

**Young Women's Christian Association
of Boston, Inc. and Affiliates**

Consolidated Financial Report
December 31, 2017

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Independent Auditor's Report

Boards of Directors
Young Women's Christian Association of Boston, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Young Women's Christian Association of Boston, Inc. and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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 (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Young Women's Christian Association of Boston, Inc. 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.

RSM US LLP

Boston, Massachusetts
May 11, 2018

Young Women's Christian Association of Boston, Inc. and Affiliates

Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 863,515	\$ 868,803
Rent receivable	258,058	72,678
Pledges receivable, net	28,200	44,083
Other receivables	21,200	17,882
Prepaid expenses	42,468	47,166
Tenant security deposits	156,641	151,274
Escrow deposits	424,140	424,776
Total current assets	1,794,222	1,626,662
Property and equipment, net	30,365,649	31,527,400
Other assets:		
Investments	7,738,022	8,132,210
Non-current pledges receivable, net	-	15,149
Deferred costs, net	177,674	133,896
Beneficial interest in perpetual trust	37,478	33,386
Total other assets	7,953,174	8,314,641
Total assets	\$ 40,113,045	\$ 41,468,703
Liabilities and Net Assets/Members' Equity		
Current liabilities:		
Line of credit	\$ -	\$ 300,000
Mortgage notes payable - current portion, net of deferred financing costs	377,251	363,261
Accounts payable and accrued expenses	435,403	517,988
Deferred revenue	37,190	72,061
Tenant security deposits	114,867	117,066
Total current liabilities	964,711	1,370,376
Long-term liabilities:		
Notes payable	2,750,000	2,750,000
Mortgage notes payable, net of current portion and deferred financing costs	17,207,807	17,571,034
Accrued interest payable	978,635	890,839
Fair value of interest rate swap contract	1,721,348	2,265,227
Total long-term liabilities	22,657,790	23,477,100
Total liabilities	23,622,501	24,847,476
Net assets/members' equity:		
Unrestricted net assets/members' equity:		
Current operations	6,932,963	13,345,517
Board-designated	5,911,437	-
Non-controlling interest in affiliate	1,240,694	1,110,066
	14,085,094	14,455,583
Temporarily restricted	772,862	589,786
Permanently restricted	1,632,588	1,575,858
Total net assets/members' equity	16,490,544	16,621,227
Total liabilities and net assets/members' equity	\$ 40,113,045	\$ 41,468,703

See notes to consolidated financial statements.

Young Women's Christian Association of Boston, Inc. and Affiliates

Consolidated Statements of Activities
Years Ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Operating revenues and support:								
Foundation and corporate contributions	\$ 106,097	\$ 75,084	\$ -	\$ 181,181	\$ 150,142	\$ 33,474	\$ -	\$ 183,616
Individuals contributions	292,461	-	-	292,461	153,062	250	-	153,312
United Way revenue	70,550	-	-	70,550	77,421	-	-	77,421
Special events revenue	196,799	-	-	196,799	438,309	13,900	-	452,209
Program revenue	335,262	-	-	335,262	244,757	-	-	244,757
Investment return designated for operations	1,421,240	-	-	1,421,240	904,095	-	-	904,095
Donated services	-	-	-	-	53,032	-	-	53,032
Provision for uncollectible pledges	-	(8,086)	-	(8,086)	-	(23,890)	-	(23,890)
Net assets released from restrictions	46,201	(46,201)	-	-	107,801	(107,801)	-	-
Total operating revenues and support	2,468,610	20,797	-	2,489,407	2,128,619	(84,067)	-	2,044,552
Expenses:								
Program	1,637,025	-	-	1,637,025	1,693,437	-	-	1,693,437
Management, general and administrative	263,755	-	-	263,755	293,920	-	-	293,920
Fundraising	470,691	-	-	470,691	426,067	-	-	426,067
Total expenses	2,371,471	-	-	2,371,471	2,413,424	-	-	2,413,424
Operating gain (loss) before depreciation, amortization and net rental activities	97,139	20,797	-	117,936	(284,805)	(84,067)	-	(368,872)
Depreciation and amortization expense	10,290	-	-	10,290	10,007	-	-	10,007
Rental/hotel activities:								
Rental/hotel income	7,608,427	-	-	7,608,427	7,934,297	-	-	7,934,297
Rental/hotel expense	(7,987,437)	-	-	(7,987,437)	(7,792,967)	-	-	(7,792,967)
Net rental activities	(379,010)	-	-	(379,010)	141,330	-	-	141,330
Operating gain (loss)	(292,161)	20,797	-	(271,364)	(153,482)	(84,067)	-	(237,549)
Non-operating revenues (losses):								
Investment income	190,486	28,527	21,517	240,530	195,004	26,064	19,828	240,896
Realized and unrealized gains, net	621,632	133,752	31,121	786,505	387,927	6,773	9,760	404,460
Investment return designated for operations	(1,421,240)	-	-	(1,421,240)	(904,095)	-	-	(904,095)
Change in split interest agreement	-	-	4,092	4,092	-	-	749	749
Non-operating professional fees	-	-	-	-	(241,804)	-	-	(241,804)
Change in fair value of interest rate swap contract	543,880	-	-	543,880	510,685	-	-	510,685
Beneficial interest in perpetual trust	-	-	-	-	-	-	32,637	32,637
Distribution to investor member	(13,086)	-	-	(13,086)	(123,710)	-	-	(123,710)
Total non-operating revenues (losses)	(78,328)	162,279	56,730	140,681	(175,993)	32,837	62,974	(80,182)
Changes in net assets/members' equity	(370,489)	183,076	56,730	(130,683)	(329,475)	(51,230)	62,974	(317,731)
Net assets/members' equity at beginning of year	14,455,583	589,786	1,575,858	16,621,227	14,785,058	641,016	1,512,884	16,938,958
Net assets/members' equity at end of year	\$ 14,085,094	\$ 772,862	\$ 1,632,588	\$ 16,490,544	\$ 14,455,583	\$ 589,786	\$ 1,575,858	\$ 16,621,227

See notes to consolidated financial statements.

Young Women's Christian Association of Boston, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Community Programs	Institutional Engagement	Youth Programs	Total Program Services	Management, General and Administrative	Fundraising	Subtotal	Clarendon Residences, LLC Operations	Total
Salaries and related benefits	\$ 202,114	\$ 533,933	\$ 691,293	\$ 1,427,340	\$ 198,637	\$ 323,897	\$ 1,949,874	\$ 1,650,403	\$ 3,600,277
Professional services	5,965	25,965	19,492	51,422	53,595	22,832	127,849	662,977	790,826
Supplies	1,112	2,474	3,426	7,012	1,056	1,281	9,349	226,321	235,670
Occupancy	15,722	34,999	48,461	99,182	14,939	18,122	132,243	1,732,126	1,864,369
Communications	2,792	6,422	8,776	17,990	2,178	110,759	130,927	801,875	932,802
Travel	1,224	5,062	10,513	16,799	470	1,663	18,932	31,972	50,904
Equipment	1,162	2,587	3,582	7,331	1,104	1,339	9,774	1,474	11,248
Program	6,876	16,228	27,182	50,286	-	-	50,286	-	50,286
Other	3,190	7,359	9,711	20,260	1,678	9,613	31,551	-	31,551
Interest	2,160	4,809	6,658	13,627	2,053	2,490	18,170	1,442,296	1,460,466
Total expenses before depreciation and amortization	242,317	639,838	829,094	1,711,249	275,710	491,996	2,478,955	6,549,444	9,028,399
Depreciation and amortization	1,223	2,723	3,772	7,718	1,162	1,410	10,290	1,713,619	1,723,909
Total expenses before eliminations	243,540	642,561	832,866	1,718,967	276,872	493,406	2,489,245	8,263,063	10,752,308
Eliminations	(10,516)	(27,745)	(35,963)	(74,224)	(11,955)	(21,305)	(107,484)	(275,626)	(383,110)
Total expenses	\$ 233,024	\$ 614,816	\$ 796,903	\$ 1,644,743	\$ 264,917	\$ 472,101	\$ 2,381,761	\$ 7,987,437	\$ 10,369,198

See notes to consolidated financial statements.

Young Women's Christian Association of Boston, Inc. and Affiliates

Consolidated Statement of Functional Expenses
Year Ended December 31, 2016

	Community Programs	Institutional Engagement	Youth Programs	Total Program Services	Management, General and Administrative	Fundraising	Subtotal	Clarendon Residences, LLC Operations	Total
Salaries and related benefits	\$ 326,777	\$ 409,307	\$ 591,460	\$ 1,327,544	\$ 218,088	\$ 126,492	\$ 1,672,124	\$ 1,543,369	\$ 3,215,493
Professional services	33,209	55,901	117,711	206,821	34,871	78,356	320,048	664,725	984,773
Supplies	810	1,446	2,234	4,490	4,733	547	9,770	227,193	236,963
Occupancy	25,632	32,877	47,446	105,955	33,302	16,517	155,774	1,683,795	1,839,569
Communications	14,325	28,238	29,385	71,948	2,502	203,643	278,093	791,599	1,069,692
Travel	795	2,822	5,614	9,231	7,476	2,473	19,180	20,433	39,613
Equipment	300	383	554	1,237	7,010	193	8,440	1,369	9,809
Program	2,861	13,139	22,859	38,859	574	5,755	45,188	120,346	165,534
Other	4,639	6,308	8,751	19,698	5,117	6,486	31,301	-	31,301
Interest	-	-	-	-	5,289	-	5,289	1,463,692	1,468,981
Total expenses before depreciation and amortization	409,348	550,421	826,014	1,785,783	318,962	440,462	2,545,207	6,516,521	9,061,728
Depreciation and amortization	588	870	1,379	2,837	6,184	986	10,007	1,539,393	1,549,400
Total expenses before eliminations	409,936	551,291	827,393	1,788,620	325,146	441,448	2,555,214	8,055,914	10,611,128
Eliminations	(22,340)	(28,654)	(41,352)	(92,346)	(25,042)	(14,395)	(131,783)	(262,947)	(394,730)
Total expenses	\$ 387,596	\$ 522,637	\$ 786,041	\$ 1,696,274	300,104	\$ 427,053	\$ 2,423,431	\$ 7,792,967	\$ 10,216,398

See notes to consolidated financial statements.

Young Women's Christian Association of Boston, Inc. and Affiliates

Consolidated Statements of Cash Flows
Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Changes in net assets/members' equity	\$ (130,683)	\$ (317,731)
Adjustments to reconcile changes in net assets/members' equity to net cash provided by operating activities:		
Depreciation and amortization	1,709,884	1,535,375
Amortization of deferred financing costs	14,025	14,025
Beneficial interest in perpetual trust	-	(32,637)
Net realized and unrealized gains on investments	(786,505)	(404,460)
Change in fair value of interest rate swap contract	(543,880)	(510,685)
Donated securities	(18,544)	(7,658)
Proceeds from sale of donated securities	18,544	7,658
Provision for contributions receivable	8,086	23,890
Distributions to investor member	13,086	123,710
Change in beneficial interest in trust	(4,092)	(749)
Changes in operating assets and liabilities:		
Pledges receivable	22,946	54,976
Other receivables	(3,318)	(12,882)
Prepaid expenses	4,698	(3,232)
Rent receivable	(185,380)	(66,394)
Accounts payable and accrued expenses	(67,461)	(62,669)
Accrued interest payable	87,796	81,399
Deferred revenue	(34,871)	(419,604)
Net cash provided by operating activities	104,331	2,332
Cash flows from investing activities:		
Purchase of investments	(3,305,062)	(4,577,722)
Proceeds from sale of investments	4,485,756	5,240,922
Lease commission paid to third party	(63,000)	(18,876)
Acquisition of property and equipment	(544,035)	(579,587)
Increase in escrow and security deposits	(6,930)	(45,569)
Net cash provided by investing activities	566,729	19,168
Cash flows from financing activities:		
Net (payments) proceeds from the line of credit	(300,000)	150,000
Payments on mortgage notes payable	(363,262)	(337,262)
Distributions to investor member	(13,086)	(123,710)
Net cash used in financing activities	(676,348)	(310,972)
Net change in cash and cash equivalents	(5,288)	(289,472)
Cash and cash equivalents, beginning of year	868,803	1,158,275
Cash and cash equivalents, end of year	\$ 863,515	\$ 868,803
Supplemental disclosures:		
Cash paid for interest	\$ 1,372,670	\$ 1,387,582
Unrealized gains on investments	\$ 518,399	\$ 345,163
Noncash investing activities:		
Acquisitions of rental real estate in accruals	\$ 38,215	\$ 53,339

See notes to consolidated financial statements.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Young Women's Christian Association of Boston, Inc. (the "Association"), known today as YW Boston, was founded in 1866 by abolitionists and suffragists to serve the needs of women in Greater Boston. As the first YWCA in the nation, YW Boston has been at the forefront of advancing social equality for more than 150 years. YW Boston shares its mission statement with all other YWCA affiliates nationwide: to eliminate racism, empower women, and promote peace, justice, freedom, and dignity for all. Today, YW Boston works towards this mission through programs in social justice leadership, women's and girls' health and wellness, and dialogues that advance racial justice. All of YW Boston's programs employ an "Educate and Empower" approach to bring people together across racial, gender, class, and organizational lines to create lasting change.

YWCA Clarendon, Inc. was formed on June 27, 2003, and Clarendon Residences, LLC (a Massachusetts limited liability company, (the "Company")) was formed on July 1, 2003. YWCA Clarendon, Inc. is owned 79% by the Association and 21% by an unrelated third party. The Company is owned .01% by YWCA Clarendon, Inc. and 99.99% by an unrelated investor member. YWCA Clarendon, Inc. acts as the managing member of the Company for the purpose of owning and operating the building at 140 Clarendon Street, Boston, Massachusetts (the "Project"). The building is composed of 79 qualifying low-income residential units and 105 market rate residential and transient units, including some units operated as hotel units, as well as commercial and retail space. Both the unrelated third party of YWCA Clarendon Inc. and the investor member of the Company are accounted for as non-controlling interests in the consolidated financial statements.

The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360-20, "Property and Equipment" regarding the accounting for sales of real estate. This requires the seller to treat a sales transaction as a financing, leasing, or profit sharing arrangement when the transaction is structured in such a way that the seller retains substantial risks or rewards of ownership. The Association is obligated to fund development cost overruns and operating deficits, holds the ground lease for the property, has the right to repurchase the investor's interest in the Company for a nominal amount after the end of the tax credit compliance period, and is a lessee in the building. When the Company began operations, the Association provided support to the Company through loans and deferral of the development fee, and for ground lease and management fee payments. The Company has begun making payments to the Association on these obligations based on available cash flow in accordance with the partnership agreement. Due to the integral nature of the relationship between the Association and the Company, the Company is consolidated with the Association in these financial statements.

In the accompanying consolidated financial statements, the Company and YWCA Clarendon, Inc. are referred to as the "Affiliates".

Basis of consolidation: The consolidated financial statements include the accounts of the Association, the Company and YWCA Clarendon, Inc., collectively referred to in the accompanying consolidated financial statements as the "Organization". All inter-company balances and transactions eliminate in the accompanying consolidated financial statements. The non-controlling interest in affiliates includes the interests of the investor member of the Company and the third-party shareholder of YWCA Clarendon, Inc.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Classification and reporting of net assets: The Organization's financial statement presentation follows the requirements of FASB ASC 958, "Financial Statements of Not-for Profit Organizations". Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization, as well as funds invested in plant, including buildings and equipment. A portion of unrestricted net assets is designated for specific purposes by action of the Board of Directors (the "Board")
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets also include, pursuant to Massachusetts law, cumulative appreciation and investment income earned on permanently restricted net assets, which has not been appropriated by the Board.
- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Contributions: Contributions received, including unconditional pledges, are initially recognized at fair value as revenue when donors make unconditional commitments. Pledges made and collected in the same reporting period are recorded in the appropriate net asset category when they are received. Unconditional pledges receivable in future periods are included in the financial statements as pledges receivable. Unconditional pledges receivable are recognized at the estimated net present value of such pledges, net of an allowance for uncollectible amounts. Conditional promises are recorded when donor stipulations are substantially met.

The Organization reports gifts of cash and other assets as temporarily restricted support if they are unconditionally received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets and reported in the accompanying consolidated statements of activities as net assets released from restrictions. Donor restricted contributions received and satisfied in the same period are included in unrestricted net assets.

The Organization reports contributions of land, building and equipment as unrestricted support, unless the donor places restrictions on their use. Contributions of cash or other assets used to acquire or construct long-lived assets are reported as unrestricted support to the extent the funds have been expended for the stipulated acquisition or construction; otherwise, the contributions are reported as temporarily restricted support.

Special events: Revenue related to annual events along with revenue related to the Organization's other hosted events, is reported as special events revenue and the related expenses as fundraising expense on the consolidated statement of activities. During the year ended December 31, 2016, the Organization celebrated its 150th anniversary with a gala.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Donated goods and services: Volunteers and other organizations contribute goods and services to the Organization in support of various aspects of its programs. Donated goods are reflected in the accompanying consolidated financial statements based upon the fair market value assigned to them by the donating agencies or by management. During the year ended December 31, 2016, the Organization received \$53,032 of donated services. There were no donated services received by the Organization during the year ended December 31, 2017. The Organization receives services from volunteers in various aspects of its programs. The value of these services are not reflected in the accompanying consolidated financial statements as the value assigned to these services by volunteers is not ascertainable and does not meet the recognition criteria under accounting principles generally accepted in the United States of America ("GAAP").

Revenue recognition: Revenues from program activities and government grants and contracts are recorded as services are performed. Program revenue received in advance of services provided is recorded as deferred revenue in the accompanying consolidated statements of financial position. Under GAAP, rental income from multi-year operating leases is recognized on a straight-line basis over the life of the lease agreements. The excess of rents recognized over amounts contractually due, pursuant to the underlying leases, would be deferred and included in prepaid expenses and other assets. Revenue is recognized as earned under the lease terms, which is not materially different from GAAP. Payments for functions, events or extended room rentals received in advance are recorded as deferred until earned. Income from providing services is recognized as earned. All other revenue is recorded when earned.

Operating activities: The consolidated statements of activities reflect a subtotal for operating gain (loss). This subtotal reflects revenues that the Organization received for operating purposes. Non-operating activity reflects all other activity, including but not limited to investment income, realized and unrealized gains on investments, net, investment return designated for operations, change in split interest agreements, beneficial interest in perpetual trust, change in fair value of interest rate swap contract, non-operating professional fees, and distributions to investor member.

Cash and cash equivalents: For the purposes of the reporting of cash flows, the Organization defines cash equivalents as highly liquid investments with maturities of three months or less.

Operating reserve: Under the terms of the Company's operating agreement, the Company is required to fund an operating reserve in the amount of approximately \$880,000. The cash reserve at December 31, 2017 and 2016 was \$183,886 and \$181,871, respectively. A \$700,000 letter of credit is in effect to meet the remainder of this requirement. The Operating Reserve cash deposit balances are included in escrow deposits on the consolidated statements of financial position.

Allowance for bad debts: Rent receivable, pledges receivable, and other receivables are reported as the outstanding balance less an allowance for doubtful accounts. An allowance for doubtful accounts is provided for those receivables considered to be uncollectible based upon historical experience and management's evaluation of outstanding receivables at the end of the year.

Beneficial interest in perpetual trust: The Association is the income beneficiary of a charitable trust (the "trust") under an irrevocable agreement, the assets of which are held by a bank with the trustee having responsibility for both its administration and investment. The trust is restricted in perpetuity.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Property, equipment and depreciation: Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Renewals and betterments are capitalized while repairs and maintenance are charged to operations as incurred.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives and consists of the following:

	<u>Estimated Useful Lives</u>
Buildings and improvements	10-40 years
Equipment, furniture and fixtures	5 years

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to \$1,690,662 and \$1,516,548, respectively.

Impairment of long-lived assets: The Organization has given consideration to the FASB ASC 360-10-15, *Accounting for Impairment or Disposal of Long-Lived Assets* in its presentation of these financial statements. The Organization reviews long lived assets for impairment whenever events or circumstances indicate the carrying amount may not be recoverable. If facts or circumstances support the possibility of impairment, the Organization will prepare a projection of the undiscounted future cash flows. In cases when the Organization does not expect to recover its carrying value, an impairment loss will be recognized. As of December 31, 2017 and 2016, no impairment indicators were identified and the Organization has not recognized any reduction in the carrying value of its fixed assets.

Asset retirement obligation: The Organization follows FASB ASC 410, *Asset Retirement and Environmental Obligations*. This standard requires a liability be recorded at fair value specific to certain legal environmental obligations. The recording of a liability is required if such conditions exist and the obligation can be reasonably estimated. As of December 31, 2017 and 2016, the Organization is unaware of any such obligations. The Organization will recognize a liability in the period in which it becomes aware of such liability and sufficient information is available to reasonably estimate the fair value.

Endowment and investments: Investments in marketable securities, primarily mutual funds, are stated at fair value as established by major securities markets and are pooled for investment purposes. Interest, dividends, and mutual fund distributions are recorded when earned. Gains and losses are recognized as incurred or based on market value changes during the period.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and such changes could materially affect investments. Investment income and net unrealized and realized gains or losses earned on donor restricted endowment funds are recorded as temporarily restricted in accordance with state law or in some cases permanently restricted where donors have made such stipulations. Investment income and net unrealized and realized gains and losses earned on the board designated investment portfolio are recorded in the unrestricted net asset class. When a donor restriction exists, investment income and net unrealized and realized gains are allocated based on the total balance of pooled investments applicable to the respective asset totals.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The Board has interpreted Massachusetts General Law as requiring realized and unrealized gains of permanently restricted net assets and interest and dividends earned to be retained in a restricted net asset classification until appropriated by the Board and expended. Massachusetts General Law allows the Board to appropriate for expenditure or accumulate so much of an endowment fund as is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making a determination whether to appropriate or accumulate, the Organization shall act on good faith, with the care that an ordinary person in a like position would exercise under similar circumstances, and shall consider the following factors: the duration and preservation of the endowment fund; the purposes of the Organization and the endowment Fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the Organization; and the investment policy of the Organization.

Effective July 1, 2017, the Board voted to designate all unrestricted investments as endowment. This designation was retrospectively applied beginning January 1, 2017.

The Organization has adopted a policy for donor restricted endowment assets and board designated endowment assets of appropriating for distribution each year 5 percent of the average market value of the investments based on the prior 20 rolling quarters ending September each year. The Organization has adopted investment and spending policies for invested funds that attempt to provide a predictable stream of funding for operations while seeking to maintain the assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the permanently restricted assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its permanently restricted funds, over time, to provide an average rate of return of approximately 5 percent. Actual returns in any given year may vary from this amount.

Based on the Organization's spending guidelines, \$451,240 and \$454,095 was utilized for operations for the years ended December 31, 2017 and 2016 and appropriated from the board designated endowment/unrestricted investment portfolio. In addition, the Board voted to appropriate an additional \$970,000 and \$450,000 from the board designated endowment/unrestricted investment portfolio to fund operations during the year ended December 31, 2017 and 2016, respectively. Therefore a total of \$1,421,240 and \$904,095 was appropriated from the investment portfolio for the year ended December 31, 2017 and 2016, respectively. No appropriations were made from the donor-restricted endowment for the years ended December 31, 2017 and 2016.

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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.

Deferred costs and amortization: Deferred financing costs are being amortized over the life of related loans using the straight-line method and are presented in the consolidated statements of financial position as a direct deduction from the loans. Accumulated amortization totaled \$161,872 and \$147,847 at December 31, 2017 and 2016, respectively. Amortization expense for the years ended December 31, 2017 and 2016 amounted to \$14,025 per year.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Deferred leasing costs are being amortized over the life of commercial leases using the straight-line method. Deferred leasing costs at December 31, 2017 and 2016 were \$239,445 and \$176,445, respectively. Accumulated amortization as of December 31, 2017 and 2016 was \$61,771 and \$42,549, respectively. Amortization expense for the years ended December 31, 2017 and 2016 amounted to \$19,222 and \$18,827, respectively.

Derivative financial instruments: All derivative financial instruments are recognized as assets or liabilities at their fair value on the balance sheet with the changes in the fair value reported in non-operating revenues or losses. These instruments are classified on the consolidated statements of financial position as "Fair value of interest rate swap contract" and the change in the fair value is recorded on the consolidated statements of activities in "Change in fair value of interest rate swap contract."

Historic tax credit: The Project qualified in 2005 for \$8,636,952 in historic tax credits related to qualified rehabilitation costs as designated by the United States Department of the Interior, National Park Service, pursuant to Section 47 of the Internal Revenue Code. Provisions of the enabling legislation provide for recapture of a portion of the credit in a declining scale if the property is held less than five years. For income tax depreciation purposes, the basis of the building has been reduced by the amount of the historic tax credit.

Low income housing tax credits: Section 42 of the Internal Revenue Code provides for low-income housing tax credits for qualified expenditures in connection with the acquisition and construction/rehabilitation of low-income housing. The Company has received an allocation of credits from the state allocating agency (the "Agency"), calculated at 3.43% and 8.01% of qualified acquisition and rehabilitation costs, respectively. The annual credit is \$1,000,000 and was prorated in 2005, the first year.

Provisions of Section 42 of the Internal Revenue Code regulate the use of the Project as to occupancy eligibility and unit gross rent, among other requirements. Recapture of low income housing tax credits could result in a required repayment of a portion of the credits if these provisions are not met.

Additionally, the Company has entered into an Extended Use Housing Agreement with the Agency. This agreement requires the Project to maintain the provisions of Section 42 of the Internal Revenue Code for a minimum of 30 years, and to set aside 79 residential apartment units for low-income occupants.

Functional allocation of expenses: Expenses directly related to a program are distributed to that program while other expenses are allocated based upon management's estimate of the percentage attributable to each program, using employee hours.

Advertising costs: The Company expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2017 and 2016 totaled \$63,853 and \$57,661, respectively.

Income taxes: The Association is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Association is also exempt from state income taxes. Donors may deduct contributions made to the Association pursuant to Internal Revenue Code regulations.

The Company, a for-profit entity, is a limited liability company treated as a partnership for income tax purposes and, therefore, does not pay federal or state income taxes on its taxable income. Instead, those members who are subject to taxation are liable for federal and state income taxes on the Company's taxable income. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act (TCJA) tax reform legislation. This legislation makes significant changes in U.S. tax law including numerous changes to individual and corporate tax rules that may impact real estate investors. Since the Organization is a not-for profit entity, the Company is a pass-through entity, and YWCA Clarendon, Inc. has minimal activity, the Organization does not expect the passing of the TCJA to have a material impact on the consolidated financial statements.

YWCA Clarendon, Inc., a for profit entity, is treated as a C-corporation for income tax purposes. Should it have taxable income, a provision for income taxes would be included in the accompanying consolidated financial statements.

Uncertainty of income taxes: The Organization follows the FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements. The Organization recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management evaluated the Organization's tax positions and concluded that the Organization has no material uncertainties in income taxes as of December 31, 2017 and 2016.

The organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2014. The Organization will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain reclassifications have been made to the 2016 consolidated financial statements in order to conform to the 2017 presentation. The reclassifications had no effect on the change in net assets.

Recent accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (FASB ASC 606)* ("ASU 2014-09"). This standard outlines a single comprehensive model for companies to use in accounting for revenues arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that revenues are recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenues should be recognized over time or at a point in time. The FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 for all entities by one year. This standard will be effective for annual reporting periods beginning after December 15, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09 or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The FASB also issued ASU 2016-10 and 2016-12, which make various changes to technical guidance included in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Organization for fiscal years beginning after December 15, 2018. The Organization has elected to early adopt the amendment that no longer requires disclosure of fair value financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASC 2016-02"). The guidance in ASU 2016-02 supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of its pending adoption of the new standard on the consolidated financial statements.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which will make eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 will be effective for fiscal years beginning after December 15, 2019, and will require the adoption on a retrospective basis unless it is impracticable to apply, in which case it would be required to apply the amendments prospectively as of the earliest date practicable. The Organization is currently evaluating the impact of this ASU on the consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* ("ASU 2016-14"). The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Early application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year the ASU is first applied. The Organization has not yet evaluated the impact of this ASU on the consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* ("ASU 2016-18"), which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Organization for fiscal years beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its consolidated statement of cash flows.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In January 2017, the FASB issued ASU 2017-02, *Not-for-Profit Entities – Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity* ("ASU 2017-02"). ASU 2017-02 amends the consolidation guidance in Subtopic 958-810, Not-for-Profit Entities-Consolidation, to clarify when a not-for-profit entity (NFP) that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in ASU 2015-02 become effective. ASU 2017-02 maintains how NFP general partners currently apply the consolidation guidance and adds general guidance on when NFP limited partners should consolidate a limited partnership. ASU 2017-02 is effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The Organization adopted this standard in the current year. The adoption of ASU 2017-02 did not have a material impact on the consolidated financial statements.

Note 2. Related Party Transactions

YWCA Fina House, LLC was created by the YWCA of Greater Lawrence to develop 24 units of affordable housing in Lawrence, Massachusetts. During 2005, the Association purchased a 21% interest in YWCA Fina House, Inc., the managing member of YWCA Fina House, LLC. As of December 31, 2017 and 2016, the Association holds 21 shares of common stock at a value of \$1 per share.

Note 3. Capital Contributions

The Investor Member of the Company has contributed \$16,261,158 in return for 99.99% of the profits, losses and tax credits and as of December 31, 2010, has no further capital obligation. During the year ended December 31, 2017 and 2016 the Company made a distribution of \$13,086 and \$123,710, respectively, to the Investor Member in accordance with the Amended and Restated Operating Agreement. The remaining .01% is allocated to the Managing Member (YWCA Clarendon, Inc.) which has contributed \$132,264 to the Company in addition to \$1,115,383 in building and improvements. The Managing Member was obligated to fund operating deficits from project completion until five years after the development obligation date (January 31, 2008). As of January 31, 2013, the Managing Member was no longer obligated to fund operating deficits.

Note 4. Pledges Receivable

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue in the appropriate net asset category. The pledges are due in various payment streams and have been recorded at their net present value, discounted using a rate commensurate with the risk involved that ranges from 1.72% - 5%. The following is a summary as of December 31:

	2017	2016
Pledges receivable, gross	\$ 31,535	\$ 65,141
Less allowance for uncollectible pledges	(3,335)	(5,909)
Net unconditional promises to give	<u>\$ 28,200</u>	<u>\$ 59,232</u>
Amounts due in:		
Less than one year	\$ 31,535	\$ 54,641
One to five years	-	10,500
	<u>\$ 31,535</u>	<u>\$ 65,141</u>

As of December 31, 2017, two donors accounted for 32% of the gross pledge balance recorded. As of December 31, 2016, one donor accounted for 46% of the gross pledge balance recorded.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Land	\$ 175,000	\$ 175,000
Buildings and improvements	50,483,582	51,099,325
Equipment, furniture and fixtures	2,229,952	3,081,448
	<u>52,888,534</u>	<u>54,355,773</u>
Less accumulated depreciation	(22,522,885)	(22,828,373)
	<u>\$ 30,365,649</u>	<u>\$ 31,527,400</u>

Note 6. Investments

The Organization records investments at fair value. The following are summaries of the investment portfolio as of December 31:

	2017		
	Cost	Fair Value	Unrealized Gain
Cash equivalents	\$ 332,482	\$ 332,482	\$ -
International equity mutual funds	2,756,320	3,237,749	481,429
Domestic equity mutual funds	3,367,594	4,167,791	800,197
	<u>\$ 6,456,396</u>	<u>\$ 7,738,022</u>	<u>\$ 1,281,626</u>

	2016		
	Cost	Fair Value	Unrealized Gain
Cash equivalents	\$ 153,368	\$ 153,368	\$ -
International equity mutual funds	2,906,792	3,015,123	108,331
Domestic equity mutual funds	4,308,823	4,963,719	654,896
	<u>\$ 7,368,983</u>	<u>\$ 8,132,210</u>	<u>\$ 763,227</u>

The following schedule summarizes the investment return and its classification in the consolidated statement of activities and changes in net assets.

	2017	2016
Donor restricted endowment return:		
Interest and dividends	\$ 50,044	\$ 45,892
Realized gains	66,192	20,533
Unrealized gains	108,545	5,237
Less investment fees	(9,864)	(9,237)
Total donor restricted endowment return	<u>\$ 214,917</u>	<u>\$ 62,425</u>

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 6. Investments (Continued)

	2017	2016
Board designated endowment/unrestricted return:		
Interest and dividends	\$ 190,486	\$ 195,004
Realized gains	250,018	87,250
Unrealized gains	409,110	339,926
Less investment fees	(37,496)	(39,249)
	<u>812,118</u>	<u>582,931</u>
Less investment return designated for operations:		
Appropriation to support operations based on spending guidelines	(451,240)	(454,095)
Additional appropriation to support operations	(970,000)	(450,000)
Investment return in deficit of appropriation	<u>\$ (394,205)</u>	<u>\$ (258,739)</u>

Note 7. Beneficial Interest in Perpetual Trusts

The Organization has a beneficial interest in a charitable trust managed by a third party trustee. An independent custodian invests the funds related to the trust. Due to the permanent nature of the trust, the Organization recognizes its interest in the fair value of the trust assets on the consolidated statement of financial position as beneficial interest in perpetual trust and it is included in permanently restricted net assets.

Income earned on the beneficial interest is paid to the Association each year in accordance with the trust document. Income received during the years ended December 31, 2017 and 2016 totaled \$1,213 and \$1,372, respectively, and is included within unrestricted contributions on the consolidated statement of activities. The net change in the value of the asset is recorded as change in split interest agreement on the consolidated statement of activities and totaled \$4,092 and \$749 for the years ended December 31, 2017 and 2016, respectively.

Note 8. Fair Value Measurements

Under the FASB's authoritative guidance on fair value measurements, fair value is 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. In determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair value. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2: Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8. Fair Value Measurements (Continued)

Level 3: Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

While the Organization 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 estimate of fair value at the reporting date.

During the years ended December 31, 2017 and 2016, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its statement of financial position or changes in net assets/members' equity.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Cash equivalents: The carrying value of cash equivalents approximates fair value because the instruments are highly liquid with maturities of less than three months.

International equity mutual funds and domestic equity securities: The fair value of international equity mutual funds and domestic equity securities is the market value based on quoted market prices.

Derivative Instrument: Derivatives are fair valued according to their classification as over-the-counter ("OTC"). OTC derivatives consist of interest rate swaps. These derivatives are fair valued under Level 2 using third party services. Observable market inputs include yield curves (the LIBOR swap curve, counterparty credit risk, and other related data. Credit valuation adjustments are required to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk. These adjustments are determined generally by applying a credit spread for the counterparty or the Organization as appropriate to the total expected exposure of the derivative.

Beneficial interest in perpetual trust: The fair value of the beneficial interest in perpetual trust is based on quoted market prices of underlying investments and present value techniques. An independent third party trustee manages the assets held in trust, and the Organization has no authority over investment decisions. Thus, they are classified as Level 3 within the fair value hierarchy levels.

The following table summarizes the Organization's assets and liabilities measured at fair value on a recurring basis by level, within the fair value hierarchy at December 31:

Description	2017			
	Level 1	Level 2	Level 3	Total
Investments (Note 6):				
Cash equivalents	\$ 332,482	\$ -	\$ -	\$ 332,482
International equity mutual funds	3,237,749	-	-	3,237,749
Domestic equity mutual funds	4,167,791	-	-	4,167,791
Total investments	7,738,022	-	-	7,738,022
Beneficial Interest in perpetual trust (Note 7)	-	-	37,478	37,478
	\$ 7,738,022	\$ -	\$ 37,478	\$ 7,775,500
Interest rate swap contract (Note 11)	\$ -	\$ (1,721,348)	\$ -	\$ (1,721,348)

Young Women’s Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 8. Fair Value Measurements (Continued)

Description	2016			Total
	Level 1	Level 2	Level 3	
Investments (Note 6):				
Cash equivalents	\$ 153,368	\$ -	\$ -	\$ 153,368
International equity mutual funds	3,015,123	-	-	3,015,123
Domestic equity mutual funds	4,963,719	-	-	4,963,719
Total investments	8,132,210	-	-	8,132,210
Beneficial Interest in perpetual trust (Note 7)	-	-	33,386	33,386
	<u>\$ 8,132,210</u>	<u>\$ -</u>	<u>\$ 33,386</u>	<u>\$ 8,165,596</u>
Interest rate swap contract (Note 11)	\$ -	\$ (2,265,227)	\$ -	\$ (2,265,227)

The changes in assets measured at fair value for which the Organization has used Level 3 inputs to determine fair value are as follows:

	Beneficial Interest
Balance, December 31, 2015	\$ -
Contributions	32,637
Change in split interest agreement	749
Balance, December 31, 2016	33,386
Contributions	-
Change in split interest agreement	4,092
Balance, December 31, 2017	<u>\$ 37,478</u>

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements at December 31,

	2017 Fair Value	2016 Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Beneficial interest in trusts	<u>\$ 37,478</u>	<u>\$ 33,386</u>	Market approach based on underlying securities	None	N/A

Note 9. Notes Payable

DHCD: The Department of Housing and Community Development (“DHCD”) has provided financing to the Company in the form of a \$750,000 HOME Loan. This note bears interest at the greater of 5.12% or the Applicable Federal Rate (“AFR”). As of December 31, 2017 and 2016, the interest rate was 5.12%. Interest began accruing on the date of the first draw and compounds annually. All interest and principal are due on the maturity date, December 2033. As of December 31, 2017 and 2016, \$750,000 has been drawn against the note, and \$701,513 and \$630,815 of interest has been accrued, respectively. Interest expense totaled \$70,697 and \$67,254 at December 31, 2017 and 2016, respectively. This note is secured by all business assets of the Company.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 9. Notes Payable (Continued)

CEDAC: The Community Economic Development Assistance Corporation ("CEDAC") has provided financing to the Company in the form of a \$750,000 HIF Loan. As of December 31, 2017 and 2016, \$750,000 has been drawn against the note. On September 5, 2007, the Company signed an amendment to reduce the interest rate to 0%, and retroactively reduce the interest to zero to the date the note was assigned (January 1, 2006). Payments are due annually to the extent Gross Cash Receipts exceeds 105% of Gross Cash Expenditures, as those terms are defined. Unpaid principal and interest accrued are due on the maturity date, December 2033. As of December 31, 2017 and 2016, \$39,733 of interest has been accrued for years prior to the 2007 amendment. This note is secured by all business assets of the Company.

DND: The City of Boston Department of Neighborhood Development ("DND") has provided additional financing to the Company through two loans in the amounts of \$1,000,000 and \$250,000. As of December 31, 2017 and 2016, \$1,250,000 has been drawn against the notes. These notes bear simple interest at 1% per annum. Interest began accruing on the date of the first draw and totaled \$166,047 and \$153,547, respectively, as of December 31, 2017 and 2016. Payments of principal and interest were deferred to July 2007, at which time annual payments are due from 50% of cash flow, as defined. Unpaid principal and interest are due on the maturity date, August 2036. Interest expense totaled \$12,500 for the years ended December 31, 2017 and 2016. This note is secured by all business assets of the Company.

Principal and interest payments on all of the above notes payable are subject to available cash flow from the Company's operations or are deferred until maturity.

Future maturities of notes payable are as follows for the years ending December 31:

2018	\$	-
2019		-
2020		-
2021		-
2022		-
Thereafter		2,750,000
		<u>\$ 2,750,000</u>

Note 10. Mortgage Notes Payable

Permanent financing with the Massachusetts Housing Partnership ("MHP") in the original amount of \$20,550,000 is evidenced by three promissory notes. These notes are secured by all business assets of the Company.

The first note, in the amount of \$9,000,000, bears a 6.95% annual interest rate. Payments of principal and interest are due monthly, and began in June 2007. Payments based on a 30-year amortization schedule of principal and interest are due through July 2022, at which time a balloon payment will be due.

The second note, in an amount of \$5,775,000, bears interest at the one month LIBOR rate plus one hundred seventy-five basis points (3.24% and 2.47% at December 31, 2017 and 2016, respectively) per annum, subject to the swap agreement, which is discussed in Note 11. Payments of interest only were due monthly through June 15, 2006. Payments based on a 30-year amortization schedule of principal and interest are due through July 2022, at which time a balloon payment will be due.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 10. Mortgage Notes Payable (Continued)

The third note, also in an amount of \$5,775,000, bears interest at the one month LIBOR rate plus one hundred seventy-five basis points (3.24% and 2.47% at December 31, 2017 and 2016) per annum, subject to the swap agreement, which is discussed in Note 11. Payments of interest only were due monthly through June 15, 2006. Payments based on a 30-year amortization schedule of principal and interest are due through July 2022, at which time a balloon payment will be due.

The notes are payable in monthly installments of approximately \$92,529 for principal and interest. The notes also require monthly deposits to the reserve for replacement in the amount of \$10,661 (\$10,153 during the year ended December 31, 2016). In addition, monthly deposits of \$37,408 (\$36,794 during the year ended December 31, 2016) were made to escrow real estate taxes and sewer and water charges.

Under the amended terms of the permanent financing with MHP, the Company is required to maintain a debt coverage ratio for the loan of at least 1.20 and a debt coverage ratio of 1.05 for all debt and a loan to value ratio of 75% or less. The loan to value ratio is tested from time to time at lenders' discretion at the Company's cost. The Company is also required to provide for an irrevocable letter of credit that combined with operating reserve will equal \$880,000.

As of December 31, 2017 and 2016, principal of \$17,647,584 and \$18,010,845, respectively, remains unpaid. Interest expense for 2017 and 2016 was \$1,342,557 and \$1,367,705, respectively, of which \$71,340 and \$66,743, respectively, is accrued at year-end.

Future maturities of mortgages payable are as follows for the years ending December 31:

	Long-Term Debt	Deferred Financing Costs	Net
2018	\$ 391,276	\$ (14,025)	\$ 377,251
2019	421,462	(14,025)	407,437
2020	453,990	(14,025)	439,965
2021	489,041	(14,025)	475,016
2022	15,891,815	(6,426)	15,885,389
	<u>\$ 17,647,584</u>	<u>\$ (62,526)</u>	<u>\$ 17,585,058</u>

Note 11. Interest Rate Swap Contract

The Company has entered into an Interest Rate Swap ("SWAP") agreement to reduce the impact of interest rate fluctuations on its variable rate borrowings. The SWAP is not held for trading or other speculative purposes, became effective as of December 19, 2003, and matures on July 19, 2022. The value of the swap instrument represents the estimated cost to the Company to cancel the agreement at the reporting date, which is based on pricing models that consider risks and market factors.

By using derivative financial instruments to manage changes in interest rates, the Company exposes itself to credit risk and market risk. The credit risk is the risk of a counterparty not performing under the terms of the SWAP. The counterparty to the SWAP is a major financial institution, which has an A- credit rating by Standard & Poor's Ratings Group. The Company monitors the credit rating of the counterparty periodically and the amount of the Company's debt subject to the SWAP agreement with any one party. Therefore, the Company believes the likelihood of realizing material losses from counterparty non-performance is remote.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 11. Interest Rate Swap Contract (Continued)

Market-risk is the adverse effect of the value of the financial instrument that results from a change in interest rates. The market-risk associated with interest-rate contracts is managed by the establishment and monitoring of parameters that limit the types and degree to market risk that may be undertaken. These risks are managed by the Company's management, and it is management's intent to hold all derivative agreements to term.

The Company has an interest rate swap agreement relating to the second and third notes (Note 10), that effectively converts the Company's variable interest rate to a fixed rate of 7.79%. This swap is utilized to manage interest rate exposure. The differential to be paid or received on the swap agreement is accrued as interest rates change and is recognized over the life of the agreement in interest expense. The notional amount is \$10,198,932 and \$10,372,199 as of December 31, 2017 and 2016, respectively.

Fair Value of Derivative Instruments not Designated as Hedging Instruments on the Consolidated Statements of Financial Position as of December 31, 2017 and 2016				
Derivative	Statement of Financial Position Location	Fair Value 2017	Statement of Financial Position Location	Fair Value 2016
Interest rate contract	Long-term liabilities	\$ 1,721,348	Long-term liabilities	\$ 2,265,227

The Effect of Derivative Instruments on the Consolidated Statements of Activities for the Years Ended December 31, 2017 and 2016

Derivative	Location of Gain Recognized in Unrestricted Non-Operating Income	Amount of Gain Recognized in Unrestricted Non-Operating Income	
		2017	2016
Interest rate contract	Change in fair value of interest rate swap contract	\$ 543,880	\$ 510,685

Note 12. Line of Credit

The Organization has a \$500,000 line of credit agreement with a bank that bears interest at 4.00%. The line must be paid to zero over a period of no less than 30 consecutive days in each successive annual period. The line is subject to an annual review and renewal on July 31 each year. There was an outstanding balance of \$0 and \$300,000 as of December 31, 2017 and 2016 respectively.

Note 13. Operating Leases

The Organization leases equipment under various non-cancelable operating leases that are effective through calendar year 2020. Rent expense incurred by the Organization under these lease agreements was \$9,774 and \$8,438, respectively, for the years ended December 31, 2017 and 2016.

Future minimum rental payments over the next five years and in the aggregate under non-cancelable operating leases having remaining terms in excess of one year are as follows for the years ending December 31:

2018	\$ 3,388
2019	1,704
2020	1,278
	<u>\$ 6,370</u>

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 14. Rental Income

The Company leases space to commercial tenants for various lengths of time through 2026. These leases provide for specific monthly payments plus reimbursement for certain operating costs. Additionally, many of these leases call for renewal at the option of the lessee. These renewals are generally at favorable rates. For the years ending December 31, 2017 and 2016, revenue related to these leases totaled \$1,034,037 and \$1,102,270, respectively.

The following is a summary of minimum future rentals under non-cancelable operating leases for the year ending December 31:

2018	\$	971,127
2019		807,163
2020		819,996
2021		837,507
2022		853,750
Thereafter		1,382,314
	\$	<u>5,671,857</u>

Four tenants represented greater than 10% of total commercial revenue and 71% and 72.3% in the aggregate, respectively, at December 31, 2017 and 2016.

	A	B	C	D
Lease expiration date	6/30/2018	12/31/2024	11/30/2023	6/30/2026
Percent of rental income	27.8%	13.9%	17.7%	17.6%
Percent of future rental income	3%	22%	9%	34%
Termination options	None	None	None	None
Extension options	None	None	None	None

The Company also leases residential units through short term lease agreements. For the years ended December 31, 2017 and 2016, revenue related to these leases totaled \$1,985,101 and \$1,971,899, respectively.

Note 15. Pension Plan

The Association is a participating employer-sponsor of the YWCA Retirement Fund, Inc. (the "Fund"), a multiple employer cash balance defined benefit plan. The plan annually elects to contribute up to 10% of eligible employees' annual compensation. For the years ended December 31, 2017 and 2016, 3% was elected. Employees are eligible when they provide 1,000 hours of service each year for two years. Optional payments by employees are allowed up to 10% of annual compensation, which vest immediately. The Association's contributions are fully vested immediately. The actuarial present value of the benefit obligation and fair value of plan assets are not available separately for each employer that participates in the plan.

The Association's policy is to fund pension costs as they are incurred. Pension expense was \$20,609 and \$25,123, respectively, at December 31, 2017 and 2016. This expense is included in salaries, wages and benefits in the accompanying consolidated financial statements. As a participating employer sponsor, the only obligation of the Association is to make contributions on behalf of its employees. All other obligations associated with this plan are the responsibility of the national association.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 16. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2017	2016
Time	\$ 466,637	\$ 520,590
Purpose	74,750	-
Cumulative investment earnings on endowment	231,475	69,196
	<u>\$ 772,862</u>	<u>\$ 589,786</u>

During the years ended December 31, 2017 and 2016, \$46,201 and \$107,801, respectively, of net assets were released from restriction by satisfying the restricted purpose or by the passage of time.

Note 17. Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at December 31:

	2017	2016
Donor restricted endowment funds	\$ 1,595,110	\$ 1,542,472
Beneficial interest in perpetual trust	37,478	33,386
Total permanently restricted net assets	<u>\$ 1,632,588</u>	<u>\$ 1,575,858</u>

Note 18. Concentration of Credit Risk

The Organization maintains its cash and cash equivalent balances in various Massachusetts banks, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes the Organization is not exposed to any significant credit risk with respect to its cash balances.

Note 19. Contingencies

The Organization is subject to a variety of suits and proceedings arising in the ordinary course of business. In the opinion of management, no litigation, individually or in the aggregate, currently pending or, to the knowledge of the Organization, threatened against it will result in a material adverse effect on its financial condition.

Note 20. Endowment Net Assets

The following is a summary of endowment net asset composition by type of fund at December 31:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Donor restricted endowment funds	\$ -	\$ 231,475	\$ 1,595,110	\$ 1,826,585
Board designated endowment funds	5,911,437	-	-	5,911,437
	<u>\$ 5,911,437</u>	<u>\$ 231,475</u>	<u>\$ 1,595,110</u>	<u>\$ 7,738,022</u>

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 20. Endowment Net Assets (Continued)

	2016			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -	\$ 69,196	\$ 1,542,472	\$ 1,611,668

The following is a summary of changes in the endowment net assets for the year ended December 31:

	2017			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 69,196	\$ 1,542,472	\$ 1,611,668
Designation of investments to board designated endowment fund	6,520,559	-	-	6,520,559
Investment return:				
Investment income	190,486	28,527	21,517	240,530
Realized and unrealized gains, net of fees	621,632	133,752	31,121	786,505
Total investment return	812,118	162,279	52,638	1,027,035
Appropriation of endowment assets for expenditures	(1,421,240)	-	-	(1,421,240)
Endowment net assets, end of year	\$ 5,911,437	\$ 231,475	\$ 1,595,110	\$ 7,738,022

	2016			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ 36,359	\$ 1,512,884	\$ 1,549,243
Investment return:				
Investment income	-	26,064	19,828	45,892
Realized and unrealized gains, net of fees	-	6,773	9,760	16,533
Total investment return	-	32,837	29,588	62,425
Endowment net assets, end of year	\$ -	\$ 69,196	\$ 1,542,472	\$ 1,611,668

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The aggregate deficiency between the fair value of investments of the endowment fund at December 31, 2017 and 2016 and the level required by donor stipulation is approximately \$0 and \$1,300, respectively. During the year ended December 31, 2017, a gain of \$1,300 on permanently restricted funds has been recorded as unrestricted to restore losses recorded in unrestricted net assets in prior years.

Young Women's Christian Association of Boston, Inc. and Affiliates

Notes to Consolidated Financial Statements

Note 21. Non-Controlling Interest

The following is a summary of the changes in unrestricted net assets attributable to the investor member interests in the Company (non-controlling interest in affiliate as of December 31):

	2017	2016
Balance at beginning of year	\$ 1,110,066	\$ 592,077
Change in net assets		
Rental/hotel income	7,715,139	8,065,273
Rental/hotel expense	(8,115,251)	(7,934,208)
Distribution to investor member	(13,086)	(123,710)
Change in fair value of interest rate swap contract	543,826	510,634
Balance at end of year	<u>\$ 1,240,694</u>	<u>\$ 1,110,066</u>

Note 22. Subsequent Events

The Organization evaluated subsequent events through May 11, 2018, when the financial statements were available to be issued.

Independent Auditor's Report on the Supplementary Information

Boards of Directors
Young Women's Christian Association of Boston, Inc. and Affiliates

We have audited the consolidated financial statements of Young Women's Christian Association of Boston, Inc. and Affiliates as of and for the years ended December 31, 2017 and 2016, and have issued our report thereon, dated May 11, 2018, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Boston, Massachusetts
May 11, 2018

Young Women's Christian Association of Boston, Inc. and Affiliates

Consolidating Statement of Financial Position
December 31, 2017

	YWCA Boston, Inc.	Clarendon Residences, LLC	YWCA Clarendon, Inc.	Consolidated Totals before Eliminations	Eliminations	Consolidated Totals
Assets						
Current assets:						
Cash and equivalents	\$ 557,185	\$ 306,330	\$ -	\$ 863,515	\$ -	\$ 863,515
Rent receivable	-	258,058	-	258,058	-	258,058
Due from affiliate	-	419,494	-	419,494	(419,494)	-
Pledges receivable, net	48,200	-	-	48,200	(20,000)	28,200
Other receivables	21,200	-	-	21,200	-	21,200
Prepaid expenses	3,763	38,705	-	42,468	-	42,468
Tenant security deposits	-	156,641	-	156,641	-	156,641
Escrow deposits	-	424,140	-	424,140	-	424,140
Total current assets	630,348	1,603,368	-	2,233,716	(439,494)	1,794,222
Property and equipment, net	191,258	30,174,391	-	30,365,649	-	30,365,649
Other assets:						
Investments	7,738,022	-	-	7,738,022	-	7,738,022
Investment in affiliates	1,246,174	-	1,246,174	2,492,348	(2,492,348)	-
Sponsor notes and accrued interest receivable	3,693,509	-	-	3,693,509	(3,693,509)	-
Development fee receivable	2,157,938	-	-	2,157,938	(2,157,938)	-
Ground lease and accrued interest receivable	125,177	-	-	125,177	(125,177)	-
Management fee receivable	7,044	-	-	7,044	(7,044)	-
Deferred costs, net	-	177,674	-	177,674	-	177,674
Beneficial interest in perpetual trust	37,478	-	-	37,478	-	37,478
Total other assets	15,005,342	177,674	1,246,174	16,429,190	(8,476,016)	7,953,174
Total assets	\$ 15,826,948	\$ 31,955,433	\$ 1,246,174	\$ 49,028,555	\$ (8,915,510)	\$ 40,113,045
Liabilities and Net Assets/Members' Equity						
Current liabilities:						
Due to affiliate	\$ 419,494	\$ -	\$ -	\$ 419,494	\$ (419,494)	\$ -
Mortgage notes payable - current portion, net of deferred financing costs	-	377,251	-	377,251	-	377,251
Accounts payable and accrued expenses	148,504	306,899	-	455,403	(20,000)	435,403
Deferred revenue	9,100	28,090	-	37,190	-	37,190
Tenant security deposits	-	114,867	-	114,867	-	114,867
Total current liabilities	577,098	827,107	-	1,404,205	(439,494)	964,711
Long-term liabilities:						
Notes payable	-	2,750,000	-	2,750,000	-	2,750,000
Mortgage notes payable, net of current portion and deferred financing costs	-	17,207,807	-	17,207,807	-	17,207,807
Sponsor note and accrued interest payable	-	3,693,509	-	3,693,509	(3,693,509)	-
Development fee payable	-	2,157,938	-	2,157,938	(2,157,938)	-
Ground lease and accrued interest payable	-	125,177	-	125,177	(125,177)	-
Management fee payable	-	7,044	-	7,044	(7,044)	-
Accrued interest payable	-	978,635	-	978,635	-	978,635
Fair value interest rate swap contract	-	1,721,348	-	1,721,348	-	1,721,348
Total long-term liabilities	-	28,641,458	-	28,641,458	(5,983,668)	22,657,790
Total liabilities	577,098	29,468,565	-	30,045,663	(6,423,162)	23,622,501
Net assets/members' equity:						
Unrestricted net assets/members' equity:						
Current operations	6,922,963	1,246,174	1,246,174	9,415,311	(2,482,348)	6,932,963
Board-designated	5,911,437	-	-	5,911,437	-	5,911,437
Non-controlling interest in affiliate	-	1,240,694	-	1,240,694	-	1,240,694
	12,834,400	2,486,868	1,246,174	16,567,442	(2,482,348)	14,085,094
Temporarily restricted	782,862	-	-	782,862	(10,000)	772,862
Permanently restricted	1,632,588	-	-	1,632,588	-	1,632,588
Total net assets/members' equity	15,249,850	2,486,868	1,246,174	18,982,892	(2,492,348)	16,490,544
Total liabilities and net assets/members' equity	\$ 15,826,948	\$ 31,955,433	\$ 1,246,174	\$ 49,028,555	\$ (8,915,510)	\$ 40,113,045

Young Women's Christian Association of Boston, Inc. and Affiliates

Consolidating Statement of Activities
Year Ended December 31, 2017

	YWCA Boston, Inc.				Clarendon Residences, LLC	YWCA Clarendon,	Eliminating Entries	Totals			Consolidated Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals				Unrestricted/ Members' Equity	Temporarily Restricted	Permanently Restricted	
Operating revenues and support:											
Foundation and corporate contributions	\$ 106,097	\$ 75,084	\$ -	\$ 181,181	\$ -	\$ -	\$ -	\$ 106,097	\$ 75,084	\$ -	\$ 181,181
Individuals contributions	302,461	10,000	-	312,461	-	-	(20,000)	292,461	-	-	292,461
United Way revenue	70,550	-	-	70,550	-	-	-	70,550	-	-	70,550
Special events revenue	196,799	-	-	196,799	-	-	-	196,799	-	-	196,799
Program revenue	335,262	-	-	335,262	-	-	-	335,262	-	-	335,262
Investment return designated for operations	1,421,240	-	-	1,421,240	-	-	-	1,421,240	-	-	1,421,240
Provision for uncollectible pledges	-	(8,086)	-	(8,086)	-	-	-	-	(8,086)	-	(8,086)
Rental activities: ground lease and management fee income	239,084	-	-	239,084	-	-	(239,084)	-	-	-	-
Net assets released from restrictions	46,201	(46,201)	-	-	-	-	-	46,201	(46,201)	-	-
Total operating revenues and support	2,717,694	30,797	-	2,748,491	-	-	(259,084)	2,468,610	20,797	-	2,489,407
Expenses:											
Program	1,711,249	-	-	1,711,249	-	-	(74,224)	1,637,025	-	-	1,637,025
Management, general and administrative	275,710	-	-	275,710	-	-	(11,955)	263,755	-	-	263,755
Fundraising	491,996	-	-	491,996	-	-	(21,305)	470,691	-	-	470,691
Total expenses	2,478,955	-	-	2,478,955	-	-	(107,484)	2,371,471	-	-	2,371,471
Operating gain (loss) before depreciation, amortization and net rental activities	238,739	30,797	-	269,536	-	-	(151,600)	97,139	20,797	-	117,936
Depreciation and amortization expense	10,290	-	-	10,290	-	-	-	10,290	-	-	10,290
Rental/hotel activities:											
Rental/hotel income	-	-	-	-	7,715,911	-	(107,484)	7,608,427	-	-	7,608,427
Rental/hotel expense	(147,000)	-	-	(147,000)	(8,116,063)	-	275,626	(7,987,437)	-	-	(7,987,437)
Net rental activities	(147,000)	-	-	(147,000)	(400,152)	-	168,142	(379,010)	-	-	(379,010)
Operating gain (loss)	81,449	30,797	-	112,246	(400,152)	-	16,542	(292,161)	20,797	-	(271,364)
Non-operating revenues (losses):											
Investment income	190,486	28,527	21,517	240,530	-	-	-	190,486	28,527	21,517	240,530
Realized and unrealized gains, net	621,646	133,752	31,121	786,519	-	14	(28)	621,632	133,752	31,121	786,505
Investment return designated for operations	(1,421,240)	-	-	(1,421,240)	-	-	-	(1,421,240)	-	-	(1,421,240)
Change in split interest agreement	-	-	4,092	4,092	-	-	-	-	-	4,092	4,092
Non-operating professional fees	-	-	-	-	-	-	-	-	-	-	-
Change in fair value on interest rate swap contract	-	-	-	-	543,880	-	-	543,880	-	-	543,880
Interest on related party receivables	16,542	-	-	16,542	-	-	(16,542)	-	-	-	-
Distribution to investor member	-	-	-	-	(13,086)	-	-	(13,086)	-	-	(13,086)
Total non-operating revenues (losses)	(592,566)	162,279	56,730	(373,557)	530,794	14	(16,570)	(78,328)	162,279	56,730	140,681
Changes in net assets/members' equity	(511,117)	193,076	56,730	(261,311)	130,642	14	(28)	(370,489)	183,076	56,730	(130,683)
Net assets/members' equity at beginning of year	13,345,517	589,786	1,575,858	15,511,161	2,356,226	1,246,160	(2,492,320)	14,455,583	589,786	1,575,858	16,621,227
Net assets/members' equity at end of year	\$ 12,834,400	\$ 782,862	\$ 1,632,588	\$ 15,249,850	\$ 2,486,868	\$ 1,246,174	\$ (2,492,348)	\$ 14,085,094	\$ 772,862	\$ 1,632,588	\$ 16,490,544