

Plymouth Christian Youth Center
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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 23, 2019

PLYMOUTH CHRISTIAN YOUTH CENTER
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash Equivalents	\$ 402,346	\$ 940,655
Accounts Receivable	311,777	216,428
Pledges and Grants Receivable	286,223	100,325
Prepaid Expenses	93,513	76,901
Total Current Assets	1,093,859	1,334,309
Noncurrent Assets:		
Pledges and Grants Receivable - Net	154,690	446,359
Investments	3,163,259	3,101,239
Receivable from MACC Alliance	17,225	17,225
Property and Equipment - Net	6,354,943	5,501,601
TOTAL ASSETS	\$ 10,783,976	\$ 10,400,733
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 20,881	\$ 23,961
Accrued Expense and Payroll Withholding	308,842	152,866
Refundable Advance	50,000	50,000
Current Portion of Notes Payable	111,686	107,235
Total Current Liabilities	491,409	334,062
Long-term Liabilities:		
Notes Payable	2,465,095	2,578,605
Total Liabilities	2,956,504	2,912,667
Net Assets:		
Without Donor Restrictions:		
Board Designated	834,762	922,886
Undesignated	2,983,372	3,131,489
Total Without Donor Restrictions	3,818,134	4,054,375
With Donor Restrictions	4,009,338	3,433,691
Total Net Assets	7,827,472	7,488,066
TOTAL LIABILITIES AND NET ASSETS	\$ 10,783,976	\$ 10,400,733

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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 533,531	\$ 840,754	\$ 1,374,285	\$ 656,858	\$ 1,110,210	\$ 1,767,068
United Way	723	-	723	1,727	-	1,727
Minneapolis Public School	1,765,942	-	1,765,942	1,781,971	-	1,781,971
Government Grants and Contracts	195,416	-	195,416	92,848	-	92,848
Program Service Fees	758,000	-	758,000	626,987	-	626,987
Earned Income	19,477	-	19,477	36,123	-	36,123
Rent	26,282	-	26,282	38,017	-	38,017
Investment Income	94,469	-	94,469	65,422	-	65,422
Miscellaneous Income	1,405	-	1,405	2,940	-	2,940
Net Assets Released from Restrictions:						
Satisfaction of Capital Restrictions	191,637	(191,637)	-	286,786	(286,786)	-
Satisfaction of Program and Time Restrictions	73,470	(73,470)	-	112,664	(112,664)	-
Total Support and Revenue	3,660,352	575,647	4,235,999	3,702,343	710,760	4,413,103
Expense:						
Program Services						
Education Programs	2,024,277	-	2,024,277	2,147,205	-	2,147,205
Youth and Family Programs	554,923	-	554,923	694,902	-	694,902
Cultural Arts Program	498,935	-	498,935	543,672	-	543,672
Total Program Expense	3,078,135	-	3,078,135	3,385,779	-	3,385,779
Support Services:						
Management and General	533,082	-	533,082	373,171	-	373,171
Fundraising	285,376	-	285,376	405,006	-	405,006
Total Support Services	818,458	-	818,458	778,177	-	778,177
Total Expense	3,896,593	-	3,896,593	4,163,956	-	4,163,956
Change in Net Assets from Operations	(236,241)	575,647	339,406	(461,613)	710,760	249,147
Net Assets - Beginning of Year	4,054,375	3,433,691	7,488,066	4,515,988	2,722,931	7,238,919
Net Assets - End of Year	\$ 3,818,134	\$ 4,009,338	\$ 7,827,472	\$ 4,054,375	\$ 3,433,691	\$ 7,488,066

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, 2019 WITH
COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	2019						2018	
	Program Services			Support Services			Total	Total
	Youth & Family Programs	Cultural Arts Program	Total Program Services	Management & General	Fund-raising	Support Services	All Services	All Services
Salaries	\$ 1,236,634	\$ 204,406	\$ 1,720,433	\$ 148,622	\$ 194,720	\$ 343,342	\$ 2,063,775	\$ 2,138,979
Employee Benefits	124,320	21,015	174,300	12,513	22,313	34,826	209,126	228,101
Payroll Taxes	97,993	16,355	137,052	10,798	17,200	27,998	165,050	180,353
Total Personnel Costs	1,458,947	241,776	2,031,785	171,933	234,233	406,166	2,437,951	2,547,433
Professional Fees	124,357	84,275	226,863	284,267	29,657	313,924	540,787	586,435
Occupancy	150,837	50,327	266,701	19,291	1,797	21,088	287,789	307,627
Program Supplies	81,776	12,226	151,693	1,553	5	1,558	153,251	221,338
Interest	40,451	15,265	73,245	4,963	447	5,410	78,655	83,699
Miscellaneous	4,995	36,075	41,827	17,792	3,036	20,828	62,655	49,727
Office Expense	15,959	3,514	22,711	12,402	15,878	28,280	50,991	45,541
Staff and Volunteer Development	6,742	42	7,483	2,455	123	2,578	10,061	11,136
Telecommunications	2,978	205	3,670	289	188	477	4,147	37,827
Travel	894	-	917	249	12	261	1,178	2,329
Depreciation	136,341	55,230	251,240	17,888	-	17,888	269,128	270,864
Total Expense	\$ 2,024,277	\$ 498,935	\$ 3,078,135	\$ 533,082	\$ 285,376	\$ 818,458	\$ 3,896,593	\$ 4,163,956

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, 2018

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 All Services	
Salaries	\$ 1,245,720	\$ 324,995	\$ 230,213	\$ 1,800,928	\$ 90,016	\$ 248,035	\$ 338,051	\$ 2,138,979	
Employee Benefits	133,730	36,268	22,692	192,690	9,396	26,015	35,411	228,101	
Payroll Taxes	106,341	27,880	18,237	152,458	7,480	20,415	27,895	180,353	
Total Personnel Costs	1,485,791	389,143	271,142	2,146,076	106,892	294,465	401,357	2,547,433	
Professional Fees	166,037	37,767	108,580	312,384	199,207	74,844	274,051	586,435	
Occupancy	172,218	72,039	37,494	281,751	13,606	12,270	25,876	307,627	
Program Supplies	92,792	99,295	29,244	221,331	5	2	7	221,338	
Interest	48,431	21,135	6,562	76,128	3,197	4,374	7,571	83,699	
Miscellaneous	4,305	1,061	24,243	29,609	19,939	179	20,118	49,727	
Office Expense	16,120	4,008	1,770	21,898	7,232	16,411	23,643	45,541	
Staff and Volunteer Development	5,282	1,485	-	6,767	3,842	527	4,369	11,136	
Telecommunications	14,824	9,754	9,827	34,405	1,498	1,924	3,422	37,827	
Travel	2,202	52	48	2,302	17	10	27	2,329	
Depreciation	139,203	59,163	54,762	253,128	17,736	-	17,736	270,864	
Total Expense	\$ 2,147,205	\$ 694,902	\$ 543,672	\$ 3,385,779	\$ 373,171	\$ 405,006	\$ 778,177	\$ 4,163,956	

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, 2019 AND 2018

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 339,406	\$ 249,147
Total Adjustments	<u>252,006</u>	<u>176,129</u>
Net Cash Provide by Operating Activities	591,412	425,276
Cash Flows from Investing Activities:		
Proceeds from Maturity/Sale of Investments	5,100,945	2,474,300
Purchases of Property and Equipment	(1,122,470)	(153,602)
Purchases of Investments	<u>(4,999,818)</u>	<u>(2,477,369)</u>
Net Cash (Used) by Investing Activities	(1,021,343)	(156,671)
Cash Flows from Financing Activities:		
Principal Payments on Mortgage Payable	<u>(108,378)</u>	<u>(104,015)</u>
Net Cash (Used) by Financing Activities	<u>(108,378)</u>	<u>(104,015)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(538,309)	164,590
Cash and Cash Equivalents - Beginning of Year	<u>940,655</u>	<u>776,065</u>
Cash and Cash Equivalents - End of Year	<u>\$ 402,346</u>	<u>\$ 940,655</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 78,655</u>	<u>\$ 83,699</u>

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

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 PCYC'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, 2019 AND 2018

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 2019, PCYC will celebrate its 66th 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:

113 children Kindergarten to 5TH grade enrolled in Summer Friends activities of the Out-of-School-Time program in summer 2018, with 100% of the children achieving no summer slide in reading for the 11th year in a row.

77 children K – 5 were enrolled in the Out-of-School-Time Program during school year 2018-19. More than half (54%) of children scored proficient on math fact assessment. 100% of parents surveyed reported program satisfaction, and all families were engaged in at least one activity or strategy during the year.

Approximately 300 youth grades 9 – 12 enrolled in PYC Arts & Tech High School in school year/summer school 2018-19, with an 82% graduation rate achieved among eligible seniors in the Class of 2019, and 100% having viable post-secondary plans.

About 100 teens participated in Capri Theater arts and youth development activities that built life skills such as self-confidence, team building, creative/expressive skills, and technological savvy. Specific programs included: CAST (Capri After School Theater); Capri Theater Apprenticeships, offering paid positions of leadership and learning; Remix audio tech classes; and Camp Capri art/youth development programming for middle school youth.

634 youth were able to select from over 3,488 gifts as they shopped for their families at the 2018 Children's Holiday Gift Sale. 217 volunteers donated time, talent, money and gifts to help make the holidays brighter for North Minneapolis youth and families.

Capri Theater artistic programming included the Legends concert series and Capri Glee community choir, in addition to many partnership programs. April and May 2019 welcomed a record attendance figure of 4,500 attendees for a variety of performances and activities including Prince tours and shows, the Mpls St. Paul Film Festival, St. Paul Chamber Orchestra, Legends and youth performances. The Six Days in May 2019 celebration drew a record 926 Capri patrons and community members to artistic offerings at the Capri to mark the closing of the theater for renovation and expansion. The Capri grand reopening is expected fall 2020.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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:

Net Assets without Donor Restrictions – Net assets which are not subject to donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – The part of net assets of PCYC resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions pursuant to those stipulations or do not 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.

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.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 donor restricted until the donor-imposed restrictions expire or are fulfilled. Donor restricted net assets are reclassified to net assets without donor restrictions 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 net assets without donor restrictions.

PCYC reports gifts of fixed assets as net assets without donor restriction 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, 2019 AND 2018

1. Summary of Significant Accounting Policies (continued)

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).

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 23, 2019, which is the date financial statements were available to be issued.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. PCYC has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively for the periods ended June 30, 2019 and 2018, as required.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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, 2019 and 2018, 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>2019</u>	<u>2018</u>	
Land	\$ 113,625	\$ 113,625	
Buildings and Improvements	9,624,164	9,619,843	10-40 years
Computer Equipment	151,410	151,410	2-5 years
Furniture, Fixtures and Equipment	107,006	107,006	3-10 years
Construction in Progress	<u>1,380,835</u>	<u>262,685</u>	
	11,377,040	10,254,569	
Less Accumulated Depreciation	<u>5,022,097</u>	<u>4,752,968</u>	
	<u>\$ 6,354,943</u>	<u>\$ 5,501,601</u>	

Depreciation expense of \$269,128 and \$270,864 was recorded for the years ended June 30, 2019 and 2018, respectively.

4. Investments

PCYC held the following investments as of June 30, 2019 and 2018:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and				
Money Market Funds	\$ 2,067,857	\$ 2,067,857	\$ 1,990,592	\$ 1,990,592
Mutual Funds:				
Marketable Equity Funds	326,710	367,472	332,774	367,299
Marketable Debt Funds	149,778	144,813	389,889	382,691
Equities	31,046	30,934	31,143	31,851
Corporate Bonds	20,000	20,015	20,000	20,126
ETFs	<u>492,664</u>	<u>532,168</u>	<u>286,170</u>	<u>308,680</u>
	<u>\$ 3,088,055</u>	<u>\$ 3,163,259</u>	<u>\$ 3,050,568</u>	<u>\$ 3,101,239</u>

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

4. Investments (continued)

Investment income consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest and Dividends	\$ 80,860	\$ 60,073
Unrealized Gain	17,259	5,962
Realized Gain (Loss)	(117)	2,937
Investment Fees	<u>(3,533)</u>	<u>(3,550)</u>
	<u>\$ 94,469</u>	<u>\$ 65,422</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, 2019</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 3,163,259	\$ -	\$ -	\$ 3,163,259
Pledges Receivable	-	154,960	-	154,690
Total	<u>\$ 3,163,259</u>	<u>\$ 154,960</u>	<u>\$ -</u>	<u>\$ 3,317,949</u>
<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>

6. 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 \$13,266 and \$14,258 for the years ended June 30, 2019 and 2018, respectively.

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7. 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>2019</u>	<u>2018</u>
2019	\$ -	\$ 111,350
2020	292,492	240,500
2021	<u>160,992</u>	<u>233,173</u>
Total Pledges and Grants Receivable	453,484	585,023
Less Discount at 4%	<u>12,571</u>	<u>38,339</u>
Net Pledges and Grants Receivable	440,913	546,684
Less Current Portion	<u>286,223</u>	<u>100,325</u>
Long-term Portion	<u>\$ 154,690</u>	<u>\$ 446,359</u>

All pledges and grants receivable are considered collectable.

PCYC has a contingent pledge of \$1,200,000 that is not included in the financials. This pledge was earned and received after the year ending June 30, 2019.

8. Notes Payable

The breakdown of notes payable was as follows as of:

	<u>June 30,</u>	
	<u>2019</u>	<u>2018</u>
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.	\$ 2,576,781	\$ 2,685,840
Less Portion Due Within One (1) Year	<u>111,686</u>	<u>107,235</u>
Long-term Portion	<u>\$ 2,465,095</u>	<u>\$ 2,578,605</u>

Principal payments required are as follows:

<u>Due in the Year Ending June 30,</u>	
2020	\$ 111,686
2021	115,094
2022	118,606
2023	122,226
2024	125,956
2025 and beyond	<u>1,983,213</u>
Total	<u>\$ 2,576,781</u>

Interest expense related to all notes was \$78,654 and \$83,699 for the years ended June 30, 2019 and 2018, respectively.

PLYMOUTH CHRISTIAN YOUTH CENTER
NOTES TO FINANCIAL STATEMENTS
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9. Net Asset Balances

Net assets with donor restrictions are restricted for the following purposes or periods as of:

	June 30,	
	2019	2018
Subject to expenditure for specified purpose:		
Capital Campaign	\$ 3,549,718	\$ 3,117,242
Scholarships	71,734	51,263
	3,621,452	3,168,505
Subject to passage of time:		
Future Years Grants	222,988	100,288
Endowments – to be held in perpetuity	164,898	164,898
Total Net Assets With Donor Restrictions	\$ 4,009,338	\$ 3,433,691

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

	June 30,	
	2019	2018
Operating and Debt Reserve	\$ 616,438	\$ 581,944
Capacity Building	218,324	340,942
	\$ 834,762	\$ 992,886

10. Liquidity and Availability

The following represents PCYC's financial assets at June 30, 2019:

Financial Assets:	
Cash and Cash Equivalents	\$ 402,346
Accounts Receivable	311,777
Investments	3,163,259
Pledges Receivable	440,913
Total Financial Assets	4,318,295
Less assets not available to be used for general expenditures within one year:	
Net Assets With Donor Restrictions	2,628,503
Board Designated Net Assets	834,762
Net Assets With Restrictions to be met within a year	(222,988)
Total assets not available for general expenditures within one year:	3,240,277
Financial assets available for general expenditures within one year	\$ 1,078,018

PCYC's board-designated Net Assets are not considered available for use within one year but could be available for use with a board resolution.

As part of PCYC's liquidity plan, PCYC has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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11. Endowment Fund

The Endowment Fund consists of donor restricted funds established for the following purposes:

Donor 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.

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 donor restricted assets held in perpetuity 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".

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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11. Endowment Fund (continued)

Endowment Fund Net Asset Composition by Type of Fund

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>June 30, 2019</u>			
Endowment	\$ <u>-</u>	\$ <u>164,898</u>	\$ <u>164,898</u>
<u>June 30, 2018</u>			
Endowment	\$ <u>-</u>	\$ <u>164,898</u>	\$ <u>164,898</u>

Changes in Endowment Net Assets

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
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
Investment Return:			
Investment Income	-	-	-
Unrealized (Loss)	-	-	-
Release from Restriction	-	-	-
Net Assets – June 30, 2019	\$ -	\$ 164,898	\$ 164,898

12. 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, 2019 and 2018.

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13. 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. Construction begins in the fall of 2019 and will be completed in the fall of 2020.

14. 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>2019</u>	<u>2018</u>
Depreciation	\$ 269,128	\$ 270,864
Unrealized (Gain) on Investments	(17,259)	(5,962)
Realized (Gain) on Investments	(117)	(59,973)
Contributed Securities	(146,452)	(466,544)
Long-Term Grants Receivable	291,669	267,232
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(3,080)	(9,418)
Accrued Expense and Payroll Withholding	155,976	25,681
Decreases (Increases) in Current Assets:		
Accounts Receivable	(95,349)	189,238
Grants Receivable	(185,898)	(64,467)
Prepaid Expenses	<u>(16,612)</u>	<u>29,478</u>
Total Adjustments	<u>\$ 252,006</u>	<u>\$ 176,129</u>