

**Plymouth Christian Youth Center**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2017 and 2016



**CERTIFIED PUBLIC ACCOUNTANTS**

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### 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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Carpenter Evert and Associates, LTD.*  
Certified Public Accountants

Minneapolis, Minnesota  
September 18, 2017

PLYMOUTH CHRISTIAN YOUTH CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 776,065	\$ 129,748
Accounts Receivable	405,666	321,181
Pledges and Grants Receivable	35,858	25,206
Prepaid Expenses	<u>106,379</u>	<u>74,463</u>
Total Current Assets	1,323,968	550,598
<b>Noncurrent Assets:</b>		
Pledges and Grants Receivable - Net	713,591	779,159
Investments	2,565,691	2,505,991
Receivable from MACC Common Wealth	17,225	17,225
Property and Equipment - Net	<u>5,618,863</u>	<u>5,758,382</u>
TOTAL ASSETS	<u>\$ 10,239,338</u>	<u>\$ 9,611,355</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 33,379	\$ 27,957
Accrued Expense and Payroll Withholding	127,185	118,760
Accrued Interest Payable	-	8,122
Refundable Advance	50,000	50,000
Current Portion of Notes Payable	<u>104,016</u>	<u>134,862</u>
Total Current Liabilities	314,580	339,701
<b>Long-term Liabilities:</b>		
Notes Payable	<u>2,685,839</u>	<u>2,675,247</u>
Total Liabilities	3,000,419	3,014,948
<b>Net Assets:</b>		
Unrestricted:		
Board Designated	882,386	852,468
Undesignated	<u>3,633,602</u>	<u>3,903,809</u>
	4,515,988	4,756,277
Temporarily Restricted	2,558,033	1,675,232
Permanently Restricted	<u>164,898</u>	<u>164,898</u>
Total Net Assets	<u>7,238,919</u>	<u>6,596,407</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,239,338</u>	<u>\$ 9,611,355</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, 2017 AND 2016**

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue:</b>								
Contributions	\$ 659,514	\$ 1,270,962	\$ -	\$ 1,930,476	\$ 707,034	\$ 597,158	\$ -	\$ 1,304,192
United Way	278,711	-	-	278,711	278,712	-	-	278,712
Minneapolis Public School	1,778,553	-	-	1,778,553	1,994,834	-	-	1,994,834
Government Grants and Contracts	113,074	-	-	113,074	175,354	-	-	175,354
Program Service Fees - Northside Achievement Zone	933,114	-	-	933,114	809,667	-	-	809,667
Rent	43,104	-	-	43,104	77,635	-	-	77,635
Investment Income	59,291	-	-	59,291	(14,647)	-	-	(14,647)
Miscellaneous Income	12,924	-	-	12,924	16,497	-	-	16,497
Net Assets Released from Restrictions:								
Satisfaction of Capital Restrictions	240,634	(240,634)	-	-	239,008	(239,008)	-	-
Satisfaction of Program and Time Restrictions	147,527	(147,527)	-	-	178,004	(178,004)	-	-
<b>Total Support and Revenue</b>	<b>4,266,446</b>	<b>882,801</b>	<b>-</b>	<b>5,149,247</b>	<b>4,462,098</b>	<b>180,146</b>	<b>-</b>	<b>4,642,244</b>
<b>Expense:</b>								
Program Services								
Education Programs	2,180,939	-	-	2,180,939	2,145,010	-	-	2,145,010
Youth and Family Programs	930,048	-	-	930,048	1,025,594	-	-	1,025,594
Cultural Arts Program	559,862	-	-	559,862	569,044	-	-	569,044
<b>Total Program Expense</b>	<b>3,670,849</b>	<b>-</b>	<b>-</b>	<b>3,670,849</b>	<b>3,739,648</b>	<b>-</b>	<b>-</b>	<b>3,739,648</b>
Support Services:								
Management and General	483,707	-	-	483,707	559,113	-	-	559,113
Fundraising	352,179	-	-	352,179	238,480	-	-	238,480
Total Support Services	835,886	-	-	835,886	797,593	-	-	797,593
<b>Total Expense</b>	<b>4,506,735</b>	<b>-</b>	<b>-</b>	<b>4,506,735</b>	<b>4,537,241</b>	<b>-</b>	<b>-</b>	<b>4,537,241</b>
<b>Change in Net Assets from Operations</b>	<b>(240,289)</b>	<b>882,801</b>	<b>-</b>	<b>642,512</b>	<b>(75,143)</b>	<b>180,146</b>	<b>-</b>	<b>105,003</b>
Gain on Sale of Property	-	-	-	-	238,754	-	-	238,754
<b>Change in Net Assets</b>	<b>(240,289)</b>	<b>882,801</b>	<b>-</b>	<b>642,512</b>	<b>163,611</b>	<b>180,146</b>	<b>-</b>	<b>343,757</b>
Net Assets - Beginning of Year	4,756,277	1,675,232	164,898	6,596,407	4,592,666	1,495,086	164,898	6,252,650
<b>Net Assets - End of Year</b>	<b>\$ 4,515,988</b>	<b>\$ 2,558,033</b>	<b>\$ 164,898</b>	<b>\$ 7,238,919</b>	<b>\$ 4,756,277</b>	<b>\$ 1,675,232</b>	<b>\$ 164,898</b>	<b>\$ 6,596,407</b>

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, 2017 WITH  
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	2017				2016			
	Program Services		Support Services		Program Services		Support Services	
	Education Programs	Youth & Family Programs	Cultural Arts Program	Total Program Services	Management & General	Fund-raising	Total Support Services	Total All Services
Salaries	\$ 1,280,466	\$ 437,356	\$ 224,089	\$ 1,941,911	\$ 108,470	\$ 198,993	\$ 307,463	\$ 2,249,374
Employee Benefits	145,117	47,939	24,967	218,023	11,745	20,150	31,895	249,918
Payroll Taxes	111,214	36,699	18,792	166,705	8,945	15,797	24,742	191,447
Total Personnel Costs	1,536,797	521,994	267,848	2,326,639	129,160	234,940	364,100	2,690,739
Professional Fees	125,767	50,310	137,072	313,149	281,984	100,920	382,904	696,053
Program Supplies	108,099	164,587	24,871	297,557	248	5	253	297,810
Occupancy	144,806	75,783	29,134	249,723	13,832	6,806	20,638	270,361
Interest	88,373	46,442	13,918	148,733	8,393	3,963	12,356	161,089
Miscellaneous	7,788	876	27,137	35,801	18,305	322	18,627	54,428
Office Expense	14,948	5,589	4,388	24,925	10,482	5,009	15,491	40,416
Staff and Volunteer Development	7,679	2,698	93	10,470	3,153	-	3,153	13,623
Telecommunications	5,077	2,755	751	8,583	453	214	667	9,250
Travel	3,132	60	82	3,274	22	-	22	3,296
Depreciation	138,473	58,954	54,568	251,995	17,675	-	17,675	269,670
Total Expense	\$ 2,180,939	\$ 930,048	\$ 559,862	\$ 3,670,849	\$ 483,707	\$ 352,179	\$ 835,886	\$ 4,506,735
								\$ 4,537,241

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

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

EXHIBIT D

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

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 642,512	\$ 343,757
Total Adjustments	<u>(44,780)</u>	<u>(493,460)</u>
Net Cash Provided (Used) by Operating Activities	597,732	(149,703)
Cash Flows from Investing Activities:		
Proceeds from Sale of Property	-	1,025,593
Proceeds from Maturity/Sale of Investments	1,158,312	727,688
Purchases of Property and Equipment	(130,151)	(100,581)
Purchases of Investments	<u>(959,322)</u>	<u>(1,407,675)</u>
Net Cash Provided by Investing Activities	68,839	245,025
Cash Flows from Financing Activities:		
Proceeds from Mortgage Payable	2,807,550	-
Principal Payments on Mortgage Payable	<u>(2,827,804)</u>	<u>(414,793)</u>
Net Cash (Used) by Financing Activities	<u>(20,254)</u>	<u>(414,793)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	646,317	(319,471)
Cash and Cash Equivalents - Beginning of Year	<u>129,748</u>	<u>449,219</u>
Cash and Cash Equivalents - End of Year	<u>\$ 776,065</u>	<u>\$ 129,748</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 161,089</u>	<u>\$ 148,413</u>

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



PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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 children, youth and families in the inner-city.

MISSION: To enrich the skills, prospects, and spirit of North Minneapolis youth, in partnership with families and communities.

VISION: PCYC is a place of strength, safety and beauty where every young person is nurtured and challenged to reach their utmost potential. 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.

OPERATING PRINCIPLES:

- Achieve life-changing results for program participants
- Adapt programs and activities to the times
- Create a welcoming, safe and inclusive environment
- Serve as a vital community anchor, offering hope, leadership and effective action
- Support the growth and well-being of staff, volunteers and community friends
- Exercise wise stewardship of the organization's gifts and assets.

STRATEGIC GOALS 2017-2019:

1. Increase youth opportunities for school and life success  
*PCYC will promote the academic and social-emotional development of over 2000 youth each year by offering outstanding, innovative experiences in its Arts & Technology High School, its elementary Afterschool Enrichment Programs, and in youth arts education and theater and arts programming at its Capri Theater.*
2. Complete the Capri Theater Renaissance project, leading the way for a bright North Minneapolis future.  
*PCYC will fulfill its long-term aim to "bring up the lights on West Broadway" with the completion of the Capri renovation and expansion including a state-of-the-art Teen Tech and Innovation Center and new performance, education, exhibition, and community gathering spaces.*
3. Sustain the mission  
*In 2018, PCYC will celebrate its 65<sup>th</sup> anniversary of service to North Minneapolis area children and youth as a strong, forward-looking organization that's embracing it's next generation of leadership.*

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

KEY RESULTS:

111 children Kindergarten to 5<sup>TH</sup> grade enrolled in Summer Friends activities of the Youth Development (Out-of-School-Time) Program summer 2016, with 100% of the children achieving no summer slide in reading for the 9<sup>th</sup> year in a row.

95 children K – 5 were served in the Out-of-School-Time Program during school year 2016-17. 59% of children testing below grade level in the fall achieved at least half a year's growth in reading level through special tutoring, and 63% of the children in grades 3 – 5 scored 80-100% proficient in Math. 100% of parents surveyed said they would recommend the program to others.

304 youth grades 9 – 12 enrolled in the Education Program (PYC Arts & Tech High School) in 2016-17. Increasing the number of students that graduate high school and go to college/vocational programs is a key goal. Participation in concurrent enrollment programs nearly doubled in 2016-17 over the previous year, and a dual-degree class at PYC offering both high school and college credit was successfully piloted.

25 middle school youth enrolled in the summer 2016 Camp Capri program, with 86% of the youth increasing their social and emotional skills, and the majority increasing creative expression and artistic skills as assessed by the teaching artists.

The Legends Music Series at PCYC's Capri Theater increased both total attendance numbers and average concert attendance in the 16-17 season, hitting a series high of 1,461 attendees, up 380 over the previous year. Key partnerships and rental customers continue to grow and provide increasing variety of artistic offerings at the Capri for the community and region.

The annual Children's Christmas Gift Event in December 2016 drew 1,123 children and youth, selecting gifts for their family members from over 6,000 donated gifts, with 320 volunteers ensuring that this 50 plus year-old event continues to make holidays bright for the kids and families of North Minneapolis.

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.

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

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.

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

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

1. Summary of Significant Accounting Policies (continued)

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

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, 2017 AND 2016

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, 2014 and later remain subject to examination by the Internal Revenue Service.

Reclassifications

Certain amounts in prior year comparative totals have been reclassified to conform to 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 18, 2017, 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.

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

2. Significant Concentrations of Credit Risk (continued)

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, 2017 and 2016, PCYC had funds on deposit in a local financial institution in excess of federally insured limits.

3. Land, Buildings and Equipment

PCYC owned the following as of:

	<u>June 30,</u>		<u>Estimated Useful Lives</u>
	<u>2017</u>	<u>2016</u>	
Land	\$ 113,625	\$ 113,625	
Buildings and Improvements	9,605,267	9,550,842	10-40 years
Computer Equipment	140,211	126,286	2-5 years
Furniture, Fixtures and Equipment	107,006	107,006	3-10 years
Construction in Progress	<u>134,858</u>	<u>73,057</u>	
	10,100,967	9,970,816	
Less Accumulated Depreciation	<u>4,482,104</u>	<u>4,212,434</u>	
	<u>\$ 5,618,863</u>	<u>\$ 5,758,382</u>	

Depreciation expense of \$269,670 and \$263,722 was recorded for the years ended June 30, 2017 and 2016, respectively.

In November of 2015, PCYC sold the Wilderness Camp land and building for an accounting gain of \$238,754.

4. Investments

PCYC held the following investments as of June 30, 2017 and 2016:

	<u>2017</u>		<u>2016</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and				
Money Market Funds	\$ 1,718,360	\$ 1,718,360	\$ 2,212,956	\$ 2,212,956
Mutual Funds:				
Marketable Equity Funds	299,438	330,044	187,051	194,308
Marketable Debt Funds	300,740	304,568	91,972	98,727
Equities	31,143	33,318	-	-
Corporate Bonds	10,000	9,923	-	-
ETFs	<u>161,301</u>	<u>169,478</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,520,982</u>	<u>\$ 2,565,691</u>	<u>\$ 2,491,979</u>	<u>\$ 2,505,991</u>

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4. Investments (continued)

Investment income consisted of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 15,913	\$ 16,738
Unrealized Gain (Loss)	30,610	(25,978)
Realized Gain (Loss)	16,268	(1,953)
Investment Fees	(3,500)	(3,454)
	<u>\$ 59,291</u>	<u>\$ (14,647)</u>

5. 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.

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

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 2,565,691	\$ -	\$ -	\$ 2,565,691
Pledges Receivable	-	<u>713,591</u>	-	<u>713,591</u>
Total	<u>\$ 2,565,691</u>	<u>\$ 713,591</u>	<u>\$ -</u>	<u>\$ 3,279,282</u>
<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	-	<u>779,159</u>	-	<u>779,159</u>
Total	<u>\$ 2,505,991</u>	<u>\$ 779,159</u>	<u>\$ -</u>	<u>\$ 3,285,150</u>

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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>2017</u>	<u>2016</u>
2017	\$ -	\$ 25,206
2018	35,858	26,552
2019	773,380	845,101
2020	<u>50</u>	<u>-</u>
Total Pledges and Grants Receivable	809,288	896,859
Less Discount at 4%	<u>59,839</u>	<u>92,494</u>
Net Pledges and Grants Receivable	749,449	804,365
Less Current Portion	<u>35,858</u>	<u>25,206</u>
Long-term Portion	<u>\$ 713,591</u>	<u>\$ 779,159</u>

All pledges and grants receivable are considered collectable.

The Organization has three contingent pledges that total \$2,350,000 that are not included in the financials. These pledges will be included as income when the fundraising contingencies are met.

7. Notes Payable

The breakdown of notes payable was as follows as of:

	<u>June 30,</u>
	<u>2017</u> <u>2016</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.

Note was refinanced in 2017. \$ -      \$ 1,502,813

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.

Note was refinanced in 2017. -      1,307,296



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7. Notes Payable (continued)

Mortgage note payable to Bremer Bank. Original loan amount of \$2,807,550 payable in monthly installments of \$15,643, including interest, through April 18, 2037. The interest rate is 3.01%. Secured by mortgage on property at 2210 Oliver Avenue North.

	2,789,855	-
	2,789,855	2,810,109
Less Portion Due Within One (1) Year	104,016	134,862
Long-term Portion	\$ 2,685,839	\$ 2,675,247

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2018	\$ 104,016
2019	107,235
2020	110,342
2021	113,968
2022	117,496
2023 and beyond	2,236,798
Total	\$ 2,789,855

Interest expense related to all notes was \$161,089 and \$148,413 for the years ended June 30, 2017 and 2016, respectively.

8. Net Asset Balances

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

	June 30,	
	2017	2016
Capital Campaign	\$ 2,393,568	\$ 1,485,694
Subsequent Year Program Grants	112,957	132,989
Scholarships	51,508	56,549
	\$ 2,558,033	\$ 1,675,232

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

	June 30,	
	2017	2016
Operating Reserve	\$ 462,209	\$ 365,212
Capacity Building	332,921	400,000
Debt Reserve Fund	87,256	87,256
	\$ 882,386	\$ 852,468

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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.

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

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9. Endowment Fund (continued)

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, 2017</u>				
Donor Restricted	\$ <u>-</u>	\$ <u>-</u>	\$ <u>164,898</u>	\$ <u>164,898</u>
<u>June 30, 2016</u>				
Donor Restricted	\$ <u>-</u>	\$ <u>-</u>	\$ <u>164,898</u>	\$ <u>164,898</u>

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
Investment Return:				
Investment Income	-	-	-	-
Unrealized (Loss)	-	-	-	-
Release from Restriction	-	-	-	-
Net Assets – June 30, 2017	\$ -	\$ -	\$ 164,898	\$ 164,898

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 \$15,509 and \$11,197 for the years ended June 30, 2017 and 2016, respectively.

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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, 2017 and 2016.

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.

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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>2017</u>	<u>2016</u>
Depreciation	\$ 269,670	\$ 263,722
Unrealized (Gain) Loss on Investments	(30,610)	25,978
Realized (Gain) Loss on Investments	(28,047)	1,953
Contributed Securities	(200,033)	(199,206)
(Gain) on Sale of Property	-	(247,583)
Long-Term Grants Receivable	65,568	(99,895)
Increases (Decreases) in Current Liabilities:		
Accounts Payable	5,422	(41,972)
Accrued Expense and Payroll Withholding	8,425	61,901
Refundable Advances	-	(20,723)
Accrued Interest Payable	(8,122)	(1,873)
Decreases (Increases) in Current Assets:		
Accounts Receivable	(84,485)	(215,510)
Grants Receivable	(10,652)	(25,206)
Prepaid Expenses	(31,916)	10,441
Total Adjustments	<u>\$ (44,780)</u>	<u>\$ (493,460)</u>