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

Consolidated Financial Report
December 31, 2018

Contents

RSM US LLP

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, 2018 and 2017, 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 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 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 the Organization as of December 31, 2018 and 2017, 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.

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Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* during the year ended December 31, 2018. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosures related to net assets. The adoption was retrospectively applied to January 1, 2017; the earliest year presented. Our opinion is not modified with respect to this matter.

RSM US LLP

Boston, Massachusetts
May 20, 2019

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

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	**$ 503,022**	$ 905,289
Rent receivable	**159,111**	258,058
Pledges receivable, net	**72,875**	28,200
Other receivables	**15,500**	21,200
Prepaid expenses	**51,394**	42,468
Tenant security deposits	**110,463**	114,867
Escrow deposits	**506,799**	424,140
Total current assets	**1,419,164**	1,794,222
Property and equipment, net	**28,989,210**	30,365,649
Other assets:		
Investments	**6,715,856**	7,738,022
Deferred rent	**191,928**	-
Deferred costs, net	**148,613**	177,674
Beneficial interest in perpetual trust	**32,531**	37,478
Total other assets	**7,088,928**	7,953,174
Total assets	**$ 37,497,302**	$ 40,113,045
Liabilities and Net Assets/Members' Equity		
Current liabilities:		
Mortgage notes payable - current portion, net of deferred financing costs	**$ 407,437**	$ 377,251
Accounts payable and accrued expenses	**466,038**	506,743
Deferred revenue	**33,272**	37,190
Tenant security deposits	**110,463**	114,867
Total current liabilities	**1,017,210**	1,036,051
Long-term liabilities:		
Notes payable	**2,750,000**	2,750,000
Mortgage notes payable, net of current portion and deferred financing costs	**16,800,371**	17,207,807
Accrued interest payable	**994,112**	907,295
Fair value of interest rate swap contract	**1,223,393**	1,721,348
Total long-term liabilities	**21,767,876**	22,586,450
Total liabilities	**22,785,086**	23,622,501
Net assets/members' equity:		
Without donor restrictions/members' equity:	**12,414,765**	14,085,094
With donor restrictions	**2,297,451**	2,405,450
Total net assets/members' equity	**14,712,216**	16,490,544
Total liabilities and net assets/members' equity	**$ 37,497,302**	$ 40,113,045

See notes to consolidated financial statements.

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

Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	Without Donor Restrictions	With Donor Restrictions	2017 Total
Operating revenues and support:						
Foundation and corporate contributions	$ 242,927	$ 139,422	$ 382,349	$ 106,097	$ 75,084	$ 181,181
Individuals contributions	165,935	-	165,935	292,461	-	292,461
United Way revenue	39,203	-	39,203	70,550	-	70,550
Special events revenue (net of expenses of $52,585 and $104,652 as of December 31, 2018 and 2017, respectively)	216,677	-	216,677	92,147	-	92,147
Donated services	98,113	-	98,113	-	-	-
Program revenue	305,349	-	305,349	335,262	-	335,262
Investment return designated for operations	951,090	-	951,090	1,421,240	-	1,421,240
Provision for uncollectible pledges	-	(5,500)	(5,500)	-	(8,086)	(8,086)
Net assets released from restrictions	81,250	(81,250)	-	46,201	(46,201)	-
Total operating revenues and support	2,100,544	52,672	2,153,216	2,363,958	20,797	2,384,755
Expenses:						
Program	1,456,040	-	1,456,040	1,637,025	-	1,637,025
Management, general and administrative	268,061	-	268,061	263,755	-	263,755
Fundraising	386,507	-	386,507	366,039	-	366,039
Total expenses	2,110,608	-	2,110,608	2,266,819	-	2,266,819
Operating gain before depreciation, amortization and net rental activities	(10,064)	52,672	42,608	97,139	20,797	117,936
Depreciation and amortization expense	16,259	-	16,259	10,290	-	10,290
Rental/hotel activities:						
Rental/hotel income	7,762,102	-	7,762,102	7,608,427	-	7,608,427
Rental/hotel expense	(8,519,760)	-	(8,519,760)	(7,987,437)	-	(7,987,437)
Net rental activities	(757,658)	-	(757,658)	(379,010)	-	(379,010)
Operating gain (loss)	(783,981)	52,672	(731,309)	(292,161)	20,797	(271,364)
Non-operating revenues (losses):						
Net non-endowment investment loss	(13,896)	-	(13,896)	-	-	-
Net endowment investment (loss) return	(405,956)	(155,724)	(561,680)	812,118	214,917	1,027,035
Investment return designated for operations	(951,090)	-	(951,090)	(1,421,240)	-	(1,421,240)
Change in beneficial interest in perpetual trust	-	(4,947)	(4,947)	-	4,092	4,092
Change in fair value of interest rate swap contract	497,955	-	497,955	543,880	-	543,880
Distribution to investor member	(13,361)	-	(13,361)	(13,086)	-	(13,086)
Total non-operating revenues (losses)	(886,348)	(160,671)	(1,047,019)	(78,328)	219,009	140,681
Changes in net assets/members' equity	(1,670,329)	(107,999)	(1,778,328)	(370,489)	239,806	(130,683)
Net assets/members' equity at beginning of year	14,085,094	2,405,450	16,490,544	14,455,583	2,165,644	16,621,227
Net assets/members' equity at end of year	$ 12,414,765	$ 2,297,451	$ 14,712,216	$ 14,085,094	$ 2,405,450	$ 16,490,544

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, 2018

	Program Services				Supporting Services				
	Inclusion Services	LeadBoston	Youth Programs	Total Program Services	Management, General and Administrative	Fundraising	Subtotal	Clarendon Residences, LLC Operations	Total
Salaries and related benefits	$ 575,909	$ 328,901	$ 326,976	$ 1,231,786	$ 163,227	$ 321,012	$ 1,716,025	$ 1,646,148	$ 3,362,173
Professional services	43,281	35,985	30,988	110,254	67,305	19,005	196,564	828,833	1,025,397
Supplies	1,127	692	742	2,561	2,548	458	5,567	221,087	226,654
Occupancy	32,607	29,893	32,171	94,671	23,035	25,080	142,786	2,174,616	2,317,402
Communications	10,213	4,205	4,106	18,524	5,144	19,898	43,566	677,324	720,890
Travel	2,311	952	5,665	8,928	1,193	2,585	12,706	28,283	40,989
Equipment	4,082	3,942	2,210	10,234	12,720	2,395	25,349	14,536	39,885
Program	2,163	19,409	16,554	38,126	476	838	39,440	-	39,440
Other	4,061	5,347	3,825	13,233	5,900	16,957	36,090	-	36,090
Interest	-	-	-	-	-	-	-	1,422,965	1,422,965
Total expenses before depreciation and amortization	675,754	429,326	423,237	1,528,317	281,548	408,228	2,218,093	7,013,792	9,231,885
Depreciation and amortization	4,370	2,682	3,217	10,269	4,120	1,870	16,259	1,733,489	1,749,748
Total expenses before eliminations	680,124	432,008	426,454	1,538,586	285,668	410,098	2,234,352	8,747,281	10,981,633
Eliminations	(31,945)	(20,302)	(20,030)	(72,277)	(13,487)	(21,721)	(107,485)	(376,637)	(484,122)
Total expenses	$ 648,179	$ 411,706	$ 406,424	$ 1,466,309	$ 272,181	$ 388,377	$ 2,126,867	$ 8,370,644	$ 10,497,511

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

	Program Services				Supporting Services				
	Inclusion Services	LeadBoston	Youth Programs	Total Program Services	Management, General and Administrative	Fundraising	Subtotal	Clarendon Residences, LLC Operations	Total
Salaries and related benefits	$ 647,197	$ 271,589	$ 508,554	$ 1,427,340	$ 198,637	$ 323,897	$ 1,949,874	$ 1,503,403	$ 3,453,277
Professional services	18,447	18,131	14,844	51,422	53,595	22,832	127,849	662,977	790,826
Supplies	3,111	1,268	2,633	7,012	1,056	1,281	9,349	226,321	235,670
Occupancy	44,001	17,940	37,241	99,182	14,939	18,122	132,243	1,732,126	1,864,369
Communications	7,969	3,314	6,707	17,990	2,178	6,107	26,275	801,875	828,150
Travel	5,249	3,057	8,493	16,799	470	1,663	18,932	31,972	50,904
Equipment	3,253	1,326	2,752	7,331	1,104	1,339	9,774	1,474	11,248
Program	8,069	15,795	26,422	50,286	-	-	50,286	-	50,286
Other	9,479	4,080	6,701	20,260	1,678	9,613	31,551	-	31,551
Interest	6,045	2,465	5,117	13,627	2,053	2,490	18,170	1,442,296	1,460,466
Total expenses before depreciation and amortization	752,820	338,965	619,464	1,711,249	275,710	387,344	2,374,303	6,402,444	8,776,747
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	754,043	341,688	623,236	1,718,967	276,872	388,754	2,384,593	8,116,063	10,500,656
Eliminations	(10,516)	(27,745)	(35,963)	(74,224)	(11,955)	(21,305)	(107,484)	(275,626)	(383,110)
Total expenses	$ 743,527	$ 313,943	$ 587,273	$ 1,644,743	$ 264,917	$ 367,449	$ 2,277,109	$ 7,840,437	$ 10,117,546

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, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets/members' equity	**$ (1,778,328)**	$ (130,683)
Adjustments to reconcile changes in net assets/members' equity to net cash provided by operating activities:		
Depreciation and amortization	**1,735,723**	1,709,884
Amortization of deferred financing costs	**14,025**	14,025
Straight-line rent adjustment	**(191,928)**	-
Net unrealized and realized losses (gains) on investments	**812,684**	(786,505)
Change in fair value of interest rate swap contract	**(497,955)**	(543,880)
Donated securities	**(3,622)**	(18,544)
Proceeds from sale of donated securities	**3,622**	18,544
Provision for contributions receivable	**5,500**	8,086
Distributions to investor member	**13,361**	13,086
Change in beneficial interest in perpetual trust	**4,947**	(4,092)
Changes in operating assets and liabilities:		
Pledges receivable	**(50,175)**	22,946
Other receivables	**5,700**	(3,318)
Prepaid expenses	**(8,926)**	4,698
Rent receivable	**98,947**	(185,380)
Accounts payable and accrued expenses	**(2,490)**	(67,461)
Accrued interest payable	**86,817**	87,796
Deferred revenue	**(3,918)**	(34,871)
Tenant security deposits, net	**-**	34,208
Net cash provided by operating activities	**243,984**	138,539
Cash flows from investing activities:		
Purchase of investments	**(1,539,611)**	(3,305,062)
Proceeds from sale of investments	**1,749,093**	4,485,756
Lease commission paid to third party	**(1,621)**	(63,000)
Acquisition of property and equipment	**(366,817)**	(544,035)
Escrow deposits and interest	**(689,054)**	(601,018)
Escrow withdrawal	**606,395**	601,654
Net cash (used in) provided by investing activities	**(241,615)**	574,295
Cash flows from financing activities:		
Proceeds from the line of credit	-	100,000
Payments from the line of credit	-	(400,000)
Payments on mortgage notes payable	**(391,275)**	(363,262)
Distributions to investor member	**(13,361)**	(13,086)
Net cash used in financing activities	**(404,636)**	(676,348)
Net change in cash and cash equivalents	**(402,267)**	36,486
Cash and cash equivalents, beginning of year	**905,289**	868,803
Cash and cash equivalents, end of year	**$ 503,022**	$ 905,289
Supplemental disclosures:		
Cash paid for interest	**$ 1,331,329**	$ 1,372,670
Noncash investing activities:		
Acquisitions of rental real estate in accruals	**$ -**	$ 38,215

See 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 "Organization"), 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 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 helps individuals and organizations create more inclusive environments where women, people of color, and especially women of color can succeed.

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 Organization 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 minority 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 Organization 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 Organization 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 Organization on these obligations based on available cash flow in accordance with the partnership agreement. Due to the integral nature of the relationship between the Organization and the Company, the Company is consolidated with the Organization 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 Organization, 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.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of the two net asset classes follows:

- Net assets without donor restrictions represent the portion of net assets of the Organization that includes expendable funds available to support operations that is not subject to donor-imposed stipulations or time restrictions.
- Net assets with donor restrictions represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that require that they be held in perpetuity, or whose use may or will be met by actions of the Organization or the passage of time. These net assets include, pursuant to Massachusetts law, unappropriated cumulative investment return on endowment.

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 donor-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, net assets with donor restrictions are reclassified to net assets without donor restrictions, 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 net assets without donor restrictions.

The Organization reports contributions of land, building and equipment as net assets without donor restrictions 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 net assets without donor restriction to the extent the funds have been expended for the stipulated acquisition or construction; otherwise, the contributions are reported as net assets with donor restrictions.

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, 2018, the Organization received $98,113 of donated services. There were no donated services 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 generally accepted accounting principles ("GAAP").

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

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 deferred rent. 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 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 net non-endowment and endowment investment (loss) return, investment return designated for operations (routine spend on invested funds plus any additional appropriation by the Board), change in split interest agreements, change in fair value of interest rate swap contract, and distributions to investor member.

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

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 $880,000. The cash reserve at December 31, 2018 and 2017 was $187,525 and $183,886, 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 escrows on the consolidated statements of financial position.

Allowance for bad debts: Rent receivable, pledges receivable, and other receivables are reported on the statement of financial position 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.

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:

	Estimated Useful Lives
Buildings and improvements	10-40 years
Equipment, furniture and fixtures	5 years

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to $1,705,041 and $1,690,662, respectively.

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

Impairment of long-lived assets: The Organization has given consideration to 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 of 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, 2018 and 2017, 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, 2018 and 2017, 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: The investments portfolio consists of board designated endowment, donor restricted endowments, and non-endowment investments. Investments in marketable securities and 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 return (loss) on the endowment is reported on the consolidated statement of activities as net endowment return (loss). Investment return on non-endowment investments is reported on the consolidated statement of activities as net non-endowment loss.

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. Net investment return on donor restricted endowment funds is recorded as net assets with donor restrictions in accordance with state law. Net investment return on the remaining investment portfolio are recorded as net assets without donor restrictions. When a donor restriction exists, net investment return is allocated based on the total balance of pooled investments applicable to the respective asset totals.

The Board has interpreted Massachusetts General Law as requiring net investment return of donor-restricted net assets to be retained as net assets with donor restrictions 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. This includes underwater endowments. In making a determination whether to appropriate or accumulate, the Organization shall act in 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.

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

The Organization has adopted a policy for endowment investments 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. Under this investment policy, as approved by the Board of Directors, the donor-restricted endowment 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 donor-restricted funds, over time, to provide an average rate of return of approximately 7 percent. Actual returns in any given year may vary from this amount.

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.

Based on the Organization's spending guidelines, $446,590 and $451,240 was utilized for operations for the years ended December 31, 2018 and 2017 and appropriated from the investment portfolio. In addition, the Board voted to appropriate an additional $504,500 and $970,000 from the investment portfolio to fund operations during the years ended December 31, 2018 and 2017, respectively. Therefore a total of $951,090 and $1,421,240 was appropriated from the investment portfolio for the years ended December 31, 2018 and 2017, respectively.

Deferred costs and amortization: Deferred financing costs are being amortized through interest expense over the life of related loans using the effective interest method and are presented in the consolidated statements of financial position as a direct deduction from the loans. Accumulated amortization totaled $175,897 and $161,872 at December 31, 2018 and 2017, respectively. Amortization expense for the years ended December 31, 2018 and 2017 amounted to $14,025 per year.

Deferred leasing costs are being amortized over the life of commercial leases using the straight-line method. Deferred leasing costs at December 31, 2018 and 2017 were $241,065 and $239,445, respectively. Accumulated amortization as of December 31, 2018 and 2017 was $92,452 and $61,771, respectively. Amortization expense for the years ended December 31, 2018 and 2017 amounted to $30,682 and $19,221, respectively.

Derivative financial instruments: 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. For income tax depreciation purposes, the basis of the building has been reduced by the amount of the historic tax credit.

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

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 was $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 during the first 10 years of the project. Requirements during this time period were met satisfactorily.

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 or supporting activity are directly distributed to that activity. In addition, the financial statements report certain categories of expenses that are attributable to one or more program or supporting activities of the Organization. Those expenses include salaries and related benefits, information technology, depreciation, and interest. These expenses are allocated based upon management's estimate of the percentage attributable to each program, using time estimates of where efforts are made, for each employee.

Advertising costs: The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2018 and 2017 totaled $97,568 and $63,854, respectively.

Income taxes: The Organization 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 Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization 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.

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, 2018 and 2017. The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for fiscal years before 2015.

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

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 2017 consolidated financial statements in order to conform to the 2018 presentation. The reclassifications did not result in a change in previously reported 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 is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements.

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. The Organization has determined that the adoption of this new standard will not have a material impact to the consolidated financial statements.

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 this ASU on the consolidated financial statements and disclosures.

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

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, 2018, 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 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 has determined that the adoption of this new standard may change the presentation of the cash flow statement but will not have a material impact on the overall consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* This ASU clarifies the guidance for reevaluating whether a transaction is reciprocal (i.e. an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Additionally, the ASU provides for earlier effective dates for public business entities. Where the Organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of the adoption of this ASU on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes in the Disclosure Requirement for Fair Value Measurement*. This ASU modifies the disclosure requirements for fair value measurements in addition to the removal of disclosures related to transfers between level 1 and level 2 of the fair value hierarchy, the policy for timing of transfers between levels, the valuation process of level 3 fair value measurements, and a roll forward of level 3 investments. Furthermore, entities are no longer required to estimate and disclose the timing of liquidity events for investments measured at fair value. Instead, the requirement to disclose such events applies only when they have been communicated to the reporting entities by the investees or announced publicly. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of this ASU on the consolidated financial statements.

Recently adopted accounting pronouncements: During 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which amends the requirements for financial statements and requires the Organization to make reporting changes that affect the following:

- Net asset classifications and related disclosures
- Underwater donor-restricted endowments and related disclosures
- Additional disclosures useful in assessing liquidity within one year of the statement of financial position date
- New reporting requirements relating to expenses including disclosure of expenses
- Reporting of net investment return

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

The Organization made changes to terminology and classification as described above as well as additional or modified disclosures, particularly Notes 2, 17, and 18. Amounts previously reported for the year ended December 31, 2017 have been reclassified on a retrospective basis to achieve consistent presentation. Amounts previously reported as temporarily or permanently restricted net assets have been reclassified to be reported as with donor restrictions. There were no underwater endowment funds at December 31, 2017.

Note 2. Available Resources and Liquidity

The Organization regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures, such as operating expenses and scheduled principal payments on debt, over a twelve-month period, the Organization considers all expenditures related to its ongoing activities. At December 31, 2018, the financial assets and liquidity resources available within one year for general expenditure comprise the following:

Cash and cash equivalents	$ 503,022
Rent receivable	159,111
Pledges receivable, net	72,875
Other receivables	15,500
Non-endowment investments without donor restriction	504,500
FY19 endowment appropriation under spending policy	430,000
FY19 additional approved board designated endowment appropriation	520,000
Total financial assets and liquidity resources available within one year	$ 2,205,008

Additionally, not included as available are the Organization's board-designated endowment totaling $4,554,391, its undrawn line of credit of $500,000, and its expected rental income under non-cancelable operating leases for the year ended December 31, 2019 of $1,157,757. Although the Organization does not intend to spend from this internally designated fund other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process or draw from its line of credit, amounts could be made available if necessary.

Note 3. 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 Organization purchased a 21% interest in YWCA Fina House, Inc., the managing member of YWCA Fina House, LLC. As of December 31, 2018 and 2017, the Organization holds 21 shares of common stock at a fair value of approximately $1 per share.

Note 4. 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, 2018 and 2017 the Company made a distribution of $13,361 and 13,086, 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 5. Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. All pledges are due in less than one year and therefore no discount rate has been applied as of December 31, 2018 and 2017. The following is a summary as of December 31:

	2018	2017
Pledges receivable, gross	$ 75,450	$ 31,535
Less allowance for uncollectible pledges	(2,575)	(3,335)
Net unconditional promises to give	$ 72,875	$ 28,200

As of December 31, 2018, one donor accounted for 66% of the gross pledge balance recorded. As of December 31, 2017, two donors accounted for 32% of the gross pledge balance recorded.

Note 6. Property and Equipment

Property and equipment consist of the following at December 31:

	2018	2017
Land	$ 175,000	$ 175,000
Buildings and improvements	50,578,145	50,483,582
Equipment, furniture and fixtures	2,463,992	2,229,952
	53,217,137	52,888,534
Less accumulated depreciation	(24,227,927)	(22,522,885)
	$ 28,989,210	$ 30,365,649

Note 7. Investments

The Organization records investments:

	2018	2017
Cash equivalents	$ 293,806	$ 332,482
International equity mutual funds	2,923,962	3,237,749
Domestic equity mutual funds	3,498,088	4,167,791
	$ 6,715,856	$ 7,738,022

Note 8. 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 net assets with donor restrictions.

Note 8. Beneficial Interest in Perpetual Trusts (Continued)

Income earned on the beneficial interest is paid to the Organization each year in accordance with the trust document. Income received during the year ended December 31, 2018 and 2017 totaled $965 and $1,213 respectively, and is included within without donor restrictions 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 $(4,947) and $4,092 for the year ended December 31, 2018 and 2017, respectively.

Note 9. 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.

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, 2018 and 2017, 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 maturities are less than three months.

Note 9. Fair Value Measurements (Continued)

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:

	2018			
Description	Level 1	Level 2	Level 3	Total
Assets				
Investments (Note 7):				
Cash equivalents	$ 293,806	$ -	$ -	$ 293,806
International equity mutual funds	2,923,962	-	-	2,923,962
Domestic equity mutual funds	3,498,088	-	-	3,498,088
Total investments	6,715,856	-	-	6,715,856
Beneficial Interest in perpetual trust (Note 8)	-	-	32,531	32,531
	$ 6,715,856	$ -	$ 32,531	$ 6,748,387
Liabilities				
Interest rate swap contract (Note 12)	$ -	$ (1,223,393)	$ -	$ (1,223,393)

	2017			
Description	Level 1	Level 2	Level 3	Total
Assets				
Investments (Note 7):				
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 8)	-	-	37,478	37,478
	$ 7,738,022	$ -	$ 37,478	$ 7,775,500
Liabilities				
Interest rate swap contract (Note 12)	$ -	$ (1,721,348)	$ -	$ (1,721,348)

Note 9. Fair Value Measurements (Continued)

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, 2016	$ 41,570
Change in split interest agreement	4,092
Balance, December 31, 2017	37,478
Change in split interest agreement	(4,947)
Balance, December 31, 2018	$ 32,531

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

	2018 Fair Value	2017 Fair Value	Valuation Technique	Unobservable Input	Range (Weighted Average)
Beneficial interest in trusts	$ 32,531	$ 37,478	Market approach based on underlying securities	None	N/A

Note 10. 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, 2018 and 2017, 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, 2018 and 2017, $750,000 has been drawn against the note, and $775,830 and $701,513 of interest has been accrued, respectively. Interest expense totaled $74,317 and $70,697 at December 31, 2018 and 2017, respectively. This note is secured by all business assets of the Company.

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, 2018 and 2017, $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, 2018 and 2017, $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, 2018 and 2017, $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 $178,547 and $166,067, respectively, as of December 31, 2018 and 2017. Unpaid principal and interest are due on the maturity date, August 2036. Interest expense totaled $12,500 for the years ended December 31, 2018 and 2017. 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.

Note 10. Notes Payable (Continued)

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

2019	$ -
2020	-
2021	-
2022	-
Thereafter	2,750,000
	$ 2,750,000

Note 11. 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 (4.21% and 3.24% at December 31, 2018 and 2017, respectively) per annum, subject to the swap agreement, which is discussed in Note 12. 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 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 (4.21% and 3.24% at December 31, 2018 and 2017) per annum, subject to the swap agreement, which is discussed in Note 12. 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 $142,145 for principal and interest. The notes also require monthly deposits to the reserve for replacement in the amount of $11,194 ($10,661 during the year ended December 31, 2017). In addition, monthly deposits of $45,576 ($37,408 during the year ended December 31, 2017) 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 1.10 and a debt coverage ratio of 1.05 for all debt and a loan to value ratio of 90% or less. The loan to value ratio is tested from time to time at lenders' discretion at the Company's cost. During 2018 and 2017, the Company met the required debt coverage ratios and the loan to value ratio. 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, 2018 and 2017, principal of $17,256,309 and $17,647,584, respectively, remains unpaid. Interest expense for 2018 and 2017 was $1,319,287 and $1,342,557, respectively, of which $76,159 and $71,340, respectively, is accrued at year-end.

Note 11. Mortgage Notes Payable (Continued)

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

	Long-Term Debt	Deferred Financing Costs	Net
2019	$ 421,462	$ (14,025)	$ 407,437
2020	453,990	(14,025)	439,965
2021	489,041	(14,025)	475,016
2022	15,891,816	(6,426)	15,885,390
	$ 17,256,309	$ (48,501)	$ 17,207,808

Note 12. 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.

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 11) 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 $10,011,282 and $10,198,932 as of December 31, 2018 and 2017, respectively.

Fair Value of Derivative Instruments not Designated as Hedging Instruments
on the Consolidated Statements of Financial Position as of December 31, 2018 and 2017

Derivative	Statement of Financial Position Location	Fair Value 2018	Statement of Financial Position Location	Fair Value 2017
Interest rate contract	Long-term liabilities	$ 1,223,393	Long-term liabilities	$ 1,721,348

Note 12. Interest Rate Swap Contract (Continued)

The Effect of Derivative Instruments on the Consolidated Statement of Activities
for the Years Ended December 31, 2018 and 2017

Derivative	Location of Gain Recognized in Non-Operating Income Without Donor Restrictions	Amount of Gain Recognized in Non-Operating Income Without Donor Restrictions 2018	Amount of Gain Recognized in Non-Operating Income Without Donor Restrictions 2017
Interest rate swap contract	Change in fair value of interest rate swap contract	$ 497,955	$ 543,880

Note 13. Line of Credit

The Organization has a $500,000 line of credit agreement with a bank that bears interest at 6.00%. 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 no outstanding balance as of December 31, 2018 and 2017, respectively.

Note 14. 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 $6,754 and $9,774, respectively, for the years ended December 31, 2018 and 2017.

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:

2019	$ 6,191
2020	5,765
2021	4,487
2022	4,487
2023	748
	$ 21,678

Note 15. 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. For the years ended December 31, 2018 and 2017, revenue related to these leases totaled $1,161,330 and $1,034,037, respectively.

Note 15. Rental Income (Continued)

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

2019	$ 1,157,757
2020	1,157,187
2021	1,007,880
2022	746,685
2023	493,263
Thereafter	612,664
	$ 5,175,436

Four tenants represented greater than 10% of total commercial rental revenue and 54% and 71% in the aggregate, respectively, for the years ended 2018 and 2017.

	A	B	C	D
Lease expiration date	6/30/2026	12/31/2024	06/30/2021	06/30/2023
Percent of rental income	12%	14%	21%	11%
Percent of future rental income	29%	5%	16%	17%
Termination options	None	None	None	None
Extension options	One	One	Two	One

The Company also leases residential units through short-term lease agreements. For the years ending December 31, 2018 and 2017, revenue related to these leases totaled $1,941,967 and $1,985,101, respectively.

Note 16. Pension Plan

The Organization 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, 2018 and 2017, 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 Organization'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 Organization's policy is to fund pension costs as they are incurred. Pension expense was $17,827 and $20,609, respectively, for the years ended December 31, 2018 and 2017. 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 Organization is to make contributions on behalf of its employees. All other obligations associated with this plan are the responsibility of the national Organization.

Note 17. Net Assets

Net assets with donor restrictions consist of the following at December 31:

	2018	2017
Subject to appropriation and expenditure when a specific event occurs:		
Program activities	$ 90,000	$ 1,750
Technology and training	-	73,000
	90,000	74,750
Subject to the passage of time:		
Grants and pledges	504,059	466,637
	504,059	466,637
Subject to Organization spending policy and appropriation: Investments in perpetuity (including original gifts totaling $1,626,523 and $1,595,111 as of December 2018 and 2017) and the investment income from which is expendable to support:		
Operations	1,670,861	1,826,585
Not subject to spending policy or appropriations		
Beneficial interest in perpetual trust	32,531	37,478
Total net assets with donor restrictions	$ 2,297,451	$ 2,405,450

The Organization's Board of Directors has designated $4,554,391 and $5,911,437 of net assets without donor restrictions for the purposes of endowment as of December 31, 2018 and 2017, respectively.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the year ended December 31:

	2018	2017
Release of purpose and time restrictions:		
Pledges	$ 6,500	$ 46,201
Program activities	1,750	-
Technology and training	73,000	-
	$ 81,250	$ 46,201

Note 18. Endowment Net Assets

The Organization's endowment consists of approximately five individual funds established for a variety of purposes, including both donor restricted endowment funds and funds designated by the Board to function as endowments (board designated endowment).

Note 18. Endowment Net Assets (continued)

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

2018	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	$ -	$ 1,670,861	$ 1,670,861
Board-designated endowment fund	4,554,391	-	4,554,391
Total funds	$ 4,554,391	$ 1,670,861	$ 6,225,252

2017	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	$ -	$ 1,826,585	$ 1,826,585
Board-designated endowment fund	5,911,437	-	5,911,437
Total funds	$ 5,911,437	$ 1,826,585	$ 7,738,022

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

2018	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 5,911,437	$ 1,826,585	$ 7,738,022
Investment income (loss), net	(405,956)	(155,724)	(561,680)
Appropriation of endowment assets for expenditures	(951,090)	-	(951,090)
Endowment net assets, end of year	$ 4,554,391	$ 1,670,861	$ 6,225,252

2017	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 1,611,668	$ 1,611,668
Designation of investments to board designated endowment fund	6,520,559	-	6,520,559
Investment income, net	812,118	214,917	1,027,035
Appropriation of endowment assets for expenditures	(1,421,240)	-	(1,421,240)
Endowment net assets, end of year	$ 5,911,437	$ 1,826,585	$ 7,738,022

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. As of December 31, 2018 funds with an original gift value of $147,777 were under water by $5,083. These unrealized losses have been recorded as reductions in net assets with donor restrictions. There was no deficiency between the fair value of investments of the endowment fund at December 31, 2017.

Note 19. 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 20. 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 21. Non-Controlling Interest

The following is a summary of the changes in net assets without donor restrictions attributable to the investor member interests in the Company (non-controlling interest in affiliate) as of December 31:

	2018	2017
Balance at beginning of year	$ 1,240,694	$ 1,110,066
Change in net assets		
Rental/hotel income	7,868,800	7,715,139
Rental/hotel expense	(8,746,406)	(8,115,251)
Distribution to investor member	(13,361)	(13,086)
Change in fair value of interest rate swap contract	497,906	543,826
Balance at end of year	$ 847,633	$ 1,240,694

Note 22. Subsequent Events

The Organization evaluated subsequent events through May 20, 2019, when the financial statements were available to be issued.

Independent Auditor's Report on the Supplementary Information

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

We have audited the consolidated financial statements of Young Women's Christian Organization of Boston, Inc. and Affiliates as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon, dated May 20, 2019, which contained an unmodified opinion on those consolidated financial statements.

Our audits were performed for the purpose of forming an opinion on the consolidated 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 20, 2019

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

Consolidating Statement of Financial Position
December 31, 2018

	YWCA Boston, Inc.	Clarendon Residences, LLC	YWCA Clarendon, Inc.	Consolidated Totals Before Eliminations	Elimination	Consolidated Totals
Assets						
Current assets:						
Cash and equivalents	$ 263,227	$ 239,795	$ -	$ 503,022	$ -	$ 503,022
Rent receivable	-	159,111	-	159,111	-	159,111
Pledges receivable, net	85,375	-	-	85,375	(12,500)	72,875
Other receivables	15,500	-	-	15,500	-	15,500
Prepaid expenses	2,010	49,384	-	51,394	-	51,394
Tenant security deposits	-	110,463	-	110,463	-	110,463
Escrow deposits	-	506,799	-	506,799	-	506,799
Total current assets	366,112	1,065,552	-	1,431,664	(12,500)	1,419,164
Property and equipment, net	174,999	28,814,211	-	28,989,210	-	28,989,210
Other assets:						
Investments	6,715,856	-	-	6,715,856	-	6,715,856
Investment in affiliates	1,246,136	-	1,246,136	2,492,272	(2,492,272)	-
Sponsor notes and accrued interest receivable	3,710,369	-	-	3,710,369	(3,710,369)	-
Development fee receivable	1,653,438	-	-	1,653,438	(1,653,438)	-
Ground lease and accrued interest receivable	125,220	-	-	125,220	(125,220)	-
Management fee receivable	7,273	-	-	7,273	(7,273)	-
Deferred rent	-	191,928	-	191,928	-	191,928
Deferred costs, net	-	148,613	-	148,613	-	148,613
Beneficial interest in perpetual trust	32,531	-	-	32,531	-	32,531
Total other assets	13,490,823	340,541	1,246,136	15,077,500	(7,988,572)	7,088,928
Total assets	$ 14,031,934	$ 30,220,304	$ 1,246,136	$ 45,498,374	$ (8,001,072)	$ 37,497,302
Liabilities and Net Assets/Members' Equity						
Current liabilities:						
Mortgage notes payable - current portion, net of deferred financing costs	$ -	$ 407,437	$ -	$ 407,437	$ -	$ 407,437
Accounts payable and accrued expenses	161,267	317,271	-	478,538	(12,500)	466,038
Deferred revenue	6,083	27,189	-	33,272	-	33,272
Tenant security deposits	-	110,463	-	110,463	-	110,463
Total current liabilities	167,350	862,360	-	1,029,710	(12,500)	1,017,210
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	-	16,800,371	-	16,800,371	-	16,800,371
Sponsor note and accrued interest payable	-	3,710,369	-	3,710,369	(3,710,369)	-
Development fee payable	-	1,653,438	-	1,653,438	(1,653,438)	-
Ground lease and accrued interest payable	-	125,220	-	125,220	(125,220)	-
Management fee payable	-	7,273	-	7,273	(7,273)	-
Accrued interest payable	-	994,112	-	994,112	-	994,112
Fair value interest rate swap contract	-	1,223,393	-	1,223,393	-	1,223,393
Total long-term liabilities	-	27,264,176	-	27,264,176	(5,496,300)	21,767,876
Total liabilities	167,350	28,126,536	-	28,293,886	(5,508,800)	22,785,086
Net assets/members' equity:						
Without donor restrictions/members' equity:	11,567,133	2,093,768	1,246,136	14,907,037	(2,492,272)	12,414,765
With donor restrictions	2,297,451	-	-	2,297,451	-	2,297,451
Total net assets/members' equity	13,864,584	2,093,768	1,246,136	17,204,488	(2,492,272)	14,712,216
Total liabilities and net assets/members' equity	$ 14,031,934	$ 30,220,304	$ 1,246,136	$ 45,498,374	$ (8,001,072)	$ 37,497,302

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

Consolidating Statement of Activities
Year Ended December 31, 2018

	YWCA Boston, Inc.						Totals		
	Without Donor Restrictions	With Donor Restrictions	Totals	Clarendon Residences, LLC	YWCA Clarendon, Inc.	Eliminating Entries	Without Donor Restrictions/ Members' Equity	With Donor Restrictions	Consolidated Totals
Operating revenues and support:									
Foundation and corporate contributions	$ 242,927	$ 139,422	$ 382,349	$ -	$ -	$ -	$ 242,927	$ 139,422	$ 382,349
Individuals contributions	165,935	-	165,935	-	-	-	165,935	-	165,935
United Way revenue	39,203	-	39,203	-	-	-	39,203	-	39,203
Special events revenue (net of expenses of $52,585)	229,177	-	229,177	-	-	(12,500)	216,677	-	216,677
Donated services	98,113	-	98,113	-	-	-	98,113	-	98,113
Program revenue	412,811	-	412,811	-	-	(107,462)	305,349	-	305,349
Investment return designated for operations	951,090	-	951,090	-	-	-	951,090	-	951,090
Provision for uncollectible pledges	-	(5,500)	(5,500)	-	-	-	-	(5,500)	(5,500)
Rental activities: ground lease and management fee income	239,807	-	239,807	-	-	(239,807)	-	-	-
Net assets released from restrictions	91,250	(91,250)	-	-	-	-	81,250	(81,250)	-
Total operating revenues and support	2,470,313	42,672	2,512,985	-	-	(359,769)	2,100,544	52,672	2,153,216
Expenses:									
Program	1,528,317	-	1,528,317	-	-	(72,277)	1,456,040	-	1,456,040
Management, general and administrative	281,548	-	281,548	-	-	(13,487)	268,061	-	268,061
Fundraising	408,228	-	408,228	-	-	(21,721)	386,507	-	386,507
Total expenses	2,218,093	-	2,218,093	-	-	(107,485)	2,110,608	-	2,110,608
Operating gain (loss) before depreciation, amortization and net rental activities	252,220	42,672	294,892	-	-	(252,284)	(10,064)	52,672	42,608
Depreciation and amortization expense	16,259	-	16,259	-	-	-	16,259	-	16,259
Rental/hotel activities:									
Rental/hotel income	-	-	-	7,869,587	-	(107,485)	7,762,102	-	7,762,102
Rental/hotel expense	(149,116)	-	(149,116)	(8,747,281)	-	376,637	(8,519,760)	-	(8,519,760)
Net rental activities	(149,116)	-	(149,116)	(877,694)	-	269,152	(757,658)	-	(757,658)
Operating gain (loss)	86,845	42,672	129,517	(877,694)	-	16,868	(783,981)	52,672	(731,309)
Non-operating revenues (losses):									
Net non-endowment investment loss	(13,897)	-	(13,897)	-	(1)	2	(13,896)	-	(13,896)
Net endowment investment loss	(405,985)	(155,724)	(561,709)	-	(37)	66	(405,956)	(155,724)	(561,680)
Investment return designated for operations	(951,090)	-	(951,090)	-	-	-	(951,090)	-	(951,090)
Change in beneficial interest in perpetual trust	-	(4,947)	(4,947)	-	-	-	-	(4,947)	(4,947)
Change in fair value on interest rate swap contract	-	-	-	497,955	-	-	497,955	-	497,955
Interest on related party receivables	16,860	-	16,860	-	-	(16,860)	-	-	-
Distribution to investor member	-	-	-	(13,361)	-	-	(13,361)	-	(13,361)
Total non-operating revenues (losses)	(1,354,112)	(160,671)	(1,514,783)	484,594	(38)	(16,792)	(886,348)	(160,671)	(1,047,019)
Changes in net assets/members' equity	(1,267,267)	(117,999)	(1,385,266)	(393,100)	(38)	76	(1,670,329)	(107,999)	(1,778,328)
Net assets/members' equity at beginning of year	12,834,400	2,415,450	15,249,850	2,486,868	1,246,174	(2,492,348)	14,085,094	2,405,450	16,490,544
Net assets/members' equity at end of year	$ 11,567,133	$ 2,297,451	$ 13,864,584	$ 2,093,768	$ 1,246,136	$ (2,492,272)	$ 12,414,765	$ 2,297,451	$ 14,712,216