

Plymouth Christian Youth Center
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2016 and 2015



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter Evert & Associates

Certified Public Accountants
7760 France Avenue S. Suite 940 Bloomington Minnesota 55435
952.831.0085 carpenterevert.com

Independent Auditor's Report

Board of Directors
Plymouth Christian Youth Center
Minneapolis, Minnesota

We have audited the accompanying financial statements of Plymouth Christian Youth Center, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Plymouth Christian Youth Center as of June 30, 2016 and 2015, 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.

Carpenter Evert and Associates, LTD.
Certified Public Accountants

Minneapolis, Minnesota
September 19, 2016

PLYMOUTH CHRISTIAN YOUTH CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and Cash Equivalents	\$ 129,748	\$ 449,219
Accounts Receivable	321,181	105,671
Pledges and Grants Receivable	25,206	-
Prepaid Expenses	74,463	84,904
Total Current Assets	<u>550,598</u>	<u>639,794</u>
Noncurrent Assets:		
Pledges and Grants Receivable - Net	779,159	679,264
Investments	2,505,991	1,654,729
Receivable from MACC Common Wealth	17,225	17,225
Property and Equipment - Net	<u>5,758,382</u>	<u>6,699,533</u>
TOTAL ASSETS	<u>\$ 9,611,355</u>	<u>\$ 9,690,545</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 27,957	\$ 69,929
Accrued Expense and Payroll Withholding	118,760	56,859
Accrued Interest Payable	8,122	15,482
Refundable Advance	50,000	70,723
Current Portion of Notes Payable	<u>134,862</u>	<u>183,241</u>
Total Current Liabilities	339,701	396,234
Long-term Liabilities:		
Notes Payable	<u>2,675,247</u>	<u>3,041,661</u>
Total Liabilities	3,014,948	3,437,895
Net Assets:		
Unrestricted:		
Board Designated	852,468	151,841
Undesignated	<u>3,903,809</u>	<u>4,440,825</u>
	4,756,277	4,592,666
Temporarily Restricted	1,675,232	1,495,086
Permanently Restricted	<u>164,898</u>	<u>164,898</u>
Total Net Assets	<u>6,596,407</u>	<u>6,252,650</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,611,355</u>	<u>\$ 9,690,545</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

PLYMOUTH CHRISTIAN YOUTH CENTER
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions	\$ 707,034	\$ 597,158	\$ -	\$ 1,304,192	\$ 729,825	\$ 153,050	\$ -	\$ 882,875
United Way	278,712	-	-	278,712	295,204	-	-	295,204
Minneapolis Public School	1,994,834	-	-	1,994,834	1,859,040	-	-	1,859,040
Government Grants and Contracts	175,354	-	-	175,354	245,105	-	-	245,105
Program Service Fees - Northside Achievement Zone	809,667	-	-	809,667	847,778	-	-	847,778
Rent	77,635	-	-	77,635	67,536	-	-	67,536
Investment Income	(14,647)	-	-	(14,647)	(4,496)	5,083	-	587
Miscellaneous Income	16,497	-	-	16,497	4,849	-	-	4,849
Net Assets Released from Restrictions:								
Satisfaction of Capital Restrictions	239,008	(239,008)	-	-	151,914	(151,914)	-	-
Satisfaction of Program Restrictions	178,004	(178,004)	-	-	240,534	(240,534)	-	-
Total Support and Revenue	4,462,098	180,146	-	4,642,244	4,437,289	(234,315)	-	4,202,974
Expense:								
Program Services								
Education Programs	2,145,010	-	-	2,145,010	2,018,630	-	-	2,018,630
Youth and Family Programs	1,025,594	-	-	1,025,594	968,371	-	-	968,371
Cultural Arts Program	569,044	-	-	569,044	534,410	-	-	534,410
Total Program Expense	3,739,648	-	-	3,739,648	3,521,411	-	-	3,521,411
Support Services:								
Management and General	559,113	-	-	559,113	512,023	-	-	512,023
Fundraising	238,480	-	-	238,480	189,357	-	-	189,357
Total Support Services	797,593	-	-	797,593	701,380	-	-	701,380
Total Expense	4,537,241	-	-	4,537,241	4,222,791	-	-	4,222,791
Change in Net Assets from Operations	(75,143)	180,146	-	105,003	214,498	(234,315)	-	(19,817)
Gain on Sale of Property	238,754	-	-	238,754	-	-	-	-
Change in Net Assets	163,611	180,146	-	343,757	214,498	(234,315)	-	(19,817)
Net Assets - Beginning of Year	4,592,666	1,495,086	164,898	6,252,650	4,378,168	1,729,401	164,898	6,272,467
Net Assets - End of Year	\$ 4,756,277	\$ 1,675,232	\$ 164,898	\$ 6,596,407	\$ 4,592,666	\$ 1,495,086	\$ 164,898	\$ 6,252,650

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT C

PLYMOUTH CHRISTIAN YOUTH CENTER
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2016 WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	2016						2015		
	Program Services			Support Services			Total All Services	Total All Services	Total All Services
	Education Programs	Youth & Family Programs	Cultural Arts Program	Total Program Services	Management & General	Fund-raising			
Salaries	\$ 1,240,251	\$ 485,878	\$ 243,601	\$ 1,969,730	\$ 142,926	\$ 108,250	\$ 251,176	\$ 2,220,906	\$ 1,923,705
Employee Benefits	130,751	51,265	24,663	206,679	15,081	11,115	26,196	232,875	181,105
Payroll Taxes	104,489	39,355	19,115	162,959	11,801	8,803	20,604	183,563	174,051
Total Personnel Costs	1,475,491	576,498	287,379	2,339,368	169,808	128,168	297,976	2,637,344	2,278,861
Professional Fees	122,823	71,910	104,275	299,008	297,656	91,331	388,987	687,995	688,918
Program Supplies	128,834	184,422	22,559	335,815	-	-	-	335,815	347,635
Occupancy	156,811	77,401	59,702	293,914	17,907	4,810	22,717	316,631	309,347
Interest	75,607	37,714	2,884	116,205	8,014	2,360	10,374	126,579	158,031
Office Expense	22,834	9,188	6,707	38,729	15,503	10,601	26,104	64,833	74,185
Miscellaneous	7,832	485	28,807	37,124	27,129	343	27,472	64,596	30,073
Telecommunications	14,122	7,484	2,130	23,736	1,331	688	2,019	25,755	24,894
Staff and Volunteer Development	4,963	1,716	318	6,997	4,228	179	4,407	11,404	16,196
Travel	2,289	197	62	2,548	19	-	19	2,567	4,111
Depreciation	133,404	58,579	54,221	246,204	17,518	-	17,518	263,722	290,540
Total Expense	\$ 2,145,010	\$ 1,025,594	\$ 569,044	\$ 3,739,648	\$ 559,113	\$ 238,480	\$ 797,593	\$ 4,537,241	\$ 4,222,791

The accompanying Notes to Financial Statements are an integral part of this statement.

EXHIBIT D

PLYMOUTH CHRISTIAN YOUTH CENTER
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services				Support Services			Total All Services
	Education Programs	Youth & Family Programs	Cultural Arts Program	Total Program Services	Management & General	Fund-raising	Total Support Services	
Salaries	\$ 1,119,597	\$ 432,725	\$ 178,443	\$ 1,730,765	\$ 112,072	\$ 80,868	\$ 192,940	\$ 1,923,705
Employee Benefits	105,195	43,990	15,595	164,780	9,728	6,597	16,325	181,105
Payroll Taxes	100,598	38,143	16,789	155,530	10,614	7,907	18,521	174,051
Total Personnel Costs	1,325,390	514,858	210,827	2,051,075	132,414	95,372	227,786	2,278,861
Professional Fees	136,581	59,726	131,882	328,189	277,317	83,412	360,729	688,918
Program Supplies	122,106	204,967	20,562	347,635	-	-	-	347,635
Occupancy	153,538	66,956	67,701	288,195	21,152	-	21,152	309,347
Interest	80,719	36,223	30,373	147,315	10,204	512	10,716	158,031
Office Expense	26,747	9,722	5,546	42,015	26,395	5,775	32,170	74,185
Miscellaneous	6,987	82	5,899	12,968	17,011	94	17,105	30,073
Telecommunications	13,342	7,769	1,747	22,858	1,231	805	2,036	24,894
Staff and Volunteer Development	5,335	3,255	195	8,785	6,995	416	7,411	16,196
Travel	626	425	80	1,131	9	2,971	2,980	4,111
Depreciation	147,259	64,388	59,598	271,245	19,295	-	19,295	290,540
Total Expense	\$ 2,018,630	\$ 968,371	\$ 534,410	\$ 3,521,411	\$ 512,023	\$ 189,357	\$ 701,380	\$ 4,222,791

The accompanying Notes to Financial Statements are an integral part of this statement.

PLYMOUTH CHRISTIAN YOUTH CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 343,757	\$ (19,817)
Total Adjustments	<u>(493,460)</u>	<u>(6,403)</u>
Net Cash (Used) by Operating Activities	(149,703)	(26,220)
Cash Flows from Investing Activities:		
Proceeds from Sale of Property	1,025,593	-
Proceeds from Maturity/Sale of Investments	727,688	314,066
Purchases of Property and Equipment	(100,581)	(14,105)
Purchases of Investments	<u>(1,407,675)</u>	<u>(221,825)</u>
Net Cash Provided by Investing Activities	245,025	78,136
Cash Flows from Financing Activities:		
Principal Payments on Mortgage Payable	<u>(414,793)</u>	<u>(173,539)</u>
Net (Decrease) in Cash and Cash Equivalents	(319,471)	(121,623)
Cash and Cash Equivalents - Beginning of Year	<u>449,219</u>	<u>570,842</u>
Cash and Cash Equivalents - End of Year	<u>\$ 129,748</u>	<u>\$ 449,219</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 148,413</u>	<u>\$ 159,903</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies

Organizational Purpose

Plymouth Christian Youth Center (PCYC) is a voluntary health and welfare organization founded in 1954 to serve "at-risk-at-promise" children and youth in the inner city. The current mission of PCYC is to enrich the skills, prospects and spirit of North Minneapolis youth and adults, in partnership with families and communities.

Plymouth Christian Youth Center is a place of strength, safety and beauty where every young person is nurtured and challenged. Youth, adults, families and communities come together to turn back the tides of poverty and violence, embracing hope, compassion and the reality of a better world.

The PYC Arts & Tech High School, a Contract Alternative Program with Minneapolis Public Schools, provides a high school education for over 300 students yearly. In addition to academic coursework leading to a high school diploma, the school provides wrap-around services in the areas of social work support, an on-site adolescent health clinic, career, college and vocational planning and experiences, service learning, and family outreach. The arts and arts technologies are offered as both school and afterschool learning activities. Key result: 83% of school year eligible seniors earned their high school diploma and graduated with the Class of 2016.

The PCYC Youth Development Program (also called the Out of School Time Program) promotes positive youth development, academic achievement and social emotional learning activities for over 200 elementary children on a year-round basis, in collaboration with the Northside Achievement Zone. Key results: In school year 2015-16 76% of the approximate 120 children made at least 1 year's growth in reading (up from 68% in 14-15), 50% made more than one year's growth (up from 44%) and 69% tested proficient in math fact for their grade level (up from 63%.) In Summer Friends 2016 100% of the children had no summer slide in reading levels for the 9th summer in a row.

PCYC's owns and operates the historic Capri Theater, combining cultural arts presentations, youth arts programming, and rental spaces for artistic presentations and community events. Programming sponsored by PCYC and artistic partners includes the award-winning Legends Jazz series, the St. Paul Chamber Orchestra, the Film Society of Minneapolis & St. Paul, The Capri Big Band and others. Youth programming includes the Capri After School Theater program (CAST), Camp Capri, Capri Glee, the Capri Apprentice Program, and Media 612-The Remix. Phase II of the Capri Renaissance Project to expand the Capri facilities and programming has been launched, and fundraising is underway toward a goal of approximately \$9 million.

PCYC sold its camp Wilderness Canoe Base to Lake Wapogasset Lutheran Bible Camps, Inc in November 2015, ensuring its legacy of engaging youth in high adventure outdoor camping activities continues into the future.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Organizational Purpose (Continued)

PCYC also participates in many community-strengthening initiatives through active membership in neighborhood revitalization and economic development activities, serving as a gathering place for the community and offering community-wide activities such as the Children's Christmas Giving. Over 1,200 children participated in December 2015, thanks to the help of over 300 volunteers.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to PCYC, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Land, buildings and equipment are reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of PCYC resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations or from the accumulated earnings of endowment funds that have not yet been appropriated for expenditure, that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Permanently Restricted Net Assets – Net assets resulting from contributions with donor-imposed stipulations that neither expire with time nor may be fulfilled by actions of PCYC.

Cash and Cash Equivalents

For purposes of the statements of cash flows, PCYC considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, except for money market accounts held by brokers for investment purposes. Stock and bond mutual funds which have no maturity date are not considered to be cash equivalents.

Investments

Investments are stated at fair value based upon quoted market prices.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Doubtful Accounts

PCYC extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and PCYC does not charge interest on accounts receivable balances. PCYC reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. PCYC provides an allowance for doubtful accounts based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Land, Buildings and Equipment

Land, building and equipment in excess of \$2,500 are recorded at cost if purchased, or an estimated market value if donated. Depreciation is provided using the straight-line method over an estimated useful life as follows:

Buildings and Improvements	10-40 years
Computer Equipment	2-5 years
Furniture, Fixtures and Other Equipment	3-10 years
Vehicles	2-7 years

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions except when the receipt and expiration occur in the same period, in which case the contribution is shown as unrestricted.

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

Contributions of assets other than cash are recorded at their estimated market value.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, PCYC will record such disallowance at the time the final assessment is made.

Accrued Vacation Pay

PCYC has an accrued vacation policy that provides for payment of accrued vacation for qualifying terminating employees. Accrued vacation pay is included with accrued expenses and payroll withholding on the statement of financial position.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on use of property and equipment and actual time spent, management judgment, and other relevant bases in each functional expense category.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Income Tax

PCYC has a tax-exempt status under a group exemption through the Evangelical Lutheran Church in America under Section 501(c)(3) of the Internal Revenue Code and comparable State law and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. PCYC's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. PCYC continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is a publicly-supported organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, PCYC annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending June 30, 2013 and later remain subject to examination by the Internal Revenue Service.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform with the presentation in the current year financial statements.

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 at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

PCYC has evaluated the effect that subsequent events would have on the financial statements through September 19, 2016, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

PCYC provides services within the Twin Cities area. The amounts due for services provided are from individuals or their third-party payors, substantially all of whom are local residents. In addition, grants and accounts receivable are from local residents, governments or institutions.

Financial instruments that potentially subject PCYC to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments. Substantially all of its cash and liquid investments are placed with high-quality financial institutions limiting the amount of credit exposure to any one institution; however, at June 30, 2016 and 2015, PCYC had funds on deposit in a local financial institution in excess of federally insured limits.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. Investments

PCYC held the following investments as of June 30, 2016 and 2015:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and				
Money Market Funds	\$ 2,212,956	\$ 2,212,956	\$ 1,341,557	\$ 1,341,557
Mutual Funds:				
Marketable Equity Funds	187,051	194,308	170,464	205,205
Marketable Debt Funds	<u>91,972</u>	<u>98,727</u>	<u>100,266</u>	<u>107,967</u>
	<u>\$ 2,491,979</u>	<u>\$ 2,505,991</u>	<u>\$ 1,612,287</u>	<u>\$ 1,654,729</u>

Investment income consisted of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 16,738	\$ 13,477
Unrealized Gain (Loss)	(25,978)	(6,977)
Realized Gain (Loss)	(1,953)	(111)
Investment Fees	<u>(3,454)</u>	<u>(5,802)</u>
	<u>\$ (14,647)</u>	<u>\$ 587</u>

4. Fair Value

In accordance with FASB ASC 820, "fair value" is defined as the price that an organization would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. Various inputs are used in determining the value of investments. ASC 820 established a three-tier hierarchy of inputs to establish a classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – Quoted prices in active markets for identical investments.
- Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – Significant unobservable inputs.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

4. Fair Value (continued)

The following is a summary of the inputs used to determine the fair value of the investments at:

<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 2,505,991	\$ -	\$ -	\$ 2,505,991
Pledges Receivable	-	779,159	-	779,159
Total	<u>\$ 2,505,991</u>	<u>\$ 779,159</u>	<u>\$ -</u>	<u>\$ 3,285,150</u>
<u>June 30, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 1,654,729	\$ -	\$ -	\$ 1,654,729
Pledges Receivable	-	679,264	-	679,264
Total	<u>\$ 1,654,729</u>	<u>\$ 679,264</u>	<u>\$ -</u>	<u>\$ 2,333,993</u>

5. Land, Buildings and Equipment

PCYC owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2016</u>	<u>2015</u>	
Land	\$ 113,625	\$ 167,124	
Buildings and Improvements	9,550,842	10,365,989	10-40 years
Computer Equipment	126,286	106,364	2-5 years
Furniture, Fixtures and Equipment	107,006	107,006	3-10 years
Construction in Progress	<u>73,057</u>	<u>22,610</u>	
	9,970,816	10,769,093	
Less Accumulated Depreciation	<u>4,212,434</u>	<u>4,069,560</u>	
	<u>\$ 5,758,382</u>	<u>\$ 6,699,533</u>	

Depreciation expense of \$263,722 and \$290,540 was recorded for the years ended June 30, 2016 and 2015, respectively.

In 2016, PCYC sold the Wilderness Camp land and building for an accounting gain of \$238,754.

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6. Pledges and Grants Receivable

The balances of pledges and grants receivable are due as follows:

<u>Due in the Year Ending June 30,</u>	<u>2016</u>	<u>2015</u>
2017	\$ 25,206	\$ 735,740
2018	26,552	-
2019	<u>845,101</u>	<u>-</u>
Total Pledges and Grants Receivable	896,859	735,740
Less Discount at 4%	<u>92,494</u>	<u>56,476</u>
Net Pledges and Grants Receivable	804,365	679,264
Less Current Portion	<u>25,206</u>	<u>-</u>
Long-term Portion	<u>\$ 779,159</u>	<u>\$ 679,264</u>

All pledges and grants receivable are considered collectable.

7. Notes Payable

The breakdown of notes payable was as follows as of:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Mortgage note payable to Wells Fargo Mortgage. Original loan amount of \$2,000,000 payable in monthly installments of \$13,757, including interest for 5 years. This mortgage is backed by revenue bonds issued by Minneapolis Community Development Agency. For the following 10 years, the monthly payments shall be adjusted to equal monthly payments sufficient to amortize the then-current principal balance including interest at the adjusted interest rate, through July 28, 2019. The interest rate is adjusted to a fixed rate per annum equal to the sum of the then-current "Prime Rate" as published in the Wall Street Journal plus 500 basis points. Secured by property at 2210 Oliver Avenue North.	\$ 1,502,813	\$ 1,598,516
Mortgage note payable to Twin Cities Community Capital Fund. Original loan amount of \$1,500,000 payable in monthly installments of \$10,774, including interest, through July 1, 2034. The interest rate is 7.18%. Secured by mortgage on property at 2210 Oliver Avenue North.	1,307,296	1,341,386

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7. Notes Payable (continued)

	June 30,	
	2016	2015
Note payable to Otto Bremer Foundation. Loan installments renegotiated in 2010. Original loan amount of \$750,000 payable in annual installments plus interest at 5%, until December 31, 2018. Note was paid off in 2016.	-	285,000
	2,810,109	3,224,902
Less Portion Due Within One (1) Year	134,862	183,241
Long-term Portion	\$ 2,675,247	\$ 3,041,661

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2017	\$ 134,862
2018	127,670
2019	135,571
2020	1,282,946
2021	48,762
2022 and beyond	1,080,298
Total	\$ 2,810,109

Interest expense related to all notes was \$148,413 and \$159,903 for the years ended June 30, 2016 June 30, 2015, respectively.

8. Net Asset Balances

Temporarily restricted net assets consisted of amounts for the following as of:

	June 30,	
	2016	2015
Capital Campaign	\$ 1,485,694	\$ 1,260,667
Subsequent Year Program Grants	132,989	81,958
Other Programs	-	83,555
Scholarships	56,549	68,906
	\$ 1,675,232	\$ 1,495,086

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8. Net Asset Balances (continued)

Board designated net assets consisted of amounts for the following as of:

	June 30,	
	2016	2015
Capacity Building	\$ 400,000	\$ -
Operating Reserve	365,212	81,958
Debt Reserve Fund	<u>87,256</u>	<u>86,629</u>
	<u>\$ 852,468</u>	<u>\$ 151,841</u>

9. Endowment Fund

The Endowment Fund consists of both permanently restricted and temporarily restricted funds established for the following purposes:

Permanently restricted funds are donor restricted to be held in perpetuity, with the income and related investment gains to be used for any mission related program.

Temporarily restricted funds are the accumulation of earnings from the permanently restricted endowment that have not been appropriated for expenditure, with the income and related investment gains to be used for any mission related program.

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Board of Directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary; while allowing for appropriations to meet the intent of the endowment.

As a result of this interpretation, PCYC defines permanently restricted assets as:

- (a) the original value of gifts donated to the permanent endowment,
- (b) the original value of subsequent gifts to the permanent endowment,
- (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund,
- (d) less the amount by which the current appropriation exceeds current and accumulated earnings, and
- (e) at the discretion of the Board of Directors, accumulation of current earnings to replace principle appropriated for expenditure from previous years in item "d".

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by PCYC in a manner consistent with the standard of prudence prescribed by UPMIFA.

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9. Endowment Fund (continued)

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

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

Endowment Fund Net Asset Composition by Type of Fund

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>June 30, 2016</u>				
Donor Restricted	\$ -	\$ -	\$ 164,898	\$ 164,898
<u>June 30, 2015</u>				
Donor Restricted	\$ -	\$ 83,555	\$ 164,898	\$ 248,453

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets – June 30, 2014	\$ -	\$ 78,472	\$ 164,898	\$ 243,370
Investment Return:				
Investment Income	-	8,633	-	8,633
Unrealized (Loss)	-	(3,550)	-	(3,550)
Total Return	-	5,083	-	5,083
Net Assets – June 30, 2015	\$ -	\$ 83,555	\$ 164,898	\$ 248,453
Investment Return:				
Investment Income	-	12,126	-	12,126
Unrealized (Loss)	-	(23,049)	-	(23,049)
Release from Restriction	-	(72,632)	-	(72,632)
Net Assets – June 30, 2016	\$ -	\$ -	\$ 164,898	\$ 164,898

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10. Pension Plan

PCYC maintains a 401(k) Plan whereby participants are allowed to make an elective deferral contribution subject to annual limitations. Employer contributions shall be an amount equal to the lesser of 25% of the deferred contribution or 1% of the participant compensation for the plan year. Any other employer contributions are discretionary. Total pension expense was \$11,197 and \$9,463 for the years ended June 30, 2016 and 2015, respectively.

11. Collaborative Agreement

In January 2007, PCYC joined with four other non-profit organizations to form MACC CommonWealth, Inc. (also a non-profit) to deliver a shared solution for meeting the key administrative functions of finance, human resources and information technology. This partnership was formed to support the needs of all members with enhanced quality of administrative functions, reduced operating risk and controlled costs. PCYC has a long-term receivable from MACC CommonWealth in the amount of \$17,225 at both years ended June 30, 2016 and 2015.

12. Capital Campaign

In 2009 and 2010, PCYC completed an initial small capital campaign and remodeling project called the Capri Theater Renaissance, which made the Capri Theater capable of hosting live performances for community entertainment and for the use of the Arts and Learning High School students in their daily education. In 2010, PCYC began Phase II of that project which includes expanding the Capri Theater, adding uses that complement the theater and increasing the performing arts and learning space for PCYC's program use and for the community. The first part of this project will include purchasing adjacent land from the City of Minneapolis and incorporating prospective new structures to support the Capri Theater and the Arts & Tech High School programs. PCYC intends on negotiating the purchase of land within the 2017 fiscal year.

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13. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash (Used) by Operating Activities were as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Depreciation	\$ 263,722	\$ 290,540
Unrealized Loss on Investments	25,978	6,977
Realized Loss on Investments	1,953	111
Contributed Securities	(199,206)	(300,923)
(Gain) on Sale of Property	(247,583)	-
Long-Term Grants Receivable	(99,895)	(217,544)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(41,972)	36,933
Accrued Expense and Payroll Withholding	61,901	(96,953)
Refundable Advances	(20,723)	15,723
Accrued Interest Payable	(7,360)	(1,873)
Decreases (Increases) in Current Assets:		
Accounts Receivable	(215,510)	(20,161)
Grants Receivable	(25,206)	293,934
Prepaid Expenses	10,441	(13,167)
Total Adjustments	<u>\$ (493,460)</u>	<u>\$ (6,403)</u>