Consolidated financial statements of:

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF ST. PAUL AND AFFILIATES

Years ended
December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Young Women's Christian Association
of St. Paul and Affiliates
St. Paul, MN

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Young Women's Christian Association of St. Paul and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses 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.

Auditor's 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. 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 auditor's 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 auditor considers 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 Young Women's Christian Association of St. Paul and Affiliates as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 17 to the financial statements, the Association has changed their accounting policy for the recording of below market interest rate debt for the year ended December 31, 2017. The Association has retrospectively applied the accounting policy adoption and therefore the financial information for the year ended December 31, 2016, has been restated accordingly.

Also discussed in Note 17 to the financial statements, the Association made certain adjustments to restate beginning net assets and activity as of and for the year ended December 31, 2016, to properly reflect the allocation of cost between a building and related land and to adjust the related accumulated depreciation and depreciation. Our opinion is not modified with respect to this matter.

Schechter Dokken Kanter
Andrews + Selcer Ltd.

Minneapolis, MN
May 23, 2018

YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF ST. PAUL AND AFFILIATES

		2017		2016
Assets:				
Current assets:				
Cash	**$**	**305,905**	$	159,503
Investments				1,786
Accounts receivable:				
Government grants		**186,219**		263,512
Other		**3,017**		3,514
Prepaid expenses		**40,585**		13,391
Inventory		**2,228**		2,260
Restricted cash, tenant damage deposits		**39,689**		40,409
Total current assets		**577,643**		484,375
Beneficial interest in assets		**317,991**		287,401
Property and equipment, net		**6,944,011**		7,326,927
Restricted cash, replacement reserves		**203,308**		187,343
		7,465,310		7,801,671
Total assets	**$**	**8,042,953**	$	8,286,046

See notes to consolidated financial statements.

	2017	2016
Liabilities and net assets:		
Current liabilities:		
Accounts payable	**$ 71,393**	$ 133,649
Accrued liabilities	**123,439**	117,109
Tenant deposits	**39,689**	40,409
Current portion:		
Deferred revenue loan forgiveness	**100,656**	111,888
Deferred revenue	**83,204**	148,156
Capital leases payable	**16,003**	27,624
Notes payable	**465,704**	45,549
Total current liabilities	**900,088**	624,384
Deferred revenue, net of current portion:		
Loan forgiveness	**740,714**	841,370
Long-term	**64,000**	124,000
Capital leases payable		15,657
Long-term debt, notes payable	**4,834,759**	5,058,099
Total liabilites	**6,539,561**	6,663,510
Net (deficit) assets:		
Unrestricted:		
Designated for Jean Ohman Fund	**15,000**	15,000
Undesignated	**(363,291)**	(37,428)
	(348,291)	(22,428)
Temporarily restricted	**1,240,060**	1,033,341
Permanently restricted	**611,623**	611,623
Total net assets	**1,503,392**	1,622,536
Total liabilities and net assets	**$ 8,042,953**	$ 8,286,046

YOUNG WOMEN'S CHRISTIAN ASSOCIATION
OF ST. PAUL AND AFFILIATES

	2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue and support:				
Gifts and grants:				
Contributions	$ 264,005	$ 964,360		$ 1,228,365
Government grants	1,635,134			1,635,134
United Way		435,876		435,876
Total gifts and grants	1,899,139	1,400,236		3,299,375
Other revenue:				
Health and fitness center fees	1,281,036			1,281,036
Program service fees	403,522			403,522
Rental income	217,140			217,140
Professional services	62,665			62,665
Investment income	30,323			30,323
Debt forgiveness	266,888			266,888
Miscellaneous	4,142			4,142
Total other revenue	2,265,716			2,265,716
Net assets released from restriction	1,193,517	(1,193,517)		
Total revenue and support	5,358,372	206,719		5,565,091
Expenses:				
Program services	3,934,327			3,934,327
General and administrative	723,370			723,370
Fundraising	368,676			368,676
Total expenses	5,026,373			5,026,373
Changes in net assets before depreciation	331,999	206,719		538,718
Depreciation	(657,862)			(657,862)
Changes in net assets	(325,863)	206,719		(119,144)
Net assets, beginning, restated	(22,428)	1,033,341	$ 611,623	1,622,536
Net (deficit) assets, ending	$ (348,291)	$ 1,240,060	$ 611,623	$ 1,503,392

See notes to consolidated financial statements.

2016			
Unrestricted	Temporarily restricted	Permanently restricted	Total
$ 204,490	$ 765,378		$ 969,868
1,679,377			1,679,377
	501,080		501,080
1,883,867	1,266,458		3,150,325
1,355,291			1,355,291
381,243			381,243
218,163			218,163
62,184			62,184
3,928			3,928
111,888			111,888
5,082			5,082
2,137,779			2,137,779
1,790,410	(1,790,410)		
5,812,056	(523,952)		5,288,104
4,366,298			4,366,298
814,936			814,936
286,109			286,109
5,467,343			5,467,343
344,713	(523,952)		(179,239)
(657,036)			(657,036)
(312,323)	(523,952)		(836,275)
289,895	1,557,293	$ 611,623	2,458,811
$ (22,428)	$ 1,033,341	$ 611,623	$ 1,622,536

	2017	2016
Cash flows from operating activities:		
Change in net assets	**$ (119,144)**	$ (836,275)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Realized and unrealized gains	**(30,592)**	(4,023)
Forgiveness of debt	**(141,888)**	(111,888)
Accrued interest	**16,998**	15,568
Imputed Interest	**84,335**	88,865
Depreciation	**657,862**	657,036
Loss on disposal of equipment		8,389
(Increase) decrease in current assets:		
Accounts receivable	**77,790**	(38,143)
Prepaid expenses	**(27,194)**	17,678
Inventory	**32**	641
Increase (decrease) in current liabilities:		
Accounts payable	**(62,256)**	67,050
Accrued liabilities	**6,330**	(54,187)
Tenant deposits	**(720)**	23,190
Deferred revenue	**(124,952)**	(4,986)
Net cash provided by (used in) operating activities	**336,601**	(171,085)
Cash flows from investing activities:		
Purchase of property and equipment	**(274,945)**	(110,960)
Sale of investments	**1,786**	320,645
Restricted cash:		
Tenant damage deposits	**720**	(23,190)
Replacement reserves	**(15,965)**	(47,893)
Net cash (used in) provided by investing activities	**(288,404)**	138,602
Cash flows from financing activities:		
Capital lease payments	**(27,278)**	(33,660)
Notes payable:		
Borrowings	**245,000**	250,000
Payments	**(119,517)**	(254,416)
Net cash provided by (used in) financing activities	**98,205**	(38,076)

See notes to consolidated financial statements.

	2017	2016
Net increase (decrease) in cash	**$ 146,402**	$ (70,559)
Cash, beginning	**159,503**	230,062
Cash, ending	**$ 305,905**	$ 159,503
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 9,405**	$ 10,860

See notes to financial statements.

	Housing Program	Health Fitness Center	EED Program	Youth Programs	Total Program Services	General and Administrative	Fundraising	Total
Salaries and employee benefits	$ 734,167	$ 702,519	$ 668,465	$ 196,280	$ 2,301,431	$ 559,210	$ 289,694	$ 3,150,335
Contracted services and professional Fees	68,272	86,851	62,210	30,416	247,749	99,825	21,178	368,752
Insurance	35,478	7,864	12,937	10,600	66,879	7,598	7,656	82,133
Building and grounds	217,928	207,357	29,646	10,670	465,601	21,326	11,718	498,645
Telephone and internet	11,578	3,284	2,664	967	18,493	3,599	812	22,904
Dues and membership	11,920	14,638	3,799	3,132	33,489	4,156	4,005	41,650
Marketing	79	7,508	830	24	8,441	541	3,983	12,965
Services, activities, and supplies	29,519	83,255	13,599	10,691	137,064	15,081	18,003	170,148
Direct client support	241,143	158	271,738	4,468	517,507	400		517,907
Postage	1,157	435	2,923	311	4,826	2,272	1,370	8,468
Staff, training, and education	3,208	495	2,520	535	6,758	(122)	45	6,681
Transportation	11,275	1,414	1,936	2,272	16,897	56	29	16,982
Miscellaneous	3,969	336			4,305	9,428	778	14,511
Imputed interest expense	84,335				84,335			84,335
Interest Expense	17,159	3,393			20,552		9,405	29,957
Total expenses before depreciation	1,471,187	1,119,507	1,073,267	270,366	3,934,327	723,370	368,676	5,026,373
Depreciation	364,050	225,211	46,917	14,863	651,041	3,496	3,325	657,862
Total expenses	$ 1,835,237	$ 1,344,718	$ 1,120,184	$ 285,229	$ 4,585,368	$ 726,866	$ 372,001	$ 5,684,235

See notes to consolidated financial statements.

	Housing Program	Health Fitness Center	EED Program	Youth Program	St. Paul Youth Intervention Initiative	Total Program Services	General and Administrative	Fundraising	Total
Salaries and employee benefits	$ 779,347	$ 769,269	$ 707,453	$ 331,202	$ 24,100	$ 2,611,371	$ 604,979	$ 211,618	$ 3,427,968
Contracted services and professional Fees	69,408	63,320	46,622	14,025	118,073	311,448	140,635	36,871	488,954
Insurance	33,169	22,910	4,576	1,048		61,703	11,838	1,513	75,054
Building and grounds	188,822	149,407	26,307	25,079		389,615	17,811	3,132	410,558
Telephone and internet	13,434	4,285	3,299	3,773	35	24,826	3,143	1,603	29,572
Dues and membership	5,620	9,238	3,111	2,812		20,781	209	1,263	22,253
Marketing	179	11,497	134	275		12,085	395	4,582	17,062
Services, activities, and supplies	19,129	111,610	12,345	4,979		148,063	19,733	13,778	181,574
Direct client support	255,110	1,791	368,269	2,463		627,633			627,633
Postage	1,058	2,113	3,273	423		6,867	2,232	2,374	11,473
Staff, training, and education	2,340	357	3,827	(656)		5,868	2,698	42	8,608
Transportation	8,426	1,303	3,998	3,040		16,767	202	55	17,024
Miscellaneous	14,792	6,961				21,753	11,061	11	32,825
Imputed interest expense	88,865					88,865			88,865
Interest Expense	18,653					18,653		9,267	27,920
Total expenses before depreciation	1,498,352	1,154,061	1,183,214	388,463	142,208	4,366,298	814,936	286,109	5,467,343
Depreciation	365,108	216,813	27,680	35,356		644,957	6,139	5,940	657,036
Total expenses	$ 1,863,460	$ 1,370,874	$ 1,210,894	$ 423,819	$ 142,208	$ 5,011,255	$ 821,075	$ 292,049	$ 6,124,379

See notes to consolidated financial statements.

1. Summary of significant accounting policies:

Nature of activities:

Established in 1907, the Young Women's Christian Association of St. Paul and Affiliates, (the "YWCA") is dedicated to changing minds, bodies and lives. Programs and services focus on meeting community needs in four core areas: Housing & Supportive Services, Youth Development, Health & Wellness and Employment & Economic Development.

Principles of consolidation:

The consolidated financial statements include the accounts of Young Women's Christian Association of St. Paul and Affiliates and its wholly-owned and controlled affiliates (collectively, the Association): Lexington Supportive Housing, LLC, Grotto Supportive Housing, LLC, Oxford Supportive Housing, LLC, Cleveland Saunders Supportive Housing, LLC, and MLK Court Supportive Housing, LLC. All significant inter-company balances and transactions have been eliminated.

Lexington Supportive Housing, LLC – Lexington Supportive Housing, LLC is a separate entity created in 2002, to purchase and hold real property to be used for transitional housing. It holds title to the 18 unit apartment complex in St. Paul, MN, known as Lexington Supportive Housing, LLC. Lexington Supportive Housing, LLC is wholly-owned by the Young Women's Christian Association of St. Paul and Affiliates and is therefore included in the consolidated financial statements of the Association.

Grotto Supportive Housing, LLC – Grotto Supportive Housing, LLC is a separate entity created in 2006, to purchase and hold real property to be used for transitional housing. It holds title to the 8 unit apartment complex in St. Paul, MN, known as Grotto Supportive Housing, LLC. Grotto Supportive Housing, LLC is wholly-owned by the Young Women's Christian Association of St. Paul and Affiliates and is therefore included in the consolidated financial statements of the Association.

Oxford Supportive Housing, LLC – Oxford Supportive Housing, LLC is a separate entity created in 2004, to purchase and hold real property to be used for transitional housing. It holds title to the 12 unit apartment complex in St. Paul, MN, known as Oxford Supportive Housing, LLC. Oxford Supportive Housing, LLC is wholly-owned by the Young Women's Christian Association of St. Paul and Affiliates and is therefore included in the consolidated financial statements of the Association.

Cleveland Saunders Supportive Housing, LLC – Cleveland Saunders Supportive Housing, LLC is a separate entity created in 2008, to purchase and hold real property to be used for permanent supportive housing. It holds title to the 11 unit apartment complex in St. Paul, MN, known as Cleveland Saunders Supportive Housing, LLC. Cleveland Saunders Supportive Housing, LLC is wholly-owned by the Young Women's Christian Association of St. Paul and Affiliates and is therefore included in the consolidated financial statements of the Association.

MLK Court Supportive Housing, LLC – MLK Court Supportive Housing, LLC is a separate entity created in 2013, to purchase and hold real property to be used for permanent supportive housing. It holds title to the 4 duplexes in St. Paul, MN, known as MLK Court Supportive Housing, LLC. MLK Court Supportive Housing, LLC is wholly-owned by the Young Women's Christian Association of St. Paul and Affiliates and is therefore included in the consolidated financial statements of the Association.

1. Summary of significant accounting policies (continued):

Basis of presentation:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and the changes therein are classified and reported as follows:

Unrestricted Net Assets – Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. As of December 31, 2017 and 2016, the Board of Directors designated $15,000 for the Jean Ohman Fund.

Temporarily Restricted Net Assets – Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets for either specified or unspecified purposes.

Permanently Restricted Net Assets – Permanently restricted net assets are subject to donor-imposed stipulations that may 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.

Contributions and grants:

Contributions, which may include unconditional promises to give (pledges), are recognized as revenues in the period received. Contributions are measured at their fair value and reported as increases in net assets. The Association reports gifts of cash and other assets as restricted contributions when they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Association does not have the right to expend the original principal, the assets are reported as permanently restricted. When a donor restriction is met, temporarily restricted net assets are released to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Net assets are also released from donor restrictions when time restrictions are satisfied. Governmental contract revenue is recognized in accordance with the terms of the contract, which is generally when the related expenditures are incurred.

Deferred revenue:

Health and fitness center fees, which are paid in advance, are deferred and subsequently recognized as revenue in the period in which they are earned.

Deferred revenue also consists of subsidy agreements that were granted to the Association for their public housing projects. The agreements state there is a subsidy agreement with a 15 year retention period. Therefore, if the Association holds and operates the property for 15 years, the balances will be forgiven. As a result of this condition, the Association defers recognition of revenue until the 15 year retention period has been met.

1. Summary of significant accounting policies (continued):

Investments:

Investments are recorded at fair value, as described in Note 3. Realized and unrealized gains and losses are recorded in the period in which they occur in the appropriate net asset classification.

Beneficial interest in assets:

The Association invests in a diversified investment pool offered by a community foundation. The community foundation has the Association's investment account under its management. The Association's share of the pool is recorded as beneficial interest in assets. The beneficial interest in assets is stated at fair value. The fair value is based on the net asset value of the pooled assets and the Association's ownership interest in the pool. Net assets values are evaluated by the Association to determine if the value of these investments should be adjusted. Factors considered may include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and financial environment. Valuations are reviewed at least annually using a variety of qualitative factors to subjectively determine the most appropriate valuation methodologies.

Accounts receivable:

Accounts receivable arise from grants, rental agreement, and other program fees. The Association provides an allowance for doubtful accounts when it considers collection may be in question. Accounts receivable are due on billing. Receivables are considered delinquent based on individual account analysis and are written off when considered to be uncollectible. The Association does not charge interest on accounts receivable. All receivables are considered collectible as of December 31, 2017 and 2016, and therefore there is no allowance for doubtful accounts.

Property and equipment:

Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Items of $1,000 or less are expensed in the year purchased. Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets, which range from three years for computers and other equipment to thirty years for transitional housing facilities and buildings.

Major renewals and betterments are capitalized, while maintenance, repairs and minor renewals and betterments are charged to expense as incurred. The assets and related depreciation accounts are adjusted for asset retirements and disposals with the resulting gain or loss included in income. Fully depreciated assets remain in the accounts until retired from service.

Restricted cash, replacement reserves:

Under a regulatory agreement with a certain government entity, the Association is required to set aside amounts for the replacement of property and other capital expenditures. The agreement calls for annual deposits and the use of the reserves is contingent upon the government entities' prior approval; therefore, the reserves are not available for operating purposes.

1. Summary of significant accounting policies (continued):

Notes payable:

Notes payable that are interest free or have below-market interest rate loans are discounted to reflect the market interest rate and present value of the debt. The difference between the fair value of the loan at the Association's market interest rate and the fair value of the loan at its stated rate is the method used to value the inherent contribution on the date of the loan. Accretion of the loan is then recorded using the effective interest method.

In-kind contributions:

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In-kind contributions are included in contributions on the statements of activities.

Income taxes:

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Young Woman's Christian Association of St. Paul and Affiliates is not a private foundation and contributions to the Association qualify as a charitable tax deduction by the contributor.

Functional allocation of expenses:

The costs of providing the Association's various programs and supporting services have been summarized on a functional basis, based on estimates developed by management.

Reclassification:

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. These reclassifications had no impact on change in net assets or net asset balances.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management has evaluated subsequent events through May 23, 2018, which is the date the consolidated financial statements were available to be issued.

2. In-kind contributions:

The Association received the following in-kind contributions included in contributions on the consolidated statements of activities for the years ended December 31:

	2017	2016
Property supplies	**$ 57,851**	$ 51,911

3. Investments, beneficial interest in assets and fair value measurements:

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of observable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Association's investments in marketable securities are carried at fair value based on quoted prices in active markets (all Level 1 measurements).

The Association's beneficial interest in assets represents its investment in a diversified investment pool offered by the Saint Paul Foundation. The pool consists of various investments including, but not limited to, domestic equities, international equities, private capital, fixed income, real assets, and absolute return funds. Fair value of the pool is determined by the Saint Paul Foundation and based on information provided by fund managers, external investment advisors, and other market factors. Due to the level of risk associated with certain investments, it is reasonably possible that changes in value of investment securities will occur in the near term and such changes could materially affect the Association's account balance and the amounts reported in the consolidated statement of financial position.

The beneficial interest in assets is classified as Level 2 pursuant to the valuation hierarchy. Valuation is determined based on the net asset value of the pooled assets and the Association's ownership interest in the pool.

The following table summarizes the valuation of the beneficial interest in assets by fair value hierarchy levels as of December 31, 2017:

	2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Beneficial interest in assets		$ 317,991		$ 317,991

3. Investments, beneficial interest in assets and fair value measurements (continued):

The following table summarizes the valuation of the Association's investments and beneficial interest in assets by fair value hierarchy levels as of December 31, 2016:

	2016			
	Level 1	Level 2	Level 3	Total
Investments, equity securities	$ 1,786			$ 1,786
Beneficial interest in assets		$ 287,401		$ 287,401

4. Investment income (loss):

Investment and beneficial interest in assets investment income consisted of the following for the years ended December 31:

	2017	2016
Interest and dividends, net of fees	**$ 1,036**	$ 566
Realized/unrealized gains (losses) on:		
Investments		(1,179)
Beneficial interest in assets, net of grants*	**29,287**	4,541
Total investment income	**$ 30,323**	$ 3,928

*The Association includes grants received from the community foundation holding the beneficial interest in assets as a reduction to investment income and as an increase to contributions. The Association received grants from the community foundation of $11,265 and $11,961 for 2017 and 2016, respectively.

5. Property and equipment:

Property and equipment is summarized as follows:

	2017	2016
Land and land improvements	**$ 656,432**	$ 656,432
Land held for investment	**359,353**	359,353
Transitional housing facilities	**6,040,041**	6,004,476
Buildings and permanent supportive housing	**9,213,320**	9,002,318
Furniture, vehicles and equipment	**981,745**	953,367
	17,250,891	16,975,946
Less accumulated depreciation	**10,306,880**	9,649,019
	$ 6,944,011	$ 7,326,927

Depreciation expense for the years ended December 31, 2017 and 2016 was $657,862 and $657,036, respectively.

6. Deferred revenue:

The Association receives revenue in advance for Health Fitness Center membership and gift certificate revenues. The Association also received three grants from the Federal Home Loan Bank of Des Moines relating to their housing programs which contain a residual subsidy value clause with a term of 15 years. Amounts are then recognized in the period to which they relate based on meeting the requirements of the agreements and the 15 year period. The Association recorded the following items as deferred revenue for the years ended December 31, 2017 and 2016:

	2017	2016
Deferred revenue, health center and gift certificates	**$ 23,204**	$ 23,156
Federal Home Loan Bank of Des Moines	**124,000**	249,000
Total deferred revenue	**147,204**	272,156
Less: current portion	**83,204**	148,156
Long-term deferred revenue	**$ 64,000**	$ 124,000

7. Deferred revenues from loan forgiveness:

Deferred revenues from loan forgiveness represents deferred revenue on forgivable notes payable, for which the possibility that the conditions will not be met is considered remote. As such, the forgivable notes are considered exchange transactions, which are recognized ratably over the life of the note. Deferred revenues from loan forgiveness consist of the following as of December 31:

	2017	2016
Lexington Property Note payable to Housing and Redevelopment Authority of the City of St. Paul, dated December 31, 1997; non-interest bearing; secured by mortgage; loan will be forgiven on December 30, 2017, if no sale has occurred and if used for the purposes specified in the Repayment Note and Grant of Lien on Real Property. The Association recognized $0 and $11,232 of deferred revenue as debt forgiveness revenue for the years ended December 31, 2017 and 2016, respectively.		$ 11,232
Lexington Property Rehab Note payable to Minnesota Housing Finance Agency, dated March 17, 2003; non-interest bearing; secured by mortgage; loan will be forgiven on March 17, 2033, if used for the purposes specified in the Minnesota Housing Agency – Minnesota Families Affordable Rental Investment Fund Program – Mortgage Note. The Association recognized $39,000 of deferred revenue as debt forgiveness revenue for the years ended December 31, 2017 and 2016.	**$ 594,750**	633,750
MLK Court Note payable to Minnesota Housing Finance Agency, dated September 30, 2013; non-interest bearing; secured by mortgage; loan will be forgiven on March 3, 2021, if no event of default has occurred as specified in the Amended and Restated Deferred Repayment Agreement and Mortgage. The Association recognized $61,656 of deferred revenue as debt forgiveness revenue for the years ended December 31, 2017 and 2016.	**246,620**	308,276
Total deferred revenues from loan forgiveness	**841,370**	953,258
Less: current portion	**100,656**	111,888
Long-term deferred revenues from loan forgiveness	**$ 740,714**	$ 841,370

8. Notes payable:

Notes payable consist of the following as of December 31:

	2017	2016
Grotto Property		
Note payable to Minnesota Housing Finance Agency, dated May 21, 1990; non-interest bearing; secured by mortgage; loan matures May 21, 2020, this property is to be used to provide transitional housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately. (a)	**$ 149,054**	$ 148,327
Cathedral Hill Property		
Note payable to Housing and Redevelopment Authority of the City of St. Paul, dated January 31, 1991; secured by mortgage; was due upon transfer of title at which time interest would accrue at 8% per annum until the loan and accrued interest were paid in full. The note was forgiven in full.		30,000
Lexington Property		
Note payable to Family Housing Fund of Minneapolis and St. Paul, dated December 31, 1987; secured by mortgage lien; interest rate is variable and contingently based on cash flow as defined in the agreement and principal payments are based on positive project cash flow for each period through December 31, 2018; no payments or accrued interest were required for the years ended December 31, 2017 and 2016; if any unpaid principal remains at maturity, the note may be extended for an additional twenty-five years until the principal is paid in full; this property is to be used to provide low-income housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.	**417,481**	416,465
Oxford Property		
Note payable to Minnesota Housing Finance Agency, dated September 18, 1992; non-interest bearing; secured by mortgage; loan matures September 18, 2022, this property is to be used to provide transitional housing and any change or transfer in the use or transfer of the property or termination of HUD funding could cause the entire loan balance to become due and payable immediately.(a)	**212,931**	211,183

8. Notes payable (continued):

		2017		2016
Oxford Property (continued) Note payable to Family Housing Fund, dated March 26, 1993, non-interest bearing; secured by mortgage; loan matures March 26, 2023; this property is to be used to provide low-income housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.(a)	**$**	**51,760**	$	51,335
City of St. Paul STAR Loan – Selby Avenue Property Note payable to City of St. Paul, dated April 26, 2002 and amended May 14, 2003, bearing interest at 4% per annum for 25 years; secured by mortgage; monthly principal and interest payments of $1,921 began on May 1, 2004; the entire balance plus accrued interest is due upon relocation of all or any portion of the Association's primary business operations in St. Paul, Minnesota.		**208,595**		224,167
Lexington Property Rehab Note payable to Family Housing Fund, dated March 17, 2003; non-interest bearing; secured by mortgage; loan matures on March 17, 2033; this property is to be used to provide low-income housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.(a)		**495,944**		486,536
Note payable to Housing and Redevelopment Authority of the City of St. Paul, dated March 17, 2003; accruing interest at 2% per annum; secured by mortgage; loan matures March 17, 2033; note balance includes accrued interest of $90,558 and $100,320 at December 31, 2017 and 2016, respectively; this property is to be used to provide low-income persons below 30% of the area median income and any change in the use of the property could cause the entire loan balance and accrued interest to become due and payable immediately.(a)		**440,558**		428,167
Oxford Property Rehab Note payable to Minnesota Housing Finance Agency, dated November 4, 2004; non-interest bearing; secured by mortgage; loan matures November 4, 2034, this property is to be used to serve low-income persons below 30% of the area median income and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.(a)		**247,908**		242,920

8. Notes payable (continued):

	2017	2016
Oxford Property Rehab (continued)		
Note payable to Housing and Redevelopment Authority of the City of St. Paul, dated November 4, 2004, accruing interest at 2% per annum; secured by mortgage; loan matures November 4, 2034; note balance includes accrued interest of $61,305 and $69,159 at December 31, 2017 and 2016, respectively; this property is to be used to serve low-income persons below 30% of the area median income and any change in the use of the property could cause the entire loan balance and accrued interest to become due and payable immediately.(a)	**$ 335,805**	$ 326,099
Note payable to Family Housing Fund, dated November 4, 2004; non-interest bearing; secured by mortgage; loan matures on November 4, 2034; this property is to be used to provide low-income housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.(a)	**154,769**	151,655
Oxford Property-Tuck Point, Inc.		
Note payable to Minnesota Housing Finance Agency; non-interest bearing; secured by mortgage; loan matures on July 26, 2042, this property is to be used to serve low-income persons below 30% of the area median income and any change in the use or transfer of the property could cause the entire loan balance and accrued interest to become due and payable immediately. The Association received an additional advance of $10,167 during the year ended December 31, 2015.(a)	**166,902**	161,728
Grotto Property Rehab		
Note payable to Family Housing Fund, dated March 22, 2006; non-interest bearing; secured by mortgage; loan matures March 22, 2036; this property is to be used to provide low-income housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.(a)	**160,893**	157,269
Note payable to Minnesota Housing Finance Agency, dated March 22, 2006; non-interest bearing; secured by mortgage; loan matures March 22, 2036; this property is to be used to provide low-income housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.(a)	**321,786**	314,537
Note payable to Housing and Redevelopment Authority of the City of St. Paul, dated March 22, 2006, non-interest bearing; secured by mortgage; loan matures March 22, 2036; this property is to be used to provide low-income housing and any change in the use of the property or non-compliance with the terms of the Home Repayment Loan Agreement could cause the entire loan balance to become due and payable immediately.(a)	**303,927**	297,081

8. Notes payable (continued):

	2017	2016
Cleveland-Sanders Property Note payable to Minnesota Housing Finance Agency, dated November 19, 2008; non-interest bearing; secured by mortgage; loan matures November 19, 2038; this property is to be used to provide low-income housing and any change in the use or transfer of the property could cause the entire loan balance to become due and payable immediately.(a)	**$ 1,391,095**	$ 1,356,179
Nonprofit Assistance Fund Loan Note payable dated December 30, 2016, accrues interest at 6.5% per annum and requires monthly principal and interest payments of $3,065; secured by substantially all of the Association's property; loan matures December 31, 2019; the loan was used to help support the operations of the Association.	**66,055**	100,000
City of St. Paul Port Authority Loan Note payable dated December 1, 2017, accrues interest at 4.5% per annum and requires monthly principal and interest payments of $1,814; the loan is secured by certain property; matures December 1, 2028; the loan was used to install energy efficient improvements at Selby Avenue property.	**175,000**	
	5,300,463	5,103,648
Less current portion	**465,704**	45,549
	$ 4,834,759	$ 5,058,099

Interest expense related to notes payable totaled $29,958 and $27,920 for the years ended December 31, 2017 and 2016, respectively. Imputed interest related to the below-market interest rate notes payable totaled $84,335 and $88,865 for the years ended December 31, 2017 and 2016, respectively.

(a) There are no monthly principal payments required as all payments are due upon maturity.

8. Notes payable (continued):

Future maturities as of December 31, 2017 are as follows:

Year ending	Amount
2018	$ 465,704
2019	48,310
2020	16,177
2021	16,836
2022	230,453
Thereafter	4,522,983
	$ 5,300,463

Subsequent to year end, the Association entered into a line of credit agreement with a non-profit lender for $150,000, expiring on February 28, 2019. The outstanding principal balance on the line of credit bears interest at 6.5%. Monthly payments of interest only are required with final payment due on the agreements due date. The balance is secured by substantially all of the Association's assets.

Additionally, subsequent to year end, the Association entered into two notes payable expiring on October 30, 2020 and November 12, 2020, respectively. The loan proceeds were used to redo lighting in the Association's Selby building. The first note was for $25,000 bearing a 0% interest rate. Monthly payments of $806 started on April 30, 2018. The second note was for $14,265 bearing a 3.9% interest rate. Monthly payments of $484 started on May 12, 2018. The notes payable are secured by certain property.

9. Temporarily restricted net assets:

Temporarily restricted net assets were available for the following purposes at December 31:

	2017	2016
Transitional Housing Program	**$ 45,000**	$ 31,522
Youth Development		15,206
Youth Achievers Program	**15,824**	
YW Works		9,888
CDL Program	**50,000**	
Rapid Rehousing Program	**19,762**	
Fiscal Agent Project	**13,064**	
Development staff	**50,000**	
Interest to be accreted on below market interest rate loans	**891,410**	976,725
General operating, time restricted	**155,000**	
	$ 1,240,060	$ 1,033,341

10. Temporarily restricted net assets released from restriction:

	2017	2016
	$ 1,193,517	$ 1,790,410

11. Permanently restricted net assets:

Permanently restricted net assets are restricted to endowment investments, at historical cost, the income from which is expendable to support general operations.

12. Endowment funds:

The Association's endowment consists of donor-restricted funds to support the Association's mission. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations or distributions to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation or distribution is added to the fund. The remaining portion of the donor-restricted net assets that is not classified as permanently restricted net assets is classified as temporarily net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

1) The duration and preservation of the fund.
2) The purposes of the Association and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the Association
7) The investment policies of the Association

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Association to retain as funds of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no such deficiencies as of December 31, 2017 and 2016.

12. Endowment funds (continued):

Endowment net asset composition by type of fund as of December 31:

	2017	2016
Permanently restricted donor endowment fund	**$ 611,623**	$ 611,623

The changes in endowment net assets for the years ended December 31, 2017 and 2016, were as follows:

	Temporarily restricted	Permanently restricted	Total
Endowment net assets, January 1, 2016		$ 611,623	$ 611,623
Change in fair value	$ 15,889		15,889
Appropriation of endowment assets	(15,889)		(15,889)
Endowment net assets, December 31, 2016	0	611,623	611,623
Change in fair value	**30,592**		**30,592**
Appropriation of endowment assets	**(30,592)**		**(30,592)**
Endowment net assets, December 31, 2017	**$ 0**	**$ 611,623**	**$ 611,623**

Investment objectives and strategies:

The Association has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maintain the purchasing power of the current assets and all future contributions, maximize return within reasonable and prudent levels of risk, and maintain an appropriate asset allocation on a total return policy that is compatible with a flexible spending policy.

To achieve these objectives, the Association follows an asset diversification plan, sets performance benchmarks for investment managers, and has established various asset quality and limitations thresholds. The Association continually monitors the return on endowment investments and makes adjustments as needed.

Spending policy:

For the years ended December 31, 2017 and 2016, the Board of Directors has appropriated all of the endowment investment income to current operations.

13. Multiemployer pension plan:

The Association participates in the Young Women's Christian Association Retirement Fund, Inc., which is a defined-benefit cash balance retirement plan (the Plan). The Plan covers eligible employees of participating Associations. Eligible employees are employees of the Association who have completed 1,000 hours of service in each of two years from date of hire. Contributions to the Plan are approved annually by the Board of Directors at the beginning of each year and based on a percentage of future wages paid to the Association's employees covered by the Plan. The Association elected to contribute 10% of the participating employees' wages to the Plan for both of the years ended December 31, 2017 and 2016. The Plan matches the Association's contributions at varying levels depending on the contribution level of the Association. For both the years ended December 31, 2017 and 2016, the Plan contributed 4% of the participating employees' wages to the employees' accounts. The Plan also allows optional employee after-tax contributions.

The risks of participating in the Plan are different from single-employer plans in the following aspects:

- Assets contributed to the Plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.

If the Association chooses to stop participating in the Plan, the Association may be required to pay the Plan an amount based on the underfunded status of the Plan, referred to as a withdrawal liability. Participants should refer to the plan document for a complete description of the plan and its provisions.

Below is a summary of key information related to the Plan based on the most recent filed Internal Revenue Service (IRS) Form 5500 and audited financial statements:

The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and the three-digit plan number. The most recent Pension Protection Act ("PPA") zone status available is for the plan's year-end December 31, 2016. Based on an actuary's certified information, the Association received the zone status information for the plan to identify the zone the plan identified with. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65-80 percent funded, and plans in the green zone are more than 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented.

13. Multiemployer pension plan (continued):

Plan name	EIN/Pension plan number	Pension Protection Act Zone Status 2017	Pension Protection Act Zone Status 2016	FIP/RP status pending/ implemented
Young Women's Christian Association Retirement Fund, Inc.	13-1624231/001	Green	Green	No

Contributions to the Plan by the Association were less than 5% of total plan contributions 2017	2016	Contributions to the Plan by the Association 2017	2016	Surcharge imposed
Yes	Yes	$ 99,110	$ 122,675	No

Additional information related to the Plan, including filed IRS Form 5500s, are available to the public and can be found at the United States Department of Labor website www.dol.gov.

14. Concentrations:

Concentrations of credit risk:

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash. The Association's cash has been placed with a major financial institution. At times, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits. Concentrations of credit risk with respect to accounts receivable arise because the Association has significant receivables as a result of grants and contracts from governmental agencies.

Concentrations in revenue and support:

Many of the Association's activities are funded by grants. One governmental entity accounted for 12% and 16% of total revenue and support for 2017 and 2016, respectively. The grants are limited as to time and amounts and the risk of not being renewed.

15. Affiliation with the YWCA of the USA:

The Young Woman's Christian Association of St. Paul and Affiliates is a member of the YWCA of the USA. Assessments paid to the YWCA of the USA were $24,689 and $12,720 for the years ended December 31, 2017 and 2016, respectively.

16. Leases:

Operating lease obligations:

On August 13, 2015, the Association entered into an operating lease for exercise equipment. The lease is for forty-eight months and requires monthly payments of $4,534. Lease expense for the years ended December 31, 2017 and 2016 was $54,408 and $54,408, respectively. The Association's future minimum lease payment under the operating lease for years 2018 and 2019 are $54,408 and $31,738, respectively.

Capital lease obligations:

On October 20, 2015, the Association entered into a thirty-six month capital lease for exercise equipment, with monthly principal and interest payments of $1,467. The Association had a sixty month capital lease for exercise equipment, with monthly principal and interest payments of $1,462, which expired during 2017.

The cost and accumulated amortization related to assets that were held under capital leases are as follows:

	2017	2016
Cost	**$ 52,824**	$ 132,644
Less accumulated amortization	**(38,151)**	(89,720)
Net book value	**$ 14,673**	$ 42,924

Amortization expense relating to the capital leases, which is included in depreciation expense, was $43,513 and $47,655 for 2017 and 2016, respectively.

As of December 31, 2017, the remaining commitments under capital leases were as follows:

Year ending December 31	Amount
2018	$ 16,003
Total commitment	16,003
Less amounts representing interest	461
Present value of minimum lease payment	$ 15,542

17. Restatement of prior year:

During 2017, the Association changed their accounting policy related to their below market interest rate loans resulting in recording an inherent contribution and accreting the interest over the life of the loan. As a result of this change in policy, the previously issued 2016 consolidated financial statements have been restated.

Also, the Association made certain adjustments to restate beginning net assets and activity as of and for the year ended December 31, 2016, to properly reflect the allocation of cost between a building and related land and to adjust the related accumulated depreciation and depreciation.

Below is the effect of the change in accounting policy and correction of error on the consolidated financial statements as of and for the year ended December 31, 2016.

	As reported	December 31 adjustments	As restated
Statement of financial position			
Assets:			
Property and equipment, net	$ 7,241,289	$ 85,638	$ 7,326,927
Total Assets	8,200,408	85,638	8,286,046
Liabilities:			
Long-term debt, notes payable	6,034,824	(976,725)	5,058,099
Total Liabilities	7,640,235	(976,725)	6,663,510
Beginning net assets:			
Unrestricted net assets	214,797	75,098	289,895
Temporarily restricted	491,703	1,065,590	1,557,293
Total net assets	1,318,123	1,140,688	2,458,811
Ending net assets:			
Unrestricted net assets	(108,066)	85,638	(22,428)
Temporarily restricted	56,616	976,725	1,033,341
Total net assets	560,173	1,062,363	1,622,536
Income statement			
Interest expense	27,920	88,865	116,785
Depreciation	667,576	(10,540)	657,036
Change in net assets:			
Unrestricted	(322,863)	10,540	(312,323)
Temporarily restricted	(435,087)	(88,865)	(523,952)
Total change in net assets	(757,950)	(78,325)	(836,275)