodologies used at December 31, 2016 and 2015.

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.

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The following is a summary of the source of fair value measurements for assets that are measured at fair value as of December 31, 2016 and 2015:

Description	December 31, 2016	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Marketable equity securities:					
U.S. large cap	\$ 2,288,922	\$ 2,288,922	\$ -	\$ -	\$ -
U.S. mid cap	1,440,610	1,440,610	-	-	-
U.S. small cap	851,712	851,712	-	-	-
International developed	1,391,940	1,391,940	-	-	-
Emerging markets	1,105,852	1,105,852	-	-	-
Corporate bonds:					
Investment grade taxable	2,372,772	1,688,861	683,911	-	-
International developed bond	46,716	518	46,198	-	-
Global high yield taxable	342,211	342,211	-	-	-
Money market funds	335,432	335,432	-	-	-
Real estate trusts	691,149	540,662	-	-	150,487
Commodities funds	444,921	444,921	-	-	-
Total investments at fair value	11,312,237	10,431,641	730,109	-	150,487
Split-interest agreements	2,814,889	-	-	2,814,889	-
Total Assets at Fair Value	\$ 14,127,126	\$ 10,431,641	\$ 730,109	\$ 2,814,889	\$ 150,487

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Description	December 31, 2015	Fair Value Measurements Using			Assets Valued at NAV (a)
		Level 1	Level 2	Level 3	
Marketable equity securities:					
U.S. large cap	\$ 2,163,125	\$ 2,163,125	\$ -	\$ -	\$ -
U.S. mid cap	1,334,535	1,334,535	-	-	-
U.S. small cap	835,102	835,102	-	-	-
International developed	1,913,816	1,913,816	-	-	-
Emerging markets	620,502	620,502	-	-	-
Corporate bonds:					
Investment grade taxable	2,259,870	1,832,836	427,034	-	-
International developed bond	168,112	138,165	29,947	-	-
Global high yield taxable	378,320	378,320	-	-	-
Money market funds	757,862	757,862	-	-	-
Real estate trusts	689,009	540,837	-	-	148,172
Commodities funds	303,737	303,737	-	-	-
Total investments at fair value	11,423,990	10,818,837	456,981	-	148,172
Split-interest agreements	2,766,019	-	-	2,766,019	-
Total Assets at Fair Value	\$ 14,190,009	\$ 10,818,837	\$ 456,981	\$ 2,766,019	\$ 148,172

- a. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

There were no transfers between levels of investments during the years ended December 31, 2016 and 2015.

The following table discloses certain additional information as of December 31, 2016 related to the Association's investments in real estate trusts that use net asset value per share and are not traded in an active market:

Description	Fair Value	Unfunded Commitments	Anticipated 2017 Calls	Redemption Terms	Redemption Restrictions
Real estate trusts	\$ 150,487	\$ -	\$ -	Illiquid	Illiquid

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The following is a summary of the changes in the balances of assets measured at fair value on a recurring basis using significant unobservable inputs for the years ended December 31, 2016 and 2015:

	Split- Interest Agreements
Balance - December 31, 2014	\$ 2,897,675
Total losses realized and unrealized included in the change in net assets	<u>(131,656)</u>
Balance - December 31, 2015	2,766,019
Total gains realized and unrealized included in the change in net assets	<u>48,870</u>
Balance - December 31, 2016	\$ <u>2,814,889</u>

NOTE 5 - SPLIT-INTEREST AGREEMENTS

Beneficial Interest in Perpetual Trust

The Association retains a beneficial interest in various trusts established by donors and held by unrelated trustees. Under this arrangement, the Association receives investment income from the trusts, but does not have access to the principal. Changes in the carrying amount of the beneficial interest are recognized as increases or decreases in permanently restricted net assets. Income received during the years ended December 31, 2016 and 2015, with respect to these trusts was \$97,799 and \$102,425, respectively.

Charitable Trusts

The Association is a named beneficiary in the charitable remainder trusts established by a donor. These trusts represent an arrangement in which a donor establishes and funds a trust that is held by a third party with the grantor as the named life beneficiary. The trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term, usually the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are available for the Association's use. The portion of the trust attributable to the present value of the future benefits to be received by the Association was recognized in the statement of activities as a permanently restricted contribution in the period the trust was established.

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NOTE 6 - UNEMPLOYMENT SERVICES TRUST

The Organization is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. The Organization could be required to make additional payments if claims exceed the accumulated contributions. As of December 31, 2016, accumulated contributions of \$174,287 were included in other assets on the statement of financial position and there was an estimated claim liability of \$8,960 included in accounts payable and accrued expenses on the statement of financial position. Per the contract with UST, the Organization has the ability to withdraw funds if accumulated contributions exceed the estimated liability.

NOTE 7 - PROPERTY AND EQUIPMENT

The following is a detailed list of property and equipment, cost, depreciation and accumulated depreciation for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,096,772	\$ 1,096,772
Buildings and improvements	6,835,252	6,827,252
Furniture and fixtures	1,132,597	1,145,311
Computer equipment	237,795	234,647
	<u>9,302,416</u>	<u>9,303,982</u>
Less accumulated depreciation	<u>6,558,136</u>	<u>6,329,984</u>
Property and Equipment, Net	<u>\$ 2,744,280</u>	<u>\$ 2,973,998</u>

Depreciation expense for the years ended December 31, 2016 and 2015, was \$283,651 and \$304,480, respectively.

NOTE 8 - LINES OF CREDIT

The Association has a commercial line-of-credit agreement with Bank of America. The borrowing limit on this line of credit is \$850,000. There is no set expiration date and Bank of America may terminate the agreement at any time. All borrowings bear interest at the three-month LIBOR rate plus 1.0% (effective rate - 1.77% at December 31, 2016) and are collateralized by one of the Association's investment accounts held by Bank of America. The account has a value of \$1,129,742 at December 31, 2016. The total outstanding borrowings on this line-of-credit agreement were \$831,676 and \$850,000 at December 31, 2016 and 2015, respectively.

The Association also has a commercial line-of-credit agreement with Santander Bank. The borrowing limit on this line of credit is \$250,000. The note is subject to an annual review by the bank. All borrowings bear interest at the bank's prime rate and no more than maximum rate allowed by applicable law and are due on demand. There were no outstanding borrowings on this line-of-credit agreement at December 31, 2016 and 2015.

Interest expense for the lines of credit was \$12,657 and \$13,456 for the years ended December 31, 2016 and 2015, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9 - NOTE PAYABLE

The Association had a mortgage note payable to Trustees of Truck Drivers, Chauffeurs, Warehousemen and Helpers Union No. 671. The mortgage was payable in monthly installments of principal and interest of \$1,165, commencing May 7, 2011, with a balloon payment of \$60,692 on May 7, 2016. The mortgage bore interest at 6.5% and was secured by a building at 7-9 Signor Street, East Hartford, Connecticut. Interest expense on the mortgage note payable, which is included in occupancy expense, was \$1,680 and \$4,476 for the years ended December 31, 2016 and 2015, respectively. The note was fully repaid during the year ended December 31, 2016.

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Young Women's Leadership Corps (YWLC)	\$ 84,685	\$ 19,547
Childcare	58,797	46,171
Shelter and supportive housing	20,666	7,500
Economic advancement	2,957	38,503
	<u>167,105</u>	<u>111,721</u>
Charitable trusts	701,100	718,621
Accumulated earnings on endowment assets available for appropriation by the Board of Directors	<u>7,262,655</u>	<u>7,411,992</u>
Total Temporarily Restricted Net Assets	<u>\$ 8,130,860</u>	<u>\$ 8,242,334</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions:

	<u>2016</u>	<u>2015</u>
Young Women's Leadership Corps (YWLC)	\$ 197,531	\$ 43,466
Childcare	112,042	110,397
Shelter and supportive housing	32,333	24,000
Economic advancement	9,543	131,514
Capacity Building	-	13,000
Net assets released from purpose restrictions	<u>351,449</u>	<u>322,377</u>
Accumulated earnings on endowment appropriated by the Board of Directors	<u>569,248</u>	<u>532,615</u>
Total Net Assets Released	<u>\$ 920,697</u>	<u>\$ 854,992</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - ENDOWMENT

The Association's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Association has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the various funds
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

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Endowment Net Assets

Changes in endowment net asset for the years ended December 31, 2016 and 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - January 1, 2015	\$ 83,075	\$ 8,144,360	\$ 3,391,911	\$ 11,619,346
Investment return:				
Investment income, net	4,119	162,666	-	166,785
Investment losses	(2,610)	(362,418)	-	(365,028)
Total investment return	<u>1,509</u>	<u>(199,752)</u>	<u>-</u>	<u>(198,243)</u>
Additional board designation	<u>611,486</u>	<u>-</u>	<u>-</u>	<u>611,486</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(532,615)</u>	<u>-</u>	<u>(532,615)</u>
Endowment net assets - December 31, 2015	<u>696,070</u>	<u>7,411,993</u>	<u>3,391,911</u>	<u>11,499,974</u>
Investment return:				
Investment income, net	8,899	171,470	-	180,369
Investment gains	16,008	248,440	-	264,448
Total investment return	<u>24,907</u>	<u>419,910</u>	<u>-</u>	<u>444,817</u>
Additional board designation	<u>55</u>	<u>-</u>	<u>-</u>	<u>55</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(569,248)</u>	<u>-</u>	<u>(569,248)</u>
Endowment Net Assets - December 31, 2016	<u>\$ 721,032</u>	<u>\$ 7,262,655</u>	<u>\$ 3,391,911</u>	<u>\$ 11,375,598</u>

Donor-restricted endowment funds classified as permanently restricted net assets as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
General purposes	\$ 3,217,160	\$ 3,217,160
Camp property	136,500	136,500
YWCA dues	<u>38,251</u>	<u>38,251</u>
	<u>\$ 3,391,911</u>	<u>\$ 3,391,911</u>

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Donor-restricted endowment funds classified as temporarily restricted net assets as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
General purposes	\$ 6,955,338	\$ 7,112,168
Camp property	138,622	128,092
YWCA dues	<u>168,695</u>	<u>171,733</u>
	<u>\$ 7,262,655</u>	<u>\$ 7,411,993</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires the Association to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2016 and 2015.

Return Objectives and Risk Parameters

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Association must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maintain the inflation-adjusted value of the current asset base while recognizing the objective of real growth in principal within reasonable and prudent levels of risk. The Association expects its endowment funds, over time, to outperform the Consumer Price Index by 5% over the long term. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Association relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Association targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Association has a policy of appropriating for distribution each year an amount not to exceed 5% of its endowment fund's average fair value over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. This is consistent with the Association's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

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Internal Loan

In 2008, the Board of Directors approved \$200,000 of investment income to use as an internal loan from the temporarily restricted endowment to fund construction costs. This amount was in excess of the approved spending policy. The loan bore interest at the Barclays Intermediate Government Credit Index and was adjusted annually. This amount was to be paid back in monthly installments of principal and interest of \$2,500 through approximately October 2016. During 2016, \$12,642 was paid back to the temporarily restricted endowment, of which \$12,642 was principal. During 2015, \$30,000 was paid back to the temporarily restricted endowment, of which \$29,539 was principal and \$462 was interest. As of December 31, 2016 and 2015, the balance on this internal loan included in temporarily restricted net assets functioning as an endowment was \$-0- and \$12,642, respectively.

NOTE 13 - OPERATING LEASES

The Association leases various office equipment under noncancelable operating leases. The Association is responsible for all insurance and maintenance of the office equipment. The lease terms require total monthly payments ranging from \$95 to \$250 and expire at various times through December 2018.

The Association leases program facilities and office space and is responsible for maintenance, insurance and utilities, as defined in the lease agreements. The monthly lease payments range from \$325 to \$4,003 and expire at various times through June 2017.

Total lease expenses from all operating leases amounted to \$132,432 and \$131,240 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, aggregate future minimum rental payments due under noncancelable operating leases consisted of the following:

Year Ending December 31

2017	\$	68,447
2018		<u>3,000</u>
Total Minimum Lease Payments	\$	<u><u>71,447</u></u>

NOTE 14 - PENSION PLAN

The Association participates in a cash balance defined benefit retirement plan sponsored by the YWCA Retirement Fund, Inc. The plan covers any employee who meets the minimum eligibility requirements. No unfunded past service liability exists with respect to the plan. It is the Association's policy to fund pension costs accrued. The Association's contributions totaled \$124,856 and \$118,265 for the years ended December 31, 2016 and 2015, respectively. Data on a separate basis regarding the proportionate share of accumulated plan benefits and net assets are not available.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - STATE GRANTS AND CONTRACTS

Based on historical experience, management believes grant and contract receivables represent negligible credit risk. The Association receives a significant portion of its total support from the State of Connecticut. As with all government funding, these grants and contracts are subject to reduction or termination in future years. Any significant reduction in these grants and contracts could have an adverse effect on the Association's program services.

NOTE 16 - BONDING LIENS

The Association received bond funding from the State of Connecticut Department of Social Services for the renovations of its emergency shelter for women (Unit S) and from the Connecticut Department of Education for the renovations of its Growing Tree and East Hartford Early Learning Centers. The provider of the bond funds placed a 10-year lien on the property when the funds were awarded. If the property is sold or utilized for a different purpose by the Association, the bond funds will have to be repaid. The repayment would be made in an amount equal to the amount of the bond less 10% for each full year of the 10-year period that the property was utilized. The shelter lien expired in June 2015. The unamortized amount of the liens for the Growing Tree and East Hartford Early Learning Centers as of December 31, 2016 and 2015, was \$68,185 and \$77,937, respectively, and expires April 2025.