

# **Plymouth Christian Youth Center**

Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
June 30, 2018 and 2017



**CERTIFIED PUBLIC ACCOUNTANTS**

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Carpenter, Evert & Associates

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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, 2018 and 2017, 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, 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.

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

Minneapolis, Minnesota  
September 24, 2018

PLYMOUTH CHRISTIAN YOUTH CENTER  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and Cash Equivalents	\$ 940,655	\$ 776,065
Accounts Receivable	216,428	405,666
Pledges and Grants Receivable	100,325	35,858
Prepaid Expenses	76,901	106,379
Total Current Assets	1,334,309	1,323,968
Noncurrent Assets:		
Pledges and Grants Receivable - Net	446,359	713,591
Investments	3,101,239	2,565,691
Receivable from MACC Alliance	17,225	17,225
Property and Equipment - Net	5,501,601	5,618,863
TOTAL ASSETS	\$ 10,400,733	\$ 10,239,338
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 23,961	\$ 33,379
Accrued Expense and Payroll Withholding	152,866	127,185
Refundable Advance	50,000	50,000
Current Portion of Notes Payable	107,235	104,016
Total Current Liabilities	334,062	314,580
Long-term Liabilities:		
Notes Payable	2,578,605	2,685,839
Total Liabilities	2,912,667	3,000,419
Net Assets:		
Unrestricted:		
Board Designated	922,886	882,386
Undesignated	3,131,489	3,633,602
	4,054,375	4,515,988
Temporarily Restricted	3,268,793	2,558,033
Permanently Restricted	164,898	164,898
Total Net Assets	7,488,066	7,238,919
TOTAL LIABILITIES AND NET ASSETS	\$ 10,400,733	\$ 10,239,338

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, 2018 AND 2017

	2018			2017				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Contributions	\$ 656,858	\$ 1,110,210	\$ -	\$ 1,767,068	\$ 659,514	\$ 1,270,962	\$ -	\$ 1,930,476
United Way	1,727	-	-	1,727	278,711	-	-	278,711
Minneapolis Public School	1,781,971	-	-	1,781,971	1,778,553	-	-	1,778,553
Government Grants and Contracts	92,848	-	-	92,848	113,074	-	-	113,074
Program Service Fees	626,987	-	-	626,987	903,624	-	-	903,624
Earned Income	36,123	-	-	36,123	29,490	-	-	29,490
Rent	38,017	-	-	38,017	43,104	-	-	43,104
Investment Income	65,422	-	-	65,422	59,291	-	-	59,291
Miscellaneous Income	2,940	-	-	2,940	12,924	-	-	12,924
Net Assets Released from Restrictions:								
Satisfaction of Capital Restrictions	286,786	(286,786)	-	-	240,634	(240,634)	-	-
Satisfaction of Program and Time Restrictions	112,664	(112,664)	-	-	147,527	(147,527)	-	-
Total Support and Revenue	3,702,343	710,760	-	4,413,103	4,266,446	882,801	-	5,149,247
Expense:								
Program Services								
Education Programs	2,147,205	-	-	2,147,205	2,180,939	-	-	2,180,939
Youth and Family Programs	694,902	-	-	694,902	930,048	-	-	930,048
Cultural Arts Program	543,672	-	-	543,672	559,862	-	-	559,862
Total Program Expense	3,385,779	-	-	3,385,779	3,670,849	-	-	3,670,849
Support Services:								
Management and General Fundraising	373,171	-	-	373,171	483,707	-	-	483,707
Total Support Services	405,006	-	-	405,006	352,179	-	-	352,179
Total Expense	778,177	-	-	778,177	835,886	-	-	835,886
	4,163,956	-	-	4,163,956	4,506,735	-	-	4,506,735
Change in Net Assets	(461,613)	710,760	-	249,147	(240,289)	882,801	-	642,512
Net Assets - Beginning of Year	4,515,988	2,558,033	164,898	7,238,919	4,756,277	1,675,232	164,898	6,596,407
Net Assets - End of Year	\$ 4,054,375	\$ 3,268,793	\$ 164,898	\$ 7,488,066	\$ 4,515,988	\$ 2,558,033	\$ 164,898	\$ 7,238,919

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, 2018 WITH  
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2017

	2018						2017		
	Program Services			Support Services			Total All Services	Total All Services	Total All Services
	Youth & Family Programs	Cultural Arts Program	Total Program Services	Management & General	Fund- raising	Total Support Services			
Salaries	\$ 1,245,720	\$ 230,213	\$ 1,800,928	\$ 90,016	\$ 248,035	\$ 338,051	\$ 2,138,979	\$ 2,249,374	
Employee Benefits	133,730	22,692	192,690	9,396	26,015	35,411	228,101	249,918	
Payroll Taxes	106,341	18,237	152,458	7,480	20,415	27,895	180,353	191,447	
Total Personnel Costs	1,485,791	271,142	2,146,076	106,892	294,465	401,357	2,547,433	2,690,739	
Professional Fees	166,037	108,580	312,384	199,207	74,844	274,051	586,435	696,053	
Occupancy	172,218	37,494	281,751	13,606	12,270	25,876	307,627	270,361	
Program Supplies	92,792	29,244	221,331	5	2	7	221,338	297,810	
Interest	48,431	6,562	76,128	3,197	4,374	7,571	83,699	161,089	
Miscellaneous	4,305	24,243	29,609	19,939	179	20,118	49,727	54,428	
Office Expense	16,120	1,770	21,898	7,232	16,411	23,643	45,541	40,416	
Telecommunications	14,824	9,827	34,405	1,498	1,924	3,422	37,827	9,250	
Staff and Volunteer Development	5,282	-	6,767	3,842	527	4,369	11,136	13,623	
Travel	2,202	48	2,302	17	10	27	2,329	3,296	
Depreciation	139,203	54,762	253,128	17,736	-	17,736	270,864	269,670	
Total Expense	\$ 2,147,205	\$ 543,672	\$ 3,385,779	\$ 373,171	\$ 405,006	\$ 778,177	\$ 4,163,956	\$ 4,506,735	

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, 2017

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	
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
Occupancy	144,806	75,783	29,134	249,723	13,832	6,806	20,638	270,361
Program Supplies	108,099	164,587	24,871	297,557	248	5	253	297,810
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
Telecommunications	5,077	2,755	751	8,583	453	214	667	9,250
Staff and Volunteer Development	7,679	2,698	93	10,470	3,153	-	3,153	13,623
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

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>		
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 249,147	\$ 642,512
Total Adjustments	176,129	(44,780)
Net Cash Provide by Operating Activities	<u>425,276</u>	<u>597,732</u>
Cash Flows from Investing Activities:		
Proceeds from Maturity/Sale of Investments	2,474,300	1,158,312
Purchases of Property and Equipment	(153,602)	(130,151)
Purchases of Investments	<u>(2,477,369)</u>	<u>(959,322)</u>
Net Cash Provided (Used) by Investing Activities	(156,671)	68,839
Cash Flows from Financing Activities:		
Proceeds from Mortgage Payable	-	2,807,550
Principal Payments on Mortgage Payable	<u>(104,015)</u>	<u>(2,827,804)</u>
Net Cash (Used) by Financing Activities	<u>(104,015)</u>	<u>(20,254)</u>
Net Increase in Cash and Cash Equivalents	164,590	646,317
Cash and Cash Equivalents - Beginning of Year	<u>776,065</u>	<u>129,748</u>
Cash and Cash Equivalents - End of Year	<u>\$ 940,655</u>	<u>\$ 776,065</u>

Supplemental Disclosures of Cash Flow Information

Cash Paid for:		
Interest	<u>\$ 83,699</u>	<u>\$ 161,089</u>

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



PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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.

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.

CORE PROGRAMS:

1) Out-of-School Time (OST) programs, offering programs that serve elementary and early-middle school aged youth, including the elementary Summer Friends and After School programs.

2) The PYC Arts & Technology High School, a contract alternative program with Minneapolis Public Schools, serves over 300 youth annually, meeting educational needs that have not been satisfactorily met by traditional high schools.

3) The Capri Theater and related arts education and cultural arts programming for youth, adults and the community, including Legends, Camp Capri, Capri Glee Community Choir, and Capri After School Theater, in addition to partnership programs.

STRATEGIC GOALS 2017-2019:

1. Increase youth opportunities for school and life success

*PCYC will promote the academic and social-emotional development of over 2,000 youth each year by offering outstanding, innovative experiences in its Arts & Technology High School, its elementary Out-of-School-Time programs and at the Capri Theater.*

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

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, exhibition and community gathering spaces.*

3. Sustain the mission.

*In 2018, PCYC will celebrate its 65th anniversary of service to North Minneapolis area children and youth as a strong, forward-looking organization that’s embracing its next generation of leadership.*

KEY RESULTS:

136 children Kindergarten to 5<sup>TH</sup> grade enrolled in Summer Friends activities of the Out-of-School-Time program in summer 2017, with 100% of the children achieving no summer slide in reading for the 10<sup>th</sup> year in a row.

115 children K – 5 were enrolled in the Out-of-School-Time Program during school year 2017-18. 55% of children testing below grade level in the fall achieved at least half a year’s growth in reading level, and 60% of children demonstrated self-management and positive behaviors. 90% of parents surveyed reported program satisfaction.

Approximately 300 youth grades 9 – 12 enrolled in PYC Arts & Tech High School in school year 2017-18. Monthly average attendance rates increased 2% over the previous year, and the school carried out a series of planning, listening and feedback sessions with stakeholders (including staff, students, family and community), working together to boost student engagement and competency-based learning opportunities.

About 100 teens participated in Capri Theater activities that built expressive skills, confidence and technological savvy, including: Remix audio tech classes; CAST (Capri After School Theater); Capri Theater Apprenticeships, offering paid positions of leadership and learning; and Camp Capri for middle school youth.

Capri Theater programs included the Legends concert series and Capri Glee community choir, in addition to partnership programs with the Saint Paul Chamber Orchestra and The Film Society of Minneapolis St. Paul.

882 youth were able to select from over 4,500 gifts as they shopped for their families at the 2017 Children's Holiday Gift Sale. 288 volunteers donated time, talent, money and gifts to help make the holidays brighter for North Minneapolis youth and families.

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

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.

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.

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

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

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.

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (continued)

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 expense 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.

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, 2015 and later remain subject to examination by the Internal Revenue Service.

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 24, 2018, which is the date financial statements were available to be issued.

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

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, 2018 and 2017, 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>2018</u>	<u>2017</u>	
Land	\$ 113,625	\$ 113,625	
Buildings and Improvements	9,619,843	9,605,267	10-40 years
Computer Equipment	151,410	140,211	2-5 years
Furniture, Fixtures and Equipment	107,006	107,006	3-10 years
Construction in Progress	<u>262,685</u>	<u>134,858</u>	
	10,254,569	10,100,967	
Less Accumulated Depreciation	<u>4,752,968</u>	<u>4,482,104</u>	
	<u>\$ 5,501,601</u>	<u>\$ 5,618,863</u>	

Depreciation expense of \$270,864 and \$269,670 was recorded for the years ended June 30, 2018 and 2017, respectively.

PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

4. Investments

PCYC held the following investments as of June 30, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and				
Money Market Funds	\$ 1,990,592	\$ 1,990,592	\$ 1,718,360	\$ 1,718,360
Mutual Funds:				
Marketable Equity Funds	332,774	367,299	299,438	330,044
Marketable Debt Funds	389,889	382,691	300,740	304,568
Equities	31,143	31,851	31,143	33,318
Corporate Bonds	20,000	20,126	10,000	9,923
ETFs	<u>286,170</u>	<u>308,680</u>	<u>161,301</u>	<u>169,478</u>
	<u>\$ 3,050,568</u>	<u>\$ 3,101,239</u>	<u>\$ 2,520,982</u>	<u>\$ 2,565,691</u>

Investment income consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 60,073	\$ 15,913
Unrealized Gain	5,962	30,610
Realized Gain	2,937	16,268
Investment Fees	<u>(3,550)</u>	<u>(3,500)</u>
	<u>\$ 65,422</u>	<u>\$ 59,291</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.



PLYMOUTH CHRISTIAN YOUTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

5. Fair Value (continued)

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

<u>June 30, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 3,101,239	\$ -	\$ -	\$ 3,101,239
Pledges Receivable	-	446,359	-	446,359
Total	<u>\$ 3,101,239</u>	<u>\$ 446,359</u>	<u>\$ -</u>	<u>\$ 3,547,598</u>
<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	-	713,591	-	713,591
Total	<u>\$ 2,565,691</u>	<u>\$ 713,591</u>	<u>\$ -</u>	<u>\$ 3,279,282</u>

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>2018</u>	<u>2017</u>
2018	\$ -	\$ 35,858
2019	111,350	773,380
2020	240,500	50
2021	<u>233,173</u>	<u>-</u>
Total Pledges and Grants Receivable	585,023	809,288
Less Discount at 4%	<u>38,339</u>	<u>59,839</u>
Net Pledges and Grants Receivable	546,684	749,449
Less Current Portion	<u>100,325</u>	<u>35,858</u>
Long-term Portion	<u>\$ 446,359</u>	<u>\$ 713,591</u>

All pledges and grants receivable are considered collectable.

The Organization has three contingent pledges that total \$1,600,000 that are not included in the financials. These pledges will be included as income when the fundraising contingencies are met.



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7. Notes Payable

The breakdown of notes payable was as follows as of:

	June 30,	
	2018	2017
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.	\$ 2,685,840	\$ 2,789,855
Less Portion Due Within One (1) Year	<u>107,235</u>	<u>104,016</u>
Long-term Portion	<u>\$ 2,578,605</u>	<u>\$ 2,685,839</u>

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2019	\$ 107,235
2020	110,342
2021	113,969
2022	117,496
2023	121,132
2024 and beyond	<u>2,115,666</u>
Total	<u>\$ 2,685,840</u>

Interest expense related to all notes was \$83,699 and \$161,089 for the years ended June 30, 2018 and 2017, respectively.

8. Net Asset Balances

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

	June 30,	
	2018	2017
Capital Campaign	\$ 3,117,242	\$ 2,393,568
Subsequent Year Program Grants	107,500	112,957
Scholarships	<u>44,051</u>	<u>51,508</u>
	<u>\$ 3,268,793</u>	<u>\$ 2,558,033</u>

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

	June 30,	
	2018	2017
Operating and Debt Reserve	\$ 581,944	\$ 462,209
Capacity Building	<u>340,942</u>	<u>332,921</u>
	<u>\$ 922,886</u>	<u>\$ 882,386</u>

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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, 2018</u>				
Donor Restricted	\$ -	\$ -	\$ 164,898	\$ 164,898
<u>June 30, 2017</u>				
Donor Restricted	\$ -	\$ -	\$ 164,898	\$ 164,898

Changes in Endowment Net Assets

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
Investment Return:				
Investment Income	-	-	-	-
Unrealized (Loss)	-	-	-	-
Release from Restriction	-	-	-	-
Net Assets – June 30, 2018	\$ -	\$ -	\$ 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 \$14,258 and \$15,509 for the years ended June 30, 2018 and 2017, respectively.

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11. Collaborative Agreement

In January 2007, PCYC joined with four other non-profit organizations to form MACC Alliance, 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 Alliance in the amount of \$17,225 at both years ended June 30, 2018 and 2017.

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.

13. Cash Flow Operating Adjustments

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

	<u>2018</u>	<u>2017</u>
Depreciation	\$ 270,864	\$ 269,670
Unrealized (Gain) on Investments	(5,962)	(30,610)
Realized (Gain) on Investments	(59,973)	(28,047)
Contributed Securities	(466,544)	(200,033)
Long-Term Grants Receivable	267,232	65,568
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(9,418)	5,422
Accrued Expense and Payroll Withholding	25,681	8,425
Accrued Interest Payable	-	(8,122)
Decreases (Increases) in Current Assets:		
Accounts Receivable	189,238	(84,485)
Grants Receivable	(64,467)	(10,652)
Prepaid Expenses	29,478	(31,916)
Total Adjustments	<u>\$ 176,129</u>	<u>\$ (44,780)</u>